Better Management Oversight Needed for County Administered Federal Rent Assistance Program

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Committee on Finance and Audit

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May 14, 2010

To the Honorable Chairman
of the Board of Supervisors
of the County of Milwaukee

We have completed an audit of the Federal Section 8 Housing Choice Voucher (Rent Assistance) program, administered by the Housing Division of the Milwaukee County Department of Health and Human Services.

The report identifies the need for improved management oversight and additional program resources to reduce errors and omissions in the calculation of rent subsidies paid on behalf of program participants. The report also recognizes future program savings achieved by management while noting the opportunity for enhanced program integrity efforts.

A response from the Department of Health and Human Services is included as Exhibit 2. We appreciate the cooperation extended by administrators and staff of the Milwaukee County Rent Assistance program during the course of this audit.

Please refer this report to the Committee on Finance and Audit.

Jerome J. Heer
Director of Audits

JJH/DCJ/cah

Attachment

cc: Milwaukee County Board of Supervisors
Scott Walker, Milwaukee County Executive
Cynthia Archer, Director, Department of Administrative Services
Lisa Jo Marks, Interim Director, Department of Health and Human Services
Tim Russell, Housing Division Administrator, DHHS-Housing Division
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Better Management Oversight Needed for the County Administered Federal Rent Assistance Program

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Summary

The Federal Section 8 Housing Choice Voucher program (Rent Assistance program) is designed to help low-income families, the elderly, and the disabled rent decent, safe and sanitary housing in the private market. The program is administered locally by public housing agencies (PHAs). The PHAs receive federal funds from the Department of Housing and Urban Development (HUD) to administer the Section 8 program.

Effective January 1, 2008 the County Rent Assistance program has been administered within the Housing Division of the Department of Health and Human Services. The County's Rent Assistance program is currently staffed with 13 positions; in 2009, the program spent $11.9 million assisting 1,765 households. The program has a waiting list of approximately 5,000 County residents seeking assistance.

During 2008 and 2009, the Milwaukee County Department of Audit Hotline received 27 tips relating to the Milwaukee County Rent Assistance program, constituting 25% of the Hotline caseload during that period. We commend Rent Assistance program management for working cooperatively and diligently to address all Hotline referrals. However, because of the number of tips we have received over the last two years, we initiated this audit of the program.

Details of the following issues are presented in the audit report.

- **Errors and omissions resulted in estimated annualized overpayments of $328,000 in the $11.9 million Milwaukee County Rent Assistance program.**

  - Our detailed review of a statistically valid random sample of 119 cases from the Milwaukee County Section 8 Housing Choice Voucher (Rent Assistance) program identified errors and omissions affecting the level of assistance provided in 27 cases (22.7%). Offsetting overpayments with underpayments yielded net annualized overpayments of $22,281 for the sample reviewed. Projected over the entire population of 1,753 cases, we estimate total annualized overpayments of $328,000 for the program. This amounts to 2.8% of the $11.9 million in rent subsidies paid by the program in 2009. Based on the average annual program subsidy during this time period, we estimate the funds expended in error could have served 48 additional families from the program's waiting list of approximately 5,000.

  - Numerous errors and omissions by Housing Program Assistants (HPAs) contributed to the overpayments. These include:

    - Relying on outdated information for calculating program participant income. Milwaukee County Housing Program Assistants (PHAs) generally did a good job of following the HUD hierarchy for income verification. However, we found numerous instances in which HPAs relied on verification data that exceeded HUD time limits.

- Overlooking available data identifying participant income. In some cases, we identified errors and omissions in the calculation of Rent Assistance program subsidies based on documents contained in the files we reviewed. It is unclear how the staff oversights eluded detection during the final quality assurance review of each case, generally performed by the Assistant Program Coordinator, or in his absence, by the Program Coordinator.

- Misinterpreting data obtained from sources routinely used by the program to verify participant income. We found examples from our cases in which HPAs used gross income figures from automated data systems, and in other instances used net income figures. The differences between gross and net figures are often small, frequently relate to payments withheld for Medicare premiums, and do not typically involve large differences in program subsidy calculations. However, these types of errors led us to question program staff's understanding of the data systems they are using.

- Inconsistently applying program policy regarding participants' reporting of increased income. Section 13.2 of the Milwaukee County Rent Assistance Administrative Plan states, in part:

  > "Families will not be required to report any increase in income or decreases in allowable expenses between annual reexaminations."

  Despite this specific policy, the program is not consistent in its application. Four of the seven Milwaukee County Rent Assistance HPAs acknowledged during interviews that they process both increases and decreases to income reported by participants between annual recertifications.

o Additional, focused staff training and better management oversight is needed to prevent and detect staff errors and omissions before monthly rent subsidy payment amounts are finalized. This will entail additional resources.

- **Program terminations in 2009 resulted in future savings of $355,000 but Program Integrity efforts can be enhanced.**

o The Administrative Plan of the Milwaukee County Rent Assistance program has no specific reference to a formal program integrity effort. Neither does it contain, as required by HUD, specific "policies and procedures for fair and consistent treatment of cases of intentional misreporting, abuse and fraud. A policy that clearly defines circumstances under which a family or owner would be terminated from a program . . . is best."

o Notably absent from Milwaukee County's Administrative Plan is a set of criteria or examples from which to draw distinctions between unintentional errors and intentional acts of fraudulent misrepresentations.

o We reviewed the written decisions for each of the 44 Informal Hearings (the process whereby program participants can appeal adverse administrative decisions) conducted by the Milwaukee County Rent Assistance program in 2009. Sixteen of the Informal Hearings involved allegations by the program that participants had failed to report or misrepresented household income. In 12 of the 16 cases involving failure to report income, the Hearing Officer concluded that the violation(s) were intentional and constituted fraud. Despite the use of phrases concluding that the participant in each of 12 cases had intentionally perpetrated a fraud against the Milwaukee County Rent Assistance program, six were offered the opportunity to remain in the program. This included five whose continued participation was subject to agreement on a repayment schedule for amounts ranging from $1,021 to $12,405 (two declined and were ultimately terminated). The other six were terminated from the program (one participant was re-instated after obtaining legal representation and agreeing to repay $17,598 over a period of eight years). None of the 12 cases in which the Hearing Officer opined that the participant had committed fraud against the program were referred to the District Attorney's Office for review.

Program management told us that mitigating circumstances, particularly participants receiving assistance for disabilities, play a prominent role in allowing some participants to remain in the program as a "reasonable accommodation." However, we find it difficult to reconcile conclusions that a participant's actions "must be considered willful and therefore constitutes fraud . . . ." with the notion of a reasonable accommodation for persons with disabilities. Rather, we believe this apparent contradiction stems from a blurring of the distinctions between participant *errors and omissions* and participant *intentional fraud*.

- o Based on our review of the 12 Informal Hearing cases from 2009 in which the Hearing Officer concluded there was program participant fraud, the Department of Audit has referred four cases, summarized in this report, to the District Attorney's Office for its review. When questioned why none of the cases in which the Hearing Officer concluded there was willful, intentional fraud had been referred to the Milwaukee County District Attorney's (DA's) Office, program management said it did not think the DA's Office would be interested in the cases. However, program management acknowledged there has been no dialogue with the DA's Office to determine what types of cases prosecutors may or may not be interested in pursuing.

- o While greater specificity in criteria is needed to distinguish program participant errors and omissions from intentional fraud, Milwaukee County Rent Assistance program management should be recognized for achieving future program savings associated with the termination of 12 program violators during 2009. We conservatively estimate future savings of $355,000 during the next five years based on those terminations.

- **Improved management oversight of the Milwaukee County Rent Assistance program is needed.**

- o Since 2004, under various placements within the Milwaukee County organization chart, there have been six separate appointments to the top management position overseeing the Rent Assistance and other housing programs, including several lengthy periods of vacancies. This has placed de facto top management responsibility on the Program Coordinator position.

  We believe each of the following observations indicate a need for improved management oversight of the Milwaukee County Rent Assistance program.

  - ➢ The high error rate (22.7%) of the cases in our statistically valid random sample) identified in **Section 1** of this report, resulting in projected annualized program overpayments of $328,000 in the $11.9 million program.

  - ➢ The absence of an up-to-date Administrative Plan. While a new section of the plan was added in early 2009, the last major revision to the program's Administrative Plan was in 1999. The lack of a formal Program Integrity section with specific policies and procedures related to quality control and for fair and consistent treatment of cases of intentional misreporting, abuse and fraud is of particular concern.

- The lack of a working relationship with the Milwaukee County District Attorney's Office for guidance in identifying and referring suspected cases of program fraud.

- **Overlapping jurisdictions provide the opportunity for consolidating Rent Assistance programs within Milwaukee County.**

  - Within Milwaukee County three municipalities have established separate, and partially overlapping, locally-administered Federal Section 8 Housing Choice Voucher Programs—Milwaukee County, the City of Milwaukee, and the City of West Allis. All three municipalities run the same federal program within their respective boundaries. We question the need for this duplication of administrative effort. Potential loss of local control and different structures (the City of Milwaukee has created a Housing Authority that includes a mix of City employees and a non-profit organization) are among the challenges facing any attempt to merge the three programs. However, given the lack of resources noted in this audit, policymakers may wish to consider consolidation of the three programs administered within Milwaukee County boundaries to stretch limited program resources in the future.

We have included recommendations to address the issues identified in this report. A management response from the Department of Health and Human Services is included as **Exhibit 2**. We wish to acknowledge the cooperation of Rent Assistance program management and staff during the course of this audit.

Background

The Federal Section 8 Housing Choice Voucher program (Rent Assistance program) is designed to help low-income families, the elderly, and the disabled rent decent, safe and sanitary housing in the private market. The program is administered locally by public housing agencies (PHAs). The PHAs receive federal funds from the Department of Housing and Urban Development (HUD) to administer the Section 8 program. An eligible participant is issued a rental voucher and is responsible for finding a suitable rental unit of his or her choice. Rental units are inspected and must meet minimum standards of health and safety, as determined by the PHA. A rental subsidy is paid directly by the PHA to the landlord on behalf of the participant. The participant then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program.

Within Milwaukee County, three municipalities have established PHAs—the City of Milwaukee, the City of West Allis and Milwaukee County. Milwaukee County's Rent Assistance program services all residents within its borders, including those in the cities of Milwaukee and West Allis.

Milwaukee County Rent Assistance Program

Effective January 1, 2008 the County Rent Assistance program has been administered within the Housing Division of the Department of Health and Human Services (DHHS). The 2008 Milwaukee County Adopted Budget consolidated all housing programs administered by the County into a single division. DHHS was chosen to house this new division to reflect the County's desire to integrate housing with other social service programs and to prioritize the use of housing resources to address the needs of persons with mental illness or other special needs. The Special Needs Program was transferred from the Behavioral Health Division, while the Rent Assistance, HOME/Home Repair and Community Development Block Grant program were transferred from the Department of Administrative Services' Economic and Community Development Division.

The County's Rent Assistance program is staffed with 13 positions in 2010, as detailed in **Table 1.**

Table 1
2010 Staffing for Milwaukee County
Rent Assistance Program

No. of FTEs*	Position Title
1.0	Housing Coordinator
1.0	Assistant Housing Coordinator
2.0	Office Support Assistant 2
2.0	Housing Inspector Rent Assistance
7.0	Housing Program Assistants
13.0	Total

* Full-Time Equivalent Positions

Source: Rent Assistance program records.

HUD pays each PHA an administration fee to cover the cost of running the program, including accepting and reviewing applications, recertifying participants, and inspecting rental units for quality. **Table 2** shows program statistics for the four-year period, 2007—2010.

Table 2
Rent Assistance Program Activity
2007—2010

Program Activity	2007	2008	2009	2010 (Budgeted)
Payments to Owners	$10,783,724	$11,155,704	$11,911,348	$11,733,508
Households Assisted	1,736	1,764	1,765	2,014
Unit Inspections	2,856	2,845	2,831	3,000

Source: Milwaukee County 2009 Adopted Budgets and data from the Department of Administrative Services and Milwaukee County Rent Assistance program.

Department of Audit Fraud Hotline Tips

As noted in the 2009 Annual Audit Hotline Report, issued in February 2010, a total of 43 tips relating to local Section 8 Housing Choice Voucher programs were received during the past two years, including 27 concerning the Milwaukee County Rent Assistance program. The 27 tips constituted 25% of the caseload for the Hotline during that time period.

With the cooperation and assistance of Milwaukee County Rent Assistance program management, nine of the 27 tips were ultimately substantiated. The Hotline tips relating to the program in 2009 consisted primarily of allegations that participants had not reported all of their income, or that they had not disclosed other individuals with additional income that were living at the residence.

We commend Rent Assistance program management for working cooperatively and diligently to address all Hotline referrals. However, because of the number of tips we have received over the last two years, we initiated this audit of the program. The objectives of the audit were to evaluate compliance with specified federal regulations and program policies and procedures, and to review the effectiveness of department policies and procedures related to the identification of program violations.

Section 1: Errors and omissions resulted in estimated annualized overpayments of $328,000 in the $11.9 million Milwaukee County Rent Assistance program.

We estimate $328,000 expended in error could have served 48 additional families from the program's waiting list of approximately 5,000.

Our detailed review of a statistically valid random sample of 119 cases from the Milwaukee County Section 8 Housing Choice Voucher (Rent Assistance) program identified errors and omissions affecting the level of assistance provided in 27 cases (22.7%)[1]. Offsetting overpayments with underpayments yielded net annualized overpayments of $22,281 for the sample reviewed. Projected over the entire population of 1,753 cases, we estimate total annualized overpayments of $328,000 for the program. This amounts to 2.8% of the $11.9 million in rent subsidies paid by the program in 2009. Based on the average annual program subsidy during this time period, we estimate the funds expended in error could have served 48 additional families from the program's waiting list of approximately 5,000.

Staff Errors and Omissions

Numerous errors and omissions by Housing Program Assistants (HPAs) contributed to the overpayments. These include:

- Relying on outdated information for calculating program participant income;
- Overlooking available data identifying participant income;
- Misinterpreting data obtained from sources routinely used by the program to verify participant income; and
- Inconsistently applying program policy regarding participants' reporting of increased income.

[1] Results have a confidence level of 95% with a +/- 7.0% margin of error.

Outdated Information

Income verification is a key component of federal Rent Assistance program administration. The U.S. Department of Housing and Urban Development provides specific guidance for Public Housing Agencies in this area. Following is an excerpt from the HUD Homes and Communities web site, *Verification Frequently Asked Questions (FAQs).*

> "**1. Question: What process should a PHA use to verify income and expenses?**
>
> **Answer:** PHAs should begin with the highest level of verification methods. The use of lower level verification methods will place a higher burden on the PHA to justify use of that particular verification method, rather than a higher method. Following is the established verification hierarchy, from the most reliable to the least:
>
> - **Upfront income verification (UIV):** Verification of income, before or during a family reexamination, through an independent source that systematically and uniformly maintains income information in computerized form for a larger number of individuals. HUD strongly encourages the use of HUD's Enterprise Income Verification (EIV) system, a national database of Social Security and federal assistance payments, employer-reported wages and state-reported unemployment compensation, to verify income data. *[Note: Effective January 31, 2010, use of HUD's EIV is mandatory for all PHAs.]*
>
> - **Third-party written:** Independent verification of income and/or expenses by contacting the independent income/expense source(s) supplied by the family. The verification documents must be supplied directly to the independent source by the PHA and be returned directly to the PHA from the independent source.
>
> - **Third-party oral verification:** In the event that an independent source fails to respond to written verification requests, oral verification directly with the third party (via telephone or in-person visit) may be used . . . .
>
> - **Document review:** Review of original documents provided by the tenant in support of his or her statements regarding income, assets,

and expenses during the reexamination. This verification method should be used when third-party verification cannot be obtained . . . .

- **Family declaration or certification:** Only when all other forms of verification are impossible, the PHA may accept a notarized statement or signed affidavit from the family attesting to the accuracy of the information provided . . . ."

HUD regulations require that verification obtained be no more than 120 days old.

HUD regulations specifically require that verification obtained be no more than 120 days old as of the effective date of recertification. Further, HUD guidelines require that verification provided by tenants (e.g., pay stubs) be no more than 60 days prior to the date of the recertification interview.

Milwaukee County Housing Program Assistants generally did a good job of following the HUD hierarchy for income verification.

Milwaukee County Housing Program Assistants (HPAs) generally did a good job of following the HUD hierarchy for income verification. However, we found numerous instances in which HPAs relied on verification data that exceeded HUD time limits. Problems with the timeliness of income verification data generally stemmed from one of two factors:

- Heavy reliance on the state Client Assistance Re-Employment and Economic Support (CARES) system; and
- A five-month lead time (HUD guidelines suggest a three-to-four-month period) used by the program in requesting participant re-certification applications.

CARES Data

CARES is used statewide to administer a variety of social service benefits to Wisconsin residents. The system contains information useful to the Rent Assistance program for income verification purposes, including quarterly wages reported by Wisconsin employers, unemployment compensation, child support payments, Social Security and Supplemental Security payments, as well as household composition data reported for other government assistance programs.

Information generated by CARES, as well as the HUD-mandated EIV system, is often several months old.

One problem with the information generated by CARES, as well as the EIV system HUD recently mandated for use by PHAs, is that the income data is often several months old. The lack of current data does not pose a significant problem for verifying various forms of *unearned* income, such as Social Security payments, which typically change just once annually for cost of living adjustments. However delays in capturing *earned* income in the form of wages reported by employers are much more problematic. This is because program participants may have begun new employment, increased the number of hours worked per week, or received raises or promotions that increased their income but has not yet appeared in the CARES or EIV databases.

We found numerous instances in our review of 119 case files where income data obtained from CARES and/or EIV were beyond the 120-day limit permitted by HUD regulations. In most of those cases, the income verified was either unearned income that was unlikely to change if updated, or another source of more current information, such as direct employer contact or recent pay stubs from participants, was used for verification.

In 18 of the 119 cases reviewed (15.1%), all sources of earned income verification documentation contained in the files exceeded applicable limits.

However, in 18 of the 119 cases reviewed (15.1%), all sources of earned income verification documentation contained in the files exceeded applicable limits.

For example, an HPA relied on CARES to verify the earned income reported by a program participant. However, the copy of the CARES data screen placed in the file indicated that the last update of the CARES information was on August 17, 2004—nearly five years earlier—and that the current case status was 'closed.' There was no documentation in the file indicating the HPA attempted to verify the information with the employer, which was identified by the program participant, and an EIV report had not been run for this case. At our request, an EIV report was run that showed the participant had under-reported income, resulting in an annualized overpayment of $552.

Five-Month Lead Time

One reason that income verification information obtained from participant's employers was received in advance of the 120-day limit imposed by HUD is that the Milwaukee County Rent Assistance program initiates the recertification process five months or more in advance of the annual renewal date. HUD guidelines suggest initiating the process 90 to 120 days in advance of the effective date of recertification to allow participants sufficient time to gather and submit required documentation, and to allow Public Housing Agencies sufficient time to properly verify and process applications for recertification. Both the City of Milwaukee and City of West Allis Rent Assistance programs use 120-day lead times to initiate their recertification processes.

The County Rent Assistance program's longer lead time provides greater flexibility to deal with non-responsive program participants and employers, and to compensate for high average caseloads (averaging more than 25 cases per HPA per month in recent years) and the imposition of employee furloughs. However, the downside of this practice is that program participants and employers that are responsive may provide information so quickly as to fall outside the allowable timeframe established by HUD regulations. In such instances, HPAs should be making efforts to update the 'stale' information, which adds to the overall workload.

Overlooking Data

It is unclear how staff oversights eluded detection during the final quality assurance review of each case.

In some cases, we identified errors and omissions in the calculation of Rent Assistance program subsidies based on documents contained in the files we reviewed. It is unclear how the staff oversights eluded detection during the final quality assurance review of each case, generally performed by the

Assistant Program Coordinator, or in his absence, by the Program Coordinator.

For example, in one case, we noted that a program participant had not reported any earned income during annual recertifications dating back to 2002, even though the file contained CARES and EIV documents showing earned income each year as far back as 2000. We brought this oversight to the attention of program management, who determined that the program participant had intentionally misrepresented her income and received $11,133 in Rent Assistance benefits to which she was not entitled. The participant was eventually terminated from the program but only after refusing to sign a repayment agreement for the amount of the overpayment. *[Note: This is one of four cases from our audit of the Rent Assistance program that we have referred to the District Attorney's Office for consideration of potential fraud charges.]*

Another example involved a participant with two adult granddaughters living in the household. The effective date of the annual recertification was August 1, 2009. Included in the file was a letter from one granddaughter's employer that verified her employment and income. However, the granddaughter's annualized wages for $4,758 were not included in the household income used to calculate the family's Rent Assistance subsidy. Further, on September 30, 2009 a revision was completed for the participant because her other granddaughter, whose income had been properly included in the previous calculation, had moved out of the household. The revision increased the program subsidy to the participant but, once again, the income of the granddaughter remaining in the household was not included in the subsidy calculation. When we brought this case to the attention of program management, another revision was made to include the income. The total annualized overpayment associated with this omission was $1,428.

Misinterpreting Data

HUD regulations require that gross income, rather than net income, be used to calculate Rent Assistance program benefits. In addition, certain deductions are applied to gross income, including a standard deduction of $480 per dependent, a $400 allowance for the elderly and disabled, and an allowance for certain qualifying medical expenses in excess of 3% of the household gross income.

We found examples from our cases in which HPAs used gross income figures from CARES or EIV data, and in other instances used net income figures. The differences between gross and net figures are often small, frequently relate to payments withheld for Medicare premiums, and do not typically involve large differences in program subsidy calculations.

These types of errors led us to question program staff's understanding of the data systems they are using.

However, these types of errors led us to question program staff's understanding of the data systems they are using. Program management acknowledged that none of the current staff have had specific training on the CARES system while employed by the Rent Assistance program.

Inconsistent Policy Application

HUD regulations mandate that each PHA adopt an Administrative Plan that details policies and procedures established to administer the Rent Assistance program. While HUD requires that PHAs establish a policy regarding interim reporting requirements for program participants, local PHAs are provided some discretion in determining participants' obligations to report changes in income. For instance, PHAs are required to process interim reexaminations when a family reports *decreases* in income. Whether or not families are required to report *increases* in income is left to the discretion of the PHAs.

Section 13.2 of the Milwaukee County Rent Assistance Administrative Plan states, in part:

> "Families will not be required to report any increase in income or decreases in allowable expenses between annual reexaminations."

An exception to this policy is made when families declare no sources of income. For that situation, Section 13.2.1 of the County Administrative Plan states the following:

> "If a family's income is too unstable to project for 12 months, including families that temporarily have no income or have a temporary decrease in income, the Program may schedule special reexaminations every 90 days until the income stabilizes and an annual income can be determined."

Program management indicated that the reason for choosing a policy that does not require the reporting of increased income between annual recertifications is to facilitate HUD's goal of promoting participant self-sufficiency by allowing participants the ability to establish better financial footing.

Despite a specific policy regarding when a participant's income affects rent subsidy calculations, Milwaukee County HPAs are not consistently applying the policy.

Despite the specific policy stated in Section 13.2 of the Administrative Plan and program management's explanation of its intent, Milwaukee County HPAs are not consistently applying this policy. Four of the seven Milwaukee County Rent Assistance HPAs acknowledged during interviews that they process both increases and decreases to income reported by participants between annual recertifications. When we questioned program management about one case that included documents from a program participant reporting an increase in Social Security benefits due to the death of her husband, we were told the decision to process or not process income increases was left to the discretion of the individual HPA.

However, HUD regulatory guidelines clearly state the following:

> "PHAs may require a family to report some, all, or none of the changes in income or expenses that would result in a rent increase. *If only certain*

changes must be reported, the PHA policy should state that no action would be taken if a family reports changes it is not required to report." *[Emphasis added.]*

Other Compliance Issues

Additional areas of concern related to compliance with certain federal regulations were identified during the course of our audit. These include:

- Methods used by HPAs to determine rent reasonableness;
- Timeliness of processing participant eligibility re-certifications;
- Failure to establish and monitor deconcentration goals for areas with high concentrations of poverty and minority residents.

Rent Reasonableness

HUD guidelines are very specific with regard to standards for determining that rent charged to program participants is reasonable.

HUD regulatory guidelines are very specific with regard to standards for determining that rent charged to Rent Assistance program participants is reasonable. HUD establishes Fair Market Rents (FMR) for areas throughout the country based on local real estate transaction data. PHAs are given discretion to establish program Payment Standards (i.e., the maximum rents allowable under the program for one-bedroom, two-bedroom, three-bedroom units, etc.) that are from 90% to 110% of the FMR for their area. Regardless of the Payment Standards established, however, PHAs must make a determination, for each unit approved for the program, that the rent charged is not only within the allowable Payment Standard, but that it is also reasonable based on local market comparables.

According to HUD guidelines, determining rent reasonableness involves two comparisons. First, the PHA must compare the rent for the voucher unit to rents for similar unassisted units in the market. Second, the PHA must compare the rent to rents for similar units on the premises.

However, in some cases we reviewed, HPAs used an internet-based tool called a ‘Rent-O-Meter’ as a means of determining rent reasonableness. Based on an address, monthly rental rate and number of bedrooms input by the user, the Rent-O-Meter searches its database of rents for 1,000 units in the surrounding area. The Rent-O-Meter then calculates the percentage of rents above and below the selected unit. While a useful tool for gaining a general understanding of rents in areas or neighborhoods, the Rent-O-Meter does not make the specific comparisons required by HUD.

After discussing this matter with program management, the Rent-O-Meter is no longer used as the sole source for determining rent reasonableness. According to the Program Coordinator, the preferred method is direct comparison with comparable units obtained from the web site *Craig’s List*, which allows specific, direct comparisons between specific rental units.

Timeliness of Recertifications

HUD regulations require that a PHA must initiate and complete a reexamination of family income and composition for all program participants at least annually. Annual reexaminations include on-site housing inspections, verification of household income and assets, a review of rent reasonableness and recalculation of monthly rent subsidy amounts. In most instances, reexaminations result in recertification of a participant’s continued eligibility for the Rent Assistance program. An examination of the timeliness of annual recertifications can be an indicator of a PHA’s operating efficiency.

Despite a five-month lead time used by the program for initiating participants’ annual recertifications, less than half of our sample were completed by the required date.

Despite the five-month lead time used by the Milwaukee County Rent Assistance program for initiating participants’ annual recertifications, less than half of our sample of 119 cases (58, or 48.7%) were completed by the effective recertification date. **Table 3** shows a breakout of the timeliness of the recertifications.

Table 3
Milwaukee County Rent Assistance Program
Timeliness of Annual Recertifications

Recertification Completed	Number of Cases	Percentage of Cases
Early	57	47.9%
On Effective Date	1	0.8%
1 to 30 Days Late	46	38.7%
> 30 Days Late	15	12.6%
Total	**119**	**100.0%**
Total Early or On Time	58	48.7%
Total Late	61	51.3%

Source: Department of Audit case file review.

There are a variety of reasons for the lack of timeliness in completing annual participant recertifications that are beyond the control of program management. For instance, there are delays in receiving information from participants, landlords or various sources used to verify information. There also may be difficulties scheduling numerous face-to-face participant interviews. Program participants may notify the program of their intention to move very late in the process, requiring a separate housing inspection. These types of delays are not always well documented in case files but surely explain some of the tardiness in recertifications.

For instance, we reviewed the housing inspection dates for 34 of the 61 cases in our sample that exceeded the annual recertification deadline and identified what appears to be very late notice of program participants' intentions to move in 13 (38.2%) of those cases.

Deconcentration

HUD's standard procedure is to establish Fair Market Rents (FMRs) at the 40th percentile of rents in a local real estate market. In addition, HUD will establish 50th percentile FMRs to ensure that low-income families have access to a broad range of housing opportunities throughout a metropolitan area. One goal of the Rent Assistance program is to provide families with opportunities to move out of areas with high concentrations of poverty and minority populations. Areas where HUD will establish the higher FMRs are those where there is:

- A concentration of Rent Assistance program participants; and
- Evidence suggesting that this problem may be due to the distribution of affordable rental units in the area.

The County program's decision to set the payment standard at 110% of FMR triggers additional reporting requirements.

As previously noted, the Milwaukee County Rent Assistance program has established a Payment Standard at 110% of the FMRs established by HUD. Because the FMR established by HUD for the Milwaukee—Waukesha—West Allis metro area is set at the 50th percentile of local market rents, the County program's decision to set the payment standard at 110% of FMR triggers additional reporting requirements.

Specifically, HUD regulatory guidelines state:

> "A PHA that sets a payment standard amount at more the 100 percent of the 50th percentile FMR will be measured under SEMAP *[Section 8 Management Assessment Program]* to determine its performance in achieving deconcentration. . . . Submission of data under the SEMAP Deconcentration bonus is mandatory for a PHA using a payment standard amount that exceeds 100 percent of the 50th percentile FMR. . . . Submission of deconcentration data for the bonus indicator is optional for other PHAs. "

The County Rent Assistance program established the Payment Standard at 110% of FMRs in October 2000, and HUD FMR rates for the Milwaukee—Waukesha—West Allis metropolitan area have been set at the 50th percentile since at least 2001. Despite the HUD requirement, the Milwaukee Rent Assistance program has not measured or reported any data to HUD regarding deconcentration of program participants. According to program management, the reporting of such data has been considered optional. In a management assessment certification performed by HUD in May 2009, the Milwaukee County Rent Assistance program scored zero points on an indicator related to deconcentration. In discussing this matter with the Team Coordinator for the HUD certification review, we were told that there are plans to streamline the number of indicators used by HUD to conduct management assessments from the current 15 indicators down to four, and that the deconcentration indicator is likely to be eliminated.

Additional Issues

Two additional areas of concern arose during our audit fieldwork. These include:

- Limited access to state CARES system data; and
- Limitations on resources devoted to administration of the program.

CARES Access

The State authorizes a limited amount of CARES access for use by the Rent Assistance program.

One issue that was brought to our attention during this audit was the limited amount of CARES access authorized by the State of Wisconsin for use by the Rent Assistance program. According to program management, the State has authorized only Sheboygan County to provide employer reported wages and unemployment compensation data contained in CARES to Rent Assistance PHAs throughout Wisconsin. Program management routinely sends a list of program participants to Sheboygan County for this information.

In addition, the Milwaukee County HPAs have been authorized only limited access to some CARES data; CARES data to which HPAs are denied access include state and federal Supplemental Security Income, unemployment compensation, and detailed state wage information. We also were informed that one Milwaukee County Rent Assistance staff member has much greater CARES access, including child support payments, wage and unemployment histories and household composition and address information. This information is extremely valuable for verifying income and identifying information that may have been withheld, intentionally or unintentionally, by program participants. However, this individual has greater access to CARES only because of her former employment in another division of the Milwaukee County Department of Health and Human Services (DHHS). This access, while beneficial to effective administration of the Rent Assistance program, represents a breakdown in information security protocol within DHHS. Prior to the issuance of this audit report, Rent Assistance program management informed us that State of Wisconsin officials have recently revoked the expanded access to the individual in question.

Resources

In a previous audit, HUD attributed many errors similar to the types identified in this audit to heavy staff workload.

Many errors similar in nature to the types identified in this audit were identified in a previous audit of the Milwaukee County Rent Assistance program conducted by HUD. That audit, issued in August 2007, contained the following comments:

> "To begin, we would like to commend your Authority in regard to the organization present, especially considering the heavy workload that your staff is dealing with. Our review determined that the errors that were encountered were more reflective of the heavy workload as opposed to egregious errors on the part of staff. It is a credit to you and your staff that you continue to operate in an effective manner given the current workload."

Since the issuance of that report, one Housing Program Assistant has been added to the staff. However, the imposition of 22 furlough days for HPAs in 2010 has reduced total staff time by 1,232 hours. A typical County employee with five or more years of experience is available to work about 1,784 hours after adjusting for paid off time, including vacation, holidays, personal time, and sick leave. Thus, the reduction of 1,232 hours in total HPA time available for work is the equivalent of about 69% of the available annual work hours for one typical full time County employee.

In discussing the need for better management oversight and staff training, program management indicated a severe lack of resources for training purposes, and an even greater hurdle of diverting staff time away from workload to devote to training. As an example of how tight the program budget is, the Program Coordinator indicated there were no funds to purchase a scanner for the office to convert critical documents to PDF format for easy transmission—everything must be either faxed or mailed out.

Recommendations

Additional, focused staff training and better management oversight is needed to prevent and detect staff errors and omissions before monthly rent subsidy payment amounts are finalized. This will entail additional resources.

HUD's recent mandate to use its EIV system places greater emphasis for Public Housing Agencies to use up-front income verification efforts, a practice that has long been embraced by the Milwaukee County Rent Assistance program through its use of the State of Wisconsin CARES system. The HUD initiative provides for limiting follow-up efforts with third parties to those cases in which program applicants/participants challenge the EIV data. Milwaukee County program management indicated this will likely result in changes to its current protocols, but agree with us that the CARES system remains a valuable supplemental tool that can assist the program in identifying potential sources of income not reported by program participants.

With these changes and the results of our review in mind, we recommend DHHS management:

1. *Review Rent Assistance program protocols for possible revisions to better align verification efforts for earned income with applicable 120-day and 60-day HUD standards.*

2. *Establish specific, continuous training and procedural refresher sessions for program staff, including proper interpretation of CARES and EIV systems, as well as consistent follow-up and documentation of efforts to reconcile differences between system-reported data and participant-reported income.*

3. *Perform more detailed case reviews on a sample of at least 30 cases per quarter and follow-up individual errors with reinforcement during training and procedural refresher sessions previously recommended. Particular care should be taken to ensure consistent application of all program policies.*

4. *If mandatory furlough days continue to reduce available staff hours, work with the Department of Administrative Services to identify additional resources (e.g., temporary help, student intern positions, etc.) sufficient to provide relief to Housing Program Associates for needed training.*

5. *Petition the State of Wisconsin for enhanced access to the CARES system, thus sanctioning past program practice.*

6. *Identify resources within the department to make the purchase of a relatively inexpensive scanner/copier (approximately $1,000) for the Rent Assistance program a priority.*

Section 2: Program terminations in 2009 resulted in estimated future savings of $355,000 but Program Integrity efforts could be enhanced.

Rent Assistance Program Integrity

HUD regulatory guidelines specifically address the issue of program integrity. Following are excerpts from the *Housing Choice Voucher Program Guidebook, Chapter 22, PROGRAM INTEGRITY*:

> "PHAs maintain their credibility with applicant and participant families, owners, HUD, and the larger community by enforcing program requirements. When families, owners, or PHA employees fail to adhere to program requirements, the PHA must take appropriate action. The action that is appropriate depends on the particular case of circumstances. . . .
>
> An error or omission may be intentional or unintentional. Some will affect family payment and subsidy amounts; others will not. It is important that PHAs carefully analyze the unique circumstances of the case to determine how to best handle the situation. . . .
>
> "Fraud" and "abuse" mean a single act or pattern of actions made with the intent to deceive or mislead, constituting a false statement, omission, or concealment of a substantive fact. Fraud and abuse result in the payment of housing choice voucher program funds in violation of program requirements. It often occurs when families or owners intentionally fail to report required information or report incorrect information to obtain benefits to which they are not entitled. Fraud is a legal term that involves taking legal action to pursue a remedy of the situation, such as terminating program assistance.
>
> It is important that PHA staff recognize the differences between unintentional and intentional misreporting. Particularly in cases of intentional misreporting, PHA staff must be able to evaluate the special circumstances and seriousness of the case to determine whether it is a case of fraud. PHAs must also establish policies and

> procedures for fair and consistent treatment of cases of intentional misreporting, abuse and fraud. A policy that clearly defines circumstances under which a family or owner would be terminated from the program, but also allows the PHA to consider mitigating circumstances before terminating, is best."

The Administrative Plan of the Milwaukee County Rent Assistance program has no specific reference to a formal program integrity effort.

The Administrative Plan of the Milwaukee County Rent Assistance program has no specific reference to a formal program integrity effort. Neither does it contain specific "policies and procedures for fair and consistent treatment of cases of intentional misreporting, abuse and fraud. A policy that clearly defines circumstances under which a family or owner would be terminated from a program . . . is best."

The program's Administrative Plan does contain general provisions for termination from the program, as well as for participants to appeal program decisions. Following are examples of these types of general provisions, which are repeated directly from language contained in the Federal Code of Regulations:

> "The Program may at any time terminate program assistance for a participant, because of any of the actions or inaction by the household:
>
> > If the family violates any family obligations under the program. . . .
> >
> > If any member of the family commits fraud, bribery or any other corrupt or criminal act in connection with any Federal housing program. . . .
> >
> > If the family breaches an agreement with the Housing Authority/Agency to pay amounts owed to a Housing Authority/Agency. . . .
>
> In deciding whether to terminate assistance because of action or inaction by members of the family, the Program may consider all of the circumstances in each case, including the seriousness of the case, the extent of participation or culpability of individual family

members, and the effects of denial or termination of assistance on other family members who were not involved in the action or failure."

Notably absent from Milwaukee County's Administrative Plan is a set of criteria from which to draw distinctions between unintentional errors and intentional acts of fraudulent misrepresentations.

Notably absent from Milwaukee County's Administrative Plan is a set of criteria or examples from which to draw distinctions between unintentional errors and intentional acts of fraudulent misrepresentations.

For instance, the *HUD Guidebook* provides guidance for drawing such distinctions, as shown in **Table 4**.

Table 4
Section 8 Housing Choice Voucher (Rent Assistance) Program
Errors and Omissions vs. Fraud and Abuse

Errors/Omissions	Fraud/Abuse
• Failure to report required information due to lack of understanding, such as omitting a particular asset or failing to report a source of income. • Incorrect reporting, such as reporting the income source but incorrectly stating the amount of income. • Failure to report changes as required, such a failure to notify the PHA of a change in family composition or income.	• Intentionally misrepresenting income, assets, and allowances. • Intentionally misrepresenting family composition. • Initiating and participating in bribes or other illegal activities.

Source: *HUD Housing Choice Voucher Program Guidebook*

The lack of specificity in the Milwaukee County Rent Assistance program's policies and procedures regarding the recognition and treatment of fraud provides program management great latitude in considering mitigating circumstances when abuses are suspected. However, the same lack of specificity can make it challenging for management to explain apparently inconsistent treatment for similar circumstances.

In 12 of 16 cases involving failure to report income, the Hearing Officer concluded that the violation(s) were intentional and constituted fraud.

Despite concluding that the participant in each of 12 cases had intentionally perpetrated a fraud against the Milwaukee County Rent Assistance program, six were offered the opportunity to remain in the program.

Informal Hearings

For example, we reviewed the written decisions for each of the 44 Informal Hearings (the process whereby program participants can appeal adverse administrative decisions) conducted by the Milwaukee County Rent Assistance program in 2009. Sixteen of the Informal Hearings involved allegations by the program that participants had failed to report or misrepresented household income. In 12 of the 16 cases involving failure to report income, the Hearing Officer concluded that the violation(s) were intentional and constituted fraud, using one of the following phrases:

- "The program has obtained sufficient and credible evidence to determine that the participant misrepresented her household income and that this misrepresentation was intentional for the sole purpose to secure HUD funds that she was not entitle to."
- "The Hearing Officer also finds that the participant's concealment of income was intentional and must be considered fraud."
- "The participant's failure to provide the program with the required information must be considered willful and therefore constitutes fraud for the sole purpose to secure benefits that she is not entitled to."
- "The participant's failure to provide the program with the required information and the subletting of a portion of the unit must be considered willful and therefore constitutes fraud for the sole purpose to secure benefits that she was not entitled to."

Despite use of one of the above phrases concluding that the participant in each of 12 cases had intentionally perpetrated a fraud against the Milwaukee County Rent Assistance program, six were offered the opportunity to remain in the program. This included five whose continued participation was subject to agreement on a repayment schedule for amounts ranging from $1,021 to $12,405 (two declined and were ultimately terminated). The other six were terminated from the program (one participant was re-instated after obtaining legal representation and agreeing to repay $17,598 over a period of eight years). None of the 12 cases in which the Hearing Officer opined that the participant had committed fraud against the program were referred to the District Attorney's Office for review.

Program management told us that mitigating circumstances, particularly participants receiving assistance for disabilities, play a prominent role in allowing some participants to remain in the program.

Program management told us that mitigating circumstances, particularly participants receiving assistance for disabilities, play a prominent role in allowing some participants to remain in the program as a "reasonable accommodation." However, we find it difficult to reconcile conclusions that a participant's actions "…must be considered willful and therefore constitutes fraud…" with the notion of a reasonable accommodation for persons with disabilities. Rather, we believe this apparent contradiction stems from a blurring of the distinctions between participant *errors and omissions* and participant *intentional fraud*.

The Department of Audit has referred four cases to the District Attorney's Office for its review.

Based on our review of the 12 Informal Hearing cases from 2009 in which the Hearing Officer concluded there was program participant fraud, the Department of Audit has referred the following four cases to the District Attorney's Office for its review:

- In one case, an individual had been a Rent Assistance program participant since 1994. In February 2009, the participant signed a recertification application that stated her only income was Supplemental Security Income. However, during our review of this case file, we noted income verification documents indicating the participant had been regularly employed since 2004. When we brought this discrepancy to the attention of program management, an Informal Hearing was scheduled. The written decision for this Informal Hearing indicated the participant had failed to report her employment in annual recertification applications in 2004, 2005, 2006, 2007, 2008 and 2009. Rent Assistance overpayments resulting from the participant's unreported income totaled $11,133. Despite this extended period of misrepresentation and the Hearing Officer's conclusion that "[t]he participant's failure to provide the program with the required information must be considered willful and therefore constitutes fraud for the sole purpose to secure benefits that she is not entitled to," the participant was not initially terminated from the program. Rather, she was offered continued participation, subject to agreement on a repayment schedule for the $11,133. The participant was ultimately terminated from the program, but only after failing to agree to repayment.

- In another case, Rent Assistance staff member recognized the name of a program participant who was the subject of a newspaper article identifying potential child day care fraud. The participant was terminated from the program after it was determined that she had failed to report $135,246 in gross income during the period January 2008 through March 2009 from the operation of a daycare business at her rent-subsidized housing unit. The issue of potential overpayments was complicated by the participant's claim that she made no profit from the business; the Hearing Officer did not address this assertion. Rather, the Hearing Officer cited the participant's failure to report the gross income (a clear program violation) and concluded, "…that the participant's concealment of income was intentional and must be considered fraud." Program management told us that it was presumed this case was referred to the proper authorities because "someone from the State" had come to review the case documents.

- In another case, a participant failed to report gross income of $132,267 during the period April 30, 2004 through July 31, 2009. The Informal Hearing record indicates the participant failed to report the income on annual recertification applications in 2005, 2006, 2007, 2008 and 2009. Rent Assistance overpayments (including assistance for utility expenses) totaled $54,418. The Hearing Officer's written decisions states: "The participant is to be terminated from the Milwaukee County Choice Voucher Housing [Rent Assistance] Program as soon as administratively possible and this case is to be given to the proper authorities for prosecution for fraud and repayment of all monies including all utility reimbursement payments that the participant was not eligible for." However, as previously noted, neither this, or any other, case was referred by program management to the Milwaukee County District Attorney's Office for possible prosecution. Program management indicated the case has been assigned to program staff to pursue collection efforts through the Office of Corporation Counsel.

- In another case, a participant was living with her two adult daughters. On two separate annual recertification applications, all three family members signed no-income certification forms. It was later discovered that one of the adult daughters failed to report gross income totaling $49,055 during 2008 and 2009. Overpayments for this case totaled $10,976. Despite the participant's failure to appear for the Informal Hearing, and the Hearing Officer's conclusion that "[t]he participant's failure to provide the program with the required information must be considered willful and therefore constitutes fraud for the sole purpose to secure benefits that she is not entitled to," the participant was offered the opportunity to remain in the program, subject to agreement on a repayment schedule. The participant was ultimately terminated from the program after failing to agree to repayment. Program management also indicated its intent to pursue collection efforts on this case through the Office of Corporation Counsel.

There has been no dialogue with the DA's Office during the past three years to determine what types of cases prosecutors may or may not be interested in pursuing.

When questioned why none of the cases in which the Hearing Officer concluded there was willful, intentional fraud had been referred to the Milwaukee County District Attorney's (DA's) Office, program management said it did not think the DA's Office would be interested in the cases. The Assistance Program Coordinator stated he spoke to an individual in the former White Collar Crime Unit within the District Attorney's Office about three years ago regarding a potential referral and the individual stated there were no funds available to pursue the case. However, program management acknowledged there has been no dialogue with the DA's Office since that time to determine what types of cases prosecutors may or may not be interested in pursuing.

Program management achieved future savings of $355,000 from terminating 12 program violators in 2009.

<u>Program Terminations</u>

While greater specificity in criteria is needed to distinguish program participant errors and omissions from intentional fraud, Milwaukee County Rent Assistance program management should be recognized for achieving future program savings associated with the termination of 12 program violators during 2009. We conservatively estimate future savings of $355,000 during the next five years based on those terminations.

Repayment Agreements

Lacking a formal policy on distinguishing program participant errors and omissions from instances of suspected fraud also makes it difficult to discern a consistent philosophy for when a participant is offered an opportunity to repay program overpayments resulting from failure to report income. As of March 2, 2010 the Milwaukee County Rent Assistance program had active repayment agreements with 12 current or past program participants. As of that same date, 49 participants were removed from the program with a total remaining balance owed of about $36,000.

HUD has recently established a national database to identify program participants with outstanding balances on repayment agreements with local PHAs. This will allow PHAs to deny access to applicants who have outstanding program debts from other localities until such outstanding balances are addressed. While an important tool added by HUD to help ensure Rent Assistance program integrity, this change does not constitute a collection effort. Milwaukee County has been working to centralize delinquent account collections and has had considerable success with the State of Wisconsin Tax Intercept program [see *An Audit of Milwaukee County Billing and Collection Practices, February 2007*]. Discussion with Department of Administration collection staff indicates that Rent Assistance program participants who refuse collection efforts or stop making agreed-upon repayments would be good candidates for the Tax Intercept program.

Under-Reported Income

There are numerous reasons for discrepancies in the amounts of income reported by program participants on applications for recertification.

In about half (49.6%) of the cases we reviewed, the amount of income reported by program participants on applications for annual recertification was less than the income ultimately used by program staff in determining program eligibility and allowable monthly rent subsidy amounts. There are numerous reasons for such discrepancies.

For instance, due to the long lead-time between a participant receiving recertification materials from the program and the effective date of recertification (approximately five months), circumstances can change. Participants may obtain employment between the time they submit their recertification materials and when they appear for a face-to-face interview with Rent Assistance program staff. Other variables, such as increased hours for a part time job, increased Social Security payments due to the death of a spouse, additional court-ordered child support, or other unforeseen changes in income may have occurred. In other instances, program participants may have incorrectly estimated monthly income, or may have identified an employer but failed to include an hourly rate.

In all but one of 17 cases with income reporting discrepancies of 25% or more, there was no clear indication of intentional misrepresentation.

For this reason, we focused on 17 cases from our sample of 119 that had a discrepancy of 25% or more between the income reported by participants on their application and the income used by the program for establishing monthly rent subsidy amounts. We were aided in our analysis by requesting recent EIV records from the Rent Assistance program for all the cases in our audit sample. The EIV records could provide retrospective evidence of employment that may not have been available to the program at the time of the participants' recertifications. In all but one of the 17 cases with income reporting discrepancies of 25% or more, there was no clear indication of intentional misrepresentation. We referred the remaining case, along with three others from our audit sample, to program management to consider scheduling Informal Hearings for failure to report income.

Need for Improved Management Oversight

Since 2004 there have been six separate appointments to the top management position overseeing the Milwaukee County Rent Assistance program.

In **Section 1** of this report, we identified a lack of program resources for the Milwaukee County Rent Assistance program. Exacerbating the problems associated with a general lack of program resources has been a high level of turnover and vacancy in the position of Housing Director. Since 2004, under various placements within the Milwaukee County organization chart, there have been six separate appointments to the top management position overseeing the Rent Assistance and other housing programs, including several lengthy periods of vacancies. This has placed de facto top management responsibility on the Program Coordinator position.

We believe each of the following observations indicate a need for improved management oversight of the Milwaukee County Rent Assistance program.

- The high error rate (22.7%) of the cases in our statistically valid random sample) identified in **Section 1** of this report, resulting in projected annualized overpayments of $328,000 in the $11.9 million program.

- The absence of an up-to-date Administrative Plan. While a new section of the plan was added in early 2009, the last major revision to the program's Administrative Plan was in 1999. The lack of a formal Program Integrity section with specific policies and procedures related to quality control and for fair and consistent treatment of cases of intentional misreporting, abuse and fraud is of particular concern. Other examples of needed updates include a clear definition of 'temporary or sporadic income' that HPAs should exclude from their determinations of participants' gross incomes, as well as the development of policies and procedures on the proper use and security of EIV data.

- The lack of a working relationship with the Milwaukee County District Attorney's Office for guidance in identifying and referring suspected cases of program fraud.

Potential for Consolidation

Within Milwaukee County there are three separate, and partially overlapping, locally-administered Federal Section 8 Housing Choice Voucher Programs.

- As noted in the **Background** section of this report, within Milwaukee County three municipalities have established separate, and partially overlapping, locally-administered Federal Section 8 Housing Choice Voucher Programs—Milwaukee County, the City of Milwaukee, and the City of West Allis. We question the need for this duplication of administrative effort. Potential loss of local control and different structures (the City of Milwaukee has created a Housing Authority that includes a mix of City employees and a non-profit organization) are among the challenges facing any attempt to merge the three programs. However, given the lack of resources noted in this audit, policymakers may wish to consider consolidation of the three programs administered within Milwaukee County boundaries to stretch limited program resources in the future.

Recommendations

To address the management oversight issues identified in this report, we recommend that DHHS management:

7. *Update the Administrative Plan, including a specific section on Program Integrity that formalizes the program's quality control measures to prevent and detect staff errors and omissions. Specific policies and procedures should be established for fair and consistent treatment of cases involving intentional misreporting, abuse and fraud.*

8. *Develop a dialogue and working relationship with the District Attorney's Office to guide the program in identifying appropriate cases of suspected fraud for referral to the District Attorney.*

9. *Work with the Department of Administrative Services to utilize the County's Tax Intercept Program to recoup program overpayments when participants refuse to sign or honor repayment agreements.*

Exhibit 1

Audit Scope

The objective of this audit was to review the Milwaukee County Section 8 Housing Choice Voucher (Rent Assistance) program for compliance with specified federal regulations and program policies and procedures. In addition, we reviewed the effectiveness of department policies and procedures related to the identification of program violations. The audit focused on cases processed during 2008 and 2009.

The audit was conducted under standards set forth in the United States Government Accountability Office *Government Auditing Standards (2007 Revision).*

We limited our review to the areas specified in this Scope Section. During the course of the audit, we performed the following tasks.

- Reviewed Adopted Budget information relating to the Rent Assistance program.
- Reviewed the Public Policy Forum report, *Give Me Shelter* issued in May 2009.
- Reviewed federal audit reports related to the Rent Assistance program.
- Reviewed previous Fraud Hotline reports that highlighted issues related to the Rent Assistance program.
- Reviewed the Code of Federal Regulations related to the Rent Assistance program.
- Interviewed departmental staff to obtain a clear understanding of how Rent Assistance operations are performed.
- Compared Milwaukee County's operations to Rent Assistance programs operated in the City of Milwaukee and the City of West Allis.
- Performed a risk assessment to identify areas of exposure to potential fraud, that fall within the parameters of our audit scope and objectives.
- Obtained a data file containing Rent Assistance program participants and identified the population for a random sample.
- Developed a statistically valid random sample of 119 participants and examined the case file documentation to determine whether Rent Assistance staff complied with selected federal regulations and department policies and procedures.
- Reviewed 2009 Rent Assistance Informal Hearing decisions.

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE: May 12, 2010

TO: Jerry Heer, Director of Audits

FROM: Lisa Marks, Interim Director - Department of Health & Human Services
Prepared by: Tim Russell, Administrator - Housing Division

RE: **DEPARTMENTAL RESPONSE TO AUDIT OF THE HOUSING CHOICE VOUCHER (SECTION 8) PROGRAM**

First, I would like to thank to staff of the Audit Department for the professional and cooperative manner in which this audit has been conducted over the nearly twelve months of review. While the program staff and the Audit Department may not have interpreted all of the data in the same way, we were able to work together to reach reasonable resolutions.

Furthermore, the Audit does report that the Division is generally in compliance with the myriad of rules and regulations that govern the HUD program, although there are clearly areas where procedures can be refined to provide even better and more current data to program staff in the decision making process. It is a challenge for anyone to review a HUD program with the many layers of HUD regulations, notices and manuals, and fully digest compliance and fully understand all of the nuances attendant to the program.

While this Audit was occasioned by the volume of tips to the Audit Hotline (27 tips over two years), I would also note that over that time period the Division staff worked cooperatively with the Audit Department to substantiate nine of those complaints and took appropriate action. We are committed to program integrity and will continue to work with Hotline referrals as they may come in.

Before addressing the specific recommendations of the report, I would also like to inform you that since the completion of the report, the Division has been notified by HUD that, for the fiscal year ending 12/31/2009, the Milwaukee County Housing Choice Voucher Program was placed in the High performance category. This is from their review of HUD's fifteen program indicators under their Section 8 Management Assessment Program. The HUD determined score was 96%. This performance is in line with the Audit Departments conclusion that the program properly applied 97.2% of the HUD funding allocation.

Specific Responses to Recommendations:

Recommendation 1: This has been implemented and is demonstrated by **Exhibit I**, which is a date sensitive processing matrix. The processing milestones illustrated in this exhibit will remove from the caseworker and other support staff the ability to acquire any documentation before the 120-day parameter. In addition, staff training and quality assurance protocols will ensure that HUD regulation is properly implemented.

Recommendation 2: The HUD Enterprise Income Verification (EIV) system is the primary tool in reviewing program tenant participant eligibility and became a HUD requirement on January 31, 2010. HUD offered a web based training in a live version on January 28, 2010 and it is archived for future reference. All staff has viewed this HUD required web based training. Additional HUD training material is planned but as of this report is not available. The CARES training recommendation will be pursued to ensure familiarity with this optional, but useful, verification tool.

Recommendation 3: Currently, all cases are reviewed by Program management before being approved for payment. This process has produced an error rate of 2.8% on the dollar volume of payments as the data in this Audit validates. While no program will ever be 100% error free, the Division will work to ensure that this error rate is further reduced if at all possible. When files are reviewed presently and errors are identified, specific feedback is provided to the HPA. This provides specific, detailed and immediate feedback. Going forward, senior management of the Division will review, on a quarterly basis, a random sample of the files to look for specific, repetitive errors that would indicate training needs, either for specific staff or across the program staff.

Recommendation 4: Regardless of the challenges the program faces, the Division will work with DAS and departmental staff to ensure that needed training takes place without presenting an undue burden on program staff.

Recommendation 5: All program staff that has access to CARES recently completed the State of Wisconsin Computer Access Request form DWSW-10-E. This form is State required in order to review granting any additional CARES access. We have been notified by the state that, due to specific statutory prohibitions, our staff cannot access the "screens" that we have requested. The Division will continue to explore other methods of obtaining validation data that may be available.

Recommendation 6: The Division agrees with and will implement this recommendation.

Recommendation 7: The Division will review the Administrative Plan for inclusion of the Audit recommends and will develop specific policies and procedures on treatment of cases involving intentional misreporting, abuse and fraud. This review will be performed in the context of HUD requirements for the Program.

Recommendation 8: The Division agrees that a working relationship with the District Attorney's Office is important and will establish such a working relationship on referral of cases of suspected fraud.

Recommendation 9: The Division will work with the Department of Administrative Services and Corporation Counsel to utilize the County's Tax Intercept Program.

Lisa Marks, Interim Director
Department of Health & Human Services

2010

Section 8 Housing Choice Voucher Program

Recertification Processing Milestones & Cutoffs Year 2010

HAP Contact Expiration Date	Program Recert Month	Recert Package Mailing Month	Recert case HPA assignment	3rd party verification mailing	EIV Data Downloaded	Eligibility Determination Completed By	HQS Passed By	Contract signed Recert Complete By	A/P Cutoff (estimates)	A/P Cutoff Revisions (estimates)
01/31/10	02/01/10	08/31/09	09/30/09			12/01/09	12/15/09	01/15/10	01/21/10	01/26/10
02/28/10	03/01/10	09/30/09	10/30/09			01/01/10	01/15/10	02/15/10	02/18/10	02/23/10
03/31/10	04/01/10	10/30/09	11/30/09			02/01/10	02/15/10	03/15/10	03/23/10	03/26/10
04/30/10	05/01/10	11/30/09	12/31/09			03/01/10	03/15/10	04/15/10	04/22/10	04/27/10
05/31/10	06/01/10	12/31/09	01/29/10			04/01/10	04/15/10	05/15/10	05/20/10	05/25/10
06/30/10	07/01/10	01/29/10	02/26/10			05/01/10	05/15/10	06/15/10	06/22/10	06/25/10
07/31/10	08/01/10	02/26/10	03/31/10			06/01/10	06/15/10	07/15/10	07/22/10	07/27/10
08/31/10	09/01/10	03/31/10	04/30/10		05/17/10	07/01/10	07/15/10	08/15/10	08/23/10	08/26/10
09/30/10	10/01/10	04/30/10	05/28/10	06/01/10	06/15/10	08/01/10	08/15/10	09/15/10	09/22/10	09/27/10
10/31/10	11/01/10	05/28/10	06/30/10	07/01/10	07/16/10	09/01/10	09/15/10	10/15/10	10/21/10	10/26/10
11/30/10	12/01/10	06/30/10	07/30/10	08/02/10	08/16/10	10/01/10	10/15/10	11/15/10	11/19/10	11/24/10
12/31/10	01/01/11	07/30/10	08/31/10	09/01/10	09/15/10	11/01/10	11/15/10	12/15/10	12/22/10	12/27/10

Note: The dates represent the targeted latest completion of the recertification process milestone.
This assume that the participant is staying in place, attends scheduled appointments, and HQS issues are timely addressed.