



City of New York

OFFICE OF THE COMPTROLLER

John C. Liu

COMPTROLLER



FINANCIAL AUDIT

Tina Kim

Deputy Comptroller for Audit

Audit Report on the Department of
Housing Preservation and
Development's Disbursement of Its
Family Self-Sufficiency Program Funds

FM13-058A

October 22, 2013

<http://comptroller.nyc.gov>



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
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John C. Liu
COMPTROLLER

October 22, 2013

To the Residents of the City of New York:

My office has audited the Housing Preservation and Development (HPD) Family Self-Sufficiency (FSS) program's compliance with disbursement procedures to determine whether HPD processed interim and graduation payments in accordance with FSS program guidelines. We audit programs such as this as a means of increasing accountability and ensuring that Federal, State, and City resources are used effectively, efficiently, and in the best interest of the public.

FSS is a federally funded program that provides an incentive for Section 8 tenants to achieve self-sufficiency. To enroll in the program, HPD and the participating family (participant) execute a five-year contract that specifies the rights and responsibilities of both parties. This contract of participation specifies the goals and services for each family member. Generally, the goal is for the participant to seek and maintain employment, but there can be other goals, such as purchasing a home for the family. Family members are required to fulfill all requirements in order to obtain full benefits.

The audit found that HPD does not consistently adhere to FSS guidelines for participant disbursements, resulting in questionable payments. By not consistently following program guidelines, it appears HPD has made questionable payments. In 25 of the 60 (42 percent) participants' files reviewed, HPD either did not process disbursements according to FSS program guidelines or made questionable decisions during and prior to processing disbursements. Consequently, up to \$140,915 out of the \$366,726 in payments reviewed appears problematic. In addition, it appears two participants may have defrauded HPD in excess of \$330,000 by not reporting ownership in multiple family dwellings while receiving FSS payments and Section 8 subsidies.

The audit recommends that HPD obtain detailed supporting documentation when processing interim disbursements, perform initial escrow calculations for participants within 120 days of the contract start date as specified by the Department of Housing and Urban Development (HUD), and use the Welfare Management System (WMS) to ensure that participants who are scheduled to receive graduation payments have satisfied the benchmark of remaining off welfare cash assistance for the last 12 months of their contracts.

The results of the audit have been discussed with HPD officials, and their comments have been considered in preparing this report. Their complete written responses are attached to this report.

If you have any questions concerning this report, please e-mail my audit bureau at audit@comptroller.nyc.gov.

Sincerely,

A handwritten signature in black ink, appearing to read 'JCL' with a stylized flourish.

John C. Liu

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THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER FINANCIAL AUDIT

Audit Report on the New York City Department of Housing Preservation and Development's Disbursement of Family Self-Sufficiency Program Funds

FM13-058A

AUDIT REPORT IN BRIEF

The Department of Housing Preservation and Development (HPD) administers Housing Choice, or Section 8, vouchers for approximately 29,000 low-income families in the City. Rent subsidies (vouchers) allow families to pay a share of their income toward rent, while Section 8, within specific limits, pays the difference. Generally, HPD Section 8 vouchers are limited to narrowly-defined populations, such as formerly homeless families and families living in buildings renovated by HPD. Currently, approximately 1,600 families receiving HPD Section 8 vouchers also participate in the Family Self-Sufficiency (FSS) Program.

FSS is a federally funded program that provides an incentive for Section 8 tenants to achieve self-sufficiency. To enroll in the program, HPD and the participating family (participant) execute a five-year contract that specifies the rights and responsibilities of both parties. This contract of participation specifies the goals and services for each family member. Generally, the goal is for the participant to seek and maintain employment, but there can be other goals, such as purchasing a home for the family. Family members are required to fulfill all requirements in order to obtain full benefits.

As the program participant earns more income during their time in the program, the rent subsidy the family receives from HPD is lowered. However, HPD deposits the difference between the family's older, lower monthly rent payment and newer, higher monthly rent payment into an interest-bearing escrow account. After five years, if the participant meets the goals outlined in the contract, the participant receives the funds in the escrow account (graduation). The participant can also receive "interim" disbursements before the end of the contract to complete intermediate goals, such as paying educational costs to enhance job skills or purchasing a vehicle to increase job prospects.

The objective of this audit was to determine whether HPD processes disbursements in accordance with FSS guidelines.

Audit Findings and Conclusion

HPD does not consistently adhere to FSS guidelines for participant disbursements. By not consistently following program guidelines, it appears HPD has made questionable payments. In 25 of the 60 (42 percent) participants' files reviewed, HPD either did not process disbursements according to FSS program guidelines or made questionable decisions during and prior to processing disbursements. Consequently, up to \$140,915 out of the \$366,726 in payments reviewed appear problematic.

According to documentation in HPD's files, two participants were ineligible to graduate but received \$17,387—one of those participants may have received another graduation payment totaling \$9,334 in 2006. In addition, HPD paid in excess of \$19,379 in interim payments on behalf of another three participants for vehicles, but HPD did not have adequate documentation on file supporting the sales. Furthermore, records indicate that one of the participants did not purchase a car and did not even have a license to drive. Another participant never acquired title to the car and had a suspended license at the time HPD processed payment. For 13 additional participants, HPD used income certifications outside of the required timeframe to establish the initial amount for the participants' escrow payments. As a result, these participants may have accumulated and received funds they were not entitled to, but due to a lack of documentation, this amount remains unknown. Consequently, we question the payments to those 13 participants, totaling \$61,133.¹ Six more participants who received \$40,016 did not have contracts or valid contracts on file. Finally, HPD processed an interim disbursement in the amount of \$3,000 on behalf of a participant to pay private school tuition.

HPD does not always utilize the available resources to ensure that it is disbursing funds in accordance with FSS program guidelines. HPD can enhance its controls by independently verifying with New York State's Welfare Management System (WMS) whether a graduate was off welfare cash assistance before issuing a graduation payment.

Further, it appears two participants may have defrauded HPD in excess of \$330,000 by not reporting ownership in multiple family dwellings while receiving FSS payments and Section 8 subsidies. At the exit conference, HPD officials stated that the matter was referred to the Department of Investigation.

¹ This is the maximum amount affected; the actual amount could be less.

Audit Recommendations

HPD should:

1. HPD should obtain detailed supporting documentation from participants, if available, before awarding interim disbursements. If supporting documentation is not available from the participant before awarding interim disbursements, HPD should ensure the participant subsequently provides all necessary documents.
2. HPD should perform initial escrow calculations for FSS program participants as specified by HUD within 120 days of the participant's contract start date.
3. HPD should utilize its access to WMS to ensure that participants who are scheduled to receive graduation disbursements have not received cash assistance in the last 12 months of their contract.

Agency Response

In its response, HPD strongly disagreed with the majority of the findings, but agreed to implement the report's recommendations. After carefully reviewing HPD's response, we stand by the findings in the report.

INTRODUCTION

Background

HPD is the largest municipal developer of affordable housing in the nation. HPD administers Housing Choice, or Section 8, vouchers for approximately 29,000 low-income families in the City. Rent subsidies (vouchers) allow families to pay a share of their income toward rent, while Section 8, within specific limits, pays the difference. Generally, HPD Section 8 vouchers are limited to narrowly-defined populations, such as formerly homeless families and families living in buildings renovated by HPD. Currently, approximately 1,600 families receiving HPD Section 8 vouchers also participate in the FSS Program.

FSS is a federally funded program that provides an incentive for Section 8 tenants to achieve self-sufficiency. To enroll in the program, HPD and the participating family (participant) execute a five-year contract that specifies the rights and responsibilities of both parties. This contract of participation specifies the goals and services for each family member. Generally, the goal is for the participant to seek and maintain employment, but there can be other goals, such as purchasing a home for the family. Family members are required to fulfill all requirements in order to obtain full benefits.

As the program participant earns more income during their time in the program, the rent subsidy the family receives from HPD is lowered. However, HPD deposits the difference between the family's older, lower monthly rent payment and newer, higher monthly rent payment into an interest-bearing escrow account. After five years, if the participant meets the goals outlined in the contract, the participant receives the funds in the escrow account (graduation). The participant can also receive "interim" disbursements before the end of the contract to complete intermediate goals, such as paying educational costs to enhance job skills or purchasing a vehicle to increase job prospects.

For the period June 30, 2009, through September 30, 2012, HPD made 339 payments totaling \$1,727,820.

On October 19, 2012, our office issued an audit report regarding HPD's administration of its FSS account (Audit # FM12-082A). The objective of that audit was to determine whether HPD administered its FSS account in accordance with applicable rules and regulations. That audit identified control weaknesses over the administration of FSS funds. As result of that audit, this audit was initiated.

Objective

The objective of this audit was to determine whether HPD processes disbursements in accordance with FSS program guidelines.

Scope and Methodology Statement

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions

based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93 of the New York City Charter.

The scope of the audit includes all disbursements from the FSS bank account to program participants between June 30, 2009, and September 30, 2012.

Discussion of Audit Results

The matters covered in this report were discussed with HPD officials during and at the conclusion of this audit. A preliminary draft report was sent to HPD officials on August 5, 2013, and was discussed at an exit conference on August 14, 2013. On August 19, 2013, a draft report was submitted to HPD officials with a request for comments. We received a written response from HPD officials on September 3, 2013.

In its response, HPD took issue with the audit process, stating, “The findings themselves are inaccurate because they are based on incomplete information. This is a reflection of the fact that the audit process provided limited opportunity for discussion.... Throughout, HPD requested opportunities to discuss findings to more properly address findings in a way that minimizes erroneous findings. There were only three opportunities for feedback.” HPD added, “The most disturbing example is failure by the auditors to report fraudulent activity leading to additional accumulation of incorrect HAP payment.”

Ongoing communication with the agency during the audit process is critical. The development and presentation of findings follows a prescribed process to ensure compliance with required standards. Findings are presented to the agency when they are clearly developed and have sufficient, competent evidence to support them. In this case, once the audit objectives were met, the findings were presented to HPD at a pre-exit meeting on June 17, 2013. HPD was subsequently provided a copy of the preliminary audit report on August 5, 2013, which allowed it to review the findings in writing. Nine days later, on August 14, 2013, a formal exit meeting was held to discuss the preliminary draft report. Comments from this meeting were taken into consideration in formulating the draft report, which was sent to HPD on August 19, 2013, for review and formal comment. This is the standard process followed by the City Comptroller as well as other audit organizations.

When the suspicion of fraud arises as it did in this audit, auditors are required to perform additional testing to determine whether fraud has likely occurred and, if so, to determine its effect on the audit findings. HPD was notified of the potentially fraudulent activity after required additional testing had occurred and the effect on findings had been determined. While we understand HPD’s desire for early notification, standards and good judgment require appropriate due diligence. In this case, HPD was notified of potentially fraudulent activity in the preliminary draft report issued on August 5, 2013, after appropriate due diligence was performed. HPD was instructed to refer the issue to the Department of Investigation (DOI), which it did. This audit does not find HPD at fault for the potentially fraudulent payments.

The full text of the HPD response is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

HPD does not consistently adhere to FSS guidelines for participant disbursements. By not consistently following program guidelines, it appears HPD has made questionable payments. In 25 of the 60 (42 percent) participants' files reviewed, HPD either did not process disbursements according to FSS program guidelines or made questionable decisions during and prior to processing disbursements. Consequently, up to \$140,915 out of the \$366,726 in payments reviewed appear problematic.

According to documentation in HPD's files, two participants were ineligible to graduate but received \$17,387—one of those participants may have received another graduation payment totaling \$9,334 in 2006. In addition, HPD paid in excess of \$19,379 in interim payments on behalf of another three participants for vehicles, but HPD did not have adequate documentation on file supporting the sales. Furthermore, records indicate that one of the participants did not purchase a car and did not even have a license to drive. Another participant never acquired title to the car and had a suspended license at the time HPD processed payment. For 13 additional participants, HPD used income certifications outside of the required timeframe to establish the initial amount for the participants' escrow payments. As a result, these participants may have accumulated and received funds they were not entitled to, but due to a lack of documentation, this amount remains unknown. Consequently, we question the payments to those 13 participants, totaling \$61,133.² Six more participants who received \$40,016 did not have contracts or valid contracts on file. Finally, HPD processed an interim disbursement in the amount of \$3,000 on behalf of a participant to pay private school tuition.

HPD does not always utilize the available resources to ensure that it is disbursing funds in accordance with FSS program guidelines. HPD can enhance its controls by independently verifying with New York State's WMS whether a graduate was off welfare cash assistance before issuing a graduation payment.

Further, it appears two participants may have defrauded HPD in excess of \$330,000 by not reporting ownership in multiple family dwellings while receiving FSS payments and Section 8 subsidies.

HPD Made Up to \$140,915 in Questionable Disbursements

HPD made \$140,915 in questionable disbursements to 25 of the 60 sampled participants. The disbursements were questionable due to a multitude of factors ranging from ineligible graduates to inadequate documentation. Some of the issues appear to be administrative or recordkeeping errors, but others raise red flags. See Table I for a detailed breakdown.

² This is the maximum amount affected; the actual amount could be less.

Table I

HPD Errors in Processing
Disbursements in Reviewed
Participants' Files (Disbursements
Were Made Between July 2009 and
September 2012)

Type of Error	Participants Affected	Amount of Disbursements Affected	Percentage of Total Disbursements Reviewed
Ineligible Participants	2	\$17,387	5%
Lack of Documentation Supporting Disbursement	3	19,379	5%
Possible Erroneous Escrow Calculations	13	61,133	17%
Participants' Contracts Missing or Invalid	6	40,016	11%
Questionable Purpose for Disbursement	1	3,000	1%
Total	25	\$140,915	38%
Participant Files Reviewed	60	\$366,726	100%

HPD Disbursed \$17,387 to Two Ineligible Participants

HPD disbursed \$17,387 to two participants who were ineligible to graduate according to FSS program requirements. Further, HPD may have processed an additional graduation payment totaling \$9,334 to one of the participants in 2006. Documentation in HPD's files indicated that these participants were not off welfare assistance for the last 12 months of their contracts, but received a graduation payment. According to the family's contract of participation, to qualify for graduation, participants and associated family members are required to become independent of

welfare assistance and remain independent of welfare assistance for at least 12 consecutive months before the contract expires.

One participant's contract began on April 1, 2000, and the participant was scheduled to graduate on March 31, 2005. According to the correspondence between HPD officials in the participant's file, the HPD official responsible for monitoring the participant's file stated in December 2009 that the participant was receiving welfare cash assistance for the entire five-year period she was in the FSS program, thus making the family ineligible to receive a graduation disbursement. This official correctly stated that the participant should have forfeited the money in her escrow account. In response, an HPD FSS manager stated that HPD "never reached out and educated" the family and that "a lot of this was our [HPD's] fault." Subsequently, HPD made a graduation payment of \$12,953 to the participant in May 2010.

While reviewing the participant's file, we also saw that on March 15, 2006, HPD may have made a graduation disbursement of \$9,334 to the same participant for the same contract period of April 1, 2000, to March 31, 2005. At the exit conference, HPD officials stated that the \$9,334 was not a payment to the participant but rather an adjustment to the participant's escrow account. After the exit conference, HPD provided a check register on an Excel spreadsheet indicating that this participant did not receive a check, but did not include source documents to confirm that no payment had been made (e.g., bank statements).

Similarly, a second participant's contract began on August 1, 2001, and was set to expire on July 31, 2006. When the participant received her graduation payment of \$4,434 in January 2011, she provided a notarized statement saying that from July 31, 2005, to July 31, 2006, she did not receive "public assistance cash," which is in accordance with program guidelines. However, according to the Section 8 certification documents in the participant's file, the participant was receiving welfare cash assistance on November 15, 2005, and on February 28, 2006.

HPD has access to WMS. The system is used by officials throughout New York State to track cash assistance payments to individuals. However, there is little evidence the system is utilized. We find it troubling that HPD released \$4,434 to a participant on the basis of an apparently false affidavit that contradicted two documents from the agency's own files. We also find it troubling that HPD did not use other resources it had to verify if the participant was eligible to receive a disbursement. This issue is discussed later in the report.

Agency Response: "1. The participant whose contract began on 4/1/2000 had her contract of participation extended. Her graduation check covered this extension and contract of participation period ending 3/31/2007. There is no record in the file that this tenant received PA in her last year of participation. Correspondence between staff and program manager was referencing the period before 3/1/2004 and 3/31/2005.

2. The audit report also references 'possible' disbursement of \$9,334. HPD has explained and provided a register indicating no such payment was made. The register is a list of all checks issued under this program for that period.

3. The participant whose contract started August 1, 2001, the auditors did not indicate what in the participant file indicated that the tenant received PA in the last year of participation.

Finally, all HUD requirements for self certification on receipt of cash public assistance were followed in the disbursement process and HPD addressed any PA related issues prior to issuing the checks to graduates of the program.”

Auditor Comment: A participant’s self-certification of no longer receiving cash public assistance is not sufficient to justify a graduation disbursement. HUD requires a written certification based on supporting evidence. HUD regulations also state that HPD “may verify that the FSS family is no longer a recipient of welfare assistance by requesting copies of any documents which may indicate whether the family is receiving any welfare assistance, and contacting welfare agencies.”

As indicated below, documentation in HPD files does not indicate whether these participants met the criteria for graduation. Further, HPD itself states it was aware that the first client had received public assistance in the period before renewal and, therefore, it would have been prudent to independently verify through WMS whether the participant was off public assistance prior to releasing a graduation disbursement.

Documentation in HPD’s files indicated that the participant whose contract began on April 1, 2000, never had a job during the contract period or extension (even though there is no document of the extension on file) and was still receiving welfare as of June 1, 2006. HPD’s own case manager acknowledges this in an email to her supervisor.

To justify the payment, HPD deemed the participant’s son, who was working, the head of household for the purposes of processing the graduation payment. However, HPD never officially modified the Section 8 voucher to reflect the change, and HPD paid the participant and not her son. Even if there were a legitimate change in the head of household, payment would not be justified because the entire family must be off welfare for 12 months before the end of the contract.

Regarding the second participant, as the report states, HPD never provided source documentation, such as bank statements, indicating a previous payment of \$9,334 was not made. An Excel spreadsheet that was created by the agency is insufficient support when more credible third party evidence (bank statements) is available but not provided. Consequently, there is insufficient evidence to remove this finding.

For the third participant, whose contract started August 1, 2001, multiple certifications before and after graduation indicate the participant was on welfare and was not employed. The specific section where this was indicated was fully disclosed to HPD officials at the exit conference.

Lack of Documentation Supporting \$19,379 in Funds Used for the Purchase of Vehicles

HPD approved three interim disbursements totaling \$19,379 for the purchase of vehicles without documentation supporting the sale. Interim disbursements for the purchase of vehicles can be made to facilitate a participant’s transportation to and from work. However, HPD’s FSS procedures manual, dated 2012, states interim disbursements require proper documentation.

These issues occurred before 2012, but HPD did not provide any procedures in effect during prior years.

Without proper documentation, there is no assurance that a vehicle was actually purchased or whether the amounts paid were reasonable. At the exit conference, HPD officials provided two bills of sale for three of the purchases. These bills of sale were not in the participants' files during fieldwork. However, as outlined later in this section, documentation in addition to bills of sale is needed to ensure program funds are used for the intended purposes.

For example, in October 2011, one participant requested \$4,000 to purchase a vehicle in order to decrease commuting time, therefore allowing the participant to work additional hours. There were two letters in the file supporting the sale—a letter from the participant making the request and a letter from a private owner expressing his interest in selling a vehicle. Neither letter indicated the year, make, model, type, color, or vehicle identification number. There was also no proof of automobile insurance, registration, or bill of sale for the vehicle provided to HPD after the sale. In addition, the letter from the seller did not provide the seller's address. Furthermore, the participant presented a New York State non-driver identification card to pick up the check and not an actual driver's license. As of November 15, 2012, no vehicle of any type had been registered in the participant's name.

In another example, a participant requested \$10,379 for the purchase of a vehicle. The request was approved on September 4, 2009, and the check was cashed by a car dealership one week later. As in the case above, there was no documentation in HPD's files indicating the type of vehicle purchased or whether it actually was purchased. In addition, HPD allowed this participant to exhaust over 90 percent of the funds in his escrow account through the interim disbursement before graduation. Although it did not happen in this participant's case, HPD is at risk of the participant failing to complete the contract of participation if most of the funds are exhausted through interim disbursements before the end of the contract.

As previously stated, at the exit conference, HPD officials provided bills of sale for two of the three participants. For the participant who requested \$10,379, the bill of sale indicated a 2001 sport utility vehicle was purchased by the participant from a dealership in mid-August 2009—more than two weeks before HPD paid the dealership. Included in the \$10,379 was a registration fee. However, that vehicle was never registered to the participant. The car was registered in late August 2009 to an individual who appears to be an unrelated party. In October 2009, the unrelated party officially acquired title to the vehicle. Even if the car was needed to get to and from work, the participant could not drive because his license was suspended in March 2009. Had HPD requested the car's registration and proof of insurance, this issue may have been identified.

The two examples outlined in this finding highlight the need for tighter controls to ensure that program funds are used for their intended purpose and not as a means to prematurely extract funds before program goals are achieved.

For the third interim disbursement not previously discussed, HPD paid \$5,000 on behalf of this participant for a down payment on a car. At the exit conference, HPD provided the bill of sale. Records indicate that the car was purchased and registered to the participant. However, the selling price of the car on the bill of sale was over \$30,000, and there is a lien on the car by a bank in the participant's name. The participant's last income certification prior to the purchase (approximately one month earlier) indicated the family had minimal savings. Consequently, we question the reasonableness of HPD's decision to facilitate the accumulation of significant debt

for a participant receiving subsidies, particularly when many interim disbursements are used to satisfy past due accounts. This decision seems to be the antithesis of what the program is trying to accomplish.

Agency Response: “1. Disbursement for \$4,000. As provided in the report, documentation was obtained before purchase. At the time of disbursement, it was not HPD policy nor was it a HUD requirement to secure documentation indicating the year, make, model, type, color,[,] or vehicle identification number. Neither was collection of documentations regarding insurance, registration or bill of sale for the vehicles. HPD has instituted more detailed follow up with participants to document how interim disbursements will be used going forward to ensure that money disbursed is consistently used to meet stated goals related to disbursement. The level of disbursement, as long as the disbursement is approved does not have a cap to ensure that participants have the maximum flexibility to meet their goals.

2. Disbursement of \$10,379 was made to the participant but according to the auditors investigation, the participant failed to comply with his goals - this information came to light after the exit conference. HPD has since contacted the participant to determine the discrepancy. The participant has provided documentation that he did indeed have a car registered to him and that he is still currently employed. HPD will look further into this case if necessary.

3. Disbursement for \$5,000 - Auditors indicate that many years later a lien has been placed on the vehicle, this information came to light after the exit conference after documentation was provided. Auditors have not provided the documentation to HPD so that HPD has an opportunity to review and respond to this new information. In a case management program, it is important to address each case on its merits. This participant provided compelling reason for the purchase of a vehicle - it was critical to increasing earning potential for the household. Based on the merits of the case at the time of review HPD made the determination what disbursement was justified.”

Auditor Comment: As previously stated, the first two examples outlined in this finding highlight the need for tighter controls to ensure that program funds are used for their intended purpose. We are, therefore, pleased that HPD “has instituted more detailed follow up with participants to document how interim disbursements will be used going forward to ensure that money disbursed is consistently used to meet stated goals related to disbursement.”

For the participant who requested the \$5,000 interim disbursement as a down payment for the purchase of a \$30,000 vehicle, we would note that the program’s stated goal is to assist families to become self-sufficient. With that in mind, we question how HPD determined that enabling a participant to take on \$25,000 in additional debt (an amount equal to 83 percent of the family’s total annual income) is compatible with the program’s intended goal of having families become self-sufficient.

Questionable Escrow Calculations Resulting in Potential Overpayments to Participants

In 13 of the 60 participants' files reviewed, HPD used income certifications that were performed in excess of 120 days before, or in four cases, after the contract of participation start date. According to HUD's *Housing Choice Voucher Guidebook*, "The contract of participation must be executed no more than 120 days after the household's most recent annual or interim reexamination. If more than 120 days have passed since the last reexamination, a new reexamination must be completed." The 13 certifications ranged in age from 121 to 639 days old. As a result of income certifications not being performed in accordance with FSS regulations, escrow calculations and subsequent disbursements for the participants could be inaccurate. Therefore, all of the payments to these 13 participants totaling \$61,133 are considered questionable. We acknowledge that this figure could be lower but cannot state so for certain.

After the exit conference, HPD officials provided a detailed spreadsheet of the 13 participants cited. They agreed that the certifications used for eight of the escrow calculations were not done in a timely manner. HPD then recalculated the resulting overpayments by using the first income certification produced after the participant entered the program. By using these certifications, six of which were effective at least 120 days after the contract start date, HPD calculated that the net overpayment totaled \$7,359. However, HPD cannot recalculate underpayments or overpayments with any degree of certainty because the amount of money in a participant's escrow account is based in part on the participant's income at the time of certification. As stated above, for these 13 participants, there was no income certification on file effective within 120 days of the contract start date. That means that there is no evidence that the participants were earning more or less income when they enrolled in the program compared to when a certification was finally completed.

For three other participants, the spreadsheet showed that while the certifications were not completed within the required 120 days, they were completed "within 4 months."

Finally, HPD stated that for two participants, the correct date and data was used. One participant's contract started on August 1, 1999. According to documents provided by HPD, the initial certification was effective May 1, 2001, 639 days later. The other participant's contract started on June 1, 2002, and according to documents provided by HPD, the initial certification was effective January 1, 2002, 151 days earlier.

Twelve of the 13 cases had contract start dates before September 2004, and the two aforementioned extreme examples dated back to 1999 and 2002, respectively. It appears that income certifications for newer participants are performed in a timelier manner.

Agency Response: "HUD intent was to use income at contract start that is within 4 months since all annual certifications are effective on the first of the month. HPD has since recalculated the incorrectly calculated value to be \$7,388.

Despite HUD intent, HPD will use the literal 120 rule going forward in enrolling household into the FSS program..."

Participant Contracts Were Missing or Incomplete

Contracts were missing or incomplete in six of the 60 participant files. FSS regulations require the execution of a contract between the public housing authority (HPD) and the head of the participating FSS family. Four of the 60 participants' files did not include contracts of participation at all, and two of the participants' files reviewed contained contracts of participation that were unsigned either by the participant or HPD. Contracts need to be signed by both parties to be valid, binding agreements. The four participants who did not have contracts on file received graduation disbursements totaling \$35,047. The remaining two received \$4,969. A contract is an essential control that must be on file and properly executed to ensure that the program requirements are adhered to, goals are met, and proper amounts of funding are disbursed.

Agency Response: "HPD has made multiple attempts to ensure that all files have signed contracts and has instituted a monitoring process to ensure files have contracts. There was secondary documentation in file, including electronic files documenting that all six participants were part of the FSS program."

Auditor Comment: Unfortunately, secondary documentation is not a substitute for an actual contract. Secondary documentation and electronic records do not detail the rights and responsibilities of the participant and HPD during the contract term.

HPD Paid \$3,000 for Private School Tuition

HPD paid a participant an interim disbursement totaling \$3,000 so that the participant could pay for her child's private school tuition. The following are examples of needs for which escrow funds might be disbursed in the interim as per FSS guidelines: completion of college or graduate school, job training; start-up expenses involved in the creation of a small business; the purchase of an automobile for transportation to work; or purchase of a home. Although furthering a child's education is an admirable personal goal, it is unclear how this aids a participant in achieving economic self-sufficiency, which is the goal of the program.

Agency Response: "Participant explicitly indicated her FSS goals as education for herself and her family. As a result, payment is consistent with FSS program rules and HUD regulations."

Auditor Comment: We do not question the interim payments for the participant's education or the participant's admirable goal of ensuring her family's education. We question how HPD made the determination that such a payment meets the FSS program's intended goal of making the family self-sufficient as payment for such a purpose is not explicitly included in the FSS guidelines.

HPD Can Enhance Controls by Independently Verifying Whether Participants Were Off Welfare Cash Assistance Prior to Issuing Graduation Payments

As previously stated, to qualify for graduation, participants and associated family members are required to become independent of welfare assistance and remain independent of welfare assistance for at least 12 consecutive months before the contract of participation expires.

However, HUD only requires that the head of the FSS family certify that, to the best of his/her “knowledge and belief, no member of the FSS family is a recipient of welfare assistance.” Nevertheless, HPD has access to WMS, which can independently verify whether the notarized statements submitted by participants are accurate. In three instances, FSS files indicated that WMS was consulted before payment was issued. Because HPD has access to WMS, WMS should be used systematically as an added control to ensure that only those participants who met their goals receive program funds.

Recommendations

1. HPD should obtain detailed supporting documentation from participants, if available, before awarding interim disbursements. If supporting documentation is not available from the participant before awarding interim disbursements, HPD should ensure the participant subsequently provides all necessary documents.

Agency Response: “As a measure of best practice HPD already issues checks to third parties for interim disbursements, HPD will collect proof of correct use of funds going forward when checks are issued to the participant directly.”

Auditor Comment: HPD should also evaluate prior to each interim disbursement the justifiable need for the disbursement and whether issuing an interim disbursement to a participant meets FSS program goals.

2. HPD should perform initial escrow calculations for FSS program participants as specified by HUD within 120 days of the participants’ contract start date.

Agency Response: “Despite HUD intent, HPD will use the literal 120 rule going forward in enrolling household into the FSS program. The upgraded elite database used by the program has a preliminary enrollment feature that enables staff to enroll participants only after their certification has been completed within 120 days.”

3. HPD should utilize its access to WMS to ensure that participants who are scheduled to receive graduation disbursements have not received cash assistance in the last 12 months of their contract.

Agency Response: “HPD has implemented a policy of checking the welfare management system (WMS) for all potential graduates.”

OTHER ISSUE

Two Participants in the FSS Program May Have Defrauded HPD of \$334,733

Although FSS program officials are not responsible for verifying the validity of income and assets reported by participants, two of the participants in our sample failed to disclose certain assets during the annual income recertification process. Specifically, HPD disbursed \$334,733 in housing assistance and FSS escrow payments to the two participants who did not report ownership interest in three homes on income certifications to HPD. By failing to report these assets, it appears that these two participants were ineligible to receive housing assistance and, as a result, should not have been in the FSS program. In total, the two participants received \$326,961 in rental subsidies and \$7,772 in FSS payments. At the exit conference, HPD officials stated the matter was referred to the Department of Investigation.

HPD's Housing Choice Voucher Program Briefing Book defines fraud and program abuse as "single acts or a pattern of actions that are intended to deceive or mislead. Making a false statement, omitting information, or concealing information in order to obtain Section 8 assistance or to reduce the amount of rent you pay are all considered fraud and program abuse."

Participant #1 Received \$82,516 in Potentially Improper Benefits

Participant #1 did not disclose ownership of two multi-family houses or possible rental income from the two houses to HPD. Participant #1 acquired title to a two-family and a three-family home in Brooklyn in March 2006. Participant #1 started receiving housing assistance in the Section 8 program in November 2003 and entered the FSS program in April 2009. Since 2006, it appears this participant was receiving improper benefits and should not have been enrolled in the FSS program.

As of May 1, 2013, Participant #1 is still enrolled in Section 8 and is scheduled for graduation from the FSS program on March 31, 2014. According to HPD's ELITE system, which tracks payments through the Section 8 and FSS programs for HPD, from April 1, 2006, to May 1, 2013, Participant #1 received \$79,297 in rental subsidies from the Section 8 program and has received \$3,219 in an interim disbursement from the FSS program.

Details of Participant #1's Potentially Fraudulent Activity

Participant #1's mother has owned a two-family home in Brooklyn since February 2001. In January 2005, the Department of Finance mailed property notices pertaining to the two-family home to Participant #1's subsidized apartment. In February 2004, Participant #1 gained power of attorney over the mother's affairs, including real estate transactions. On September 2005, Participant #1's mother purchased a three-family home in Brooklyn for \$700,000. In November 2005, Participant #1's mother died.

In March 2006, Participant #1, as executor of her mother's estate, transferred the two-family home and the three-family home to herself. Consequently, as of March 2006, Participant #1 was receiving rental subsidies at her apartment and was the owner of two multi-family homes. In

April 2007, Participant #1 sold the two-family home to a third party, an associate or possible family member, for \$1.1 million. In July 2007, the third party added Participant #1 back to the deed of the two-family home while she still retained interest in the three-family home.

Participant #1 and the third party were linked through the deed on the two-family home and interim disbursement documents. The deed and the documents submitted with Participant #1's application for the \$3,219 interim disbursement both listed the same P.O. box as an address.

HPD made the \$3,219 interim disbursement in September 2012. According to the request made by Participant #1 for the disbursement, the funds were going to be used so that Participant #1 could repair their credit rating in order to purchase a home. Ironically, this was Participant #1's goal on the application for an interim disbursement.

Participant #2 Received at Least \$252,217 in Potentially Improper Benefits

Participant #2 did not disclose ownership of a two-family house or possible rental income from the house to HPD. Participant #2 acquired title to a two-family home in Queens in September 2000. The address listed on the mortgage documents for the Queens home was Participant #2's subsidized Manhattan apartment.

Participant #2 has been receiving housing assistance in the Section 8 program since at least November 2002 and entered the FSS program on January 1, 2004. Since 2002, it appears this participant was receiving improper benefits and should not have been enrolled in the FSS program.

As of May 1, 2013, Participant #2 is still enrolled in Section 8 after graduating from the FSS program in 2010. According to HPD's ELITE system, from November 1, 2002, to May 1, 2013, Participant #2 received \$247,664 in rental subsidies from the Section 8 program and received a \$4,553 graduation disbursement from the FSS program.

DETAILED SCOPE AND METHODOLOGY

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The scope period of this audit was June 30, 2009, to September 30, 2012. To gain an understanding of the FSS program, we reviewed the *Code of Federal Regulations, Title 24, Part 984–Section 8 and Public Housing Family Self-Sufficiency Program*, Chapter 23 of HUD's *Housing Choice Voucher Program Guidebook*, HPD's *FSS Procedure Manual*, and HPD's *Housing Choice Voucher Program Briefing Book*. To gain an understanding of the controls that are in place, we interviewed the Director of the Housing Management Division at HUD's New York Office and four officials at HPD responsible for the FSS Program– the Director of Policy and Special Programs, the Manager of Special Programs, and two Team Leaders/Case Managers. We documented our understanding of the controls and possibility of fraud through written narrative.

To achieve our objective, we obtained a list from HPD of 339 payments totaling \$1,727,820 made to participants during our scope period. To ensure that the record of payments to participants was complete, we reconciled 100 percent of the disbursements on the list of payments by vouching the payments from the list to checks made out to participants who appeared on HPD's bank statements and tracing the checks on the bank statements to the disbursement list. To ensure that the list of participants was accurate, we selected 15 participants who appeared on the list of disbursements but not on the ELITE system and inspected the case file.

We then randomly selected 30 participants (out of 199) with cumulative graduate disbursements of \$2,000 or more and 30 participants (out of 32) with cumulative interim disbursements of \$1,000 or more and pulled the case files.

To determine whether each participant had a valid contract, we reviewed program files. To determine whether HPD properly established baseline escrow payments at the start of the contract, and consequently whether graduation and interim disbursements were accurate and valid, we verified whether HPD used income certifications within the established timeframe.

To determine whether graduation payments were justified and adequately supported, each file was reviewed to determine whether HPD filled out a file evaluation checklist, obtained a notarized letter from the participants indicating the family was off welfare cash assistance, and obtained a letter of employment.

For interim payments, we reviewed invoices and other documentation to determine whether HPD obtained adequate support. In addition, we reviewed each payment to determine whether it complied with FSS guidelines.

Finally, we reviewed the Department of Finance's property database, Automated City Register Information System (ACRIS), to determine whether each participant reported any ownership interest in property to HPD.

The results of the above tests, while not statistically projected to their respective populations, provide a reasonable basis for us to assess HPD's controls over its disbursements to participants in accordance with applicable rules and regulations.



MATHEW M. WAMBUA
Commissioner

Office of the Commissioner
100 Gold Street
New York, N.Y. 10038

September 3, 2013

Ms. Tina Kim
Deputy Comptroller for Audits
Office of the New York City Comptroller
1 Centre Street- Room 1100N
New York, New York 10007-2341

**Re: Audit Report on the New York City Department of Housing
Preservation and Development's Disbursement of
Family Self- Sufficiency Program Funds
Audit Number: FM13-058A**

Dear Deputy Comptroller Kim:

The following represents the Department of Housing Preservation and Development's response to the findings and recommendations made in your audit on the Housing Preservation and Development's Disbursement of Family Self-Sufficiency Program Funds. I wish to thank your office for the time and effort used in completing this audit.

If you have any additional questions, please call Assistant Commissioner Josh Cucchiaro at (212) 863-6610.

Thank you.

Sincerely,

Mathew M. Wambua



NYC HPD Response
Comptroller Financial Audit: Audit Report on the Department of Housing Preservation and Development's
Disbursement of Its Family Self-Sufficiency Program Funds
AuditNumber:FM13-058A

The objective of the Comptroller's Audit "was to determine whether HPD processes disbursements in accordance with FSS program guidelines." We'd like to use this response as an opportunity to provide information about the program, provide the context for the review period and address concerns about the audit process.

Fundamentally, HPD strongly disagrees with the majority of the findings, which did not take into account complete information provided to the auditors, and relied on subjective interpretations of HUD regulation. HPD's objections are as follows:

- The findings themselves are inaccurate because they are based on incomplete information. This is a reflection of the fact that the audit process provided limited opportunity for discussion. This lack of communication may have hurt the health of the program.
- The audit ignores program accomplishments as per the benchmarks set by HUD
- The audit period spans many years representing different funding levels and federal regulatory environments.

Erroneous Findings and the Audit Process:

The contention that the auditors identified \$140,000 in inappropriate disbursements is simply wrong. HPD has submitted additional documentation regarding the contested disbursements. Erroneous calculations resulted in limited financial impact (calculated at \$7,895). No payments were issued to ineligible participants, additional documentation has been provided to auditors documenting no cash payments were made. Finally, possible incorrect payments due to missing or incomplete contracts were made to participants who were otherwise documented as active participants in the program. The issue of missing contracts will be addressed on an ongoing basis.

With respect to interim disbursements, a feature of the program that enables participant success in the program, auditors used personal judgments to judge participant decision and condemn program staff for supporting participants. These judgments regarding inappropriate disbursements contradict HUD intent, as HUD actively provides flexibility to maximize participant achievements. All three interim disbursements made were to successful graduates of the program who remain employed and to one in particular who has successfully left the Section 8 program. In two cases where the draft finding was failure to provide documentation, auditors were provided documents that did not support their conclusions during the exit conferences. Auditors then changed the level of documentation required for compliance with regulations.

The flawed findings are a reflection of problematic audit procedures. The audit started 10/1/2012 with staff interviews and multiple selections of files. Throughout, HPD requested opportunities to discuss findings to more properly address findings in a way that minimizes erroneous findings. There were only three opportunities for feedback.

- In March 2013, Auditors provided a list of missing documents (missing contracts etc..) and HPD provided all available documents
- In July 2013, we had a preliminary conversation in very general terms about the types of findings. There were no details provided about specific cases. As a result, it was difficult to correct any misinformation.

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- In August 2013, the exit conference was held. HPD provided additional documentation that HUD regulations were followed in disbursement of funds for several of the findings. Very little feedback was provided. For many instances, this response is the only opportunity to respond.

Throughout these meetings the ineligibility cases and two of three interim disbursement findings should have been addressed and removed based on documentation of compliance. Rather, HPD has to provide it in this written response. The most disturbing example is failure by the auditors to report fraudulent activity leading to additional accumulation of incorrect HAP payment. HPD has since reported these fraudulent cases to the Department of Investigation. In most audits, healthy feedback and conversation is held with the goal of weeding out non-issues and to focus more on non-compliance with regulations.

Attached you will find a case by case response for all findings including several that should have been removed.

Measuring program accomplishments:

By focusing exclusively on processing FSS disbursements, the Auditors were unable to identify several critical core program components and the positive results generated because of them. These include increasing earned income, reducing dependency on government subsidy and advancing educational and career opportunities via training. These core services provided through this program actually end up saving a significant amount of money in housing subsidy and public assistance. Below is a list of successes from 2012:

Indicator	Value	Savings
Number of Households whose income increased	363	\$574,774
Average Increase in annual Earned Income	\$5,278	\$1,583
Number of Households whose cash welfare assistance ended	65	\$255,427
Graduates who left the Section 8 Program	8	\$97,470
Total		\$929,254

The FSS program does monitor and ensure participant goals are met before funds are disbursed. In 2012 there were 74 participants who were eligible for graduation. Only those who were determined eligible graduated with funds, those who did not meet requirements forfeited the escrow funds.

Context of Audit Period:

It is important to note that the audit period started 4 years ago on 6/1/2009 and spanned to 12/31/2012. During this period there were major swings in HUD funding for FSS administrative functions. At the start of the period, because of stoppage in HUD funding, the FSS program was undergoing a restructuring. As such, there was a clean-up process that unearthed contracts that started as early as 1998. There were a good number of these cases reviewed during this period. HPD has indicated this at the conferences. These cases do not reflect the program's current operation. Since 2009, funding, staffing and training have led to program operations that include controls and intensify the level of Case Management provided to participants. Some of the cases reviewed go as far back as 13 years ago.

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In addition, during this extremely long review period, many other changes occurred. Funding changed significantly and staffing levels were impacted. For example, HUD's ideal staffing model is 50 FSS participants per Case Manager but funding did not support that level throughout the audit period. Though HPD received \$824,160 in HUD Family Self Sufficiency Program (FSS) funding for 2011, it was significantly lower in the previous years.

- HUD funding stopped in 2005 and HPD partnered with the Center for Economic Opportunity (CEO) and its Work Rewards program to maintain the program but redesign one to serve a more specific, extremely low income group while trying to minimize the impact of limited funding on existing participants.
- HUD funding re-started in calendar year 2010 with \$272,000 in funding for the FSS program.

Since that time, funding has increased, training and resources have been provided to staff to more comprehensively and closely monitor the program.

Auditors failed to recognize any of the program's successes.

In summary in 2012 alone the FSS program successfully reduced dependence on government assistance by \$1M. Most of the 140K cited as questionable in the report, HPD strongly disagrees with and with clear communication through the audit period could have been addressed. It's important that HUD regulations are used to determine compliance and that judgment calls about appropriate use of funds are suspended.

Comptroller Financial Audit: Audit Report on the Department of Housing Preservation and Development's Disbursement of Its Family Self-Sufficiency Program Funds

Finding	HUD Regulation/HPD Policy	Comptroller Recommendation	Response	Corrective Action
<p>1. Ineligible Participants: HPD disbursed \$17,387 to two participants who were ineligible to graduate according to FSS program requirements. HPD may have processed an additional graduation totaling \$9,334 to one of the participants.</p>	<p><u>HUD Policy:</u> 984.30(c) The amount in an aFSS account, in excess of any amount owed to the PHA Shall be paid to the head of the FSS family when the contract of participation has been completed as provided in 984.303 and if at the time of contract completion, the head of the FSS family submits to the PHA a certification, as defined in 984.103 that to the best of his or her knowledge and belief, no member of the FSS family is a recipient of welfare assistance. <u>HPD Policy:</u> same.</p>	<p>HPD should utilize its access to WMS to ensure that participants who are scheduled to receive graduation disbursements have not received cash assistance in the last 12 months of their contract.</p>	<p>1. The participant whose contract began on 4/1/2000 had her contract of participation extended. Her graduation check covered this extension and contract of participation period ending 3/31/2007. There is no record in the file that this tenant received PA in her last year of participation. Correspondence between staff and program manager was referencing the period before 3/1/2004 and 3/31/2005.</p> <p>2. The audit report also references "possible" disbursement of \$9,334. HPD has explained and provided a register indicating no such payment was made. The register is a list of all checks issued under this program for that period.</p> <p>3. The participant whose contract started August 1, 2001, the auditors did not indicate what in the participant file indicated that the tenant received PA in the last year of participation.</p> <p>Finally, all HUD requirements for self certification on receipt of cash public assistance were followed in the disbursement process and HPD addressed any PA related issues prior to issuing the checks to graduates of the program.</p>	<p>HPD has implemented a policy of checking the welfare management system (WMS) for all potential graduates.</p>

Comptroller Financial Audit: Audit Report on the Department of Housing Preservation and Development's Disbursement of Its Family Self-Sufficiency Program Funds

Finding	HUD Regulation/HPD Policy	Comptroller Recommendation	Response	Corrective Action
<p>2. Lack of Documentation Supporting Disbursement: HPD approved three interim disbursements totaling \$19,379 for the purchase of vehicles without documentation supporting the sale.</p>	<p>HUD Policy: 24 CFR 984.305(c)(2)(ii) If the PHA determines that the FSS family has fulfilled certain interim goals established in the contract of participation and needs a portion of the FSS account funds for purposes consistent with the contract of participants, such as completion of higher education, or job training or to meet start-up expenses involved in creation of a small business, the PHA may, at the PHA's sole option, disburse a portion of the funds from the family's FSS account to assist the family meet those expenses. No documentation requirement is laid out.</p> <p>HPD Policy: Issue third party checks whenever possible and collect documentation of all need and intent for use. Staff completing sufficient counseling and documentation of need before any interim disbursement.</p>	<p>HPD should obtain detailed supporting documented from participants, if available, before awarding interim disbursements. If supporting documentation is not available from the participant before awarding interim disbursements, HPD should ensure the participants subsequently provides all necessary documents.</p>	<p>1. Disbursement for \$4,000. As provided in the report, documentation was obtained before purchase. At the time of disbursement, it was not HPD policy nor was it a HUD requirement to secure documentation indicating the year, make, model, type, color, or vehicle identification number. Neither was collection of documentations regarding insurance, registration or bill of sale for the vehicles. HPD has instituted more detailed follow up with participants to document how interim disbursements will be used going forward to ensure that money disbursed is consistently used to meet stated goals related to disbursement. The level of disbursement, as long as the disbursement is approved does not have a cap to ensure that participants have the maximum flexibility to meet their goals.</p> <p>2. Disbursement of \$10,379 was made to the participant but according to the auditors investigation, the participant failed to comply with his goals - this information came to light after the exit conference. HPD has since contacted the participant to determine the discrepancy. The participant has provided documentation that he did indeed have a car registered to him and that he is still currently employed. HPD will look further into this case if necessary.</p> <p>3. Disbursement for \$5,000 - Auditors indicate that many years later a lien has been placed on the vehicle, this information came to light after the exit conference after documentation was provided. Auditors have not provided the documentation to HPD so that HPD has an opportunity to review and respond to this new information. In a case management program, it is important to address each case on its merits. This participant provided compelling reason for the purchase of a vehicle - it was critical to increasing earning potential for the household. Based on the merits of the case at the time of review HPD made the determination what disbursement was justified.</p>	<p>As a measure of best practice HPD already issues checks to third parties for interim disbursements, HPD will collect proof of correct use of funds going forward when checks are issued to the participant directly.</p>

Comptroller Financial Audit: Audit Report on the Department of Housing Preservation and Development's Disbursement of Its Family Self-Sufficiency Program Funds

Finding	HUD Regulation/HPD Policy	Comptroller Recommendation	Response	Corrective Action
<p>3. Possible erroneous escrow calculations: In 13 of 60 participant ifiles reviewed, HPD used income certifications that were performed in excess of 120 days before, or in four cases, after the contract of participation start date.</p>	<p>HUD Policy: FSS contract of participation instructions: The income and rent numbers to be inserted on page one may be taken from the amounts on the last reexamination or interim determination before the family's initial participation in the FSS program, unless more than 120 days will pass between the effective date of the reexamination and the effective date of the contract of participation. If it has been more than 120 days, the HA must conduct a new reexamination or interim redetermination. HPD Policy: FSS participants may enroll in the program if a cert has been passed within 4 months.</p>	<p>HPD should perform initial calculations for FSS program participants as specified by HUD within 120 days of the participant's contract start date.</p>	<p>HPD intent was to use income at contract start that is within 4 months since all annual certifications are effective on the first of the month. HPD has since recalculated the incorrectly calculated value to be \$7,388.</p>	<p>Despite HUD intent, HPD will use the literal 120 rule going forward in enrolling households into the FSS program. The upgraded elite database used by the program has a preliminary enrolment feature that enables staff to enroll participants only after their certification has been completed within 120 days.</p>
<p>4. Participants' contracts missing or invalid: Contracts were missing or incomplete in six of the 60 participant files.</p>	<p>HUD Policy: 24 CFR 984.303(a) Each family that is selected to participate in an FSS program must enter into a contract of participation with the PHA that operates the FSS program in which the family will participate. The contract of participation shall be signed by the head of the FSS family. HPD Policy: Same</p>		<p>HPD has made multiple attempts to ensure that all files have signed contracts and has instituted a monitoring process to ensure files have contracts. There was secondary documentation in file, including electronic files documenting that all six participants were part of the FSS program. Payment was not made to households who were not participants of the program.</p>	<p>HPD has instituted a quarterly review of file process that will be monitored by the Quality assurance team. More review and checks of enrolments are completed to ensure that contracts are completed correctly at enrollment.</p>

Comptroller Financial Audit: Audit Report on the Department of Housing Preservation and Development's Disbursement of Its Family Self-Sufficiency Program Funds

Finding	HUD Regulation/HPD Policy	Comptroller Recommendation	Response	Corrective Action
<p>5. Questionable purpose for disbursement: HPD paid a participant an interim disbursement totalling \$3,000 so that the participant could pay for her child's private elementary school tuition.</p>	<p>HUD Policy: The PHA may allow the family to receive a portion of its escrow funds early if the family requires a portion of the FSS escrow account funds for purposes consistent with the contract of participation as indicated above in 24 CFR 984.305(c)(2)(ii). HPD Policy: Interim disbursements can be made for an approved use with proper documentation. Approved uses are things that further a client's FSS goals, such as tuition, training costs, credit repair, homeownership, work related transportation, and child care to maintain employment. Interim disbursements cannot be made for utilities, moving costs, or rent arrears (clients with these needs should be referred to the Homelessness Prevention Program) Documentation of the approved use should be saved in the client file.</p>		<p>Participant explicitly indicated her FSS goals as education for herself and her family. As a result, payment is consistent with FSS program rules and HUD regulations.</p>	<p>HPD will continue to ensure that interim disbursements are consistent with program policies and HUD regulations.</p>