

# DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

OIG Project No. 15-2-06HY

September 2016



## LOCAL RENT SUPPLEMENT PROGRAM:

PARTICIPANTS MET ELIGIBILITY REQUIREMENTS, BUT CONTROLS  
OVER SAFETY AND INCOME VERIFICATION ARE WEAK



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Our mission is to independently audit, inspect, and investigate matters pertaining to the District of Columbia government in order to:

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- promote economy, efficiency, effectiveness, and accountability;
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# OIG

## Why the OIG Did This Audit

The Office of the Inspector General (OIG) performed this audit pursuant to our statutory authority to annually audit the District of Columbia Housing Authority (DCHA) and the audit was included in the *Revised Fiscal Year (FY) 2015 Audit and Inspection Plan*, dated March 31, 2015.

Our audit objectives were to determine whether: (1) participants in the Local Rent Supplement Program (LRSP) met qualifications, criteria, and guidelines for housing assistance; and (2) internal controls were established to prevent fraud, waste, and abuse within the program.

## What the OIG Recommends

The OIG made two recommendations to strengthen controls over LRSP participants' safety and to prevent fraud within the program.

Specifically, the OIG recommends that DCHA:

- 1) Establish and implement a procedure for documenting sex offender registry checks; and
- 2) Conduct a cost-benefit analysis to determine the best method to identify and verify income from neighboring jurisdictions.

## LOCAL RENT SUPPLEMENT PROGRAM:

**PARTICIPANTS MET ELIGIBILITY REQUIREMENTS,  
BUT CONTROLS OVER SAFETY AND INCOME  
VERIFICATION ARE WEAK**

## What the OIG Found

Participants in the DCHA LRSP met standards for housing assistance in accordance with established qualifications, criteria, and guidelines within the sample period.

DCHA did not establish sufficient controls to ensure that state-registered lifetime sex offender checks were documented in accordance with U.S. Department of Housing and Urban Development (HUD) guidance. Specifically, the housing eligibility checklist does not require information on the type of screening or the date the screening was completed. Without adequate documentation that criminal background checks were conducted to identify sex offenders, DCHA may be unable to substantiate that all required checks have been performed in order to minimize safety risks. DCHA also did not establish sufficient controls over verification of income in neighboring jurisdictions during the eligibility determination process to safeguard against fraud within the program. DCHA has no independent method to determine whether applicants earned income in the neighboring jurisdictions of Maryland and Virginia. As a result, DCHA may make eligibility determinations based on incomplete information and provide LRSP vouchers to applicants who are not qualified, which could lead to fewer vouchers available for District residents with a legitimate need or exposure to fraud.

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Office of the Inspector General



Inspector General

September 9, 2016


Adrienne Todman  
Executive Director  
District of Columbia Housing Authority  
1133 North Capitol Street, N.E.  
Washington, D.C. 20002

Dear Executive Director Todman:

Enclosed is our final audit report entitled Local Rent Supplement Program: *Participants Met Eligibility Requirements, But Controls Over Safety and Income Verification Are Weak* (OIG No. 15-2-06HY). DCHA concurred with our two recommendations and outlined actions currently in place that they believe meet the intent of our recommendations. We conducted this audit from December 2014 through July 2016 in accordance with generally accepted government auditing standards.

We appreciate the cooperation and courtesies extended to our staff during this audit. If you have any questions concerning this report, please contact me or Toayoa Aldridge, Assistant Inspector General for Audits at (202) 727-2540.

Sincerely,



Daniel W. Lucas  
Inspector General

DWL/rjb

Enclosure

cc: See Distribution List

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## ACRONYMS AND ABBREVIATIONS

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ACEDS	Automated Client Eligibility Determination System
DCHA	District of Columbia Housing Authority
DCMR	District of Columbia Municipal Regulations
DOES	Department of Employment Services
ECOD	Eligibility and Continued Occupancy Division
FY	Fiscal Year
HCVP	Housing Choice Voucher Program
HUD	U.S. Department of Housing and Urban Development
LRSP	Local Rent Supplement Program
OIG	Office of the Inspector General
PHA	Public Housing Authority

## TABLE OF CONTENTS

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	<b>Page</b>
<b>Background</b>	1
<b>Findings</b>	
DCHA LOCAL RENT SUPPLEMENT PROGRAM PARTICIPANTS MET ELIGIBILITY STANDARDS FOR HOUSING ASSISTANCE	2
DCHA DID NOT ESTABLISH SUFFICIENT CONTROLS TO COMPLY WITH REQUIREMENTS FOR SEX OFFENDER CHECKS OR INCOME VERIFICATION IN NEIGHBORING JURISDICTIONS	2
DCHA Did Not Adequately Document Sex Offender Checks in Accordance With HUD Guidance	2
DCHA’s Internal Controls Over Income Verification Could Be Enhanced to Ensure Full Disclosure of Income in Neighboring Jurisdictions	3
<b>Conclusion</b>	4
<b>Recommendations</b>	4
<b>Agency Comments and Office of the Inspector General Response</b>	4
<b>Actions Required</b>	5
<b>Appendix</b>	
Appendix A: Objectives, Scope, and Methodology	6
Appendix B: DCHA’s Response to the Draft Report	7

## **BACKGROUND**

DCHA is an independent government agency that provides quality affordable housing to extremely low-to-moderate income households. The mission of DCHA is to foster sustainable communities and to cultivate opportunities for residents to improve their lives. DCHA serves 50,000 low-income residents through traditional affordable housing (housing projects), tenant and project-based housing vouchers, and mixed-income properties.

DCHA administers two types of voucher programs, the Housing Choice Voucher Program (HCVP, 100% federally funded) and the LRSP (100% District funded). Under the HCVP, DCHA issues vouchers to low-income recipients that cover the gap between approximately 30% of a family's income and the private market rent, up to fair market levels. Tenants with vouchers are free to choose a home in the private rental market that suits his/her family's needs and which may be located anywhere in the country (i.e., the program is portable to any state or jurisdiction).

The LRSP provides housing assistance to extremely low-income residents in the District of Columbia, including, but not limited to, those who are homeless and those in need of supportive services, such as elderly individuals or those with disabilities. The LRSP is similar to the HCVP in that households contribute thirty percent (30%) of their adjusted annual income toward the cost for housing. However, the LRSP is not portable outside the District. As of September 30, 2014, DCHA budgeted approximately \$24 million for 1,676 LRSP recipients. Unless otherwise specified in regulation, the LRSP follows the rules and regulations of the HCVP.

DCHA's Eligibility and Continued Occupancy Division (ECOD) is responsible for application intake, waiting list management, and eligibility determination for public housing and the various voucher programs. Voucher applicants for the LRSP may come from the waiting list (approximately 41,000 as of April 12, 2013) or via referrals from District agencies such as the D.C. Department of Human Services, and community providers such as Transitional Housing Corporation and Community Connections.

ECOD's eligibility determination process begins with a review of submitted application packages for completeness. When an opening is available in the program, the applicant's information is verified and background checks are conducted. After completion of the review and verification phase, the application package is then forwarded to ECOD's quality assurance review specialist to re-verify all applicant information and to provide final approval of the applicant's eligibility.



## **FINDINGS**

### **DCHA LOCAL RENT SUPPLEMENT PROGRAM PARTICIPANTS MET ELIGIBILITY STANDARDS FOR HOUSING ASSISTANCE**

Participants in DCHA's LRSP met standards for housing assistance in accordance with established qualifications, criteria, and guidelines during the sample period. Applicants for LRSP housing assistance are determined eligible in accordance with the screening criteria found in the District of Columbia Municipal Regulations (DCMR) and DCHA's Admissions and Continued Occupancy policy. These criteria include requirements regarding family composition, income limitations, applicant personal history evaluations, family size and housing type, and signed submission of all required documentation.<sup>1</sup> We reviewed 40 applicant files to verify that the following information was included:

- application or referral submitted, family defined;<sup>2</sup>
- valid government ID;
- verification of Social Security Number (or alternate ID if no Social Security Number);
- verification of employment income, benefits, and other income;
- verification of student status (if applicable);
- verification of assets; and
- verification that criminal background checks had been conducted.

All application files in our sample included the required documentation.

### **DCHA DID NOT ESTABLISH SUFFICIENT CONTROLS TO COMPLY WITH REQUIREMENTS FOR SEX OFFENDER CHECKS OR INCOME VERIFICATION IN NEIGHBORING JURISDICTIONS**

DCHA did not establish sufficient controls to ensure that state registered lifetime sex offender checks were documented in accordance with HUD guidance or to verify that applicants fully disclosed income from neighboring jurisdictions.

#### **DCHA Did Not Adequately Document Sex Offender Checks in Accordance With HUD Guidance**

DCHA did not adequately document criminal background checks used to identify state registered lifetime sex offenders during the eligibility determination processes. HUD requires that Public Housing Authorities (PHA) conduct criminal background checks to identify state-registered lifetime sex offenders during the eligibility determination

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<sup>1</sup> See 14 DCMR §§ 6106.1(a)-(e).

<sup>2</sup> District and HUD regulations state that the head-of-household and other members of the family (when applicable) must be identified when applying for housing assistance. See, e.g., 14 DCMR § 9508.2.

process, and then destroy the results of a criminal background check in accordance with HUD record management requirements. However, the PHA must retain a record of the screening, including the type of screening and the date performed.<sup>3</sup> The ECOD eligibility checklist includes all the steps of the eligibility determination process to include the sex offender check. However, the checklist does not require information on the type of screening and the date that the specific screening was completed.

The ECOD Director told us that the checklist used in the eligibility determination process was considered adequate documentation to comply with HUD requirements. However, the checklist only includes a box to indicate that a review was completed and does not provide a place to state the date of the review, which is not in line with HUD Notice PIH 2012-28, H 2012-11 requirements. Without adequate documentation that criminal background checks were conducted to identify sex offenders, DCHA may be unable to substantiate that all required checks have been performed in order to minimize risk to LRSP participants and their families.

### **DCHA's Internal Controls Over Income Verification Could Be Enhanced to Ensure Full Disclosure of Income in Neighboring Jurisdictions**

DCHA's internal controls over income verification could be enhanced to ensure full disclosure of income in neighboring jurisdictions during the eligibility determination processes to safeguard against fraud within the program. Specifically, DCHA has no independent method to determine whether applicants earned income in the neighboring jurisdictions of Maryland and Virginia. District regulations require that once approved for a voucher program, an applicant's annual income cannot exceed the income limits for the specific program.<sup>4</sup> DCHA uses the Department of Human Services' Automated Client Eligibility Determination System (ACEDS) to verify housing applicants' District and federal benefit income. In addition, information regarding District employment income is obtained from the Department of Employment Services (DOES). However, ACEDS and the DOES system used in the verification process do not have access to income earned from neighboring jurisdictions.

DCHA ECOD officials were aware of this issue and agreed that there were limitations in the capabilities of their systems and processes to obtain income information from Maryland and Virginia. To partly compensate for this lack of income information, DCHA attempted to enter into a written agreement with Maryland for access to unemployment insurance wage information. However, as of the end of our fieldwork, no agreement had been reached. Due to incomplete income information, DCHA lacks key data to detect and prevent fraud in the program. As a result, DCHA may make eligibility

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<sup>3</sup> U.S. DEP'T OF HOUSING AND URBAN DEVELOPMENT, OFFICE OF HOUSING, NOTICE PIH 2012-28, H 2012-11, STATE REGISTERED LIFETIME SEX OFFENDERS IN FEDERALLY ASSISTED HOUSING, § IV(C) (June 11, 2012). PHAs are encouraged to use the Dru Sjodin National Sex Offender Database, which combines data from individual state sex offender registries and/or other available national, state, or local resources. *Id.* § V(A). The site, [www.nsopw.gov](http://www.nsopw.gov), is a partnership between the U.S. Department of Justice and state, territorial, and, tribal governments, working together for the safety of adults and children.

<sup>4</sup> See 14 DCMR §§ 6108.1 and 6119.1.

determinations and provide LRSP vouchers to unqualified applicants, which could lead to fewer vouchers available for District residents with a legitimate need and prolong the wait for applicants applying for vouchers.

## **CONCLUSION**

DCHA has an important role in providing quality affordable housing to low- and moderate-income households. Although the agency has established a process to ensure participant eligibility, its controls to ensure housing participants' safety and to prevent fraud and abuse within the program need to be improved. Without strengthening these controls, DCHA puts housing participants' safety at risk and may not meet the demands of District residents with a legitimate need for housing assistance.

## **RECOMMENDATIONS**

We recommend that the Director, DCHA:

1. Establish and implement a procedure for documenting sex offender registry checks to include type of screening and date screening was performed, and maintain a record of this screening.
2. Conduct a cost-benefit analysis to determine the best method to identify and verify all income from neighboring jurisdictions.

## **AGENCY COMMENTS AND OFFICE OF THE INSPECTOR GENERAL RESPONSE**

We provided DCHA with our draft report on July 21, 2016, and received its response on August 16, 2016, which is included as Appendix B to this report. DCHA concurred with our two recommendations and outlined current practices that they consider to meet the intent of our recommendations. DCHA's response and actions partly meet the intent of recommendation 1 and do not meet the intent of recommendation 2.

Regarding recommendation 1, DCHA stated that they met with OIG staff to demonstrate their current background screening process, which captures the date and time a national sex offender search is received from its vendor. However, DCHA did not provide evidence that they maintain a record of the type of screening performed. We consider this recommendation resolved<sup>5</sup> and open<sup>6</sup> pending additional information to demonstrate that a record of the type of screening is maintained.

Regarding recommendation 2, DCHA suggests that its current process includes wage verification in neighboring jurisdictions. However, DCHA did not provide evidence that

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<sup>5</sup> Resolved means the agency has agreed to take action(s) to meet the intent of our recommendations.

<sup>6</sup> Open means the agency has not completed the action(s).

their process incorporates wages from other jurisdictions or how DCHA employees access DOES wage information from all 50 states and U.S. territories. As a result, we are requesting additional information on its process for incorporating wages from other jurisdictions and consider this recommendation resolved but open pending additional information.

## **ACTIONS REQUIRED**

We consider both recommendations resolved and open, pending additional information as described above. We request that DCHA reconsider their responses to the recommendations and provide the OIG with a revised response within 30 days of the date of this final report.

## **APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY**

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We conducted our audit work from December 2014 through July 2016 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.

Our original objective was to audit the federal HCVP. However, this program is included in the A-133 Single Audit conducted by an external auditor as part of DCHA reporting requirements to HUD. Therefore, we modified our objectives to audit the District-run, local program, the LRSP; specifically, whether: (1) participants in the LRSP met qualifications, criteria, and guidelines for housing assistance; and (2) internal controls were established to prevent fraud, waste, and abuse within the program during FY 2014.

To accomplish our audit objectives we reviewed laws, regulations, guidance, and other relevant information to understand applicable eligibility requirements. We also interviewed DCHA officials to gain an understanding of the eligibility determination process.

To test eligibility of participants in the LRSP, we selected a random sample of 40 LRSP tenant-based participants (out of a population of 192) who received a housing voucher in FY 2014 (sample period). We reviewed electronic files to determine whether the DCHA obtained, verified, and evaluated required eligibility information before deeming the applicant eligible to receive a voucher. The eligibility identification process included a review of applicable sections of the DCMR, DCHA's Administrative Plan, federal regulations, HUD's Public and Indian Housing Notices, interviews with eligibility officials, and observations of the eligibility determination process. Once the key eligibility attributes were determined, we tested our sample to determine whether they met qualifications for LRSP housing assistance.

To assess controls over the eligibility determination process for LRSP participants for FY 2014, DCHA officials completed an internal control questionnaire and we evaluated their responses. Additionally, we reviewed policies and observed the performance of procedures used during the processing of a current applicant's file.

This testing required us to rely on computer-processed information. While we did not perform a formal reliability assessment of DCHA October 2013 through September 2014 eligibility data, we: (1) reviewed existing documentation related to the data sources; (2) traced a random sample of data to source documents; and (3) interviewed knowledgeable agency officials about the data. We determined that the data obtained were sufficiently reliable for the purposes of this report.

## APPENDIX B: DCHA'S RESPONSE TO THE DRAFT REPORT



### District of Columbia Housing Authority

1133 North Capitol Street, NE Washington, DC 20002-7599  
202-535-1000

Adrienne Todman, Executive Director

August 16, 2016

Daniel W. Lucas  
Inspector General  
Government of the District of Columbia  
Office of the Inspector General  
717 14<sup>th</sup> Street, N.W., 5<sup>th</sup> Floor  
Washington DC 20005

Re: Audit No: 15-2-06  
Audit of Local Rent Supplemental Program (LRSP)

Dear Inspector General Lucas:

Enclosed is our response to your draft audit report of the District of Columbia Housing Authority's (DCHA) Local Rent Supplemental Program (LRSP). We are appreciative of your professional determination that our program participants have met all eligibility requirements for inclusion in the program.

In our response we have provided information that addresses your two (2) recommendations; to enhance procedures for documenting certain criminal violators and to ensure that participants with income in surrounding jurisdictions are documented.

We would like to thank your staff for their professional demeanor and the courtesies extended throughout the audit process. If you have any additional issues please contact me or [REDACTED] Director, Audit and Compliance at [REDACTED]

Sincerely,



Adrienne Todman  
Executive Director

[www.dchousing.org](http://www.dchousing.org)

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## APPENDIX B: DCHA'S RESPONSE TO THE DRAFT REPORT

### LOCAL RENT SUPPLEMENTAL PROGRAM (LRSP)

The Office of Inspector General (OIG) conducted an audit of the District of Columbia Housing Authority's LRSP pursuant to their FY 2015 Audit and Inspection Plan, dated March 31, 2015. The OIG's finding was that "Participants Met Eligibility Requirements" of the LRSP. The OIG further suggest two recommendations that would enhance or strengthen controls of LSRP participants' safety and prevent fraud within the program.

DCHA would again like to reiterate our appreciation for your assessment of participant's eligibility.

**Recommendation No. 1 : Establish and implement a procedure for documenting sex offender registry checks.**

Subsequent to the issuance of the draft report relevant staff of DCHA met with [REDACTED] and [REDACTED] of the OIG Staff. DCHA demonstrated that we maintain a robust background screening apparatus that captures the date and time that all applicants are screened. This repository is readily available to validate checks of the national and local sex offender registry. The information is permanently stored in our historical data base (Wizard) as part of the applicant record. In addition to maintaining this historical data, staff are required to validate, certify, and document the housing eligibility check list to demonstrate the required screenings were completed.

**Recommendation No. 2: Conduct a cost benefit analysis to determine the best method to identify and verify income from neighboring jurisdictions.**

DCHA acknowledges and recognizes that there are many regulations and documents which govern eligibility both locally and through the corresponding federal process. In some instances requirements are additional and, in others they are duplicative. In any event they serve to ensure a most comprehensive process is implemented which prevents fraud, waste, and abuse of the eligibility system.

DCHA conducted a Quality Assurance analysis to ensure our processes addressed issues of identifying neighboring jurisdictional income. Our first test identified an applicant whose wages was derived from income generated in the state of Maryland. To ensure our process was all inclusive we contacted the Department of Employment Services (DOES) through which all applicants are submitted. Specifically, we spoke with management staff of the Wage Enforcement Branch. They advised that DOES accesses all fifty states and U.S. territories for wage information.

## **APPENDIX B: DCHA’S RESPONSE TO THE DRAFT REPORT**

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### **CONCLUSION**

First, DCHA is always receptive to recommendations that will enhance or improve its program efficiency. Second, DCHA recognizes its important role in providing quality affordable housing to low-and-moderate income households. As stated by the OIG, we have met our responsibility in determining participant eligibility and we respectfully submit that our program addresses matters of safety to applicants and concerns of fraud, waste, and abuse.