



CHICAGO HOUSING AUTHORITY OFFICE OF INSPECTOR GENERAL CHICAGO, IL

OIG File #A2019-10-002 – Audit of Housing Choice Voucher (HCV) Inspections

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ACRONYMS

- **CHA:** Chicago Housing Authority
- **HCV:** Housing Choice Voucher
- **HQS:** Housing Quality Standards
- **HUD:** U.S. Department of Housing and Urban Development
- **NMA:** Nan McKay & Associates
- **OIG:** Office of the Inspector General
- **QC:** Quality Control

A. Executive Summary

I. Authority and Role

The authority to perform this audit is pursuant to the Board-approved *Inspector General Charter*, which states that the Office of the Inspector General (OIG) has the authority and duty to audit the administrative programs of the Chicago Housing Authority (CHA). The OIG is tasked with identifying inefficiencies, waste, fraud, abuse, misconduct and mismanagement, as well as promoting economy, efficiency, effectiveness, and integrity in the administration of CHA programs and operations. The role of the OIG is to conduct independent audits of CHA operations and programs and make recommendations for improvement when appropriate. CHA management is responsible for establishing and maintaining measurable processes to ensure that CHA programs operate economically, efficiently, effectively, and with integrity.

Standards

The OIG conducts audits of programs in accordance with Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States and The Principles and Standards for Offices of the Inspector General. Those standards apply to performance audits of government agencies, and require that we plan and perform the audit to provide objective analysis, findings and conclusions to assist management and those charged with governance and oversight with, among other things, improving program performance and operations, reducing costs, facilitating decision making by parties responsible for overseeing or initiating corrective action, and contributing to public accountability.¹

Independence

The OIG auditors involved in this audit are free both in fact and appearance from personal, organization and external impairments to independence. All opinions, judgments, conclusions and recommendations are impartial and should be viewed as impartial by third parties.

II. Background

As part of the 2019 Audit Plan, the OIG conducted an audit of Housing Choice Voucher (HCV) inspections to determine whether CHA has effective and efficient controls over the administration and monitoring of HCV inspections.

The U.S. Department of Housing and Urban Development (HUD), as authorized by law, developed Housing Quality Standards (HQS) that establish the minimum requirements housing must meet before assistance is provided under the HCV Program. CHA is responsible for ensuring that each unit occupied by a program participant meets the HQS before the initial move-in and at least biennially.

¹ The U.S. Government Accountability Office, Comptroller General of the U.S. (2018). *Government Auditing Standards* (The Yellow Book). Washington, DC: GAO.

CHA contracted a third-party, Nan McKay & Associates (NMA), to conduct inspection services for the HCV Program during the scope period.

The following types of inspections are conducted:

- **Initial:** Conducted after a voucher holder submits a request for tenancy approval.
- **Biennial:** At a minimum, units are re-inspected on a biennial basis (once every other year).
- **Annual:** Units are inspected on an annual basis if the unit has a child under the age of six and/or the unit is owned by an owner on CHA's Do Not Lease List, which is a list of owners who are suspended from entering into any new Housing Assistance Payments (HAP) contracts pursuant to CHA's HCV Program Procedure Guide.
- **Complaint:** Conducted when property owners or participants request an inspection due to a HQS fail item.
- **Re-Inspection:** Conducted when a unit fails a HQS inspection to determine whether all repairs have been completed and the unit is in compliance with HQS requirements.
- **Quality Control (QC) Inspection:** A sample of units are re-inspected to ensure that HQS is being enforced correctly and uniformly by all inspections.

For each inspection, a summary decision is issued on a unit based on the HQS criteria. These ratings include pass, fail, inconclusive or cancel.

III. Objective

As part of the 2019 Audit Plan, the OIG conducted a performance audit of HCV inspections. The objectives of the audit include the following:

1. Determine whether CHA HCV inspections are scheduled, conducted, reported and invoiced in accordance with CHA Policy and Procedures and CHA's contract with NMA.
2. Ensure program funds are used solely for units that are safe, decent and sanitary and meet HUD's HQS.
3. Assess the risk environment and determine whether the current internal controls are sufficient to minimize fraud, waste and abuse in the inspection process.

IV. Scope

The scope period of this audit is for inspections occurring between October 1, 2018 through September 30, 2019.

V. Approach and Methodology

The audit was performed by conducting interviews with personnel from HCV and NMA. The OIG tested for compliance with the applicable laws, policies, procedures and regulations cited within the following documents:

1. 24 CFR Part 982
2. Form HUD 52580-A: HCV Inspection Form
3. HUD HCV Program Guidebook, Chapter 10
4. HUD Notice PIH 2016-05 (HA)
5. Contract No. 11268 between NMA and CHA
6. CHA FY2019 HCV Administrative Plan
7. CHA HQS Inspections Guidebook

The OIG reviewed invoices obtained from CHA's Lawson database. Invoices submitted by NMA were matched against the billing rates for each inspection type, as listed in Contract No. 11268, to ensure contract compliance. The OIG also reviewed supporting documentation provided by NMA, including a detailed list of inspections conducted each month to verify that the number of inspections listed on each invoice was accurate.

The OIG compared the supporting documentation to inspection data in CHA's Yardi database. Based on the assumed risks of process and data accuracy, the OIG opted to use a judgmental sampling² method in order to test and determine whether the billed inspections were scheduled according to policies and procedures, as well as whether the billed inspections were appropriate and mirrored data in Yardi.

The OIG believes that the audit materials obtained provide a reasonable basis for the findings and conclusions based on the audit objectives to identify conditions and/or an environment that results in, or could result in, waste, fraud, abuse, misconduct or mismanagement.

² Judgmental sampling is a non-statistical sampling method where specific items are selected based on the Auditor's professional knowledge about the population (Institute of Internal Auditors).

Data Overview

Inspections are billed at different rates depending on the type of inspections conducted each month. During the scope period, NMA conducted and billed for 67,651 inspections.³

Type	Billing Rate	Inspections	Amount Invoiced
Initials	\$ 28.00	8,972	\$ 251,216.00
Annuals	\$ 28.00	13,501	\$ 378,028.00
Biennials	\$ 28.00	7,350	\$ 205,800.00
Re-Inspections	\$ 24.00	26,619	\$ 638,856.00
Specials	\$ 24.00	3,603	\$ 86,472.00
Inconclusive	\$ 16.00	7,606	\$ 121,696.00
TOTAL		67,651	\$ 1,682,068.00

Testing

The OIG conducted various analyses on the inspections conducted and billed during the scope period, as well as on the units eligible for an inspection during the scope period. The following table summarizes those analyses and includes the corresponding finding, for which additional detail is contained:

Related Finding	Test	Population	Sampled	Findings	% of Findings	Additional Cost
Finding I	Redundant Inspections	201	201	201	100%	\$5,628
	Inspections Previously Billed	6	6	6	100%	\$144
	Billed Inspections Not Performed	671	30	29	97%	\$676
Finding II	Late or Missing Inspections	458	40	19	48%	N/A
Finding III	Inspections at Unoccupied Units	583	40	25	62%	\$9,376

³ NMA does not invoice for any QC inspections.

VI. Summary of Results

The audit revealed that CHA lacked sufficient oversight and failed to review NMA's inspection processes. The OIG identified the following significant conditions:

- Noncompliance with HUD HQS requirements – The OIG sampled 40 units that were determined to be eligible for HCV inspections during the scope period and identified 19 units (48%) that had not been inspected within the annual/biennial requirement.
- Modifications to inspection results – The OIG identified 309 inspections that were changed from a fail status to a pass status. Broad access to inspection records may contribute to the modified inspection records, and ultimately, creates an environment where inspection records could be manipulated and used for illegitimate reasons.

Additional conditions identified include:

- CHA overpaid NMA \$820 for inspections that should not have been billed (\$144 for duplicate inspection ID's and \$676 for inspections that were not conducted);
- Questioned Costs:
 - CHA paid \$5,628 to NMA to over-inspect units;
 - CHA paid \$9,376 for inspections of units that were not occupied at the time of the inspection;
- CHA paid an additional \$32,320 for 1,291 inspections that indicate an additional review by the HCV Department should be performed. The OIG identified inspections that occurred on the same day and at the same unit within the billing data and found that only one inspection occurred.

Summary of Recommendations:

The OIG made eight recommendations, which promote continuous improvements in operations, effectiveness and transparency of process. Details of each finding, the associated risks and recommendations, and management's response can be found in the sections to follow.

Material deficiencies and relevant issues were discussed with and communicated to the HCV Department. The OIG provided CHA management a draft report with findings and recommendations and allowed CHA management time to submit written responses. The final report, including management's response, was presented to the Chief Executive Officer and to the Audit Committee.

All departments impacted by this audit cooperated fully with the OIG staff. The OIG thanks HCV and NMA management for their cooperation and willingness to continue to improve the HCV Program.

B. Finding and Recommendations

I. Finding: Inappropriate Charges

According to Contract No. 11268, NMA shall provide an invoice for compensation based on data from Yardi and shall work with CHA's Finance Department to ensure the accuracy and relevance of the data. CHA will then make reasonable effort to review, approve and pay upon receipt of each invoice submitted for services rendered under the agreement.

However, the OIG identified inspections that NMA should not have included in its invoices, as well as inspections that should not have even been scheduled or conducted. CHA also failed to review and validate each invoice and supporting documentation provided by NMA.⁴

The following scenarios were inappropriately billed:

Redundant Inspections

Risk Level: Medium

CHA introduced biennial inspections, according to the FY2018 HCV Administrative Plan, in January 2018 to implement cost savings measures and to be consistent with 24 CFR §§ 982.405, 983.103. HUD permits biennial inspections to reduce the administrative and financial burden on Public Housing Authorities (PHA) and landlords and to allow PHAs to concentrate their inspection resources on the more marginal and higher-risk units.⁵

Irrespective of this change, NMA scheduled, conducted and charged a total of \$5,628 for 201 annual/biennial inspections of units that had already met the HQS within the required annual/biennial time period.

The OIG only tested inspections billed at an annual or biennial rate and did not include, in the testing, inspections that were billed as inconclusive. This is partly due to the lack of data integrity in the ratings of pass or fail listed on the billing report (See Finding IV), as well as due to duplicate unit codes in Yardi. The OIG estimates this scenario would increase the number of redundant inspections that occurred.

For example, an annual inspection was conducted at [Address 1] on 4/23/2019. This inspection resulted in a fail and another annual re-inspection was conducted on 5/22/2019. The annual re-inspection resulted in a pass rating. Yet, a biennial inspection was conducted on 6/4/2019, regardless of the unit meeting HQS on 5/22/2019. NMA

⁴ Based on interviews with CHA personnel, the invoice is reviewed for mathematical accuracy and to ensure the billing rates match those established in Contract No. 11268.

⁵ U.S. Department of Housing and Urban Development, Office of Public and Indian Housing (2016). Notice PIH 2016-05. Streamlining Administrative Regulations for Programs Administered by Public Housing Agencies.

also billed for this biennial inspection even though the inspection was not necessary based on HUD or CHA requirements.

Upon further review and discussion with NMA, this instance was due to pulling data from Yardi and scheduling inspections too frequently. On 4/26/2019, NMA pulled all units that still needed a passed annual inspection. This unit appeared on the report since the first annual inspection failed on 4/23/2019. NMA did not take into account that an annual re-inspection was already scheduled for 5/22/2019.

In another example, an annual inspection was scheduled at [Address 2] for 6/7/2019. The annual inspection was cancelled by NMA due to a shortage in inspectors. The inspection was rescheduled and conducted on 6/25/2019, but the unit failed. This generated a re-inspection on 7/25/2019 that resulted in a pass. However, five months later, an annual inspection was conducted at the same unit on 1/23/2020.⁶

For this second instance, NMA stated the Yardi database does not recognize a cancelled inspection. Although annual re-inspections were conducted, Yardi recognized these inspections only as a “Re-Inspection” and flagged the unit as still needing an “Annual” inspection.

Conducting these additional inspections not only impacts tenants and owners who are required to be present for an inspection⁷, but also takes resources away from inspecting units that are higher-risk or that have not been inspected in the required timeframe (See Finding II). In addition, it adds unnecessary expenses to the agency.

Inspections Previously Billed

Risk Level: Low

CHA was billed for the same inspection on six occasions based on a review of all inspections billed during the scope period. Each inspection is given a unique inspection ID, meaning that the ID should not show up more than once in the billing reports. However, the OIG identified inspection IDs that appeared on two separate billing reports, for a total overbilling of \$144.

For example, Inspection ID #2034134 was included in NMA’s billing report for May and was again included in the billing report for June. The following inspection ID’s were found to be included in two separate billing reports.

⁶ Although this second annual inspection is outside the scope of the audit, the OIG was made aware that it could be an ongoing issue and analyzed the inspections at this unit to identify whether the process had been corrected.

⁷ CHA HQS Inspections Guidebook and FY2019 HCV Administrative Plan requires an adult to be present for the inspection when a family occupies the unit at the time of the inspection. The presence of the owner or the owner’s representative is required during the regular inspection and/or during an owner-requested special inspection.

Inspection ID	Billed Month	Result	Billing Type	Unit ID	Amount Charged	Overcharged Amount
1952428	Dec-18	Fail	Reinspection	7038435	\$ 24.00	\$24.00
	Feb-19	Pass			\$ 24.00	
1958623	Jan-19	Fail	Reinspection	4012039	\$ 24.00	\$24.00
	Feb-19	Pass			\$ 24.00	
1965570	Jan-19	Fail	Reinspection	7009537	\$ 24.00	\$24.00
	Feb-19	Pass			\$ 24.00	
2034134	May-19	Fail	Special	4010065	\$ 24.00	\$24.00
	Jun-19	Fail			\$ 24.00	
2034149	May-19	Fail	Special	7028146	\$ 24.00	\$24.00
	Jun-19	Fail			\$ 24.00	
2034155	May-19	Fail	Special	4013157	\$ 24.00	\$24.00
	Jun-19	Fail			\$ 24.00	

The OIG identified modifications made to these inspection records in Yardi. For most of these inspections, an inspector or inspectors logged into the inspection record before or after the inspection was conducted, the result of the inspection changed, or the “Inspected Date” changed.

For Inspection ID #1965570, the inspection was requested on 1/29/2019 to be conducted on 2/28/2019, but an inspector logged into the record on 1/29/2019 and recorded an inspection result. This caused the inspection to appear on the January billing report since a result was recorded. Yet, another inspector logged into the record on the listed inspected date on 2/28/2019 to conduct the inspection (See Finding IV).

These instances would be eliminated with proper review and data validation. When preparing an invoice, NMA should ensure the inspection was not previously billed. CHA should also adequately review the previous month’s inspections to ensure the same inspection is not charged twice.

Billed for Inspections Not Performed
Risk Level: Low

The OIG’s analysis identified 671 occasions (or 1,351 inspections for a total of \$33,748) where two or more inspections were listed on the billing report as occurring on the same day, at the same unit and by the same inspector. The OIG sampled 30 of the 671 occasions (60 inspections totaling \$1,428) and identified 29 inspections or \$676 (97%) that should not have been billed. Although Yardi reflected two separate inspection records, only one inspection occurred.

In one instance, an initial inspection was conducted at [Address 3] on 8/6/2019. This unit address was assigned two separate property codes in Yardi and therefore, created two separate inspection records. Only one of the following inspections should have been charged because only one inspection occurred:

Billing Month	Billing Type	Inspected Date	Unit ID	Property Code	Inspection ID	Amount Charged
Aug-19	Initial	8/6/2019	4020522	hcv649	2052846	\$ 28.00
				hcvpwe	2060071	\$ 28.00

In another instance, an annual inspection was conducted at [Address 4] on 12/3/2018 and the inspector identified an emergency HQS violation. According to the HQS Inspections Guidebook and FY2019 Administrative Plan, if an emergency HQS violation is observed while an inspector is on site, the property owner is required to correct the emergency fail items within 24 hours and the unit will be re-inspected for HQS compliance on the next workday. Thus, another inspection was conducted on 12/4/2018 to address the emergency item. In Yardi, however, there was a third inspection record associated with this unit, which never occurred but was included in NMA’s invoice:

Billing Month	Billing Type	Inspected Date	Unit ID	Inspection ID	Amount Charged
Dec-18	Annual	12/3/2018	4198241	1943882	\$ 28.00
	Special	12/3/2018		1950171	\$ 24.00
	Re-inspection	12/4/2018		1950174	\$ 24.00

The “Special” inspection highlighted above was not conducted on 12/3/2018. The only inspections conducted were the “Annual” inspection on 12/3 and the emergency inspection, or “Re-Inspection,” on the following day, 12/4.

Based on interviews with NMA, these instances are a result of the way emergency inspections were entered into Yardi. The “Special” inspection was created as a separate record and not within the same inspection series as the annual inspection. The “Special” inspection was cancelled in the system, but then created a “Re-inspection” (noted above on 12/4/2018) to specially address the emergency violation.

Due to the way the data is entered into Yardi, these additional inspections are included in the billing report and therefore, CHA pays for two or three inspections even though only one inspection occurred.

Risks:

- Overpaying for inspection services
- Inefficient use of inspection resources

Recommendations:

1. When scheduling annual and biennial inspections, NMA should check the unit’s inspection history, consider previous cancelled annual inspections, and inspections that are already scheduled for that unit to ensure sufficient use of inspection resources.
2. CHA and/or NMA should check prior month’s billing reports to ensure the same inspection is not being billed twice.

3. CHA and NMA should reassess how inspection data are entered into Yardi and/or filter the billing report to eliminate the additional inspection records that are not associated with an actual inspection from being included in the invoice.

Management Response:		
<input type="checkbox"/> Concur with Findings and recommendation	<input type="checkbox"/> Do not concur with Findings and recommendation	<input checked="" type="checkbox"/> Concur with part of the Findings and recommendation
<p>Page 5 indicates OIG opted to use a judgmental sample method. Often with judgmental sampling, the samples are not representative of the population, there is bias with the selection, there is no randomization obtaining the sample, and there is misrepresentation when outcomes of the audit are applied to the entire population. While there are many resources that discuss the cons of judgmental sampling, the OIG sites the “Institute of Internal Auditors” as a footnote in the report regarding its use of judgmental sampling and therefore we included below additional language from the IIA on judgmental sampling: Nonstatistical sampling is an approach used by the auditor who wants to use his or her own experience and knowledge to determine the sample size. Nonstatistical sampling (e.g., judgmental) may not be based objectively and, thus, results of a sample may not be mathematically supportable when extrapolated over the population. That is, the sample may be subject to bias and not representative of the population. Nonstatistical sampling may be used when results are needed quickly and needed to confirm a condition rather than being needed to project the mathematical accuracy of the conclusions. HCV questions this choice of sampling method and the reasons a judgmental sampling method was used.</p> <p>Inappropriate charges</p> <p>As previously discussed with OIG, NMA and CHA complete an annual inspection and contractual financial reconciliation review which has been completed for this audit period. The OIG reviewed unreconciled billing and invoicing for this report. The HCV Department reconciled records reflect that, during the scope of this audit, 69,507 inspections were billed and invoiced in the amount of \$1,726,970 in contrast to 67,651 inspections billed and invoiced in the amount of \$1,682,068 audited by OIG.</p> <p>a. Redundant inspections</p> <p>An inspection conducted in month nine or ten of a twelve month cycle is not redundant. Our normal business model is to schedule prior to inspection due dates to allow for any unexpected challenges with weather, inspection staffing, access to units or re-inspections. This model helps ensure that the program meets HUD compliance requirements and maximum SEMAP points for on time inspections. 72 of the 201 inspections outlined in the OIG report fit this category. Review of the OIG's data shows a possible total dollar amount of \$3,612 paid for early inspections (129 inspections billed at a rate of \$28/inspection) out of \$1.7 million paid. HCV does not believe that this fits a pattern of abuse or waste of funds.</p>		

b. Inspections previously billed

Since early 2019, the HCV Department has worked to continuously improve its billing review process following the Yardi upgrade and the transition to a new inspections platform and vendor, working diligently to prevent any double billing. In the context of the program and the amount billed, OIG identified less than \$200 billed in error, out of approximately \$1.7 million billed and invoiced correctly.

c. Billed for inspections not performed

Prior to the OIG Audit, the HCV Department worked to improve its billing review process. For example, the 8241 S Maryland case discussed on page 11 of the report, was identified as a billing error prior to the OIG audit and was removed from NMA's revised billing.

As part of a May 2019 reconciliation, the HCV Department substantially improved billing accuracy when an emergency and annual inspection occur on the same day at the same unit. This issue, also identified by OIG on page 11 of the report, was identified and addressed by the HCV Department prior to this audit. As part of the improved billing process in early 2019, the NMA team began manually reviewing all inspections that occurred on the same day at the same address to prevent "double" billing for emergency series created during an annual or complaint. Additionally, the HCV Financial Compliance team began reviewing a randomized sample of 30 Inconclusive inspections from the monthly Inspection Billing Reports to ensure validity.”

Custodian:	HCV Compliance Team
Implementation Timeline:	Began in 2019 and is ongoing

OIG’s Concluding Response:

The OIG uses a judgmental sampling technique, often through data analytics, to select population members having specific, shared characteristics for further sampling and performance testing. No mathematical extrapolations were performed to project statistical probabilities of occurrences over the population for this audit. Irrespective of the sample method used, management’s response provides an action plan to address the OIG’s findings and recommendations.

II. Finding: Late or Missing Inspections

Risk Level: High

The OIG identified units that had not been inspected according to the annual and biennial requirement. As previously stated, HUD requires all occupied units to follow HQS requirements throughout the assisted tenancy. The HQS Inspection Guidebook states, “CHA is responsible to ensure that each unit continues to meet the HQS requirements while a HAP Contract is in place.”

The OIG sampled 40 units that were determined to be eligible⁸ for HCV inspections during the scope period and identified 19 units (48%) that had not been inspected within the required annual/biennial requirement.

Two units had not had an inspection for over 42 months and were last inspected in September 2016. Another unit went uninspected for a total of 39 months. The unit was first inspected on 2/9/2017 and was not re-inspected until 12/13/2019. The unit required a biennial inspection by 2/9/2019 (See Appendix 1).

Due to HCV units having multiple unit/property codes in Yardi, it is difficult to identify exactly how many HCV units have not been annually or biennially inspected. An inspection is tied to one unit/property code; therefore, the data may show a unit did not have an inspection per the requirement, but upon further review, the inspection is tied to the second unit/property code. These multiple unit/property codes can cause units to go uninspected since the inspection data is not transferred from one unit/property code to the other code.

Importantly, if units are not inspected based on HUD’s regular inspection requirement, then units may not be HQS compliant and CHA could be subsidizing units that are unsafe and unsanitary.

Risks:

- Noncompliance with HUD’s HQS requirements
- Potentially unsafe and/or unsanitary units
- Potential issuance of HAP for units that do not meet HQS

Recommendations:

4. CHA should ensure occupied HCV units are inspected within the required time frame to be HQS compliant.
5. NMA should consider scheduling inspections by creating a unique identifier and combining the Yardi unit code and the property code to ensure units do not go uninspected.

⁸ The OIG identified 38,715 units eligible for an inspection during the scope period and further assessed the length of time a unit went uninspected. A total of 458 (1.18%) of these units were identified as not having been inspected in 24 months or longer. The OIG sampled 40 of these units.

Management Response:		
<input type="checkbox"/> Concur with Findings and recommendation	<input type="checkbox"/> Do not concur with Findings and recommendation	<input checked="" type="checkbox"/> Concur with part of the Findings and recommendation
<p>Late or Missing Inspections</p> <p>The HCV Department does not agree with the high risk rating. We do however, agree that 20 (of the 40 sampled) inspections identified in Appendix 1 were late or missing. The HCV Department's reviews reflect that HCV meets HUD's Section Eight Management Assessment Program (SEMAP) requirements to receive full points toward being a high performer, and that most required inspections were scheduled timely.</p> <p>Annual HQS Inspections. SEMAP Regulation Section 985.3 (1) This indicator shows whether the PHA inspects each unit under contract at least annually. (24 CFR 982.405(a))</p> <p>(2) HUD verification method: MTCS report - Shows percent of HQS inspections that are more than 2 months overdue. The 2- month allowance is provided only to accommodate a possible lag in the PHA's electronic reporting of the annual HQS inspection on Form HUD-50058, and to allow the processing of the data into MTCS. The 2-month allowance provided here for rating purposes does not mean that any delay in completing annual HQS inspections is permitted.</p> <p>(3) Rating: (i) Fewer than 5 percent of annual HQS inspections of units under contract are more than 2 months overdue. 10 points. (ii) 5 to 10 percent of all annual HQS inspections of units under contract are more than 2 months overdue. 5 points. (iii) More than 10 percent of all annual HQS inspections of units under contract are more than 2 months overdue. 0 points.</p> <p>OIG identified their sample size of 38,715 units and the number of late or missed inspections was 458. The majority of these 458 missing or late inspections had been identified prior to the audit through improved reporting and data reviews conducted in 2019. Based on OIG's late or missing inspection totals, 98.9% of the units had an inspection conducted timely. The improved reporting reviews in 2019 included adding a two year look back by social security number (not just a two year look back on the occupied unit history), identifying work arounds to software limitations with inspection history transferring correctly when a participant moves, and running a daily cancelation report as "canceled" inspections do not populate when on scheduling reports.</p>		
Custodian:	HCV Quality Control Teams	
Implementation Timeline:	Began in early 2019 and is ongoing	

OIG's Concluding Response:
<p>Management's response provides an action plan to address the findings and recommendations.</p>

III. Finding: Inspections for Unoccupied Units

Risk Level: Low

NMA actively identifies in their supporting documentation for each month's invoice whether an inspection was conducted for an individual who moved out of the subsidized unit or was deceased. On average, NMA identified and billed 48 inspections per month, or a total of 583 inspections (\$9,376), during the scope period, that were for a tenant who moved or was deceased. Typically, these inspections resulted in an inconclusive result and were billed as such.

The OIG sampled 40 of these inspections categorized as "Tenant Moved" or "Tenant Deceased" and identified 25 inspections (62%) for which NMA was already made aware of the move or deceased and should not have been conducted.

For example, a re-inspection was conducted at [Address 5] on 4/9/2019 but resulted in an inconclusive rating. This instance could have been avoided because the previous inspection on 3/29/2019 also resulted in an inconclusive rating, specifically noting "unit was empty per management tenant moved." Additionally, the Yardi Memo Notes for this tenant show CHA's call center was informed via telephone on 3/28/2019 that the tenant had moved to Indiana.

NMA acknowledged that this inspection should not have been conducted and stated their process for scheduling inspections changed in September 2019 to only include inspections for units associated with HAP funds based on HUD Form 50058.

By continuing this practice and checking previous inspection and Yardi Memo notes, NMA can ensure that inspections are only scheduled for units that are occupied by a current or are anticipated to be occupied by HCV participant.

Risks:

- Overpaying for inspections of units where no current CHA tenant resides
- Inefficient use of inspection resources

Recommendation:

6. When scheduling inspections, NMA should confirm the unit is occupied with a current HCV participant.

Management Response:		
<input type="checkbox"/> Concur with Findings and recommendation	<input type="checkbox"/> Do not concur with Findings and recommendation	<input checked="" type="checkbox"/> Concur with part of the Findings and recommendation
<p>Inspections for Unoccupied Units</p> <p>The HCV Department agrees that only occupied units should be inspected, and it will continue to improve its processes and train staff to reduce any unnecessary, preventable inspections of unoccupied units.</p> <p>The OIG identified 583 unoccupied units that were inspected and found that 62% (362) of these inspections could have been prevented. If 62% of the inspections were preventable, and HCV could not have prevented 38% of the inspections, then the avoidable cost calculation is \$5,792 (362 inspections billed at a rate of \$16.00/inspection).</p> <p>Due to our program size, our current business model begins the inspection scheduling process three months prior to the inspections due date and we would be unable to review memos for each inspection before it is conducted. The HCV Department will improve training of staff to review for any scheduled inspection series when it is reported that a participant is deceased or has left a unit and will continue to work with ITS and Yardi to identify reports within the system to mitigate inspections of unoccupied units. In mid 2019, the HCV Department created two custom Yardi reports that are run daily to identify vacated units and cancel inspections if a family moves out and CHA is informed prior to the inspection date. Beginning in August 2020, a new quality control report was instituted to review billed inconclusive inspections to confirm whether the inspection could have been prevented and target training and feedback to staff, if needed, to allow for timely future cancelations of vacated units by the inspections department.</p>		
Custodian:	HCV's Quality Control Teams	
Implementation Timeline:	Began mid-2019 and is ongoing	
OIG's Concluding Response:		
<p>Management's response provides an action plan to address the findings and recommendations.</p>		

IV. Finding: Modifying Inspection Results Without an Explanation **Risk Level: High**

As shown in Finding I, modifications to the inspection data caused the same inspection record to be billed twice. Further OIG analysis of tenant and inspection memorandums in Yardi showed that inspection results were changed after the inspection occurred with limited explanation for the change.

Based on an extract of Yardi tenant memorandums, a total of 309 inspections were referenced and specifically noted that inspection results were changed from a fail status to a passing status per the inspection drive-sheet without any further explanation.

According to NMA, drive-sheets list all inspections an inspector has in a given day. Each inspector is required to manually write the overall result of the inspection on this sheet, as well as record the inspection result via a Yardi application on their cellphone that resembles HUD's Inspection Form 52580-A. In these cases, the result written on the drive-sheet took precedence over the result recorded via the cell phone application without any further explanation and often several days after the inspection took place.⁹ Additionally, there is no written procedure that includes the circumstances for which an inspection result should be changed after it occurred.

Broad access to inspection records may contribute to the modified inspection records. The OIG reviewed all inspection records, where an individual logged into an inspection record, during the scope period and found:

- Individuals who logged into an inspection record up to 187 days prior to the inspected date and up to 364 days after the inspected date.
- 30 individuals who were identified as a Housing Specialist, Clerk or Analyst who logged into an inspection record during the scope period.

According to NMA, individuals other than an inspector or supervisor may be granted editing access to inspection records based on their job duties. However, providing broad access to inspection records creates an environment where inspection records could be manipulated and used for illegitimate reasons.

One previous OIG investigation¹⁰, *United States of America v. Lillian Juarez et al.*, revealed that cash payments were made in exchange for passing properties that should have failed their HQS inspection. One inspector had unauthorized access to inspection records that were not assigned to him, which allowed him to alter the inspection result. All defendants were indicted by the Federal Grand Jury in the United States District in Illinois and each pled guilty to one count of wire fraud.

⁹ Drive-sheets serve as quality control for any technical issues that may occur when conducting an inspection and recording the results via cell phone.

¹⁰ OIG Case Number: 2016-12-00050.

The following examples show inspection results that were modified during the scope period:

Inspection ID	Inspected Date	Result	Modified Status	Tenant Memo Notes	Inspection Notes
2013126	5/23/19	Fail	Pass	"[Tenant] called to state inspection passed on 5/23/2019. Reviewed drive sheet and the inspection passed"	"Annual inspection status update change from a fail to a pass"
2011874	5/9/19	Fail	Pass	"Inspection passed according to the drivesheet but on Yardi shows that it failed; Informed [owner] that [call center representative] changed it from a fail to a pass on Yardi and reached out to the abatement team to get the abatement removed"	"Inspection results have been updated to a pass per inspector drive sheet"
1947632	12/7/18	Fail	Pass	"Owner called to see why he has not gotten any hap payments for the year 2019. I do see unit is under abatement but after checking drive sheet for inspection 1947632 unit did pass needs to be update in system an removed out of abatement"	"Per the inspectors drive sheet the unit passed"
1977346	3/28/19	Fail	Pass	"PM called to inquire about inspection results. Told inspection passed; yardi shows fail; drive sheet not available."	"Per [inspector] the inspection passed"
1959032	2/5/19	Fail	Pass	"[Tenant] called because he received a letter for ITT and told by inspector unit passed. Verified drive sheet"	"Per the inspector the unit passed"

Importantly, due to the fact that an original inspection record is listed as a fail, a reinspection of the unit may occur. This was the case for inspection ID #2013126 listed above. A reinspection occurred on 6/21/2019 since the original inspection was inputted as a fail. Both inspections were billed, and the original inspection was later altered to a pass. If the drive sheet would have been reviewed at an earlier date or the result was entered correctly, then the reinspection would not have occurred. This one error resulted in \$16 of waste.

Risks:

- Lack of data integrity
- Potential circumvention of HCV inspection processes
- Overpaying for inspection services

Recommendations:

- 7. CHA and NMA should evaluate current user access and periodically review and verify that user access aligns with current job duties.
- 8. The reasons for changing an inspection result after the inspection has been physically conducted should be adequately documented and maintained within Yardi to provide an audit trail.

Management Response:

<input type="checkbox"/> Concur with Findings and recommendation	<input type="checkbox"/> Do not concur with Findings and recommendation	<input checked="" type="checkbox"/> Concur with part of the Findings and recommendation
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Modifying Inspection Results Without an Explanation

The HCV Department reviewed the 309 records that were corrected by an inspection supervisor, manager or inspections admin staff empowered to complete the Yardi inspections error report or correct inspector errors. As background, CHA upgraded to a new version of Yardi, with a new inspections contractor and moved from a different inspection platform to Yardi's inspections software during this audit period, which led to some of the data entry errors identified by inspections leadership. Correcting inspector and system application errors is necessary and will need to continue, however, the HCV Department agrees that the inspections staff must improve Yardi memo documentation when inspections results or booklets are corrected for any reason.

To clarify the data presented in OIG's report, 157 of the 309 corrected inspection results were modified within 10 days of the incorrectly resulted inspection (239 were corrected in 30 days and 288 in 60 days inclusive of all inspections). The HCV Department instituted a process in early 2019 to review a Yardi error report which identifies inconsistencies between an inspection result and fails or passes on the Yardi inspection booklet. This is reviewed regularly by inspection administration, QC and supervisory staff to correct errors in real time.

Our review shows that none of the staff outside of the inspections group made any corrections to inspections results. This is supported by the Yardi audit logs and time stamps and was verified by CHA's ITS Division. In addition, the HCV Department worked with Yardi and CHA's ITS Division to re-review the user groups that have access to edit inspection records to prevent any non-inspection staff from having access to modify inspections. The CHA's ITS Department has confirmed that the HCV staff's permission settings reflect Yardi's recommended permission settings to specifically prevent any audit or integrity issues. Per Yardi's system experts, despite the ability of some non-inspections user groups to start/stop an inspection, they are not able to change inspection results. We received the following statement from Yardi: "We've been addressing the ability to hit the start/stop button on inspection details as an element that may be confusing for an auditor to see. But, I want to be very clear that with the right security tokens set, it can be demonstrated in the back-end that your read-only users cannot manipulate inspection data even if they toggle the animate on that start/stop button."

Finally, while OIG references a federal case, we feel it important to note that no NMA or CHA staff were identified in the report and there is no reason to believe inappropriate conduct, lack of integrity or wrong doing by any NMA or CHA staff occurred during this audit period.

The HCV Department is committed to better documentation of the inspection record for any inspection result corrections and regularly reviewing Yardi user groups to continue to improve program integrity and reduce risk.

Custodian:	Yardi, CHA ITS, HCV and NMA Directors
Implementation Timeline:	Began July 2020 and ongoing with periodic review of access groups

OIG's Concluding Response:

Management's response provides an action plan to address the findings and recommendations.

Appendix 1

(Data as of 4/15/2020)

Tenant Code	Unit PU Code	Annual/Initial Inspection*	Additional Unit PU Code	Date of Last Annual	Days Without	Requirement
9815094	hcv626 I1070566	9/8/16			1315	Biennial
9717815	hcv624 I1088178	9/20/16			1303	Biennial
763389p	hcv651 1066043	9/30/16			1293	Biennial
0961516	hcv637 I1093893	9/29/16		1/6/20	1194	Biennial
t0172911	hcv609 4304851	4/27/17	hcvpwe 4304851		1084	Biennial
9723167	hcv618 3000403	5/4/17	hcvfss 7035181		1077	Biennial
t0169380	hcv644 1026675	2/9/17	hcvpwe 4019380	12/13/19	1037	Biennial
t0104105	hcv645 1085585	4/24/17	hcv624 1004280	2/11/20	1023	Biennial
t0176412	hcv649 1111500	7/5/17	hcvpwe 4116412	4/15/20	1015	Biennial
0954203	hcv641 5000400	7/28/17	hcvfss 5000400		992	Biennial
0958897	hcv641 4019999	4/14/17	hcv639 3000162	12/26/19	986	Biennial
9809657	hcv707 4001707	6/13/17	hcv634 4041979	2/11/20	973	Biennial
t0001045	hcv624 4023818	6/7/17	hcv644 I4003818	12/12/19	918	Biennial
t0152642	hcv644 4001240	8/14/17	hcv651 4144752	2/11/20	911	Biennial
9720008	hcv639 1112428	9/5/17	hcvfss 1112428	2/26/20	904	Biennial
n024889	hcv621 4095311	1/4/18	hcvfss 4095311		832	Biennial
725458p	hcv637 4285555	1/16/18	hcvfss 4285555	3/17/20	791	Biennial
t0202205	hcv623 1110611	7/9/18	hcvpwe 4023252	12/12/19	521	Annual
z0040638	hcv620 1102421	9/6/18	hcvpwe 4010981	12/4/19	454	Annual

*If the unit's last inspection was an initial inspection, then the date shown is the date the unit passed an inspection in order to be leased up with CHA. If the unit's last inspection was an annual inspection, then the date shown is the date of the unit's last annual (not necessarily when the unit passed). This is based on CHA scheduling requirements.