



Chicago Housing Authority Office of the Inspector General

**Resident Services and Housing Choice Voucher Departments
Demonstration Programs and Special Initiatives Admissions Audit**

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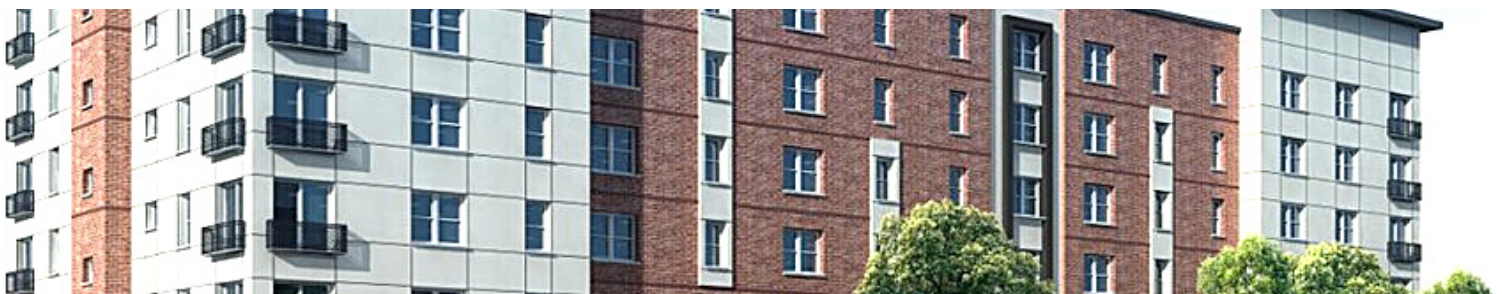


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ACRONYMS

- CHA: Chicago Housing Authority
- HUD: U.S. Department of Housing and Urban Development
- OIG: Office of the Inspector General
- RS: Resident Services
- HCV: Housing Choice Voucher
- NMA: Nan McKay & Associates



A. Audit Summary

The Chicago Housing Authority (CHA) Office of the Inspector General (OIG) conducted a performance audit of CHA Demonstration Programs and Special Initiatives (“demonstration programs”) to determine whether CHA’s Resident Services Division (RS) and CHA contractor Nan McKay & Associates (NMA) admitted participants to the Housing Choice Voucher (HCV) Program in accordance with CHA policy and program criteria and to assess current internal controls in the admission process for CHA’s demonstration programs. As of September 9, 2021, CHA’s nine demonstration programs had issued 1,825 (94%) of the 1,943 housing subsidy vouchers set aside for individuals such as veterans, survivors of human trafficking, and people with disabilities. Such individuals receive a voucher through a referral process rather than the traditional waitlist process. The CHA’s Board of Commissioners approves all CHA Demonstration Programs and the respective program criteria by board vote.

The CHA’s RS and HCV Divisions manage the demonstration programs. They work with various not-for-profit organizations and other government agencies, which provide RS and HCV staff with referral letters in support of an individual’s application to a demonstration program. RS and HCV review the applications to ensure the individual meets program criteria. If eligible, the individual’s application is forwarded for screening to NMA to ensure eligibility for the HCV program.

RS, with assistance from NMA, maintains a manual tracking spreadsheet to record all individuals referred for demonstration programs, those deemed eligible, those ultimately leased up through the HCV program, the numbers of active demonstration program participants, and numbers of the remaining available vouchers for each program. NMA staff also record demonstration program participation in Yardi, including in the initial Application for Eligibility and in subsequent HUD Forms 50058, lines 2q/2r. The data in Yardi is, in turn, used for CHA’s reporting to HUD.

Summary of Findings & Recommendations

The OIG’s audit found that CHA demonstration program admissions were fully supported by agency referral letters that appropriately document participant eligibility. Of the 185 participant files selected for testing, 100% had the supporting letter documenting the participant’s eligibility status. The OIG identified nothing to suggest the program is at risk of admitting ineligible individuals.

In the process of testing for this finding, the OIG identified areas for improvement in CHA’s methods for recording and tracking demonstration program participation. First, the departments’ manual tracking spreadsheet of program participation was incomplete and missing approximately 2% of all current demonstration program participants. Second, the OIG identified inconsistent data entry practices for demonstration program information recorded in Yardi. As of September 2021, CHA was recording demonstration program participation in both HUD-50058 lines 2q and 2r, using multiple different acronyms for the same programs, and in approximately 26% of cases, did not record demonstration program participation on the most recent 50058.

¹ See CHA Website, Demonstration Programs and Special Initiatives, <https://www.thecha.org/about/plans-reports-and-policies/demonstration-programs-special-initiatives> (last visited December 13, 2021). CHA’s HCV Administrative Plan and CHA webpage, Demonstration Programs and Special Initiatives, describe a separate waitlist process for these programs, however HCV staff informed the OIG this language is inaccurate and will be updated.



While this audit did not identify a risk of improper program admissions, the OIG recommends that the Resident Services and HCV Divisions review their data entry and reporting methods to ensure demonstration program records are consistent and complete and to improve the ease of reporting on the status of any open demonstration programs. Specifically, the OIG recommends that RS and HCV review all current demonstration program participants to ensure the manual tracking spreadsheet is complete; ensure the use of consistent acronyms for each demonstration program going forward, and periodically conduct a review of the demonstration programs to ensure completeness of data.

B. Objectives and Background

I. Objectives

The objectives of the audit were:

1. Determine whether participants in tenant-based HCV demonstration programs and special initiatives were admitted in accordance with CHA Policy and Procedures and individual program criteria.
2. Assess the risk environment and determine whether the current internal controls are sufficient to minimize fraud, waste, and abuse in the admission process for CHA's demonstration programs and special initiatives.

II. Background

CHA operates nine demonstration programs and special initiatives ("demonstration programs") that provide tenant-based subsidized housing for specific categories of people in need. Applicants who meet the individual program criteria may be selected from the existing Public Housing or HCV waitlists or referred to CHA by designated community organizations or government agencies. Resident Services staff review the documents sent by the service agency with the referrals to ensure that specific program eligibility is met. Resident Services then forwards any eligible referrals to HCV and NMA to begin the screening process for participants. Referred applicants are added to the waitlist and are provided a preference in accordance with the demonstration program for which they qualify, and as stated in the HCV Administrative Plan.

As of September 2021, the combined maximum number of voucher subsidies set aside for all CHA demonstration programs totaled 1,943. The specific programs are listed in Appendix A of this report.

The OIG selected the HCV demonstration programs for audit due to several factors. Participants in the demonstration program receive a voucher through a referral process, thereby increasing the incentives for fraud or abuse. A recent OIG investigation raised concern regarding the potential for

² See CHA Website, Demonstration Programs and Special Initiatives, <https://www.thecha.org/about/plans-reports-and-policies/demonstration-programs-special-initiatives> (last visited December 13, 2021).

³ The OIG identified more than 50 victims of Rice's scheme. In January 2020, the Circuit Court of Cook County indicted Rice with 34 counts, including bribery, wire fraud, theft by deception and forgery. In September 2021, Rice pleaded guilty to 10 counts of bribery and was sentenced to 6 years jail time, 3 years' probation, plus fines and fees totaling \$8,400.00.



fraud within CHA's HCV admissions process for demonstration programs. In OIG case # 2019-01-00068, and the resulting criminal case, People of the State of Illinois v. Brian Rice, 20 CR 0130801, the OIG found that Brian Rice, a former employee of a CHA contractor, solicited bribes from individuals seeking HCV vouchers and placement on the HCV waitlist.

Upon receiving payment from individuals seeking affordable housing, Rice provided the applicants with an illegitimate voucher and false information to provide to landlords. When the landlords submitted the fraudulent information to CHA, they were informed that neither the voucher nor the required tenant number could be verified. When confronted by the applicants, Rice asserted that the voucher was part of a special initiative for victims of domestic violence and only certain individuals within CHA could verify whether the voucher holders were in the program. The investigation determined that no applicants were added to the program as a result of the fraud.

C. Audit Scope and Methodology

I. Scope

The scope period of this audit was for HCV admissions to demonstration programs and special initiatives occurring from January 1, 2017, through September 9, 2021. The scope does not include active HCV participants who were admitted prior to 2017 through a demonstration program or special initiative.

II. Methodology

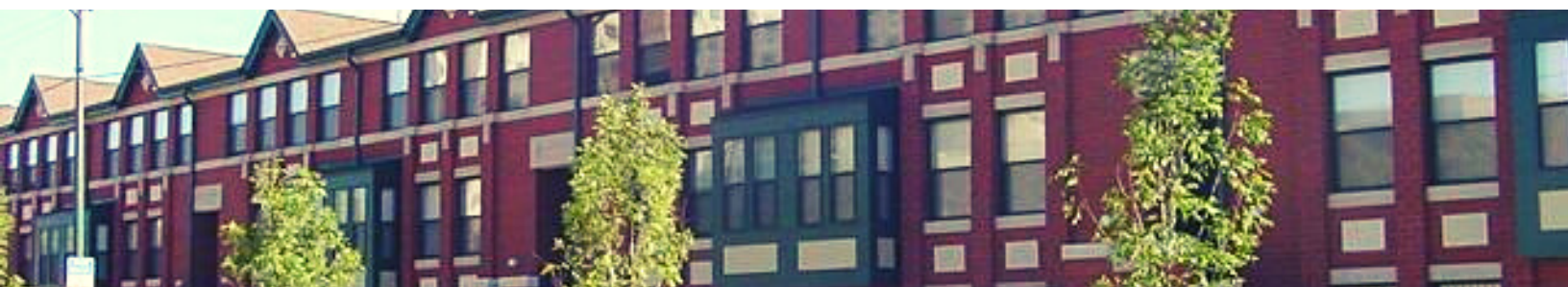
The audit was performed by conducting interviews, reviewing documentation, analyzing relevant CHA data, testing, and other measures deemed necessary. The OIG believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives to identify conditions and/or an environment that results in, or could result in, waste, fraud, abuse, misconduct, or mismanagement.

The OIG will provide CHA management with a draft report with findings and recommendations and allow management time to respond. The final report will be presented to the Finance and Audit Committee, which will include management responses.

a. Relevant Criteria

The OIG reviewed the following relevant documents:

- HCV Administrative Plan (board approved January 21, 2020)
- Form HUD-50058 Instruction Booklet
- CHA Advisory 2018-22 Voucher Attrition for Demonstration Programs
- Demonstration Program Board Approval Letters



b. Sample Selection

To test for program eligibility, the OIG selected a random sampling of 185 or 10% (185 out of 1,825) of all active demonstration program participants. The OIG tested the selected participants to determine whether CHA had maintained the requisite referral letters, which identify whether an applicant qualifies for one of the nine programs.

In the process of identifying the sample population, the OIG obtained two different data sets representing active demonstration program participants as of September 9, 2021. The first is an Excel spreadsheet maintained by RS and CHA vendor NMA with the following information:

- All demonstration programs and appropriate acronyms in place during the scoping period, the date the program ended or expected date of completion, and the maximum number of vouchers attributed to each program.
- All individuals referred for each program during the scope period.
- All individuals admitted into each program during the scoping period.

The second dataset is a Yardi report of information recorded in the HUD Form 50058 lines 2q and 2r as of September 9, 2021, which the OIG pulled based on information provided by HCV staff in response to the OIG's internal control questionnaire. After identifying some discrepancies between the two datasets, the OIG reviewed 100% (1,454) of all active participants identified on the Excel spreadsheet to determine whether the individuals' participation was also recorded on the HUD Form 50058, in lines 2q or 2r.

D. OIG Authority and Role

The authority to perform this audit is pursuant to the CHA Board of Commissioners approved Inspector General Charter, which states that the OIG has the authority and duty to review CHA programs. The OIG is tasked with identifying any inefficiencies, waste, and potential for misconduct therein; and recommending policies and methods for the elimination of inefficiencies and waste, as well as for the prevention of misconduct. Accordingly, the OIG conducts independent audits of CHA operations and programs and makes recommendations for improvement when appropriate.

a. Standards

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.

b. Independence

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

⁴ The U.S. Government Accountability Office, Comptroller General of the U.S. (2018). Government Auditing Standards (The Yellow Book). Washington, DC: GAO.



I. CHA Demonstration Program Admissions are Fully Supported by Agency Referral Letters

The OIG found that CHA demonstration program admissions are fully supported by agency referral letters that appropriately document participant eligibility. The OIG tested 10% of all demonstration program participants identified by RS and NMA to ensure appropriate documentation of the participant’s eligibility in the form of referral letters from partner community organizations or other government agencies. Of the 185 participants tested for referral letters, 100% of the letters were identified, and no exceptions were noted. The OIG’s review found that each referral letter appropriately lists the name of the demonstration program and the referring agency. The following table represents the data selected for each demonstration program to test referral letter compliance requirements per the HCV Administrative Plan Section 3-III.D., Eligibility for Demonstration Programs. See Appendix A below for a description of the demonstration programs.

Program	# of participants leased per RS/NMA	# of participants tested for referral letters	% of referral letters identified
ALF	494	50	100%
MOP	155	16	100%
MDP	140	14	100%
SSVF	404	41	100%
Colbert	230	23	100%
HTS	45	5	100%
RED	48	5	100%
DFSS	85	9	100%
State Referrals	224	22	100%
Total	1,825	185	100%

Management Response:		
<input checked="" type="checkbox"/> Concur with findings and recommendation	<input type="checkbox"/> Do not concur with findings and recommendation	<input type="checkbox"/> Concur with part of the findings and recommendation
Custodian:		
Implementation Timeline:		



II. CHA's Datasets Listing Demonstration Program Participation were Incomplete and Inconsistent

During this audit, the OIG identified discrepancies between the RS/NMA spreadsheet and the Yardi report of information recorded in the participants' HUD Form 50058 lines 2q and 2r as of September 9, 2021. As stated in the Form HUD-50058 Instruction Booklet, "HUD encourages PHAs to use lines 2q-2u for local initiatives. The information on these lines is transmitted to HUD so PHAs may later retrieve the information from PIC."

First, the Excel spreadsheet of demonstration program participants RS/NMA provided the OIG is incomplete. The OIG found 32 or 2% (32 out of 1,454) of active demonstration program participants whose participation is recorded in the Yardi database in the Form 50058 but not on the RS/NMA Excel spreadsheet.

Second, the OIG identified inconsistent data entry practices for demonstration program information recorded in Yardi. As of September 2021, CHA was recording demonstration program participation in both HUD-50058 lines 2q and 2r, using multiple different acronyms for the same programs, and in approximately 26% of cases, did not record demonstration program participation on the most recent 50058. Specifically, the OIG's review of Yardi 50058-line 2q/2r data as of September 9, 2021, found that 374 of the 1,454 total active participants, do not reflect their demonstration program participation. HCV staff reported to the OIG that, "[a]fter the family has been admitted, line 2q/2r may be overwritten as family circumstances change, and other tracking codes are used in these lines." HCV further noted that "tracking of these families occurs on the new admission record." Detailed findings for each program are listed in Appendix B.

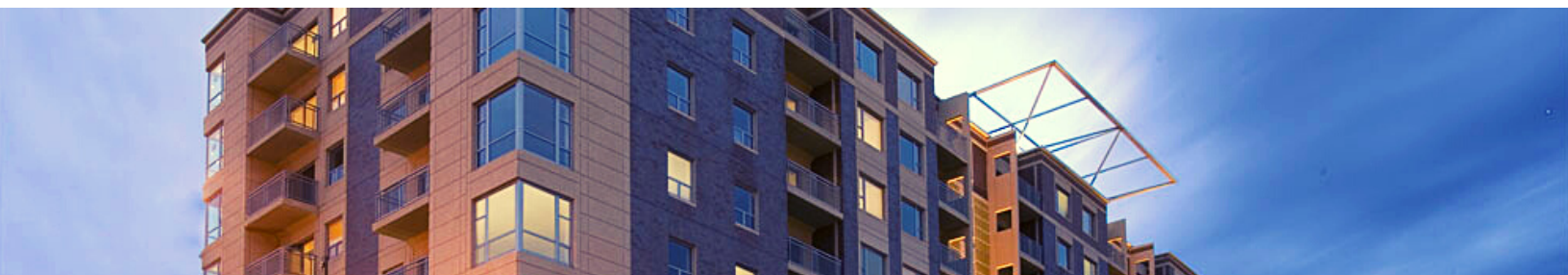
Risk

The discrepancies between the recording of demonstration program participation in Yardi and the manual tracking spreadsheet represent a risk that CHA may under-report the number of active participants in a demonstration program and issue more vouchers than allotted for a given program. Additionally, incomplete, and inconsistent data in Yardi, particularly in subsequent HUD Form 50058s, may result in misleading reporting to HUD and limit CHA's ability to run clear and consistent reports from Yardi.

Recommendation

The OIG recommends that the RS and HCV Divisions review data entry and program tracking practices for the demonstration programs. Specifically, the OIG recommends that RS and HCV review all current demonstration program participants to ensure the manual tracking spreadsheet is complete; ensure the use of consistent acronyms for each demonstration program going forward, and periodically conduct a review and reconciliation of all current demonstration program participants to ensure the relevant demonstration program is recorded consistently, in each participant's current 50058-line 2q or 2r, to improve data analysis and reporting capabilities.

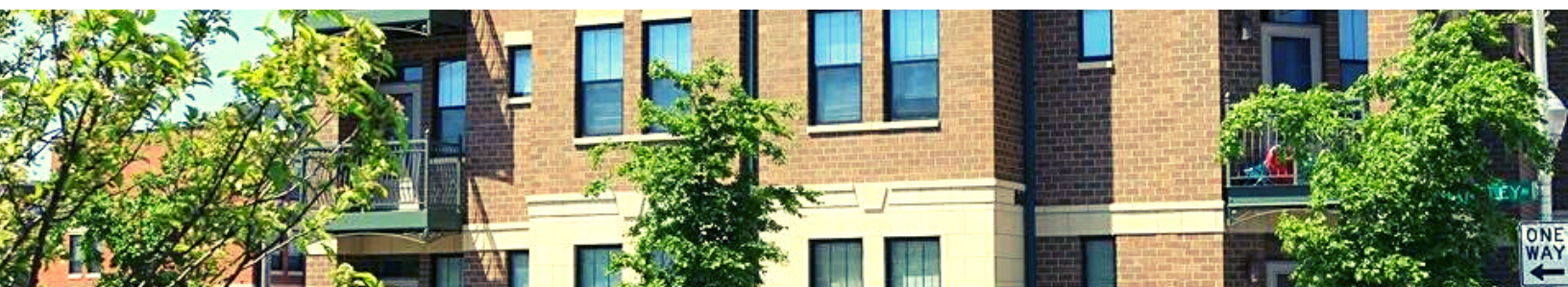
Management Response:		
<input checked="" type="checkbox"/> Concur with findings and recommendation	<input type="checkbox"/> Do not concur with findings and recommendation	<input type="checkbox"/> Concur with part of the findings and recommendation
Custodian:	Glenda Clark and Milton Santiago	
Implementation Timeline:	4 th Quarter	



Appendix A - List of CHA Demonstration Programs

CHA operates the following programs in accordance with the Admissions and Continued Occupancy Policy (ACOP) for Public Housing and the HCV Administrative Plan; each program has specific eligibility requirements:

1. **Access Living Family (ALF)** - Now closed - To be eligible for this program, applicants must be referred to CHA by Access Living. At least one household member must have a documented disability.
2. **Moving on Demonstration Program (MOP)** - Now closed and will only re-issue attrition vouchers when available - To be eligible for this program, applicants need to demonstrate self-sufficiency and housing stability, as defined by the assessment tool created for the pilot.
3. **Match Unit Mobility Counseling Demonstration Program (MDP)** - Now closed - To be eligible for this program, families on the public housing waitlist with at least one child, who self-select to participate in the demonstration as a result of a special invitation and consent, must move to an opportunity or general area.
4. **Supportive Services for Veteran Families (SSVF)** - To be eligible for this program, applicants must reside in Chicago and must be enrolled with an SSVF provider and must be referred to CHA by their SSVF provider.
5. **Colbert & Williams (Colbert)** - To be eligible for this program, applicants must be Colbert or Williams class members or persons with severe and persistent mental illness who have received assistance through the State's Bridge Subsidy program.
6. **Survivors of Human Trafficking (HTS)** - To be eligible for this program, applicants must be referred by Chicago agencies that receive federal funding to provide services to victims/survivors of human trafficking based on an agreed process.
7. **Reentry Pilot (RED)** - Now closed - To be eligible for this program, applicants must be ex-offenders who have completed a minimum of six months in a re-entry program with one of the following Reentry Pilot service providers:
 - a. Safer Foundation
 - b. St. Leonard's Ministries
 - o Participants must be currently on a CHA waitlist or reuniting with a spouse, parent, grandparent, sibling, or adult child currently in CHA's Public Housing or HCV program.
 - o Participants with the following convictions are not eligible: murder, attempted murder, terrorism, and any of the Department of Housing and Urban Development's (HUD's) mandatory criminal background exclusions including sex offenses and criminal drug activity resulting in eviction (see CHA's Administrative Plan and Admission and Continued Occupant Policies for detailed information).
8. **Department of Family & Supportive Services (DFSS) Activity** - Now closed - To be eligible for this program, applicants must be families who are not part of CHA's waitlist and who are currently being served by Homeless Services providers.
9. **State Referrals** - To be eligible for this program, applicants must meet the criteria for the specific/emergency program/initiatives such as:
 - o Victims of a federally declared national disaster affecting the city of Chicago
 - o Witness Protection Program or State Victim Assistance Program
 - o CHA administered housing units must be rehabilitated to meet ADA/504 requirements and for those who alternate CHA administered housing units are not available.
 - o Over-housed or under-housed families living in a Section 8 Moderated Rehabilitation project administered by the CHA for whom no appropriate size unit is available in the same project that is already under a HAP contract.
 - o Public Housing residents covered under the Violence Against Women Act (VAWA) and for whom the CHA has determined that it does not have a suitable unit in its portfolio to which the household can be relocated.



The following two tables reflect the numbers of vouchers set aside for each program and the number of active participants as recorded in the RS/NMA spreadsheet and in Yardi lines 2q/2r.

Program	# of vouchers	# of participants leased per RS/NMA spreadsheet	# of participants per most recent Yardi 50058 line 2q/2r	Total per RS/NMA and Yardi
ALF*	200	494*	308	433
MOP	150	155	48	121
MDP	218	140	43	95
SSVF	450	404	216	279
Colbert	400	230	129	176
HTS	60	45	29	35
RED	50	48	29	41
DFSS	100	85	60	77
State Referrals	315	224	146	197
Total	1,943	1,825	1,080	1,454

* Prior to 2019, 10% of CHA's annual turnover vouchers were allotted for ALF. Effective January 1, 2019, ALF vouchers were capped at 200.

Program	# of participants tracked by RS/NMA and recorded in Yardi 2q/2r	# of participants tracked by RS/NMA NOT recorded in Yardi 2q/2	# of participants NOT tracked by RS/NMA	Total RS/NMA and Yardi
ALF	368	53	12	433
MOP	48	73	-	121
MDP	43	52	-	95
SSVF	211	63	5	279
Colbert	123	47	6	176
HTS	29	6	-	35
RED	29	12	-	41
DFSS	58	17	2	77
State Referrals	139	51	7	197
Total	1,048	374	32	1,454

