



Chicago Housing Authority
Office of the Inspector General

Audit of the CHA's Housing Choice Voucher Abatement Process

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ACRONYMS

- **CHA** Chicago Housing Authority
- **DLE** Date Lease End
- **EOP** End of Participation
- **HAP** Housing Assistance Payment
- **HCV** Housing Choice Voucher
- **HQS** Housing Quality Standards
- **HUD** U.S. Department of Housing and Urban Development
- **ITT** Intent to Terminate
- **Mod Rehab** Moderate Rehabilitation
- **NMA** Nan McKay & Associates
- **PBRA** Project-Based Rental Assistance
- **PBV** Project-Based Voucher
- **PRH** Yardi Post Rent and HAP processes
- **OIG** Office of the Inspector General
- **QC** Quality Control
- **SRO** Single Room Occupancy
- **24 CFR** Code of Federal Regulations Title 24

Executive Summary

The Chicago Housing Authority (CHA) Office of the Inspector General (OIG) conducted a performance audit of CHA's management of Housing Assistance Payment (HAP) abatement processes. A HAP abatement is the temporary stoppage of monthly subsidized rent payments to property owners contracted with CHA to provide Section 8 assistance.¹ An abatement is initiated and managed when a housing unit fails a Housing Quality Standards (HQS) inspection and reinspection, and the housing owner is determined to be responsible for correcting the cause(s) of failure.

The OIG planned this audit as a logical follow-on to its 2019 Audit of Housing Choice Voucher (HCV) Inspections. In addition, the U.S. Department of Housing and Urban Development OIG issued 2018 and 2019 HCV Inspection and Abatement Audit Reports of the Newark (NJ) Housing Authority and New York (NY) Department of Housing Preservation and Development. As the CHA OIG had not previously audited these processes, a similar audit seemed prudent.

Summary Findings

The OIG identified audit findings that belong to one of two categories:

- Exceptions that reflect potential risks for overall process integrity and policy compliance.
- Rare exceptions compared to the populations tested where slight process modifications or quality control efforts are recommended.

Findings related to process integrity and policy compliance are the following:

1. Abatement records can be deleted in the Yardi database.
 - a. Testing identified gaps in the sequential numbering of abatement records. Yardi purportedly restricts record deletions once an abatement has first been applied or "posted."² However, there is still a risk that an approved abatement can be deleted before that posting occurs.
2. Abatements for 25 project-based voucher / subsidized units exceeded their prescribed durations without HAP contract terminations occurring and participants relocating on a timely basis.
 - a. The average duration for these 25 abatements was 289 days.
 - b. By their nature, unit-level contract terminations do not occur for PBV properties.
 - c. Relocation options were limited for the affected participants compared to tenant-based (HCV) vouchers.

¹ For tenant-based and project-based assistance, there are typically two components to the monthly rent. The calculated HAP subsidy portion is paid by CHA to the property owner, and the tenant portion, which the participant pays based on their established household income. An abatement applies only to the HAP portion. The participant is still required to pay the tenant portion.

² Yardi stores approved abatements to be applied during the next scheduled HAP processing cycle. Approved abatements are "posted" in Yardi as an Accounts Payable reversal transaction to the respective owner's HAP, thereby withholding the payment.

3. Retroactive corrections in HQS inspection and reinspection results required cancellation of nearly 1,200 abatements. Many of these cancellations, 24% of all abatements, resulted in additional work and extra communications (e.g., rescinding HAP contract terminations and participant “required move” notifications).

Findings of infrequent exceptions, compared to the respective abatement populations tested, reflecting potential need for additional quality control and process modifications, are as follows:

1. HAP payments were resumed for 20 abatements without successful reinspections.
2. In nine (9) instances, incorrect HAP payments and abatements were applied when a unit Change of Ownership (COO) occurred.
 - a. Former owners received HAP payments when abatements should have been applied; or
 - b. The new owner received HAP payments for periods prior to the unit’s change of ownership
3. Abatements were not applied for two (2) units’ failed reinspections.
4. Follow-up reinspections were not performed for nine (9) HQS failures.
5. Abatements for three (3) units were not applied in an accurate and/or timely manner. Issues arose when participants moved shortly after an abatement started or multiple inspection series³ were being performed concurrently for the same unit.
6. An abatement was erroneously canceled rather than ended, causing HAP payments during the abatement to be retroactively issued.

Summary Recommendations

The OIG recommends that CHA management consider the following actions:

1. Disable the ability to delete approved abatement records and utilize the Yardi “Cancel” function instead.
2. Enable Yardi database auditing of abatement record modifications.
3. For project-based unit abatements, implement similar monitoring and documentation processes currently in use to manage tenant-based unit abatement durations.
4. Follow the updated voucher transfer protocols in a timely manner as cited in section 17-VII.B. Moves and Transfers of the 2022 HCV Administration Plan.
5. Implement additional verifications of inspection results (e.g., validate inspector “Drive Sheet” outcomes) prior to initiating and approving an abatement.
6. Review unit inspection and abatement statuses, as well as prior 50058 Yardi settings, during participants’ reexaminations to ensure any changes, outstanding issues, or ongoing enforcements are addressed.

³ An “inspection series” represents an original inspection (i.e., annual, complaint or, initial) and any related reinspections that were performed until a passing result was achieved or the HAP contract was terminated.

7. Consistently utilize the Yardi "PRH⁴ Effective Date" field to direct HAP disbursements to the proper recipient when inputting unit ownership change data.
8. Review current and anticipated unit ownership status prior to retroactively entering an abatement (e.g., when modifying an abatement's start and / or end dates).
9. Review and validate any abatement cancelations to be applied after the standard HAP contract termination date of 60 days.
10. Develop a review process to identify and address situations when units have more than one active inspection series occurring at the same time.

Supplemental Information

Additional analysis provided in **Appendix A – Top HQS Inspection Contributors to Abatements**, correlates HQS inspection failure types to the number of resulting abatements. This analysis may provide CHA management insight into failed reinspection conditions leading to the most abatements and those that are most persistent.

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.

Standards

The OIG 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.⁵

4 "PRH" stands for "Post Rent and HAP" and represents a collection of Yardi database tables, data elements, and program modules responsible for the management of various accounts receivable rent and accounts payable HAP transactions.

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

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.

Audit Objectives

The objectives of the audit were the following:

1. Determine whether the execution of CHA HCV abatement processes were in accordance with CHA's contract with Nan McKay & Associates (NMA) and governing documents.
2. Assess whether HCV HAP abatements were implemented and managed in a timely and accurate manner with regards to HQS unit inspection failures that are attributed to the owner.

Scope

The scope period of this audit was for abatement enforcements initiated between October 1, 2018, through September 30, 2019. The scope of audit testing extended beyond September 30, 2019, when needed, to conclude on certain samples' process completions.

Methodology

The OIG performed this audit by conducting interviews, reviewing documentation, analyzing relevant CHA data, and testing. OIG audit staff interviewed employees within the HCV department and NMA representatives who were familiar with HAP abatement processes.

The OIG developed queries of the Yardi database to identify the total population of abatements applied, with an effective "start date" of October 1, 2018, through September 30, 2019, which totaled 5,008 abatements. This population served as the basis in performing various audit and compliance tests. These tests included the use of additional database queries and analytics, as well as data validation through online Yardi screens and archived participant and property owner documents within the iFile system.

The OIG used a homogeneous purposive sampling technique to select population members having specific, shared characteristics for sampling and performance testing. No mathematical extrapolations were performed to project statistical probabilities of occurrences.

The OIG reviewed the following relevant documents:

1. HUD 24 CFR Part 882 – Section 8 Moderate Rehabilitation Programs
2. HUD 24 CFR Part 982 - Section 8 Tenant-Based Assistance: HCV Program
3. HUD 24 CFR Part 983 - Project-Based Voucher (PBV) program
4. CHA FY2019 HCV Administrative Plan, Chapters 8 and 17

5. CHA HCV Program Procedure Guide-Revised 10/19/2018, Chapter 8
6. CHA FY2019 HCV Program HQS Inspection Guidebook
7. Contract No. 11268 between Nan McKay & Associates (NMA) and CHA

The OIG believes 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.

Background

As part of the 2020 Audit Plan, the OIG commenced an audit of the abatement of HCV Housing Assistance Payments (HAP) due to owner failures to meet Housing Quality Standards (HQS). The purpose of the audit was to determine whether CHA has effective and efficient processes and controls in the administration and monitoring of HAP abatement processes, as well as compliance with the following:

The U.S. Department of Housing and Urban Development (HUD) developed HQS that establish the minimum requirements housing must meet before assistance is provided under the HCV Program. Per 24 Code of Federal Regulations (CFR) section 982.404.3:

The PHA must **not make any housing assistance payments for a dwelling unit that fails to meet the HQS**, unless the owner corrects the defect within the period specified by the PHA and the PHA verifies the correction. If a defect is life threatening, the owner must correct the defect within no more than 24 hours. For other defects, the owner must correct the defect within no more than 30 calendar days (or any PHA-approved extension).

Further, per the CHA HCV Program Administrative Plan Effective February 1, 2019, section 8-II.C., "Enforcing Owner Compliance" provides:

If the CHA determines that a unit fails to meet HQS and the owner has failed to make the necessary repairs within the time period specified by the CHA, payments to the owner will abate (stop). The effective date of an abatement is the first of the month following the failed reinspection. [24 CFR 985.3(f)]. The CHA will make no retroactive payments to the owner for the period of time the rent was abated. Owner rents are not abated as a result of HQS failures that are the family's responsibility.

The maximum length of time that a HAP may be abated is 60 calendar days. If the owner does not make the corrections by the end of the abatement period, the CHA will terminate the HAP contract and the participant will be required to move.

If an owner has a history or practice of non-compliance with their obligations, the CHA may impose consequences, up to and including terminating the owner's participation in the program.

CHA contracts with a third party, Nan McKay & Associates (NMA), to monitor HQS inspection failures attributed to the property owner and to impose HAP abatements when failures have not been remedied per CFR section 982.404.1 (3) requirements (above).

Abatement Data Overview

With respect to the above requirements, HCV associates review reinspection results and determine whether HAP abatements are warranted. If so, the abatement will typically commence with the next month's HAP processing following the reinspection failure, with notification provided to both the HCV unit's participant and property management contact. When created and managed, Yardi abatement records have the following attributes:

1. Each abatement record entered and "Approved" in Yardi is sequentially assigned a unique Abatement number (aka Primary Key).
2. Yardi Abatement records are applied and managed by several key data fields:
 - a. "Start" and "End" Dates – Define when Yardi begins and ends the abatement. Note: For approved abatements, an "End" date is not initially required. If no end date is specified, and there are no changes to a participant's status, Yardi will continue to abate monthly HAP payments indefinitely. An "End" date will typically be entered once the HQS failure has been corrected and HAP will be resumed or the HQS failure has not been corrected and the HAP contract will be terminated.
 - b. Abatement Status Code – Abatements may have one of three statuses:
 - i. "Approved" – Abatements will commence on the "Start" date and be applied until the "End" date (when specified, otherwise ongoing) so long as no Voucher/Subsidy change occurs (e.g., participant vacates abated unit, HAP contract terminated).
 - ii. "Inactive" – An "Approved" Abatement has ceased due to remediation of the HQS failure, the "End" date has been reached, or a Voucher/Subsidy change occurred (e.g., participant vacated the unit).
 - iii. "Canceled" – An "Approved" Abatement was waived due primarily to remediation of the HQS failure before the abatement "Start" date, a later modification to the HQS reinspection results (i.e., "Fail" to "Pass"), or creation of another superseding abatement record. When canceled, retroactive HAP payments are issued to property owners for any months when the abatement was applied.

The following table summarizes the 5,008 identified abatements initiated during the audit period by their respective status codes as of September 30, 2019:

Abatement Status	Total Abatements	% of Abatements	Average Abatement Days
Approved	268	5%	48
Inactive	2,801	56%	36
Canceled	1,939	39%	26
Totals	5,008	100%	33

Findings and Recommendations

The OIG conducted tests of key performance criteria on the abatements initiated during the scope period, as well as those units eligible for HAP abatements based on HQS inspection results.

Finding 1: Abatement Records Can be Deleted in Yardi Database

Criteria Tested

Yardi HCV Abatement records are complete and accurate.

Test Metrics and Results

The Yardi system assigns a unique and sequential identifying number (aka Primary Key) to each abatement record as HCV associates create and approve them.⁶ The OIG queried the abatement database table to verify that all sequentially assigned records were represented for the audit period. The query results identified 789 sequential gaps where **993** records were missing from the identifiers' numeric range. Yardi system documentation states that abatement records can be deleted following their approval and prior to their first associated HAP transaction postings. These postings occur twice per month. Through key-word search queries of Tenant Memo notes⁷, 702 unique memo threads were found that acknowledged the occurrence of an abatement record deletion. In the memos' text, rationale was provided, which would have supported canceling instead of deleting the abatements (i.e., inspection results were changed for an HQS failure which negated the need for abatement).

No documented rationale could be identified to account for the remaining **291** "missing" abatement records. Assuming they were also deleted, any data (e.g.: associated tenant, unit, owner, intended abatement dates, etc.) contained within any of the **993** records is not directly available. Database auditing, which identifies before and after changes to key fields, as well as the individuals who made modifications or deleted records, is currently not enabled for the Yardi Abatement table.

Risks

- Intended abatements could be erroneously or deliberately circumvented without accurate and available record histories, leaving no audit trail.
- Duplicate efforts, lost efficiencies, and incomplete information may result without fully traceable data.
- Failed HQS inspection conditions could continue unabated.

⁶ Query results determined that 99.5% of abatement records are created and approved by the same Yardi user at the same time.

⁷ The Yardi database MEMO table is used to memorialize key status changes and / or interactions related to various housing categories, activities or components including (but not limited to) Participants, Applicants, Units, Properties, Owners, Inspections, etc.

Recommendations

- Document, communicate, and require the use of the Yardi “Cancel” function (in lieu of “Delete”) when maintaining abatement records to preserve process and data integrity.
- Disable the Yardi “Delete” function for abatement records.
- Enable database auditing of abatement record data column modifications.

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>The finding cited is due to a limitation in the Yardi software. HCV will create guidance to staff instructing them to use the Yardi “Cancel” function and not to delete abatement records. Yardi functionality does not prevent staff from using the “Delete” function for abatement records.</p> <p>CHA’s IT department has reached out to Yardi representatives regarding this matter. CHA IT was informed that a request from another client to modify “delete abatement” permissions was previously denied. Yardi currently tracks “Last Date Modified” and which user did the modification. CHA IT has submitted a request for Yardi to keep a running record of modification dates and what information has been modified.</p>		
Custodian:		
Implementation Timeline:		

Finding 2: Abatements for 25 Project-Based Assistance Units Exceeded the Prescribed Duration without Timely HAP Contract Termination and Participant Relocation

Criteria Tested

Tests were performed to determine whether HAP contracts were terminated timely per the HCV Administrative Plan, Section 8-II.C., “Enforcing Owner Compliance” as stated: “***The maximum length of time that a HAP may be abated is 60 calendar days. If the owner does not make the corrections by the end of the abatement period, the CHA will terminate the HAP contract and the participant will be required to move.***”

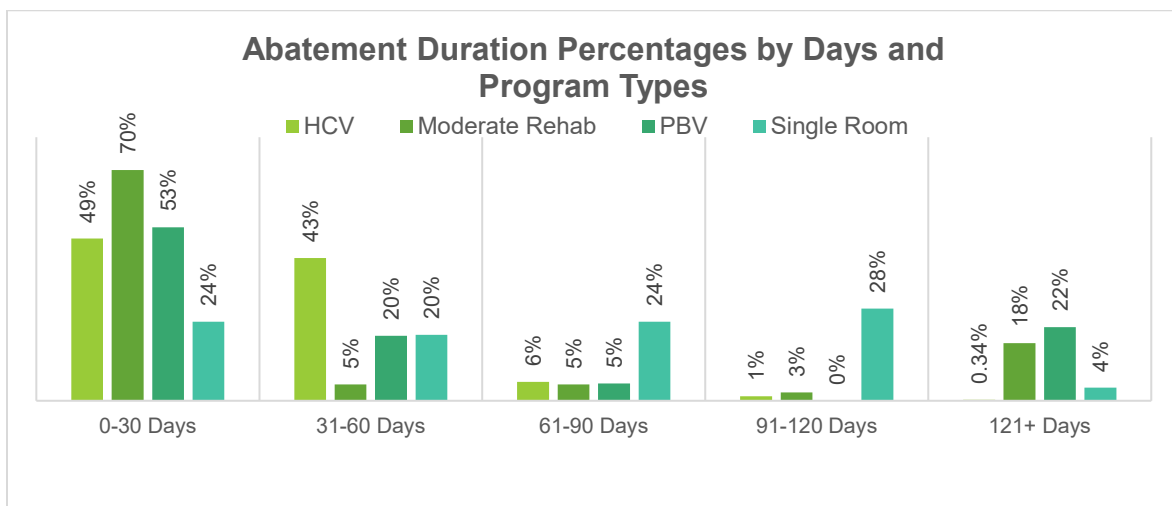
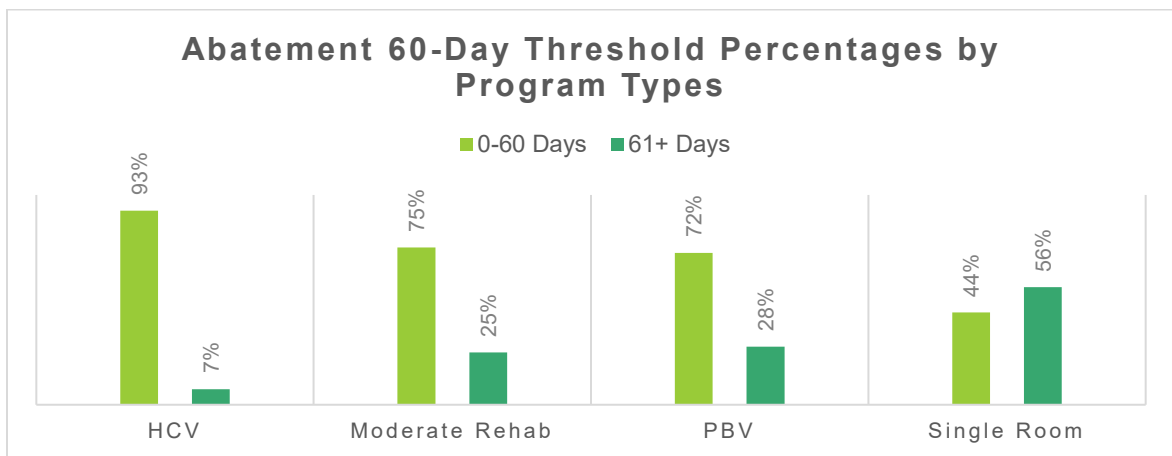
Test Metrics and Results

Of 3,069 abatements that were not canceled (either in “Approved” or “Inactive” status during the audit), 263 lasted more than 60 days. The remaining 2,806 abatements lasting 60 days or less had the failed HQS condition corrected, or the participant vacated the unit before the 61-day threshold.

The table below divides the 3,069 abatements by voucher / subsidy types and calculates their percentages compared to total units with monthly HAP transactions during the audit period:

Program Type	Units with HAP Transactions	Total Abatements	% of Abatements vs. Units
HCV	48,600	2,928	6%
Moderate Rehab	194	40	21%
PBV	3,635	76	2%
Single Room	773	25	3%
Total	53,202	3,069	6%

The following two figures illustrate the percentage of abatement durations for the four voucher / subsidy types:



As shown in the first figure, except for Single Room properties, 72% or more of abatements lasted 60 days or less. However, when the durations are reduced to 30-day increments shown in the second figure, abatement resolutions for project-based assistance units (Moderate Rehab, PBV, and Single Room units) trail units that rely on HCV-tenant-based vouchers.

Of the 263 abatements lasting more than 60 days, 39 had durations exceeding 100 days.⁸ The OIG reviewed each of these occurrences to understand what factors contributed to their resolution delays. The following table summarizes those 39 abatement occurrences by voucher / subsidy type:

Abatement Durations Greater Than 100 Days						
Assistance Type	Number of Abatements	Average Abatement Duration	Percentage of Abatement Days	Total Abatement Days	Min Abatement Days	Max Abatement Days
HCV	10	155	16%	1,548	121	304
Moderate Rehab	7	311	22%	2,175	181	418
PBV	17	319	56%	5,430	121	714
Single Room	5	120	6%	600	103	184
Totals	39		100%	9,704		

Yardi Tenant Memos (with designated Memo codes) provided status updates regarding the 10 identified HCV abatements indicating that associates consistently monitored and managed the abatement process. Even when abatements extended to triple-digit durations, Memos documented that voucher extensions, prolonged rent reviews and acceptance, and failed replacement unit inspections contributed to delayed participant relocations.

Of the 17 PBV units, three (3) participants had initiated transfers to HCV units prior to the unit abatements commencing. Those abatements lasted 121, 122 and 152 days. An additional PBV unit had been abated for 568 days. However, upon review, the OIG determined that the related inspection failures were due to the participant repeatedly denying access to the unit. Eventually, the abatement was ended when the occupant's participation was terminated due to lack of compliance. Excluding these three (3) units, total abatement days equaled 4,588, with an average duration of 328 days for 14 PBV units.

The remaining **25** project-based abatements (13 PBV, 7 Mod Rehab, and 5 SRO) lacked similar documentation compared to the HCV abatements and suggested a less consistent and more limited process for relocating participants.

For additional information related to the 39 tenant-based and project-based abatements lasting greater than 100 days, please refer to **Appendix B – Differences Between Tenant-based and Project-based Abatements Lasting More Than 100 Days**.

⁸ Testing was initially planned for 10% of abatements whose durations were greater than 60 days (27 samples from a population of 263). However, the OIG determined that most abatement durations under 100 days were associated with HCV participants who had been issued new vouchers and were searching for new housing. Testing was then adjusted to focus on abatement durations equal or greater than 100 days.

Risks

- Noncompliance with HUD and CHA HQS requirements
- Unsafe and/or unsanitary units
- Reputational harm to the agency due to prolonged HAP abatements

Recommendations

- For Project-based unit abatements, implement similar monitoring and documentation processes currently used to manage Tenant-based unit abatement durations.
- Follow process revisions in HCV Program Administrative Plan, effective August 1, 2022 - Section 17-VII.B Moves and Transfers:

CHA may grant moves or transfers based on the following circumstances: VAWA Emergency Transfer, Reasonable Accommodation, **abatement**, or over housed / underhoused. CHA will offer the following types of continued assistance in the subsequent order, based on the availability of units:

- PBV assistance in the same building or property;
- PBV assistance in another PBV property;
- or **Tenant-based voucher assistance**.

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>There are 7 cases that have since been resolved. For the remaining 18, the HCV department has set up a process where the current list of abatements for PBV/MOD programs are compared with the MOD/PBV transfer list. Any family who has been abated for over 30 days will be added to the transfer list, which gives them the opportunity to transfer to another unit. PBV families that qualify may be issued a voucher to search for a non-PBV unit.</p>		
Custodian:		
Implementation Timeline:		

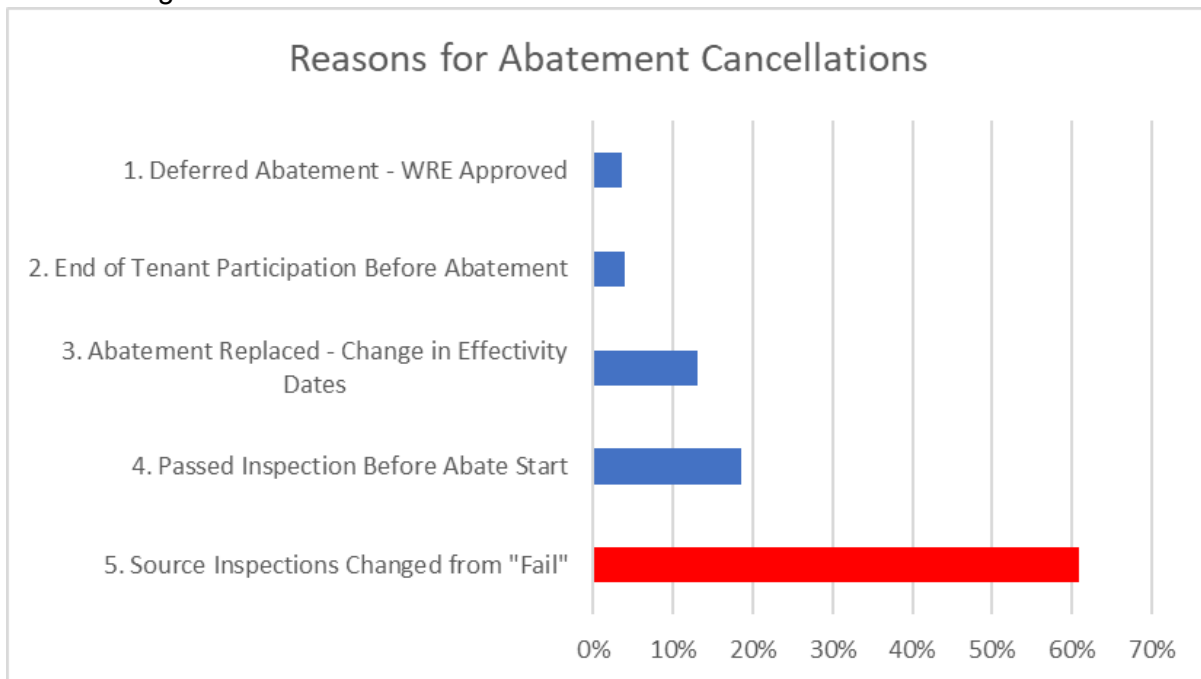
Finding 3: HQS Inspection Corrections Caused 61% of Abatement Cancellations

Criteria Tested

Abatement cancellations are based on reasonable and justifiable circumstances.

Test Metrics and Results

The cancelation of an abatement that is actively withholding HAP payments causes the Yardi system to retroactively generate and distribute those payments during the next processing cycle. If an abatement is canceled prior to the defined "start" date, subsequent scheduled HAP payments are unaffected. The OIG performed queries of Yardi Tenant Memo notes to assess the reasons documented for the cancellations of 1,939 abatements identified. Those reasons can be categorized as follows:



1. The abatement was deferred due to approved HQS Weather-Related Extensions (WRE) for the reinspection, and later canceled based on a finding that the failure was subsequently resolved. WRE reinspections represented approximately 3.5% (69 of 1,939) of canceled abatements.
2. The resident's HCV participation ended prior to the abatement's start date. A HUD 50058 review resulted in an End of Participation (EOP) action for 4% (76 of 1,939) of the identified cancellations.
3. The canceled abatements were replaced by superseding versions, which withheld the corresponding HAP payments. Replaced abatements represented approximately 13% (253 of 1,939) of all cancellations. Reasons identified for replacing abatements included:
 - a. The affected property underwent a Change of Ownership (COO) prior to or during the abatement period requiring the abated HAP payment amounts to be reapportioned to the correct owners (minimally, 36 instances identified).

- b. Adjustments to the approved abatement's "start" and / or "end" dates were needed to reflect actual HAP contract termination dates, recalculation of HQS failure vs. abatement effective dates and / or participant relocation ("move-out") dates (remaining 217 of replaced abatements).
4. The cause of the HQS failure was resolved and an additional reinspection was requested prior to the date when the abatement was due to start. Approximately 19% (360 of 1,939) of the cancelations occurred prior to the abatements' approved "Start" dates.
5. The HQS inspection(s) and / or reinspection(s) results, which caused the abatement to be initiated were modified to a "pass" or other non-failure status after the abatement start date, thereby negating the abatement justification.
 - a. Inspection modifications to "pass" status represented 59% (1,148 of 1,939) of canceled abatements. On average, these cancelations occurred 22 days after the abatement had commenced.
 - b. Tenant Memo notes indicate that at least 12% (141 of 1,148) of the corrected Inspection results occurred after comparing inspectors' manually maintained, hardcopy results (aka "daily drive sheets") and the original results recorded in Yardi.
 - c. An additional 1.75% (34 of 1,939) were due to inspection results being changed to "cancel." This occurred most frequently when owners or tenants complained that scheduled inspections had not been communicated timely and the failure was due to inspectors not able to access the HCV unit.

Changes in HQS inspection results caused 24% (1,182 of 5,008) of abatements initiated during the audit period to be canceled. Each of these cancelations resulted in additional work and extra communications (e.g., rescinding HAP Contract Terminations and Participant "Required Move" notifications).

Risks

- Lack of HQS inspection data integrity
- Loss of CHA and NMA staff efficiency
- Delayed HAP disbursements to property owners
- Unnecessary HCV participant relocation efforts

Recommendation

Implement additional verifications of inspection results prior to initiating and approving an abatement. As an example, reconciling Yardi inspection results to inspector drive sheet results would ensure that any subsequent abatement is valid.

Management Response

<input type="checkbox"/> Concur with findings and recommendation	<input checked="" type="checkbox"/> Do not concur with findings and recommendation	<input type="checkbox"/> Concur with part of the findings and recommendation
<p>The HCV Department uses drive sheets as part of its quality control process. There are two sections within the software that need to be updated. If an inspector inadvertently omits a section, the software will default the result to a fail.</p> <p>The HCV department created a report to identify units that are labeled as a fail without deficiencies. The HCV department will then refer to the drive sheet and if it confirms that the unit did pass, the HCV department will update the software to a pass and cancel the abatement.</p>		
Custodian:		
Implementation Timeline:		

Finding 4: In Infrequent Instances, HCV Associates Erroneously Managed the Abatement Process

Finding 4(a): HAP Payments were Resumed for 20 Abatements without Successful Reinspections

Criteria Tested

HQS reinspections produce a passing result prior to ending abatements and resuming HAP.

Per the HCV Program Administrative Plan, Section 8-II.C. Enforcing Owner Compliance: “The maximum length of time that a HAP may be abated is 60 calendar days. If the owner does not make the corrections by the end of the abatement period, the CHA will terminate the HAP contract and the participant will be required to move.”

The OIG sought to verify that abatements, which had ended with resumption of HAP payments, were a result of successful HQS reinspections.

Test Metrics and Results

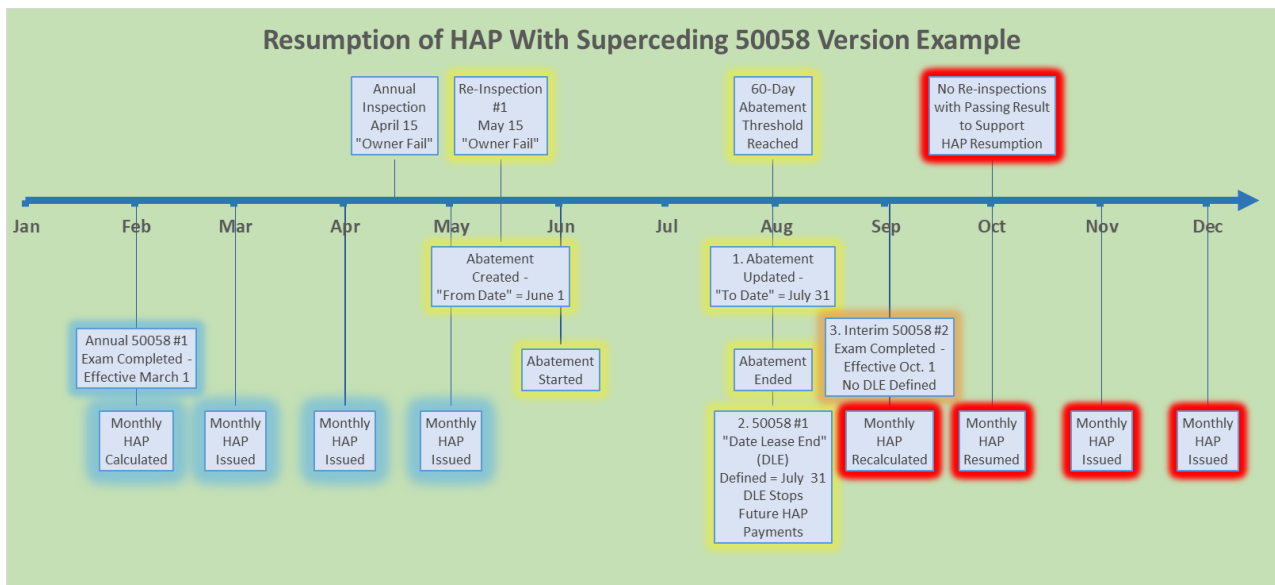
Yardi database queries identified **20** instances when abatements had ended and monthly HAP resumed without required, successful HQS reinspections. For these instances, a common sequence of events caused the HAP to resume, as described:

1. When an abatement reaches the 60-day threshold, an HCV associate updates the Yardi record with a corresponding “End Date,” which causes the abatement to end on that date. This is done in support of terminating the related HAP contract and the participant’s (pending) relocation.
2. In addition, an HCV associate enters or updates a “Date Lease End” (DLE) in Yardi that corresponds to the participant’s current HUD 50058 form. **The DLE is not a defined data element of the HUD 50058 form. Rather it is a Yardi feature that causes the**

generation of HAP transactions (for that specific 50058 version) to stop once the date entered has been reached.

- Sometime later, in each case, while the participant is still occupying the abated unit⁹, a re-examination of income and family composition (i.e., interim or annual examination) is performed, and a new 50058 version is created with an updated effectivity date. As soon as the updated effectivity date is reached, the new 50058 becomes the controlling version for HAP processing. When the DLE feature is not continued or updated AND the abatement has ended, Yardi resumes monthly HAP transactions¹⁰ as of the new 50058's effectivity date.

The following diagram illustrates the events described:



The 20 instances identified represented 108 months of HAP equaling \$106,773 issued without supporting, successful HQS reinspections.

⁹ In these instances, the HCV participant has been determined to be a “required move” due the abatement and is in the process of seeking new housing.

¹⁰ For 468 identified instances where the DLE function was utilized (with or without an abatement), the desired stoppage of HAP resulted. In these cases, either the participant ended HCV participation or relocated to a new unit with a new voucher. When this occurred, the additional 50058 versions’ action codes and effectivity dates supported the previous DLE to suspend / end HAP.

Finding 4(b): In 9 instances, incorrect HAP payments and abatements were applied when a Unit Change of Ownership (COO) Occurred.

Criteria Tested

Abatements and HAP payments are applied correctly when a unit ownership change occurs.

COO Processing Summary

When processing a unit change of ownership, the following steps should be performed:

1. Place a "Tenant Hold" on the affected participant's HAP until all required ownership documentation is received and reviewed.
2. When complete, enter the new owner data in Yardi including the "PRH Effective Date" when the new owner-recipient starts receiving HAP (or is responsible for an ongoing abatement).
3. Once entered, cancel the "Tenant Hold" to process any suspended payments or abatements during the next HAP cycle.

For additional information, please refer to **Appendix C – Change of Unit Ownership (COO) Process Description with Illustrations**.

Test Metrics and Results

Queries found 4,648 changes in unit ownership during the audit period. For the same period, 485 of those units had abatements applied. Of those, 73 abatements occurred within the same timeframe as changes in ownership. There were 41 of the 73 (56%) abatements whose durations lasted 60 days (two monthly HAP payment cycles) or more. The OIG tested these **41** abatements to determine if correct HAP payments and abatements were applied to the appropriate owner recipients, with the following results:

- No exceptions were noted for **24** (59%) samples.
- There were **nine (9)** unresolved exceptions of two types:
 1. The former owner-recipient received HAP payments when abatements should have been applied. This occurred six (6) times.
 2. The new owner-recipient received HAP payments for periods prior to the unit's change of ownership. This occurred three (3) times.
- The remaining eight (**8**) samples originally had errors related to incorrect payment recipients or misapplied abatements. However, HCV personnel resolved those errors later through retroactive adjustments (e.g., backdating 50058 lease end dates to reverse HAP payments or cancelation and replacement of original abatements).

One common cause of the nine unresolved exceptions was the lack of a specific PRH Effective Date for the new HAP owner-recipient in the Yardi "HCV Unit Owner" screen. As mentioned, when a Tenant Hold is used, all HAP transactions are suspended, meaning they are still approved but unposted. Once the Tenant Hold is canceled, Yardi applies any approved and

pending HAP transactions based on a continuously updated PRH monthly processing schedule.¹¹

The following two diagrams illustrate how HAP payments and abatements were misapplied in the nine exceptions found:

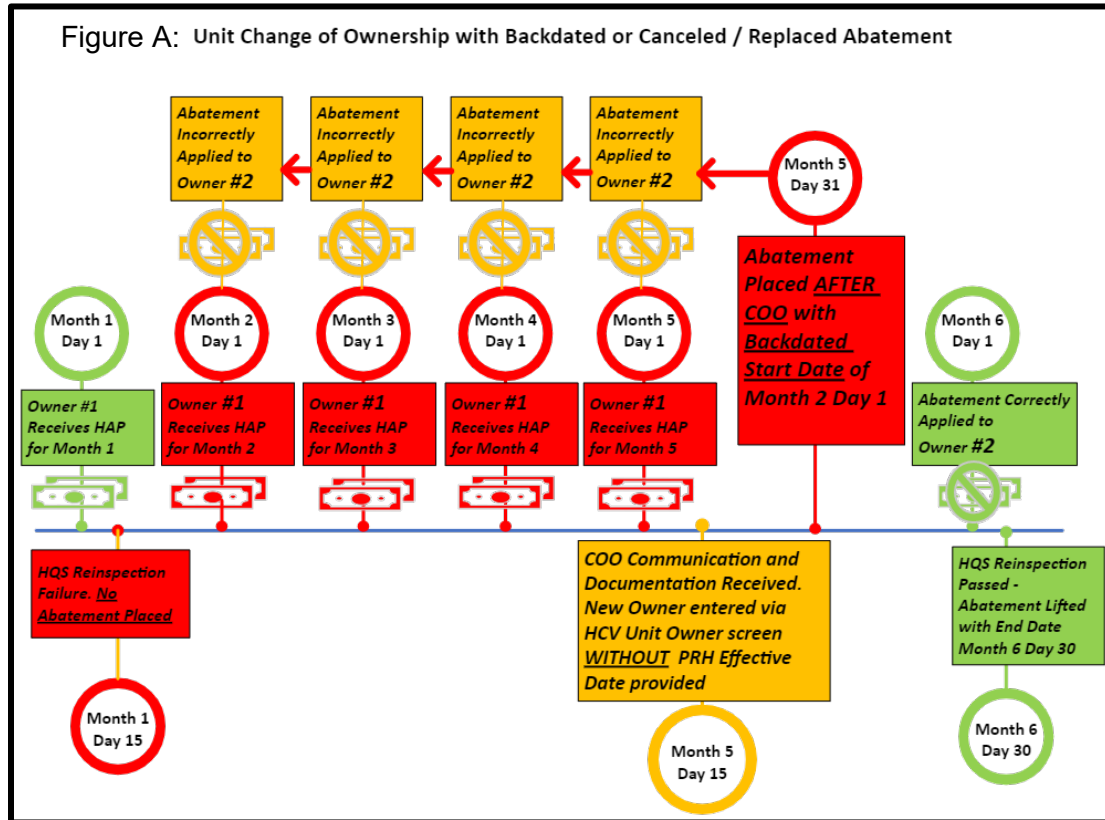


Figure A: Resulting HAP payment and abatement apportionments after backdating or cancelation and replacement of an abatement with no PRH Effective Date used.

The above timeline shows how former recipients incorrectly received HAP payments:

1. HAP payments were made to Owner #1 for Months 2 through 5, when they should have been abated. In this diagram the abatement was backdated, but the results would have been the same had an original abatement been canceled and replaced (ex: to update

¹¹ The Yardi PRH Schedule is initially updated when a participant completes their first 50058 examination (i.e., “Annual”) that calculates the HAP subsidy amount. The schedule has rows for the next 36 months of the HAP payment amount, the HAP recipient ID, the participant ID, and the Unit ID. As the months progress, the rows are updated to reflect that they have been posted to Accounts Payable. If the original HAP amounts change due to a 50058 reexamination or an abatement is started, the associated rows are replaced if they have not yet been posted, or retroactive adjustments may be added based on the effectivity date of the change. This is also true of other changes, such as a participant changing units or unit ownership, and HAP recipient changes.

the abatement's "End" date). In that case, the cancellation would have retroactively generated HAP payments for Owner #1.

- The backdated abatement was entered following the HCV Unit Owner change (Month 5 Day 15) and incorrectly applied to Owner #2. Monetarily, this had no impact as Owner #2 wasn't entitled to HAP payments (pre-ownership). However, the abatements could negatively reflect the owner's overall HQS compliance.

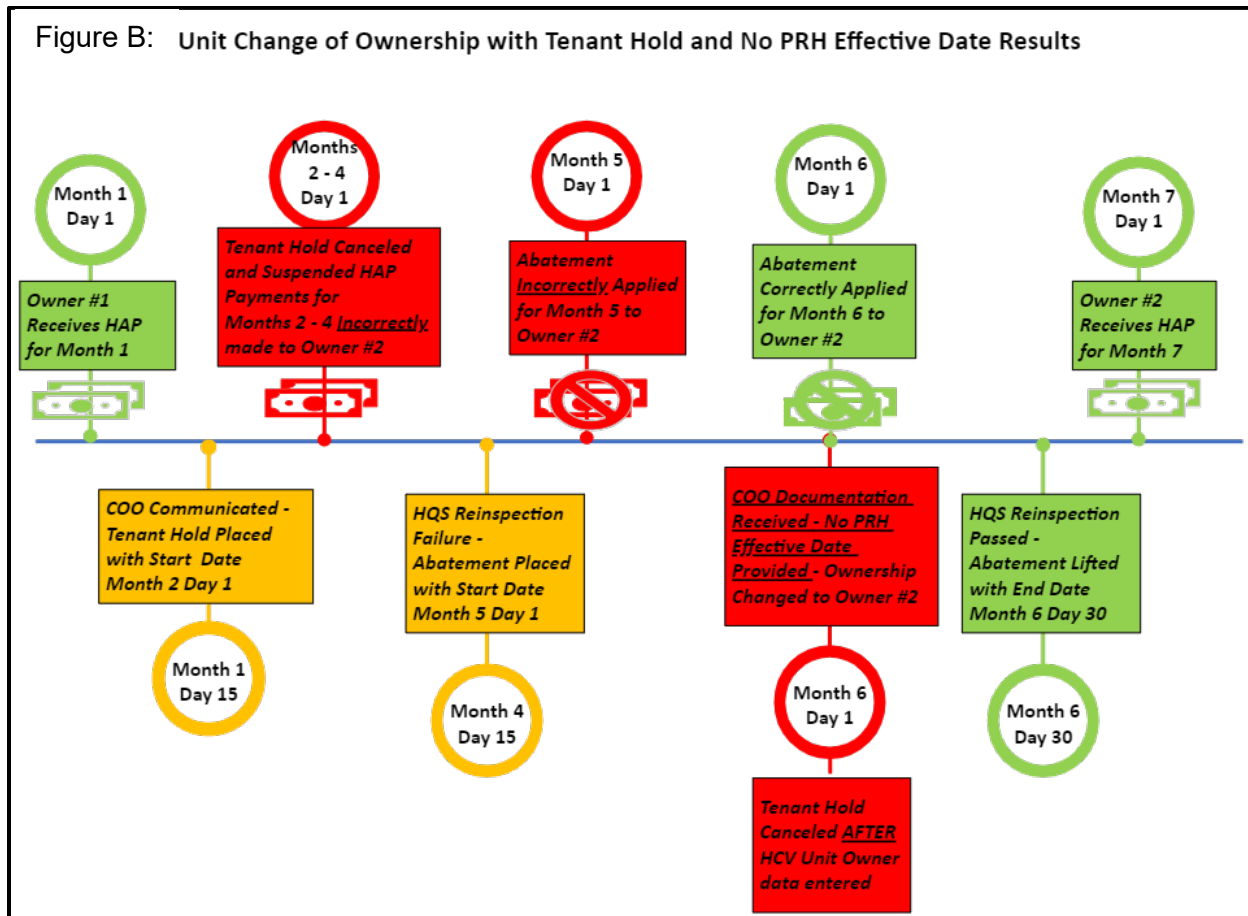


Figure B: Resulting HAP payment and abatement apportionments after cancellation of Tenant Hold with no PRH Effective Date used.

The above timeline shows how new recipients incorrectly received HAP payments:

- A COO was communicated, and a Tenant Hold was initiated well in advance of the actual change.
- During the Tenant Hold period, an HQS reinspection failure occurred, and an abatement was initiated.

3. When supporting COO documentation was received and HCV Unit Owner data was processed, the Tenant Hold was canceled.
4. Because a PRH Effective Date was not used, all the pending, held HAP payment (Months 2 -4) and abatement (Month 5) transactions were incorrectly applied to Owner #2.

Finding 4(c): Abatements Not Applied for 2 Units' Failed Reinspections

Criteria Tested

HQS reinspection failures attributed to the property owner result in a HAP abatement.

According to the HCV Program Administrative Plan, Section 8-II.C., Enforcing Owner Compliance: "If the CHA determines that a unit fails to meet HQS and the owner has failed to make the necessary repairs within the time period specified by the CHA, payments to the owner will abate (stop)."

Test Metrics and Results

The OIG identified **two (2)** HCV units with failed reinspections that did not result in HAP abatements. These units had failed annual inspections requiring the property owners to resolve the HQS issues within 30 days (vs. emergency complaints which require the failures to be corrected within 24 hours). Follow-up reinspections for the units occurred within 30 days, but also resulted in failures.

Of the two exceptions noted, one unit had a new head of household (HOH) designated (due to the death of the preceding HOH), which required a change from the Veterans Affairs Supportive Housing (VASH) program to the traditional HCV program. While household members remained in the same unit, the Yardi system's tenant, unit, and property codes were changed. While subsequent HAP payments were processed using the new Yardi codes, HQS inspections continued to be performed using the previous, VASH-related codes. No additional inspections were performed until the next annual inspection, which was also recorded to the old VASH unit code and resulted in a failure.

Similarly, a second exception involved a participant who voluntarily exited the Family Self-Sufficiency (FSS) program while staying in the same unit. This also required tenant, unit, and property code changes in Yardi to align with the common HCV program. Following these changes, an annual inspection and reinspection were performed. Both inspections resulted in failures and were recorded against the FSS codes rather than the correct HCV codes. These failures should have resulted in an abatement. No additional inspections were completed until the next annual inspection (which also resulted in a failure).

Finding 4(d): Follow-up Reinspections were Not Performed for 9 HQS Failures

Criteria Tested

HQS reinspections are performed timely to determine whether abatements were necessary.

Test Metrics and Results

The OIG identified **nine (9) instances where second reinspections or other follow-ups were not performed to determine whether HAP abatements were warranted**. For these inspection series, a passing result was never achieved. Summarizing those instances:

- Inclement weather caused the cancelation of 441 scheduled inspections from 1/28/2019 through 1/31/2019. Of those, 248 were for reinspections of occupied HCV units without passing HQS results. Most of these reinspections were rescheduled and performed within an average of two months. However, reinspections for **five (5)**, still occupied units, were never rescheduled or performed to address the HQS failures.
- Approximately 1,000 of 2,700 Quality Control (QC) inspections¹² performed during the audit period resulted in HQS failures attributed to the owner. Of these inspections, **three (3)** followed previous passed inspections but did not have any related reinspections for the QC failures. These three units all remained occupied until their next annual inspections, which did not occur for at least two years.
- **One (1) unit** had a failed reinspection with no subsequent follow-up for the series performed. While Yardi shows a reinspection was requested, it was never scheduled. The next annual inspection, which passed, occurred two years later.

Finding 4(e): One Abatement was Erroneously Canceled

Criteria Tested

Abatement cancelations are based on reasonable and justifiable circumstances.

Test Metrics and Results

The OIG identified **one** instance when an abatement should not have been canceled. The HCV unit failed an annual inspection and a subsequent reinspection. An abatement was correctly applied, but a follow-up reinspection was not performed until nearly a year later, which resulted in a "pass." This should have allowed HAP payments to be issued from that date forward. However, the HCV associate canceled the abatement, rather than updating its appropriate "end date." This caused the abated HAP to be retroactively generated, resulting in an overpayment exceeding \$7,000.

12 Per the HCV Program HQS Inspection Guidebook, Part 2 - Inspections Department, Quality Control Inspections: "CHA will perform quality control inspections to ascertain program compliance. For the most part, these inspections are conducted by CHA staff or its contractor's inspection supervisor or quality control inspector within 30 calendar days of the date the last inspection was conducted.

The purpose of these inspections is to determine that the HQS are uniformly applied and interpreted by all inspectors...."

Finding 4(f): Three Abatements were not Applied in an Accurate and/or Timely Manner

Criteria Tested

Abatements are applied the first of the month following a failed reinspection.

Test Metrics and Results

Audit tests were performed to determine whether abatements were applied on the first of the month following the failed reinspection per the HCV Administrative Plan, Section 8-II.C., "Enforcing Owner Compliance." Through database queries, the OIG identified **169** abatement records that had been created 60 or more days past their defined "start" date as an indication the abatement was backdated, including 21 abatements created 90 or more days after the abatement "start" date. The majority of the 169 had documented notations explaining the need to replace an existing abatement due to "start" and / or "end" date adjustments. Of the 169 records, **three (3)** (2%) exceptions were noted, in which the abatements were not correctly applied due to HCV associates errors, involving participant relocations:

- In one exception, the HCV associate erroneously assigned historical inspection records from a prior unit to the participant's new unit.¹³
- In another exception, a participant moved to a new unit, but the HCV associate erroneously applied an abatement to the new unit rather than the prior unit, where the inspections had occurred.
- And in the third exception, a unit was subject to multiple concurrent inspection series, including an annual inspection and two complaint inspections. While the participant eventually moved, one complaint inspection series with multiple failed reinspections was never resolved and resulted in no new abatements.

Risks

- Overpayments of HAP disbursements to property owners
- HAP abatements applied to incorrect property owners
- Delays in correcting HQS failures
- Loss of CHA and NMA staff efficiency
- Loss of property ownership HCV program confidence
- Noncompliance with HUD's HQS requirements
- Unsafe and / or unsanitary units
- Health and safety of the HCV participant
- Reputational harm to the agency due to uncorrected HQS conditions, preempted HAP abatements
- Inconsistent application of internal abatement processes

¹³ The OIG identified erroneous unit assignments of inspection records for 800 participant relocations from October 1, 2017, to September 30, 2020, resulting in Advisory #19 issued October 14, 2020.

Recommendations

- Consider additional quality control review methods to identify and limit such patterns including, but not limited to, requiring HCV associates to review unit inspection and abatement statuses; recent relocations (Action Type "7"); and prior 50058 Yardi DLE entries, during participants' reexaminations.
 - Additionally, or alternatively, modify abatement management processes to only establish an abatement's "End" date to the recognized "cure" date of the HQS reinspection failure(s) or the actual date when the participant vacates the unit.
- Consistently utilize the Yardi "PRH Effective Date" field when inputting unit ownership change data.
- Review current and anticipated unit ownership status prior to backdating an abatement.
- When participants change programs but remain in the same unit, duplicate inspection records should be created and associated to the new unit code for future tracking.
- Review and validate canceled abatements applied after the standard termination date (i.e., greater than 60 days).
- Develop a review process to identify and address situations when units have concurrent active inspection series.

Management Response

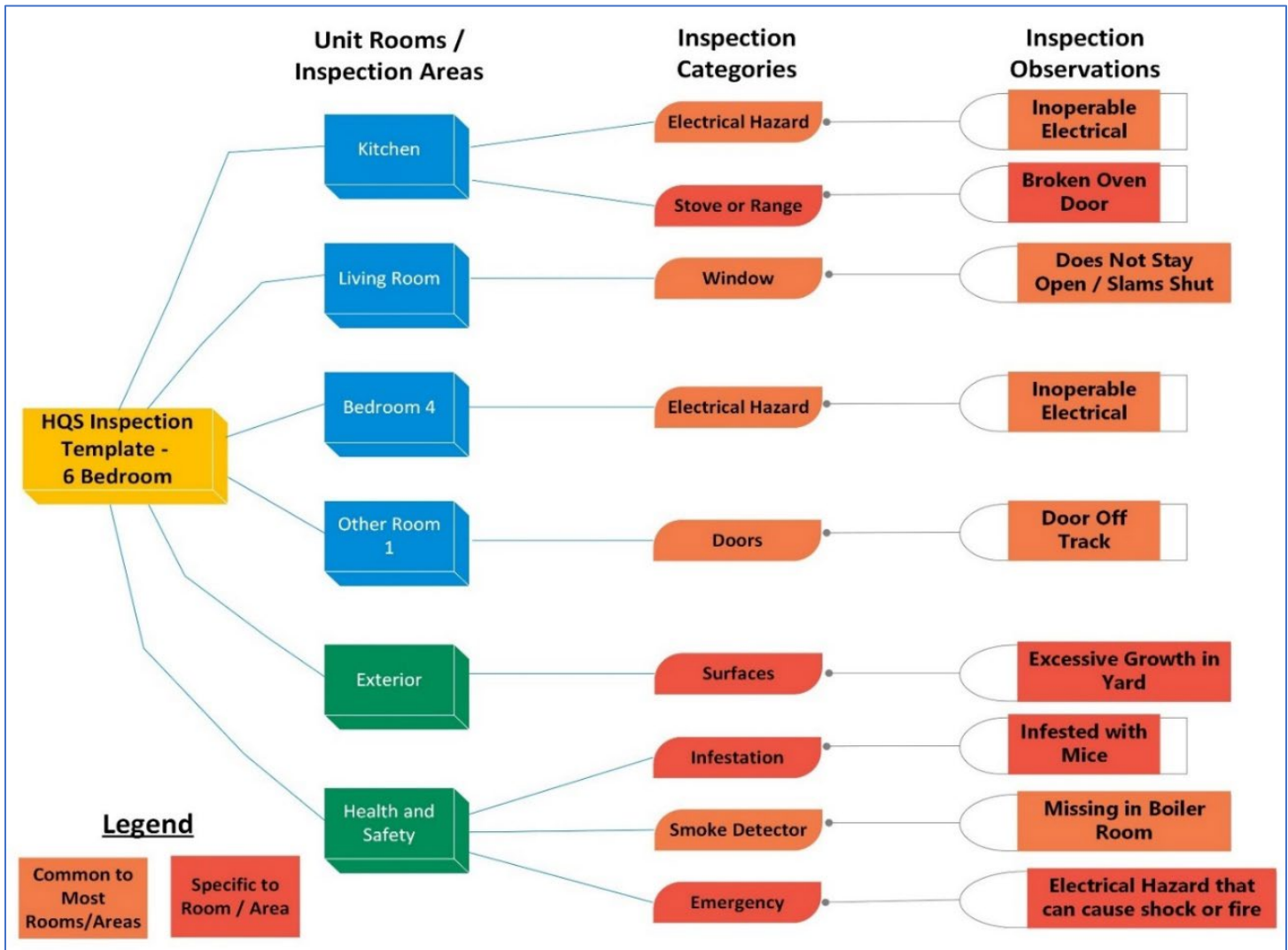
<input checked="" type="checkbox"/> Concur with findings and recommendation	<input type="checkbox"/> Do not concur with findings and recommendation	<input type="checkbox"/> Concur with part of the findings and recommendation
<p>The cases cited in this section are legitimate errors but given that the finding description used the term "infrequent instances," the HCV department maintains that these few errors do not rise to the level of a finding. Per HUD's Single File Audit guidance, "Errors discovered in the tenant file sample are not treated as findings when the auditor determines that they do not indicate a pattern that pervades throughout the work unit but, rather, are isolated mistakes."</p>		
Custodian:		
Implementation Timeline:		

Appendix A – Top HQS Inspection Contributors to Abatements

In addition to identifying specific abatement process exceptions, the OIG paired reinspections to resulting abatements to identify key contributors (i.e., types of failures or properties) for prolonged abatements. Of the 3,066 abatements that were not canceled during the audit period, 2,207 reinspections were successfully paired and analyzed. The illustration below provides the components of a typical inspection where owner failures occurred:

1. HCV inspectors utilize one of several templates when performing an inspection. The specific template used is primarily based on the number and types of rooms within the unit to be inspected.
2. All templates have approximately 55 categories that an HQS failure can be attributed to (ex. Electrical Hazard, Plumbing, Walls, Floors, Deteriorated Paint, etc.). These categories can apply to all rooms within a unit, such as Walls or Floors, or they can apply to specific rooms within the unit, such as a Toilet in the Bathroom or a Stove in a Kitchen. The categories can also relate to other inspection “areas of interest” such as the unit’s exterior or overall “Health and Safety” items.
3. In addition, each category has predefined “observations” that represent the specific cause(s) of the HQS failure(s). For example, the Electrical Hazard category has 13 possible “observations”, including Exposed Wiring, Inoperable Electrical, Hot Neutral, etc. The inspector can also add notes if a predefined observation does not exist (or additional commentary is needed) related to the specific HQS failure.
4. Certain “category – observations,” by their nature, may occur more often than others within a given inspection. The best example is the “Deteriorated Paint” category, which has an average of 11 predefined observations for interior rooms. This category is applicable for virtually every room within the unit, as well as exterior areas. So, while 25% of the reinspections reviewed (552 of 2,207) contained findings in the “Deteriorated Paint” category, **50% of all** observations recorded (7,681 of 15,448) related to that category. On average, this equals **14** “Deteriorated Paint” observations per reinspection.

EXAMPLE HQS INSPECTION WHERE OWNER FAILURES OCCURRED



To rank failed inspection categories that contributed most to abatements and their durations, regardless of the number of corresponding observations, each category was counted only once per reinspection. This resulted in 6,003 discreet entries, among 47 categories, for the 2,207 reinspections reviewed (or an average of **2.7 categories** cited **per reinspection failure**).

The overall ranking identified one or more of **five top categories** represented in **66%** of the resulting abatements. These categories contributed to **40%** of the total abatement durations (measured in days).

The OIG analyzed the inspection data to identify the top five inspection category failures that resulted in abatements during the audit period. These categories represent the most common inspection failures resulting in abatement.

Top 5 Inspection Failures Resulting in Abatements

Category	Total Failed Reinspection Category Count	Total Abatement Days	Mean Average Abatement Days
Deteriorated Paint	552	20,134	36
Electrical Hazard	508	19,462	38
Infestation	420	18,451	43
Surfaces	423	15,499	36
Floors	358	14,230	39
Top 5 Total	2,261	87,776	39
Other Categories (42)	3,742	146,914	39
Grand Total	6,003	234,690	39

Next, the OIG identified the top five inspection category failures resulting in abatements lasting more than 60 days. This second analysis shows those types of failures that may be most difficult to remedy.

One or more of these reinspection failures are represented in **73%** of the total abatements:

Top 5 Inspection Failures Resulting in Abatements Greater than 60 Days

Category	Total Failed Reinspection Category Count with Abatement Greater than 60 Days	Total Abatement Days Greater than 60 Days	Mean Average Abatement Days Greater than 60 Days
Infestation	48	4,918	102
Electrical Hazard	39	3,019	77
Deteriorated Paint	32	2,996	93
Ceiling	39	2,991	76
Emergency	27	2,876	106
Top 5 Total	185	16,800	91
Other Categories (34)	336	25,878	77
Grand Total	521	42,678	82

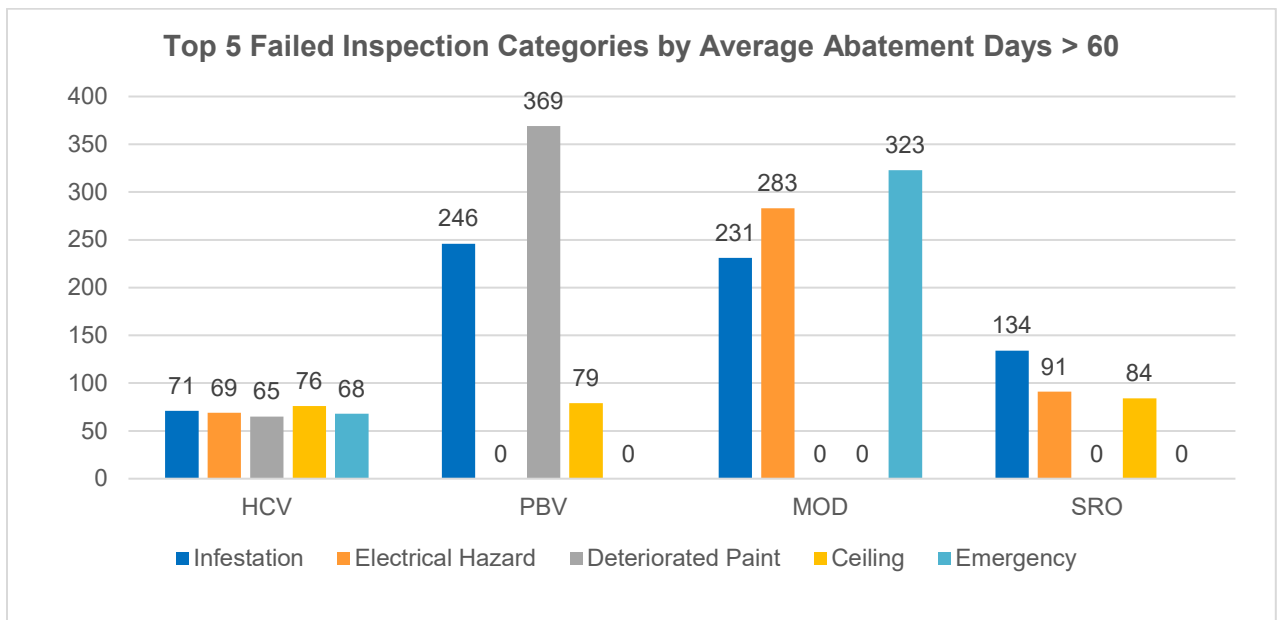
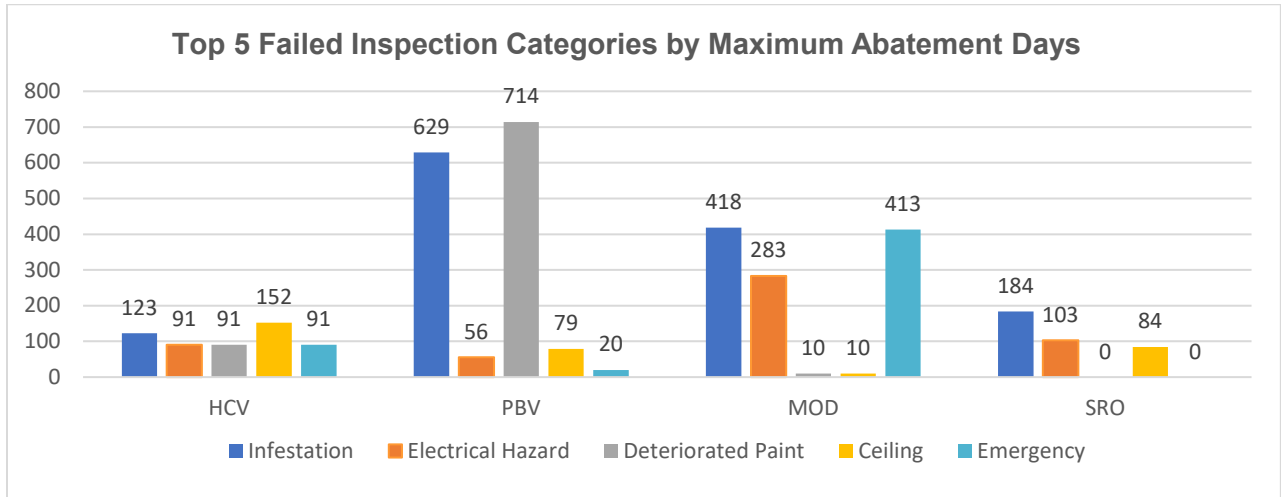
The OIG further divided the ranked failed inspection categories by property voucher / subsidy types: Housing Choice (HCV), Project Based (PBV), Mod Rehab (MOD), and Single Room Occupancy (SRO). This review was performed to determine whether the rankings and abatement durations remained consistent across the property types.

Abatements by Subsidy Type

Subsidy Type	Units with HAP Transactions	Total Abatements	% of Units with Abatements	% of Total Abatements
HCV	48,600	2,928	6%	95%
PBV	3,635	76	2%	3%
MOD	194	40	21%	1%
SRO	773	25	3%	1%
Total	53,202	3,069		

1. **HCV** – Due to most subsidies being of the HCV voucher type, inspection failure category rankings did not differ significantly from the total reviewed population.
2. **PBV** –Of the top five overall inspection failure categories, two were ranked first and second for PBV units - Infestation and Deteriorated Paint. The average PBV abatement duration for Infestation was **214** days (with a maximum of **629**) and the average PBV abatement duration for Deteriorated Paint was **108** days (with a maximum of **714**). For abatement durations lasting more than 60 days, those averages rose to **246** and **369** days respectively.
3. **MOD** - Of the top five overall categories, one, Infestation, was ranked second for MOD units. The overall average abatement duration for Infestation was **118** days. For MOD abatement durations lasting more than 60 days, that average rose to **231** (with a maximum of **418**). The top category, overall and for abatement durations lasting more than 60 days, was “Emergency.” There were four instances of fire-related damage for four units within the same property. Their average abatement duration was **323** days, with a maximum of **413**.
4. **SRO** - Of the top five overall categories, two were ranked first and second for SRO units – Electrical Hazard and Infestation. The average SRO abatement duration for Electrical Hazard was **76** days (with a maximum of **103**) and the average SRO abatement duration for Infestation was **109** days (with a maximum of **184**).

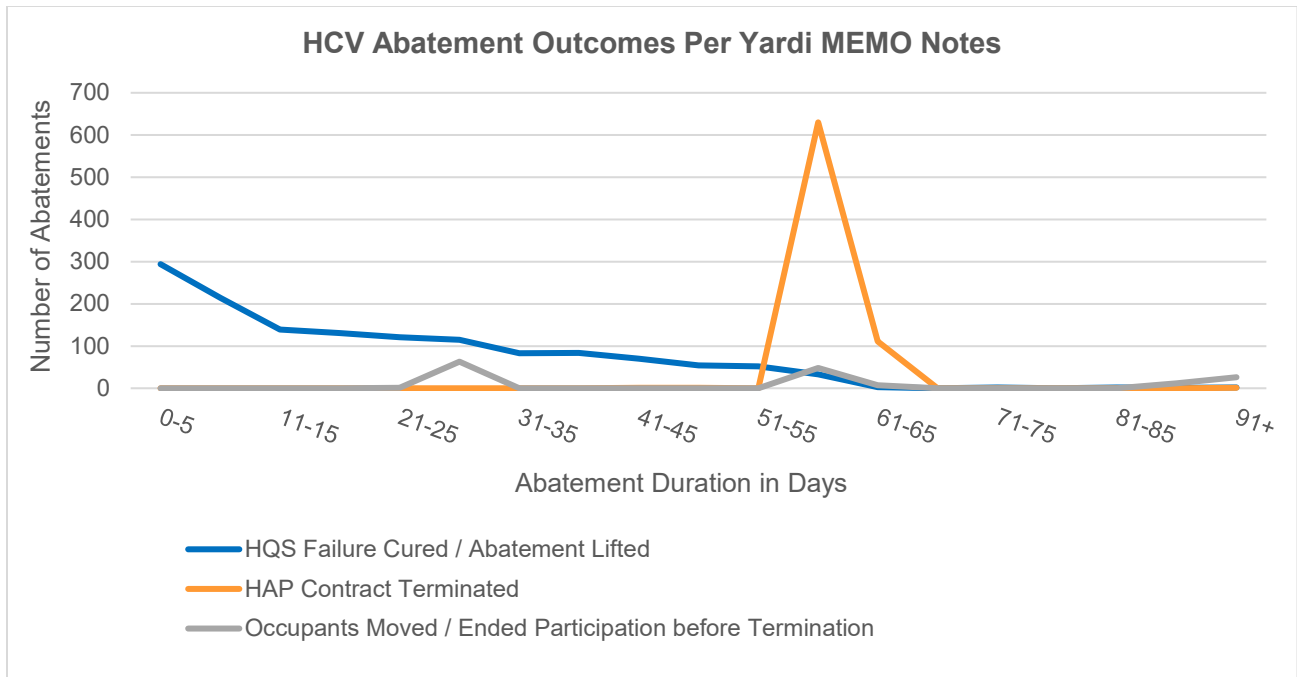
The following graphs highlight the top 5 ranked reinspection categories for abatements lasting more than 60 days:



Appendix B – Differences Between Tenant-based and Project-based Abatements Lasting More Than 100 Days

HCV – Tenant-based Voucher Abatement Management

Since October 2018, HCV associates have typically used the Yardi database “ABATEMENT” MEMO code, to document the unit status during the abatement process. The OIG queried this code’s use to identify notes that helped describe the timings and outcomes of approximately 79% (2,301 of 2,925) of the HCV unit abatements:



As shown above, the HCV HAP abatements had one of three outcomes for the 2,301-sample identified:

1. The HQS inspection failures were corrected, and upon reinspection the abatements were ended. This outcome generally occurred before the 60-day HAP contract termination deadline and accounted for 1,400 (61%) of the total abatements. A typical memo notation stated: “*Abatement lifted. Inspection passed on x/xx/2019. Owner paid \$75 fee on x/x/2019.*”
2. The HQS inspection failures were not corrected, resulting in a HAP contract termination notice. This outcome surrounded the 60-day contract termination deadline and accounted for 744 (32%) of the total abatements. As an example, standard memo notations state: “*Abatement closed due to exceeding 60-day timeframe. HAP Contract Termination Notices were mailed to the participant and owner.*”
3. The unit occupants either ended HCV participation or obtained a new HCV voucher and relocated, causing a HAP contract termination to occur. This outcome occurred for 157

(7%) of the total abatements and included notations such as: "*Abatement closed to the DLE effective date of x/xx/2019.*"

As a result, the HCV department demonstrated a method for monitoring, documenting, and enforcing unit abatements and HAP contract terminations for tenant-based vouchers. For the 10 abatements lasting 100 days or more, delays were mostly due to delays in "required move" participants securing new HCV voucher housing (ex. first replacement unit was not HQS compliant).

Project-based Voucher / Rental Assistance Abatement Management

No comparable Memo notations related to HAP Contract Terminations and Notices were used for Moderate Rehab (MOD), Project Based Voucher (PBV), or Single Room Occupancy (SRO) related unit abatements. In fact, because a project-based voucher HAP contract applies to an entire property and associated units, **no unit-level HAP Contract Terminations occurred** during the audit period for abatements lasting over 60 days.

Project Based Voucher (PBV) units

The PBV units had the top five (5) longest abatement durations (ranging from 568 to 714 days). One PBV property was the source of four (4) of these five (5) abatements. The same PBV property was the source of four (4) more abatements lasting between 121 and 152 days (129-day average).

Of the 17 PBV abatements lasting longer than 100 days, 15 were a result of failed annual HQS inspections and reinspections. In all cases, the excessive abatement durations were due to the property owner or manager not requesting timely, additional reinspections. A review of related Tenant Memo notes suggests that in some cases (such as the property with a total of eight abatements) the property manager was unaware of the abatements or was unfamiliar with the process of initiating reinspections.

The remaining two (2) abatements were a result of failed complaint inspections and reinspections:

- Participant complained of inadequate heat and an inoperable elevator in November. The first inspection confirmed these conditions. A reinspection was requested in February and performed in March, with inadequate heat still being an issue. No other reinspections took place. The abatement lasted from January until October when it was learned that the participant had passed away (303 days).¹⁴
- Participant complained of mice infestation in July. The first inspection confirmed the condition. A reinspection in August still yielded a failure and an abatement was started in September. No other reinspections were requested. The abatement lasted until the next annual inspection was performed and passed in February (170 days). Per the

¹⁴ Yardi notes do not indicate the tenant's cause of death.

participant's Tenant Memo notes: "...there has been a letter provided from [the] owner on proceeding with eviction due to the abatement placed."

Besides the above complainant, one other PBV participant, whose abatement, resulting from an annual inspection failure, lasted 304 days, also had a Tenant Memo note stating the owner was seeking to evict the tenant rather than correct the inspection failure: "...what she can do if the owner is stating [she] has to leave the unit today... I advised owner would have to do a legal process of eviction for her to leave the location at this time. I advised it is best to consult with tenants [sic] rights."

Of the 17 PBV participants, five (5) had requested transfers to the HCV tenant-based voucher waitlist.¹⁵ The transfers had been requested prior to the abatements taking effect in four (4) of the five (5) instances. Also, four (4) of the five (5) abatements were only ended because the participants moved out of their units. Two other participants received HCV vouchers due to their property not renewing the PBV contract with the CHA. Their moveouts also caused the abatements to end. The average abatement duration of these seven (7) participants was 241 days (568 to 121).

Based on the length of time residing in their respective units, nine (9) of the remaining 10 participants could have also requested an HCV transfer. In review of their Tenant Memo notes, that possibility does not appear to have been discussed or offered to them.

Moderate Rehabilitation (Mod Rehab) Project-Based Subsidy Units

Moderate Rehabilitation units are project-based (property specific) but unlike PBV, not voucher based, which can limit portability. During the audit period, there were three (3) properties with a combined 194 units that received HAP. No abatements were recorded for one (1) of the three (3) properties, which received HAP for 35 units. Of the remaining properties, 39 units recorded 40 abatements, with seven (7) reinspection failures and prolonged abatements attributed to fire damage – five (5) units and infestations – two (2) units.

A fire caused abatements to be applied to six units of a three-story Mod Rehab property. The abatement for one of the six units was eventually canceled, when it was decided the participant had been the cause of the fire within her unit. Based on Property Management feedback, her participation was retroactively ended as of the date of the fire. The abatements for the remaining five units ranged from 283 to 413 days (315-day average), while the participants remained in the units. Water and fire damage, electrical hazards, and debris were all noted in the corresponding inspection reports. For three (3) of the units inspection descriptions cited: "REAR PORCH HAS EXCESSIVE FIRE DAMAGE AT 2ND AND 3RD FLOOR LANDINGS /FLOOR AND RAILINGS

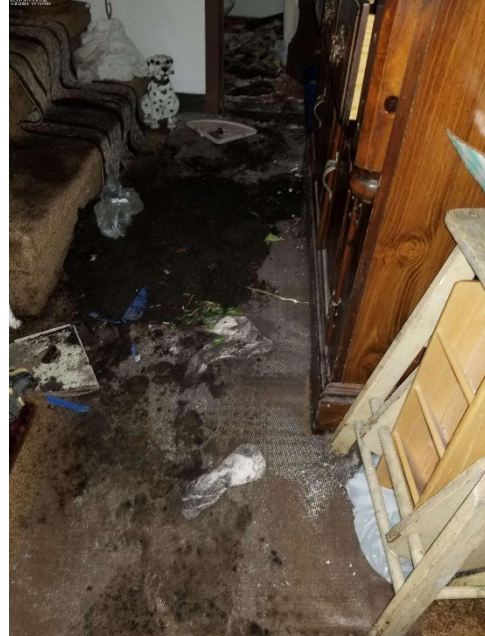
15 Per Chapter 4-II.A. "Organization of the Waiting List" in the Housing Choice Voucher Program Administrative Plan Effective February 1, 2019: "The CHA also maintains a tenant-based HCV transfer list for eligible participants in the project-based voucher (PBV) program. The CHA will provide assistance to participants who are on the HCV transfer list before assisting families on the general tenant-based program waiting list."

In addition, per Chapter 17-V11.B. "Moves" in the same plan: "The family may request a tenant-based voucher after one year of occupancy provided that the family has not violated any of its family or lease obligations. The family may terminate their lease agreement upon lease expiration or permission from the owner."

IN IMMINENT DANGER OF FALLING. ALSO, INACCESSIBLE REAR EXITS TO THESE UNITS.”. Review of Tenant Memo notes did not find any offers for participant transfers during the abatements.



Inspection photograph of rear porch landing with fire damage



Inspection photograph inside a unit with smoke and water damage

Two other Mod Rehab participants had prolonged abatements of 418 and 181 days due to infestations.

The first participant’s abatement lasted from February 1, 2019, to March 25, 2020. The following table shows this participant’s 22 discreet inspections and reinspections recorded within four (4) different inspection series occurring between December 7, 2018, through June 16, 2020:

Primary Inspection Series History				Secondary Inspection Series' History			
Date Inspected	Reinspect Number	Inspection Type	Inspection Status	Date Inspected	Reinspect Number	Inspection Type	Inspection Status
12/7/2018	0	Complaint	Fail Owner				
1/7/2019	1	Reinspection	Fail Owner				
2/28/2019	2	Reinspection	Fail Owner				
4/1/2019				4/1/2019	0	Annual	Fail Both
4/26/2019	3	Reinspection	Fail Owner	4/26/2019	1	Reinspection	Fail Owner
5/11/2019	4	Reinspection	Fail Owner	5/11/2019	2	Reinspection	Fail Owner
5/28/2019	5	Reinspection	Fail Owner	5/28/2019	3	Reinspection	Fail Owner
6/7/2019	6	Reinspection	Fail Owner	6/7/2019	4	Reinspection	Fail Owner
7/15/2019	7	Reinspection	Fail Owner	7/15/2019	5	Reinspection	Fail Owner
8/20/2019	8	Reinspection	Fail Owner	8/20/2019	6	Reinspection	Fail Owner
10/22/2019				10/22/2019	0	Complaint	Fail Owner
11/20/2019				11/20/2019	1	Reinspection	Fail Owner
12/13/2019				12/13/2019	2	Reinspection	Pass
3/23/2020	9	Reinspection	Fail Owner	3/23/2020	0	Complaint	Fail Owner
6/16/2020	10	Reinspection	Pass				

The first inspection series (#1), prompted by a complaint for infestation was the basis for the abatement and, began on December 7, 2018, with a reinspection finally passing on June 16, 2020, In between those dates, three (3) other inspection series were recorded:

- 1) an Annual inspection (#2) performed on April 1, 2019, with six (6) reinspections,
- 2) a Complaint inspection (#3) performed on October 22, 2019, with two (2) reinspections, and
- 3) a Complaint inspection performed on March 23, 2020, with no reinspections.

The following table gives the failure reasons for each series' first inspection:

	First Inspection Failure Reason(s)
Series #1	Infested with Bed Bugs, Mice and Roaches (Owner)
Series #2	"excessive grease around stove" (Tenant), Floor Gaps (Owner), Infested with Bed Bugs, Mice and Roaches (Owner)
Series #3	Ceilings - Large Holes and Leaking (Owner), Broken Bathroom Tile (Owner), Infestation "throughout" (Owner)
Series #4	"Ceiling is Bulging/Buckling" and "Ceiling Leaks" (Owner)

Even though the abatement ended on March 25, 2020, series #1 did not yield an inspection "Pass" until June 16, 2020. In fact, a corresponding Tenant Memo note dated 6/18/2020 states: "Abatement lifted. Unit passed inspection 6/16/2020. Owner paid \$75 fee on 3/26/2020."

Another note dated 9/31/2020 further explained: “*Delay of the 2020 reinspection was due to inspection services being limited from CHA and City policies around COVID-19 health and safety.*”

The participant and children eventually relocated to an HCV property on July 2, 2022.¹⁶ Per a Tenant Memo note dated 10/15/2021: “*This family was provided a notice dated Sept 30 from their current property managers that they are opting out of their Mod Rehab contract with CHA in 2022.*” A tenant-based HCV voucher was provided to the participant on March 25, 2022.

The second participant (whose abatement lasted 181 days) also had an Annual inspection series occur during the Complaint inspection series:

Primary Inspection Series History				Secondary Inspection Series History			
Date Inspected	Reinspect Number	Inspection Type	Inspection Status	Date Inspected	Reinspect Number	Inspection Type	Inspection Status
1/7/2019	0	Complaint	Fail Owner				
2/1/2019	1	Reinspection	Fail Owner				
4/1/2019				4/1/2019	0	Annual	Fail Owner
4/26/2019	2	Reinspection	Fail Owner	4/26/2019	1	Reinspection	Fail Owner
5/11/2019				5/11/2019	2	Reinspection	Pass
5/12/2019	3	Reinspection	Fail Owner				
5/28/2019	4	Reinspection	Fail Owner				
6/7/2019	5	Reinspection	Fail Owner				
7/15/2019	6	Reinspection	Fail Owner				
8/30/2019	7	Reinspection	Pass				

	First Inspection Failure Reason(s)
Series #1	"mice and roaches present throughout unit" (Owner)
Series #2	"No access to inspect room/area - Unit" (Owner)

However, both the April 1, 2019 Annual inspection and the first reinspection on April 26, 2019, failed due to lack of access to perform the inspections. Also, while the second reinspection passed on May 11, 2019, the Complaint’s reinspections continued to fail. Note: As of November 30, 2019, participation was terminated due to a court-ordered eviction for non-payment of the tenant portion of rent.

Single Room Occupancy (SRO) Project-Based Subsidy Units

Single Room Occupancy (SRO) units are a subset of Mod Rehab units as referenced in HUD CFR 882.102 Definitions: “A unit that contains no sanitary facilities or food preparation facilities,

¹⁶ The move to an HCV unit followed two more abatements for similar inspection failures, from 2/1/2021 to 2/23/2021 and from 1/1/2022 to 3/3/2022.

or contains either, but not both, types of facilities". There were five (5) abatements of SRO units lasting more than 100 days. The longest abatement of 184 days was due to infestation. Following is a table listing the abatement reasons and durations:

Participant	Total Inspections	Abatement Reason(s)	Abatement Duration (Days)	Participant Relocated (Yes / No)
1	3	Infested with Roaches	184	Yes - to Mod Rehab Property 11 months after abatement ended.
2	3	<u>Kitchen</u> * Stove - Burner(s) Inoperable	107	No
3	3	* First Inspection: "The overall inspection is a fail---SRO" * First Reinspection: <u>Kitchen</u> Deteriorated Wall Cabinets	103	No - Per 1/3/2022 Tenant Memo note: "Processed code 6 [End of Participation] effective 10/31/2021. XXX apartments did not renew their MOD rehab contract with CHA and effective 11/1/2021 their subsidy is provided through a new contract directly with HUD. HAP Final Termination Notices sent to tenant and owner".
4	3	<u>Kitchen</u> * Stove - Burner(s) Inoperable * Broken/Missing Cover Plate <u>Bathroom</u> * missing broken knobs <u>Heating and Plumbing</u> * Gap(s) at Flue Pipe	103	No - see above
5	3	<u>Kitchen</u> * Exposed Wiring <u>Heating and Plumbing</u> * Gap(s) at Flue Pipe	103	No - see above

There were three abatements, all lasting 103 days, for units at the same SRO property. As noted, the property owner opted not to renew the Mod Rehab contract.

Updates to Project-based Abatement Management

Since the audit period, the HCV department has issued an Advisory (2021-02 – December 16, 2021) and an updated Administrative Plan (Effective August 1, 2022) to address the inherent differences of Tenant-Based vs. Project-Based abatement management. Following are relevant excerpts from these documents:

1. CHA-PBV Advisory 2021-02 – Subject: PBV/Mod Rehab Transfers

“Guidance: Transfers from one PBV unit to another PBV unit or from a Mod Rehab unit to a Mod Rehab unit will only be granted in the following circumstances below.

- VAWA
- Reasonable Accommodation (including the need for an ADA unit)
- The PBV unit is under abatement and the property owner does not cure within 60 days**
- Family is Over housed/Underhoused”

“Participants may be added to the PBV or Mod Rehab transfer list if a unit is under abatement and the owner does not cure within 60-days or a household is Over housed/Underhoused. In these the cases, the participant will have two referral opportunities to another available unit, if they refuse both units without good cause and/or do not move from their current unit, the participant will be issued an ITT.”

2. Administrative Plan Effective August 1, 2022 – Chapter 17-VII.B. Moves and Transfers

“CHA may grant moves or transfers based on the following circumstances: VAWA Emergency Transfer, Reasonable Accommodation, **abatement**, or over housed/underhoused. CHA will offer the following types of continued assistance in the subsequent order, based on the availability of units:

- PBV assistance in the same building or property;
- PBV assistance in another PBV property; or
- Tenant-based voucher assistance.

PBV participants approved for a PBV unit transfer will be referred to an appropriate unit. CHA will evaluate whether the participant shall be removed from the transfer waiting list should a participant refuse a second unit offer, without good cause. Participants will be informed of the decision to remove them from the PBV transfer waiting list.”

Appendix C – Change of Unit Ownership (COO) Process Description with Illustrations

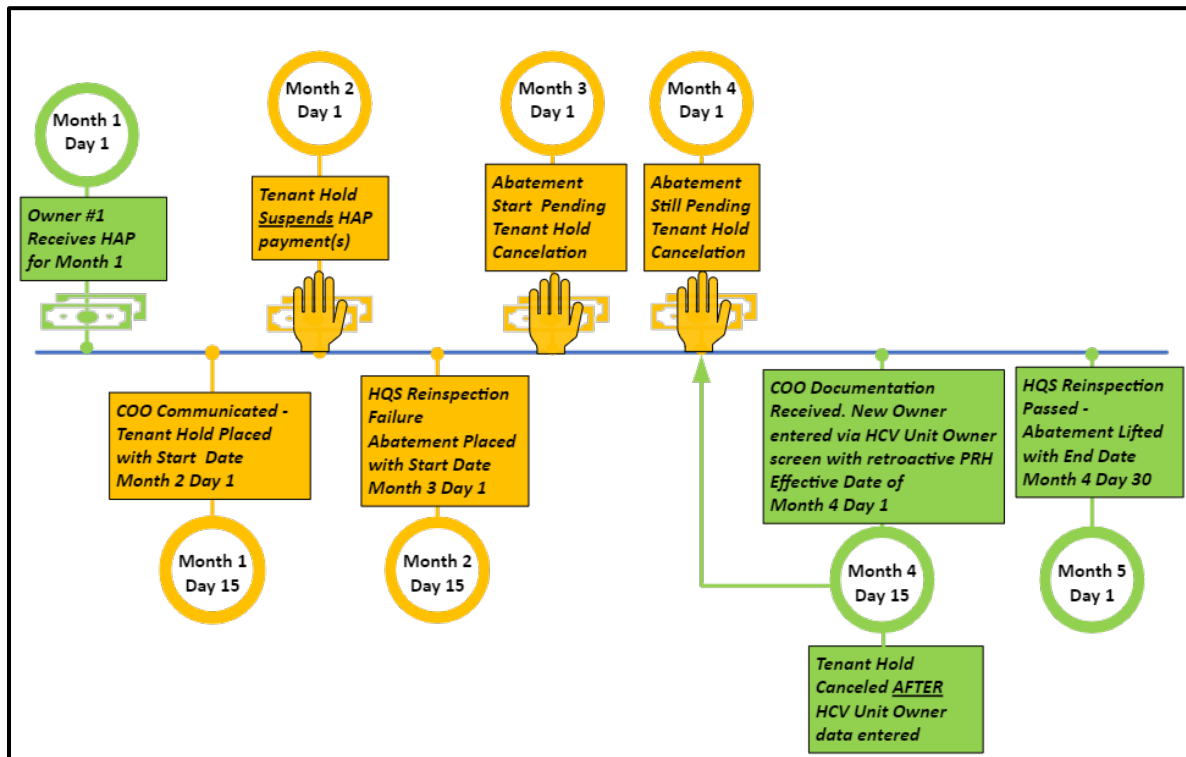
COO Process Description

When a unit's ownership changes, HCV personnel must ensure that monthly HAP payments and any abatements are applied to the proper recipients. Upon learning of a pending ownership change, HCV personnel use the "Tenant Hold" Yardi function to suspend future HAP payments and abatements until new documented ownership / title change data is provided.

When all unit ownership change documents have been provided, reviewed, and approved, HCV personnel will enter the new owner HAP recipient¹⁷ and corresponding information into Yardi using the "HCV Unit Owner" screen. This screen allows the user to specify a **Post Rent and HAP (PRH) Effective Date**, after which all transactions will be applied to the new HAP recipient. If a PRH effective date is not provided, Yardi will apply all unposted (held) and future transactions to the new HAP recipient.

After the new Unit Owner data has been approved and saved in Yardi, the "Tenant Hold" is canceled, which causes any suspended payments and / or abatements to be processed. The following two diagrams illustrate the processes used and their results when Abatements are applied during "Tenant Holds" applied during unit ownership changes:

Figure C1: Unit Change of Ownership with Abatement Process



¹⁷ Unit owners, HAP recipients, and correspondents must be defined in the Yardi database Vendor table prior to inputting the ownership change data. Yardi uses the defined HAP recipient for all transactions.

Figure C1: Use of Tenant Hold and PRH Effective Date features to apportion HAP payments and abatements during a unit ownership change.

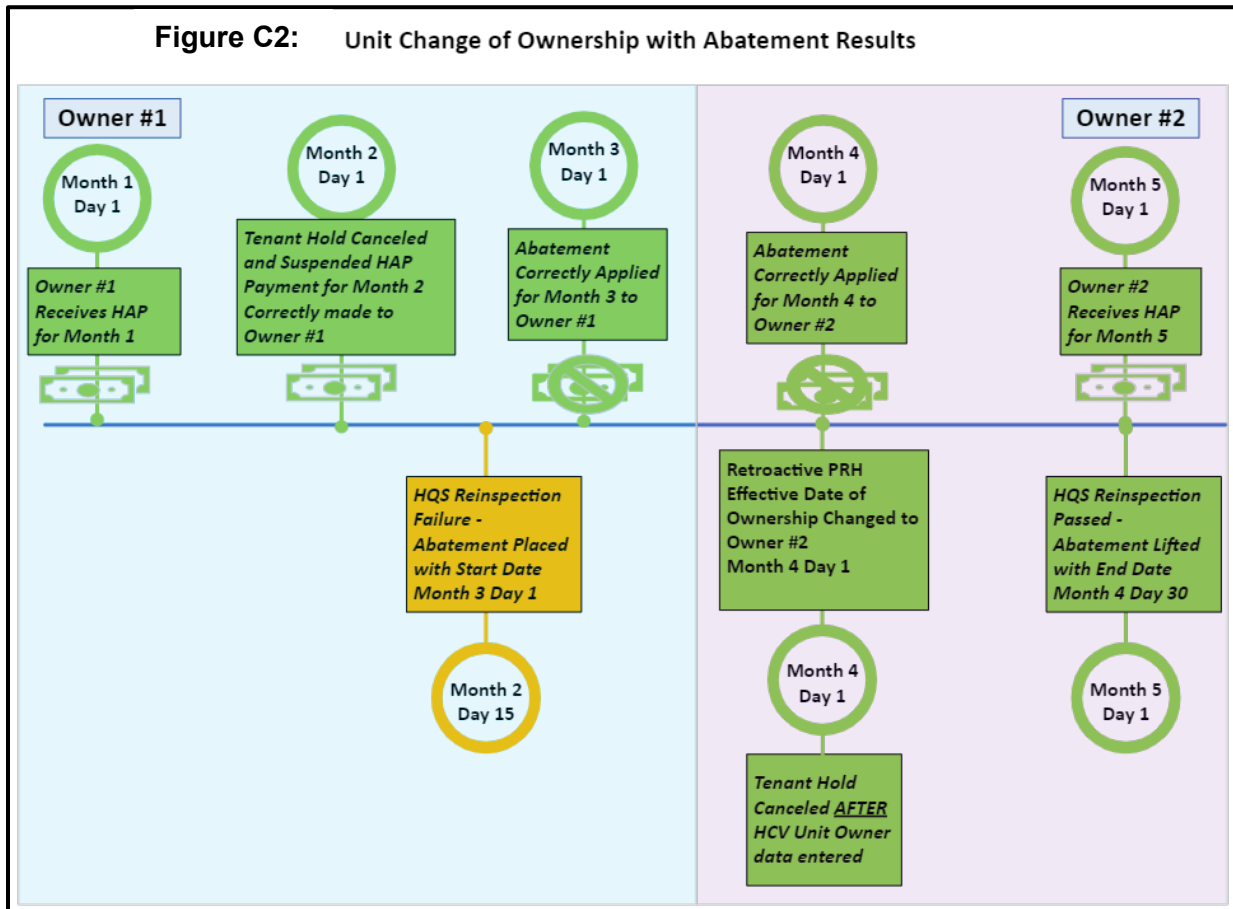


Figure C2: Resulting HAP payment and abatement apportionments after cancellation of Tenant Hold following “HCV Unit Owner” maintenance.

As shown above, by specifying the PRH Effective Date of Month 4 Day 1, the two months of abatements are applied correctly between the former owner (#1) and the new owner (#2).



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