

**PHA OVERSIGHT: HOW SCANDALS
AND MISMANAGEMENT HARM
RESIDENTS AND TAXPAYERS**

HEARING
BEFORE THE
SUBCOMMITTEE ON HOUSING AND
INSURANCE
OF THE
COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES
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PHA OVERSIGHT: HOW SCANDALS AND MISMANAGEMENT HARM RESIDENTS AND TAXPAYERS

Wednesday, May 22, 2024

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING AND INSURANCE,
COMMITTEE ON FINANCIAL SERVICES,
Washington, DC.

The committee met, pursuant to notice, at 10:02 a.m., in room 2128, Rayburn House Office Building, Hon. Patrick McHenry [chairman of the committee] presiding.

Present: Representatives Davidson, Fitzgerald, Garbarino, Flood, Lawler, De La Cruz, Cleaver, Waters, Tlaib, Pressley, Horsford, and Pettersen.

Chairman DAVIDSON. The Committee on Housing and Insurance will come to order.

Without objection, the chair is authorized to declare a recess of the committee at any time.

This hearing is entitled, "The Public Housing Authority Oversight: How Scandals and Mismanagement Harm Residents and Taxpayers."

Without objection, all members will have 5 legislative days within which to submit extraneous materials to the chairman for inclusion in the record.

I will now recognize myself for 5 minutes for an opening statement.

OPENING STATEMENT OF HON. WARREN DAVIDSON, CHAIRMAN OF THE SUBCOMMITTEE ON HOUSING AND INSURANCE, A U.S. REPRESENTATIVE FROM OHIO

Today's hearing is about a familiar topic: the ongoing challenges of providing housing to our constituents. That has frequently been explored in our previous eight housing hearings, but today we will look at the problem from a different angle. As you can tell from its title, "PHA Oversight, and How Scandals and Mismanagement Harm Residents and Taxpayers," today's hearing will focus on why so many local housing agencies fail to do the job we pay them to do, namely, competently running our Federal housing programs. This not only hurts residents and wastes taxpayer resources, it is also an actual violation of Federal law. It does not suggest or aspire to, it does not just encourage, but it actually requires public housing authorities to provide "decent, safe, and sanitary housing." That is the obligation, but instead of successes, too often we get

horrible stories about incompetence, mismanagement, and overt criminal fraud.

Some recent headlines from the Washington Post: “D.C. Overpays Landlords Millions to House the City’s Poorest,” from February 2023. “D.C. Residents Face Long Housing Aid Delays as 3,100 Vouchers Sit Unused,” from October 2023; or how about this from The Press of Atlantic City, “Atlantic City Housing Authority Still Struggles With Heat,” in November 2023; or “Public Housing Tenants Beg City Council for Action on Atlantic City Housing Authority,” from December 2023; and elsewhere, “FBI Searches the Office of Nonprofits Connected to Little Rock Housing Authority,” from the Arkansas Times in January 2024. “Corruption, Sewage, Apathy: A Federal Watchdog on What He Saw at NYCHA,” the New York Public Housing Authority from the New York Times in March 2024; or who could forget this from the New York Post: “Seventy Current and Ex-NYCHA Workers—New York Public Housing Authority workers—Cuffed in Historic Decade-Long \$2 Million Bribery and Extortion Bust,” from February 2024. I believe that is the largest-ever bust for bribery in the history of our country.

These troubling reports all seem to have a few things in common. First, they all involve well-known public housing agencies in prominent places like Washington, DC, Atlantic City, and other places, but it happens in small towns. I talked to a mayor in Toledo who is dealing with the same kinds of problems. Second, alarms have been sounded about these failures multiple times to little effect. In fact, two of our witnesses today, Mr. Slover and Mr. Doherty, even lost their jobs for sounding these alarms. Third, local officials often ignore these problems, and when they do reach out, Housing & Urban Development (HUD), which oversees these public housing authorities, often does too little too late or sometimes nothing at all to reform these terrible abuses.

Today, we are here in an attempt to correct some of that and to give a platform to at least two former public housing authority employees on why some failing public housing authorities are so resistant to reform. We welcome their testimony, and I hope to see us use it to reinforce what should be an obvious point. If you have a broken public housing authority, one that is mismanaged or even corrupt, there simply is no amount of new money that you can pour into it and expect a different result. It is like pumping gas into a car with a broken engine or maybe more like pouring whiskey on an alcoholic. You are not going to get anywhere until you fix the underlying problem.

Thankfully, there are men like Mr. Slover and Mr. Doherty who are willing to go on record and talk about why we must fix our public housing authorities, and we have a Congressman, like our colleague, Jeff Van Drew from New Jersey, who reached out to us about the problems in Atlantic City, and, frankly, others who have reached out about problems in their areas. They continue to fight for their residents and for the people who are dependent upon a safety net for a time to do what we are paying for—decent, safe, and sanitary housing—and I look forward to this hearing today. I look forward to hearing what our whistleblowers have to say and

collaborating with our colleagues to address these problems. I yield back.

I now recognize the ranking member, Mr. Cleaver, from Missouri, for 4 minutes for his opening statement.

OPENING STATEMENT OF HON. EMANUEL CLEAVER, RANKING MEMBER OF THE SUBCOMMITTEE ON HOUSING AND INSURANCE, A U.S. REPRESENTATIVE FROM MISSOURI

Mr. CLEAVER. Thank you, Mr. Chairman, and I appreciate the fact that you called this hearing today. I would first like to point out that this is a hearing that is very personal to me. I grew up in public housing myself. I know the subject academically and experientially. I understand what it means for a family to have access to housing that is safe, decent, and affordable.

HUD assists nearly 5 million households through tenant-based vouchers, project-based subsidies, and the provision of public housing administered through public housing authorities. Public housing has helped stabilize millions of families, including mine, who would otherwise lack access to affordable housing or be forced into homelessness. In the face of a worsening housing supply and affordability crisis, it is more important than ever that we preserve public housing programs and, to be clear, when the housing provided to an American family is either unsafe or indecent, it is unacceptable.

Two months before I was sworn in as mayor of Kansas City, the Housing Authority of Kansas City, Missouri was placed into Federal receivership where it stayed for 20 years. It was a terrible, terrible period because we were not in charge of the housing authority, and even though the problems occurred under my predecessor, the issue was clear. We had a problem, and it was not being dealt with, and even receivership made it difficult, contentious, costly, and lengthy; so, I am very familiar with the challenges public housing authorities face.

I would like to conclude by making two points. One-two percent of public housing authorities right now today during this hearing are troubled, and while there are high-profile cases for the average resident in public housing, it is the chronic underfunding of public housing that is having the largest direct impact on their lives. This includes a capital needs backlog of over \$60 billion with a "B," but also includes underfunding the Agency in a way that, identified by the HUD Inspector General (IG), inhibits the capacity of the Agency to deliver on its growing mission and program responsibilities. We should not minimize the impact of budget cuts on the conditions, accessibility, and capacity to properly administer public housing. It is the responsibility of the public housing authority to ensure that their housing programs are properly managed and the responsibility of HUD to hold public housing authorities accountable.

I received an update this morning from the Agency on the status of engagement with troubled public housing authorities. We all have understanding concerns. There is a bipartisan agreement that some of the failure we see at the public housing authority is unacceptable. I appreciate that this hearing is asking for the IG to provide and update this subcommittee on the NYCHA, but I think we

can do more than take HUD and HUD IG recommendations and drive improvements, and I am interested in hearing from all the witnesses on how we can support the Agency in achieving its mission. I yield back.

Chairman DAVIDSON. I thank the ranking member. The chair now recognizes the gentleman from Nevada, Mr. Horsford, 1 minute for an opening statement.

STATEMENT OF HON. STEVEN HORSFORD, MEMBER OF THE SUBCOMMITTEE ON HOUSING AND INSURANCE, A U.S. REPRESENTATIVE FROM NEVADA

Mr. HORSFORD. Thank you, Chairman and to the ranking member, for holding this hearing, and thank you to our expert witnesses for appearing before the committee. I agree with my constituents who feel that the rent is too damn high and that our public housing authorities have a vital role to play for 21.6 million American households spending over 30 percent of their monthly income on rent. These are the vital issues that we need to address today, not only the access to vouchers and landlords who are refusing to accept them, but the impact that it has on veterans, single households led by women predominantly, and families who are trying to get into affordable housing. I look forward to our full robust hearing, and I thank the witnesses for being here today.

Chairman DAVIDSON. I thank the gentlemen. Today we welcome the testimony of Bill Slover. Mr. Slover is a principal at AVCO Interests and former chairman of the District of Columbia Housing Authority Board. We also welcome Matt Doherty. Mr. Doherty is a former executive director of the Atlantic City Housing Authority. We also welcome Georgi Banna. Mr. Banna is general counsel and director of strategic initiatives at the National Association of Housing and Redevelopment Offices, NAHRO.

We thank each of you for taking time to be here. Each of you will be recognized for 5 minutes to give an oral presentation of your testimony. Without objection, each of your written statements will be made part of the record.

Mr. Slover, you are now recognized for your opening remarks.

STATEMENT OF MR. BILL SLOVER, PRINCIPAL, AVCO INTERESTS, AND FORMER CHAIR OF THE DISTRICT OF COLUMBIA HOUSING AUTHORITY (DCHA) BOARD

Mr. SLOVER. Thank you. Chairman Davidson, Ranking Member Cleaver, and members, thank you for the opportunity to discuss the impact failing public housing authorities have on housing access. My name is Bill Slover, and I have over 30 years of experience in public and private sectors. Today I will focus on my 10 years of service in the D.C. Housing Authority Board, emphasizing the challenges I faced, the rampant waste, fraud, and abuse I saw, and the recommendations for reform.

DCHA's mandate is broad and critical, housing over 18,000 families with an annual budget of \$500 million. When I was appointed chairman in 2009, my goal was to increase access to quality housing for DCHA's clients. Immediately recognizing the need for fundamental change, I called for greater accountability and improved operational and financial management. My efforts faced quick re-

sistance, resulting in my swift removal as chair, ending my term without tangible progress. Rejoining the board in 2015 as the advocate representative, one of two independent seats on the Board, I again pushed for efficiencies reform, better financial stewardship from a more protected perch.

Despite my best efforts, the Agency's decline was accelerating. By the fall of 2021, having exhausted all other avenues, I reached out to HUD for help, resulting in a scathing review published in September 2022, highlighting DCHA's systematic failures through 80-plus findings that left no part of the Agency unscathed, validating my concerns.

HUD identified five principal issues contributing to DCHA's failure: inadequate oversight, poor management, lack of expertise, to name a few. In short, the Agency was failing on all fronts. Rather than addressing HUD's findings collaboratively, the mayor and the city council's solution was to disband the independent board that rang the alarm bells, replacing it with 100-percent of mayoral appointees without a single public hearing. This drastic response removed all independent voices from the Board, sending a loud and clear message to anyone and everyone that any attempts to get in the way of the city's agenda would not be tolerated, and that even independent seats on an independent agency's board could be eliminated very easily, leaving little doubt who was in charge.

Eighteen months later, there is no evidence of reform. Recent news highlights continued mismanagement in use of algorithms of all things to determine rental rates. The need for decisive intervention has become more acute. Millions of dollars continue to be wasted, and HUD continues to be slow to cure. Despite my experience, I am a strong believer in Public Housing Authorities (PHAs). The structure is there. We need better leadership. Through PHAs, HUD is the largest owner and operator of multifamily real estate in the country. It is important to remember that HUD does own these public housing units and directly funds housing subsidy payments, and because of that, they have a fiduciary obligation to make sure that PHAs maximize the value of those resources. HUD does not seem to understand this. Their hands-off funder approach has failed far too long. How HUD has run its PHAs is nothing short of total failure. In far too many instances, it has been allowed to go on for far too long.

How long have we been talking about HUD's failures? It is simple math. If a housing agency is inefficient, spending more money on basic operations, fewer people get housed, negatively impacting the entire housing space, costing more money, less production. Translation: failure. HUD needs to reform its management of PHAs as the current process is failing far too often. Absent this, no amount of money pumped into PHAs will result in measurable progress, increased access to housing. Money will not solve what is a failure of execution compounded by lack of oversight and accountability and leadership.

HUD should do three key things before providing any additional funds to PHAs. HUD must revamp its management of PHAs, creating a structure that tracks results and triggers intervention as soon as an agency gets off track; act like the fiduciary that it is; change the governance structure. PHA governing bodies need to be

held directly accountable to HUD rather than local municipal leaders. HUD is conceding its fiduciary of billions of taxpayer dollars to local governments, which is no way to exercise fiduciary responsibility and have resulted in very poor outcomes. Demand qualified leaders until PHAs can execute the basic core functions of running a real estate company, they will continue to underperform. PHAs are complex operating businesses and need to be run as such.

I hope my experience can help inform this committee as it considers how to best allocate taxpayer dollars toward our Nation's housing challenges. PHAs represent a unique opportunity for the Federal Government to participate in the housing crisis. Real reform could have a meaningful impact on so many people. We owe it to them to try. We need to take stock in why housing costs are so high and production is so low and begin to make the market corrections needed. HUD needs to be held accountable for the money they deploy.

I will leave one last thing. DCHA is considered a high-performing agency by HUD, and in the report that the HUD did, they indicated that if it were not considered a high-performing agency, it would be in receivership. I will just leave you with that, so thank you.

[Prepared statement of Mr. Slover follows:]

Written Statement of Bill Slover**Principal at AVCO Interests LLC (AVCO)****Before the House Financial Services Committee Subcommittee on Housing and Insurance****Tuesday May 22, 2024****“PHA Oversight: How Scandals and Mismanagement
Harm Residents and Taxpayers”**

Chairman Davidson, Ranking Member Cleaver, and Members of the Sub Committee: Thank you for the opportunity to testify and share my perspective on the failures of HUD to effectively run in their Public Housing division and the negative impact that has on housing accessibility, a challenge that affects too many people in this country.

My name is Bill Slover and I have over thirty years of experience in the real estate industry both in the private sector as well as the public sector. For today’s hearing, I will be focusing on my experience in the public sector, specifically the almost ten years I served on the DC Housing Authority Board (DCHA). Despite my best efforts, I was not successful in reforming the Housing Authority at any level, however my efforts did result in the attached 72-page HUD report that issues a top to bottom indictment of DCHA. Shortly after the report was released, I was removed from the board by the Mayor and the City Council for trying to perform my fiduciary obligation the DCHA and to HUD, because they collectively would not do theirs. I hope my observations and experiences can inform this committee as it considers how best to allocate taxpayer dollars, what the expectation should be for those dollars, and how to begin the task of overhauling HUD, specifically its PHA operations so they can maximize the production of housing.

I will focus on three main areas.

1. My experience on the DC Housing Authority Board trying to carry out my fiduciary and governance obligations, my extensive efforts to reform the agency, and HUD’s failure to intervene when they were fully aware of the depth of the agency’s failure (something that remains true to this day)
2. The impact that poorly functioning municipal agencies such as a housing authority can have on housing accessibility and the residents they serve.
3. Recommendations for how to reform HUD’s oversight of housing authorities so they can better achieve their mission and be more accountable both fiscally and operationally.

To put things into perspective, it is important to understand the size and scope of the DC Housing Authority’s responsibilities. The agency houses well over 18,000 low-income families that include over 50,000 household members. This represents about 12-15% of the population of Washington, DC. The agency provides that housing through two major programs: The Housing Choice Voucher Program and the traditional public housing program. On the traditional housing side, DCHA owns and operates 52 properties with over 8,000 units. The balance of the housing is provided through its various voucher programs. The annual operating budget for DCHA is between \$500 and \$600 million dollars and the agency employs over

700 people. Additionally, the agency has operational or financial involvement in another 23 properties with close to 4,500 units of housing. The agency is vast, complex, and has a very important mandate.

My experience on the DC Housing Authority Board

I was initially appointed to the board as Chairman in 2009 by Mayor Adrian Fenty. My goal was to improve affordability and ensure that every DC resident had a safe and decent place to call home. Almost immediately, I recognized the need for fundamental changes to the agency to accomplish these goals. Including the need for greater accountability for results, tighter controls over financial management (including but not limited to procurement), better negotiations with outside developer, and improved execution of property management so that residents could have adequate and safe living spaces.

My efforts were not well received, and I was removed as Chair by the mayor within six months of my appointment, although I remained on the board as a commissioner and continued to advocate for reforms of the agency. When my two-year term was up, I was not reappointed. Unfortunately, none of the reform efforts that I initiated took root and the agency's decline continued unabated. HUD never once, to my knowledge, took any interest in DCHA's day to day operations during that time.

In 2015 I was asked to rejoin the board as the designated Advocate Representative of the Consortium of Legal Service Providers, one of two independently appointed seats on the thirteen-member board. In that position, I had freedom beyond the mayor's agenda to aggressively push for efficiencies, reform, and better financial stewardship. I deeply studied the agency to find more efficient and productive ways to deliver on our mission, with my focus and attention concentrated on how to improve housing conditions, increase housing capacity and reduce costs to run the agency. In short, run the agency to maximize efficiency and therefore maximize output which is of course housing. I spent years focused on these reform efforts. Progress was slow and the resistance to change was tough to overcome. Eventually it became clear that meaningful reform was not going to come from within. There was no will for reform from the board or the city leadership. I first tried to enlist the assistance of members of the local government, an effort that resulted in little to no help. Eventually the press became aware of the challenges at DCHA and began to cover the agency more closely. After many hard-hitting stories (a select list of which I have included in my submitted testimony), it became increasingly clear that not even negative media coverage was going to change the course of the agency that was increasingly failing the residents we served. Things continued to get worse. HUD was nowhere to be seen even though all of this was going on under their nose and being written about in the local papers, yet they chose to watch versus provide any assistance.

A few examples come to mind:

- Large development projects taking 15 plus years to get started, delivering little to no net new housing for residents, and costing the agency millions in land contributions and subsidies.
- Numerous contracts that were under investigation for suspected waste, fraud, and abuse allegations
- The Chairman of the Board was forced to step down for potential violations of conflict-of-interest regulations regarding a multi-million-dollar contract.
- Suspected overspending in the \$300 plus million voucher program that would result in significant DCHA overpayments of rent that would reduce the number of people the agency was able to serve and had the potential to increase market rates across the city.
- Huge solar arrays that were installed, but not turned on in a timely fashion.
- Numerous contracts under review for not having provided services procured.

- Allowing both the rent collection and the occupancy rate of public housing to drop to around 70%, far below any HUD acceptable level.
- Numerous consulting contracts with unclear deliverables

By the fall of 2021, I had exhausted all local avenues to enlist assistance in achieving reform of the agency. The waste, fraud and abuse in my opinion was out of control, and I was increasingly unable to perform my fiduciary obligation to the agency. The impact of all the mismanagement on our ability to perform even the basic functions of the agency was glaring. The agency was spiraling. At that point, I reached out to HUD and began a series of conversations that resulted in the Department's decision to conduct a top to bottom review of DCHA in early March of 2022. That review was made public in September of 2022 and was a blistering indictment of DCHA, leaving no division unscathed in its 82 findings and 26 recommendations.

The following is a portion of the Executive Summary of the HUD Report

Executive Summary – DCHA HUD Review 1

There are five principal issues contributing to DCHA's failure to administer its HCV and PH programs consistent with the Financial Management and Procurement requirements mandated by statute, regulation, and sub-regulatory guidance. These failures include, but are not limited to:

- *Inadequate oversight, management and tracking of critical "Financial Management and Procurement" functions and indicators that directly contribute to DCHA's failure to comply with program requirements.*
- *Inadequate management and knowledge of property management functions including compliance with HUD rules and regulations that directly contributes to DCHA's failure to comply with program requirements.*
- *Inadequate management and knowledge of HCV program functions including compliance with HUD rules and regulations that directly contributes to DCHA's failure to comply with program requirements.*
- *Poor oversight of DCHA policies and operations, by DCHA's Board of Commissioners and Executive Leadership that directly contributes to DCHA's failure to comply with program requirements; and,*
- *DCHA's failure to provide decent, safe, and sanitary housing opportunities for residents in violation of program requirements.*

DCHA's inability or refusal to take serious and immediate remedial action for the items or subjects identified in this assessment, and make material progress in resolving these issues, may eventually lead to HUD making a determination of DCHA's default under Section 6(j)(3)(A) of the U.S. Housing Act of 1937, and/or breach of DCHA's Annual Contribution Contracts to provide HUD with more effective set of remedial tools to assist DCHA in addressing these issues.

If that's not bad enough the following is also found report:

Ms. Donald was not aware of the poor Public Housing Assessment Scores (PHAS) which would have resulted in a Troubled PHAS designation if DCHA was not a MTW Demonstration participant.

This is to say that if DCHA was not considered a High Performing PHA by HUD they would have been designated as troubled. This should alarm you on so many levels, not the least of which is that two years later this is most likely still true.

A full copy of the HUD report is part of my submitted testimony and completely validated my concerns with DCHA, that were in turn causing it to fail to perform the most basic functions of its mandate. While certainly filled with alarming findings, the report itself merely scratches the surface and leaves out many of the more glaring examples of waste, fraud and abuse. Validation that HUD is no serious about reform.

One would think that the reaction from the agency, the board, and the city would be to take HUD's findings as a road map for improvement and come together to begin the hard work of digging out of this mess. That is in fact not what happened.

Instead, the Mayor, with support of the Chair of the DC Council, drafted emergency legislation and without a single public meeting disbanded the independent board of the DCHA, including elected members, and replaced it with a board fully appointed by the Mayor, which then gave the existing Executive Director a \$40,000 performance bonus and hired an outside consultant, funded by the Mayor, to address the findings in the HUD report. The action effectively removed all independent voices on the board, without whom the serious failures of the agency never would have come to light.

You would think HUD's reaction to the dismantling of the board that brought the issues at DCHA to their attention would have been to intervene to ensure the integrity of the agency. They instead opted to do nothing, sending the message that removal of what amounts to whistleblowers is condoned by HUD, which in turn send the message to all PHA employees and HUD employees that want to do the right thing, that if Independent Board members aren't safe then they certainly are not.

The impact that poorly functioning municipal agencies such as a housing authority can have on the challenge of housing affordability.

In the year and a half that has passed since the board changes it is hard to see any meaningful reform that has improved housing conditions at DCHA. Yet another Executive Director has recently been hired, who will surely be given the next year to get his bearings. Just recently there was another story in the Washington Post detailing how DCHA continues to struggle with payment standards in its \$300 million plus dollar voucher program. It is now my understanding that the agency is using some sort of algorithm to determine what the rent payments should be and from personal experience I can tell you that it is not working and is yet another sign that the agency is not too able to fulfill even the basic functions of its mission, failures which increase the cost of housing and decrease the number or families housed. Things don't seem to be reforming and in fact seem to be getting worse, resulting in very negative outcomes for its clients and taxpayers who ultimately foot the bill.

This is unacceptable. PHAs are tasked with housing as many of our most vulnerable population as possible with the resources they have. It's simple math: If the agency is inefficient and ineffective, they spend more money on basic operations; fewer people get housed and there is a ripple effect across the pressure on the rest of the housing infrastructure. HUD continues to fail in its obligations and its hands-off approach produces acceptable results that in the end hurts residents and taxpayers.

¹ Executive Summary for the HUD report on DCHA that is included at the end of this submission https://oag.dc.gov/sites/default/files/2022-10/DCReview_Final%209302022%20%281%29.pdf

Recommendations for how to reform housing authorities so they can better achieve their mission and be more accountable both fiscally and operationally.

In the end, the inability for Public Housing Authorities (PHAs) such as DCHA to function at a high level has a hugely negative impact on housing affordability, a negative impact on residents and a poor return on investment for taxpayers. So, the idea of HUD giving additional monies to PHAs that are failing at their mission is not a wise use of valuable resources and historically has not resulted in a good return on investment. HUD needs to completely rethink its oversight of PHAs as their current process is failing far too often. A complete reorganization is required. No amount of money pumped into a PHA that doesn't have the proper governance, doesn't have the needed expertise, and is not held accountable to the dollars they are given will result in any sustainable progress in increasing housing affordability or availability. The risk of failure is too high as has been proven over and over again here in the nation's capital and other cities. The biggest problem facing PHAs today is not a shortage of money but a shortage of execution capacity combined with lack of accountability to fulfill their obligations to their clients. PHAs fail to achieve their intended mission.

HUD is the largest owner and operator of multi family real estate in the country. It is important to remember that HUD owns the public housing units and provide the monies for subsidies and because of that they have the fiduciary obligation to make sure that PHAs maximize the value of those assets. HUD doesn't seem to understand that through their 3,000 plus PHAs they are the owner of the largest multifamily operating real estate company in the country housing some of the most vulnerable citizens in our country. Their hands off "funder" approach has failed for far too long. At the end of the day how HUD has run its PHAs is nothing short of total failure in far too many instances, failure that is allowed to go on year in and year out.

That said I am still a believer that PHAs can and should play a critical role in the affordable housing landscape. A strong and healthy housing market needs a robust and functional subsidized housing provider and PHAs are structurally designed to be that provider. The idea of PHAs makes sense. The breakdown, however, is in the execution of that idea. Without proper governance, true accountability and a clear mission, PHAs have historically gotten off track. PHAs rely too heavily on local boards and government officials to be good stewards of billions of taxpayers' dollars, which is no way to exercise a fiduciary obligation to public dollars. Their goals are not necessarily aligned with what should be the mission of PHAs. HUD has never shown, as is evidenced by DCHA, the willingness to provide the level of fiduciary management and mission guidance required for PHAs to ensure they can be accountable for the money they are being provided to perform the vital services they are tasked with. As evidence of this, HUD still considers DCHA to be a High Performing agency. Unless and until these changes are made, PHAs will continue to underperform at a rate that no one should accept. However, if HUD did find the courage to better exercise its fiduciary obligation to be accountable for the monies given to PHAs, we could really begin to better understand why the cost of affordable housing is so high and begin to make the market corrections needed to bring down the cost and in turn increasing supply without the need for new monies. We could put in a system of accountability that would drive efficiencies and result in increased access to housing. Then and only then will we be able to see the actual return on investment on the billions of dollars spent and be able to make educated decisions on deploying additional resources if needed. HUD is in a unique position like no other federal agency in that they own and operate the assets in question. Translation, HUD has the direct ability to impact housing access issues at scale and immediately. However, until HUD acts like an Owner how cares about the performance and productivity of their assets, providing any additional monies to PHAs would be an irresponsible use of taxpayer dollars.

HUD should do three key things prior to any additional funding being provided to PHA's:

1. **Revamp the accountability of PHAs to HUD:** Greater accountability for tracking, reporting, and achieving results must be in place before progress can be made - both here in the nation's capital and in other cities. Define a PHA wide mission and force agencies to stay focused on that mission.
2. **Change governance structure.** PHA's need to be *held directly accountable to HUD* rather than local municipal leadership. As has been pointed out repeatedly by members of congress, PHAs rely too heavily on local boards and government officials to be good stewards of billions of taxpayers' dollars, which is no way to exercise a fiduciary obligation to public dollars. Until this happens there is little to no hope for any meaningful reform. Without accountability there is no incentive to reform, resulting far too often in chronic waste, fraud, and abuse.
3. **Demand qualified leaders.** PHAs are effectively large real estate businesses, and they need the appropriate expertise to function as needed. This may sound elementary, but it's true. Until PHAs can execute the basic functions of managing properties, setting rental rates, and overseeing a waiting list, they will continue to stumble. PHA's are operating businesses and need to be run as such. Leadership starts at the top and HUD needs better leadership that understands how to run a business.

Thank you again for the opportunity to testify and look forward to your questions.

Select News Stories On DCHA

<https://www.washingtonpost.com/dc-md-va/2024/01/23/hud-investigates-dc-landlords-vouchers/>

<https://www.washingtonpost.com/dc-md-va/2023/04/12/brenda-donald-bonus-dcha/>

<https://washingtoncitypaper.com/article/574827/d-c-housing-authority-is-failing-in-just-about-every-way/>

<https://districtdig.com/2023/08/18/black-box/>

<https://districtdig.com/2023/02/09/hiding-the-ball/>

<https://districtdig.com/2021/10/06/gilding-the-lily/>

<https://washingtoncitypaper.com/article/619499/trash-company-boss-met-with-dcha-official-before-winning-4-5-million-contract-former-employee-alleges/>

<https://dcist.com/story/23/06/01/dc-dcha-deadline-hud-report/>

<https://www.washingtonpost.com/dc-md-va/2022/11/13/dcha-audit-faults-procurement/>

<https://www.washingtonpost.com/dc-md-va/2023/04/26/dcha-housing-waiting-list/>



District of Columbia Housing Authority (DC001)
Assessment

U.S. Department of Housing and Urban Development
Coordinated by the Northeast Public Housing Network

Foreword

The following report details the results of HUD’s assessment of the District of Columbia Housing Authority (DCHA), DC001. A team of HUD staff, assembled from offices throughout the Northeast Network, conducted an on-site assessment on March 7 through March 11, 2022. The review assessed DCHA’s performance in operating its Public Housing (PH) and Housing Choice Voucher (HCV) programs from the period of October 1, 2019, to the present.

The findings, observations, and recommendations will serve as the foundation for the development of strategies and plans for improvement in any deficient areas. This assessment includes a discussion of policies and procedures with key DCHA staff, a review of documents and financial records, meetings and interviews with staff and members of the Board of Commissioners, sample unit inspections, and a site tour.

Executive Summary

There are five principal issues contributing to DCHA’s failure to administer its HCV and PH programs consistent with the Financial Management and Procurement requirements mandated by statute, regulation, and sub-regulatory guidance.

These failures include, but are not limited to:

- Inadequate oversight, management and tracking of critical “Financial Management and Procurement” functions and indicators that directly contribute to DCHA’s failure to comply with program requirements;
- Inadequate management and knowledge of property management functions including compliance with HUD rules and regulations that directly contributes to DCHA’s failure to comply with program requirements;
- Inadequate management and knowledge of HCV program functions including compliance with HUD rules and regulations that directly contributes to DCHA’s failure to comply with program requirements;
- Poor oversight of DCHA policies and operations, by DCHA’s Board of Commissioners and Executive Leadership that directly contributes to DCHA’s failure to comply with program requirements; and,
- DCHA’s failure to provide decent, safe, and sanitary housing opportunities for residents in violation of program requirements.

DCHA's inability or refusal to take serious and immediate remedial action for the items or subjects identified in this assessment, and make material progress in resolving these issues, may eventually lead to HUD making a determination of DCHA's default under Section 6(j)(3)(A) of the U.S. Housing Act of 1937, and/or breach of DCHA's Annual Contribution Contracts to provide HUD with more effective set of remedial tools to assist DCHA in addressing these issues.

Governance

DCHA was established by the District of Columbia Home Rule Act 87 Statute 779 in 1974. The authority was originally created as the Alley Dwelling Authority by Executive Order 6868 in 1934. Since then, it has transitioned through several name changes until it became DCHA in 1974. DCHA is currently operating under Title 6 Chapter 2 Subchapter I Section 6-201 of the District of Columbia Code passed in 1999, which established it as an authority separate and independent from the District of Columbia government.

Since 2003, DCHA has been a participant in HUD's Moving to Work (MTW) Demonstration program, a program for public housing authorities (PHAs) which provides the opportunity to design and test innovative, locally designed strategies using federal dollars more efficiently. The program also helps residents find employment, become self-sufficient, and it increases housing choices for low-income families. MTW allows PHAs exemptions from many existing public housing and HCV rules. MTW also provides funding flexibility when PHAs uses its federal funds. DCHA's Public and Indian Housing (PIH) programs are governed by its amended and restated MTW Agreement, Annual Contributions Contract for Public Housing, and Consolidated Annual Contributions Contract for the HCV program with HUD.

Currently, DCHA is not in compliance with the MTW statutory requirement to substantially serve the same number of low-income families as the number of families served absent of the MTW Demonstration. To remedy this, DCHA has developed a plan to increase and sustain PH occupancy. However, DCHA fails to meet milestones in its plan and has the lowest PH occupancy rate of all large PHAs in the country.

Board of Commissioners

In compliance with the district code governing the Board of Commissioners (DC Code Title 6, Chapter 2, Subchapter I Section 6-211), the Board must have 13 members appointed as follows—six appointed by the Mayor with the City Council's consent, one appointed by the City Council, three elected by residents, one labor representative named by Metropolitan Central

Labor Council, one housing advocacy representative named by the District of Columbia's Consortium of Legal Services Providers, one ex-officio member, and the Deputy Mayor for Planning and Economic Development. During our review, the Board was comprised of ten appointed members and two members elected by residents. Membership of the Board was listed as follows:

Name
Dionne Bussey-Reeder, Chairperson
Kenneth Council, Vice Chairperson (At-Large Resident Commissioner)
Ronnie Harris, Commissioner (HCVP)
Jose Arnaldo Ortiz Gaud, Commissioner
Ann Hoffman, Commissioner (Labor)
John Falcicchio, Commissioner – Deputy Mayor
Lejuan Strickland, Commissioner
Aquarius Vann-Ghasri, Commissioner (Family Resident Commissioner)
William Slover, Commissioner (Advocate)
Melissa Lee, Commissioner
Raymond Skinner, Commissioner

From March 8 through March 11, 2022, the review team conducted interviews via Zoom or in person with ten members of the DCHA's Board of Commissioners including Dionne Bussey-Reeder, Kenneth Council, Lejuan Strickland, Raymond Skinner, William Slover, Aquarius Vann-Ghasri, Ann Hoffman, Ronnie Harris, Melissa Lee, and Jose Arnaldo Ortiz Gaud.

The review team also examined DCHA Board meeting minutes from the past year. Due to time constraints and scheduling conflicts, Commissioner Falcicchio was not interviewed as planned. The Resident Commissioner position representing senior/disabled residents was vacant due to a recent departure, and an election to fill the position was being scheduled.

From interviews and the review of the minutes, it appears Board Members regularly attend meetings. There is a diverse range of career backgrounds in the Board including professionals in

housing, redevelopment, community activism, and labor. The diversity should contribute to a well-rounded and knowledgeable Board. Members' tenure ranges from three months to twelve years.

PIH's review found there is not always agreement amongst the Board. Some members believe Mayor and District appointed members vote as a group without individual review of the action requested. Some Board members feel they do not receive sufficient information to make decisions at meetings, while others feel adequate information is received. Almost all Board members expressed a strong interest in receiving HUD's Lead the Way training to better understand and perform their duties.

All members displayed awareness of the problems the housing authority faces regarding the poor condition of the housing stock and the need for redevelopment, as well as lack of trust and credibility between DCHA and its residents. However, Board Members could not speak to specific actions it was taking at DCHA to make improvements in these areas. Some Board members highlight DCHA's poor job of communicating to the residents about redevelopment plans, the constant changes to these plans, and a lack of focus on resident services as root causes of the problems. Some members support redevelopment, others do not.

Public Board Meetings are held the second Wednesday of each month to vote on resolutions and to hear comments from residents. In addition, the Board meets monthly prior to the public Board Meetings with the Executive Director and DCHA staff for a private working session, as allowed under DC law. Working sessions are scheduled to discuss the reports and resolutions provided by the Executive Director, as well as other items, such as contracting, security and unit vacancies.

According to the Board interviews and review of the Public Board Meeting Minutes, discussions and questioning pertaining to resolutions occur primarily in private working sessions and committee meetings, but minutes from the working sessions are posted on DCHA's website.

Recommendations

- Find ways to improve Board transparency by ensuring all Board agenda items are available to the public;
- Provide training to develop Board capacity in critical functions including the overall role of the Board, procurement to include federal and district requirements and regulations, program operations, financial management, DCHA policies, HUD policies, and HUD program and reporting requirements;
- Board should attend HUD's Lead the Way training and training on repositioning and redevelopment of properties;

- The Board should draft a document including measurable performance goals for the Executive Director;
- Determine a regular to review the Executive Director's performance against documented goals;
- The Board should provide detailed reports on budget and financial condition, PH occupancy and vacancies, HUD reporting, HCV utilization, outstanding work orders, lease enforcement, criminal incidents at developments, and tenants' accounts receivables; and
- The Board should attend trainings on ethics covering authority and district requirements and regulations, and evidence of this training should be provided to HUD.

Executive Director

Brenda Donald was hired as the Interim Executive Director of the DCHA in June 2021. She was appointed to the position permanently in August 2021. Ms. Donald has a two-year contract with DCHA with a current annual salary of \$275,000. This salary exceeds HUD's salary cap; however, DCHA utilizes nonfederal funds to pay the Executive Director's salary. Before her employment at DCHA, Ms. Donald served in various administrative positions in D.C. Government including serving three times as Deputy Mayor and in Child Welfare. Her background is in Human Services, but Ms. Donald has no experience in property development, property management or managing federal housing programs.

Interview with Executive Director

The Board of Commissioners initially appointed Ms. Donald as the Interim Executive Director after the departure of the previous executive director in June 2021. Initially, she was appointed to serve for four months while the recruitment of a new executive director took place. She observed serious issues at DCHA such as a high PH vacancy rate, poor rent collection, staff performance issues, and the PHA not being data driven. After informing the Board of Commissioners of her observations, they asked her to remain as executive director on a permanent basis. She accepted a two-year contract that was subsequently executed between Ms. Donald and DCHA's Board of Commissioners.

According to Ms. Donald, she has spent a great deal of time meeting with resident leaders and feels the authority is in place to support the residents and to deliver services to them. Supporting residents will alleviate the high distrust between them and DCHA. She also believes DCHA's problems are solvable by "practicing basic property management." She is focused on creating a new organizational culture of customer service, accountability, and expectations. She meets weekly with her executive team and has set firm expectations on performance. Ms. Donald was not aware of the poor Public Housing Assessment Scores (PHAS) which would have resulted in

a Troubled PHAS designation if DCHA was not a MTW Demonstration participant. Ms. Donald did understand how high vacancy rates and poor rent collections were sources of the authority's problem. Filling unit vacancies is one of her top priorities. She expressed strong interest in HUD's Lead the Way training series.

Recommendations

- Training for the Executive Director to develop capacity in critical PHA functions including the overall role of the Executive Director and the Board, procurement, PH and HCV program operations, financial management, HUD policies, and HUD reporting requirements and systems. HUD's Lead the Way Training is available to assist in developing this capacity;
- Monitor executive team and ensure detailed reports on financial condition, public housing vacancies, HCV utilization, outstanding work orders, tenant accounts receivables, procurement actions and status of development projects are submitted weekly;
- The Executive Director should evaluate DCHA's current organizational structure the staff's capacity to perform assigned functions;
- The Executive Director should make changes to the existing organizational structure and develop and implement any staff training needed;
- The Executive Director should develop a document with measurable performance goals for each member of the executive team and determine a regular schedule for reviewing their performance against these goals;
- Develop a regular meeting schedule with Resident Leaders and the Resident Advisory Board to share updates and discuss issues; and
- Provide a monthly report to the Board on key performance indicators including financial condition, procurement, repositioning, capital improvements, occupancy, rent collection, lease enforcement activity, hiring and HCV utilization.

Governance Findings

The review team identified numerous findings, recommendations and observations related to DCHA programmatic operations directly related to poor oversight by DCHA's Board of Commissioners and DCHA's Executive Leadership. This information and the required corrective actions are included throughout this report.

Public Housing

Introduction

DCHA owns and operates 8084 units of federal public housing. These units are in 60 developments across the District of Columbia. In FY22, HUD provided \$52,972,662 to DCHA in Operating Grant Funds and \$23,592,851 in Capital Grant Funds to support these units. The team also reviewed DCHA's low rent public housing operations, including occupancy, waiting list management and tenant selection, resident files, financial statements, procurement, Enterprise Income Verification (EIV) utilization, lead-based paint testing results, unit/development conditions, work orders, the Capital Fund program, inventory control policy and related supporting materials.

Policies

Finding PH.1

DCHA's Admission and Continued Occupancy Policy (ACOP) has not been updated since 2017 and does not comply with DCHA's MTW Agreement and HUD regulations. The MTW designation does not waive the requirement for updating the ACOP; therefore, DCHA is out of compliance with its MTW Agreement and its ACC. Additionally, DCHA has implemented many changes in its administration of its Low-Income Public Housing (LIPH) program under the MTW program, which are not reflected in the ACOP as required.

Regulatory Citation 24 § CFR 960

Corrective Action:

DCHA must update its ACOP in accordance with HUD requirements and its approved MTW Plan. Staff must receive training on the MTW plan and HUD requirements. DCHA must provide HUD with a copy of the updated ACOP with Board Resolution and evidence of staff training.

Finding PH 2

DCHA is not safeguarding personally identifiable information (PII) required by HUD and preventing potential breaches of this sensitive data. DCHA is not protecting the privacy of individuals' information stored electronically or in paper form, in accordance with federal privacy laws, guidance, and best practices. DCHA was unable to provide any policies or procedures on how staff maintains and safeguards PII.

Regulatory Citations

24 CFR 5 (Subpart B), 24 CFR 200.303(e), Section 6 of the Housing Act of 1937, the Privacy Act of 1974, 5 USC § 552a (Privacy Act), PIH Notice 2015-06 Privacy Protection Guidance for Third Parties, The Freedom of Information Act (FOIA), 5 USC § 552, and Section 208 of the E-Government Act.

Corrective Action:

DCHA must immediately implement administrative, technical, and physical safeguards to protect applicant and participant information. This includes safeguarding electronic transmissions of sensitive data via fax, email, and other electronic devices. DCHA must consistently implement procedures to protect all hard copy and electronic files containing sensitive PII and manage access to sensitive applicant, tenant, and participant PII. Additionally, DCHA must train staff on HUD Information Security Procedures and mandates. Finally, DCHA must provide a copy of approved and implemented policies and procedures, along with proof of staff training to HUD.

Finding PH 3

DCHA is not in compliance with updated Violence Against Women Act (VAWA) requirements in accordance with HUD regulations and PIH Notice 2017-08.

Regulatory Citations

24 CFR Part 5, Subpart L and PIH Notice 2017-08 Violence Against Women Reauthorization Act of 2013 Guidance

Corrective Action:

DCHA must update and implement its policies, procedures, and PH lease to include revised requirements of PIH Notice 2017-08. DCHA should also attend training cover the above topics.

A copy of the updated Violence Against Women's Act (VAWA) policies and procedures, the PH lease, the Board Resolution approving the policy and PH lease, evidence of staff training, and DCHA's implementation plan must be submitted to HUD. DCHA's implementation plan must include documentation of PH participants receiving notification of the updated occupancy rights under VAWA.

Finding PH 4

DCHA failed to establish the Over-income policy, a statutory change in Section 103 of the Housing Opportunity Through Modernization Act of 2016 (HOTMA).

Regulatory Citations

PIH Notice 2019-11; 24 CFR 960

Corrective Action:

DCHA must update its ACOP and MTW Plan to implement these changes. The policy must include the implementation of an over-income limit in the program, clear descriptions of all instances of when the two-year timeframe begins, and the notification requirements put forth by section 103 of HOTMA. DCHA must provide copies of updated policies and procedures a plan and timeline for implementation, Board resolutions and evidence of staff training to HUD.

Finding PH 5

DCHA is not in compliance with the choice of flat rent by tenants. DCHA does not offer tenants the choice of flat rents or income-based rents. A review of tenant files revealed some tenants were on a flat rent; however, there was no indication of DCHA providing participants with options or a choice. While DCHA's FY2022 MTW Plan does discuss flat rent alternatives under Initiative 5, there was no written Policy or Procedure, which must be included per Notice 2021-27.

Regulatory Citations

24 CFR § 960.253; PIH Notice 2021-27

Corrective Action:

DCHA must update its ACOP, create and implement a procedure to ensure it gives each family the opportunity to choose between the two methods for determining the amount of tenant rent payable monthly. This option should be afforded at least once a year. The family may choose to pay as tenant rent either a flat rent, or an income-based rent. Except for financial hardship cases, the family may not be offered this choice more than once a year. No later than 90 days after the effective date of new Fair Market Rents (FMRs) or Small Area Fair Market Rents (SAFMRs) published by HUD, the PHA must compare the current flat rent amount to the applicable FMR and SAFMR/unadjusted rent to determine:

1. If the PHA is compliant with this law, no further steps are necessary.
2. If the flat rent is at least equal to the lower of a)
 - 80 percent of the FMR; or,
 - b) 80 percent of the SAFMR; or
 - c) If no SAFMR is available, 80 percent of unadjusted rent.

If the current flat rent is less than the lower of option a or option b, the PHA must set flat rents at no less than 80 percent of the lower of the 80 percent FMR or 80 percent SAFMR/80 percent unadjusted rent, subject to the utility adjustment in Section 6 of this Notice, or the PHA may request an exception flat rent pursuant to the requirements of Notice PIH 2021-27.

DCHA must provide HUD with documentation of updated policies and procedures, a plan and timeline for implementation, Board resolutions, and evidence of staff training.

Finding PH 6

DCHA's flat rent schedule has not been updated with the current Fair Market Rent (FMR). DCHA must establish flat rents at no less than 80 percent of the published FMR.

Regulatory Citations

24 CFR § 960.253; PIH Notice 2017-23

Corrective Action:

DCHA must establish policies and procedures to ensure flat rents are updated expediently with the most recent HUD published FMRs. Once approved by the Board, DCHA must provide HUD with the policy. Additionally, DCHA must amend its Annual MTW Plan because the MTW Agreement does not provide waiver of 24 § CFR §960.253. Initially, the MTW office approved a waiver of the flat rent regulations; however, it has investigated further, and it acknowledges the

initiative was approved in error. DCHA must provide HUD with copies of updated policies and procedures, a plan and timeline for implementation, Board resolutions and evidence of staff training.

Finding PH 7

DCHA is non-compliant with HUD regulations regarding pets in public housing. In 2014, DCHA rescinded its pet-free policy after a lawsuit. Since, the authority has not implemented a new policy regarding pets.

Regulatory Citations

24 CFR § 960.707; Notice FHEO-2020-01 “Assessing a Person’s Request to Have an Animal as a Reasonable Accommodation under the Fair Housing Act”; Public Housing Occupancy Guidebook Chapter 9

Corrective Action:

DCHA must establish and implement a pet policy that is board approved and included in their lease, ACOP and MTW Plan. For all development types, the rules or policies must, be reasonable and not conflict with any applicable federal, state, or local law or regulation governing pet ownership in residences. DCHA must provide copies of updated policies and procedures, a plan and timeline for implementation, Board resolutions and evidence of staff training to HUD.

Finding PH 8

DCHA is not in compliance with the Community Service and Self-Sufficiency Requirement (CSSR).

Regulatory Citation 24 CFR § 960.605

Corrective Action:

DCHA must establish policies and procedures for administration of CSSR for PH residents. DCHA’s policy must describe how the authority determines which family members are subject to or exempt from the service requirement. Also, the policy must describe the process for determining any changes to the exempt or non-exempt status of family members.

DCHA must provide families with a written description of the service requirement the process for claiming status as an exempt person, and how the PHA verifies such status. In addition, DCHA must notify the family of its final determination which will identify family members who are subject to the service requirement, and family members who are exempt persons. Last, DCHA must provide HUD with copies of updated policies and procedures, a plan and timeline for implementation, Board resolutions and evidence of staff training.

Finding PH 9

DCHA is non-compliant with the Minimum Rent Policy and Procedure (MRPP). In the MTW Plan, DCHA has a minimum rent established in the amount of zero (0) dollars, but the minimum rent amount is not in the ACOP. In addition, DCHA could not provide a policy or procedure on DCHA's implementation of minimum rent.

Regulatory Citation 24 CFR § 5.630

Corrective Action:

DCHA must create, adopt, and implement a policy describing when DCHA will charge a minimum rent and the process for requesting a financial hardship exception to the minimum rent. Also, DCHA must provide HUD with copies of the updated policies and procedures, a plan and timeline for implementation, Board resolutions and evidence of staff training.

Finding PH 10

DCHA is not making reasonable efforts to provide language assistance to ensure meaningful access for LEP persons to the recipient's programs and activities.

Regulatory Citations

2004 DC Access Act of 2004, Department of Justice (DOJ) LEP Guidance, Executive Order 13166E, FR-4878-N-02 Final Guidance to Federal Financial Assistance Recipients Regarding Title VI Prohibition Against National Origin Discrimination Affecting Limited English Proficient Persons

Corrective Action:

DCHA must conduct a four-factor analysis and develop a Language Access Plan (LAP) which will be utilized to provide appropriate language assistance to applicants, tenants, and other interested parties with Limited English Proficiency. DCHA must update its MTW Plan and

ACOP to include the LAP. DCHA must ensure that the LAP includes how DCHA will provide the following services:

- Oral interpretation services.
- Telephone service lines interpreter.
- Written translation services.
- Notices to staff and recipients of the availability of LEP services; or
- Referrals to community liaisons proficient in the language of LEP persons.

DCHA must provide HUD with copies of updated policies and procedures, a plan and timeline for implementation, Board resolutions and evidence of staff training.

Finding PH 11

DCHA is not in compliance with HUD regulations governing the occupancy of public housing units by police officers and resident employees. DCHA has some general language in its MTW Plan; however, it is not in the ACOP.

Regulatory Citations

24 CFR 960.505 (b), Notice PIH 2021-35, PIH Public Housing Occupancy Guidebook 7465.1
Chapter 6-3

Corrective Action:

In the MTW Plan and ACOP, DCHA must include the number and location of the units to be occupied by police officers and resident employees, the terms and conditions of their tenancies, and a statement verifying that the occupancy is needed to increase security and /or improve maintenance services for public housing. Instructions for designating units are provided in Notice PIH 2021-35. DCHA must provide HUD with copies of updated policies and procedures a plan and timeline for implementation, Board resolutions and evidence of staff training.

Finding PH 12

DCHA created its own Designated Housing program which is not in compliance with HUD regulations. DCHA's MTW Agreement does not provide the required authority to waive the Designated Housing Plan regulations.

Regulatory Citation

24 CFR Part 945 Designated Housing

Corrective Action

DCHA must compose and submit a Designated Housing Plan for every development classified as an “Elderly-only” development in the MTW Plan for HUD review and approval. Lastly, the authority must also remove Initiative 2 from its MTW Plan.

Occupancy

DCHA has 8,084 units of public housing of which 1,628 units are currently vacant. As of June 13, 2022, DCHA’s occupancy rate is 76.44%, which is the lowest PH occupancy rate of any large PHA in the country.

On February 8, 2016, HUD’s local D.C. Field Office (DCFO) executed an Occupancy Action Plan (OAP) with DCHA. The OAP contains action items and associated timelines DCHA was responsible for utilizing to improve occupancy at each of its PH developments. During the past seven years, DCFO has met regularly with DCHA and provided ongoing technical assistance. DCFO notes progress was previously being made on this plan with the occupancy rate rising to 92.5% in April 2018. However, over the past 40 months, occupancy at the DCHA has been on a continual decline.

Finding PH 13

DCHA is not occupying PH units in accordance with its policies, HUD regulations and MTW statutory requirements.

PH 13a

DCHA is currently out of compliance with its MTW statutory requirement to substantially serve the same total number of low-income families that would have been served absent the MTW Demonstration. This is the direct result of DCHA’s extraordinarily low public housing occupancy rate. On November 23, 2020, the MTW office sent DCHA a letter notifying the authority of its non-compliance with the MTW statutory requirement, which is also contained in the MTW Agreement between DCHA and HUD. During the most recent assessment year, DCHA was serving approximately 1,400 fewer families than it is required to serve to remain in compliance with the same requirement. DCHA has developed a Corrective Action Plan with short, medium, and long-term milestones to remedy this issue, but it is not meeting milestones.

Regulatory Citation

MTW Agreement, Section II, Requirements and Covenants, Paragraph D.

Corrective Action (PH 13a):

DCHA must develop and implement a plan with timeline to increase and maintain occupancy and to come into compliance with its MTW statutory requirement to serve substantially the same total number of low-income families as would have been served absent the MTW Demonstration. DCHA must provide this plan with timeline to HUD, for approval, and provide monthly progress reports.

PH 13b

DCHA does not have an accurate listing of vacant units and is not reporting an accurate status of units in the Inventory Management System/PIH Information Center (IMS/PIC) system.

Regulatory Citation (PH 13b) 24 CFR 908.104**Corrective Action (PH 13b):**

DCHA must complete an analysis of all units to determine its occupancy status. DCHA must compare this analysis to data it has submitted to PIC to develop and implement a plan to correct this data. In addition, DCHA must develop and implement a process for ongoing submissions to PIC and train staff on this process. DCHA must provide HUD with an accurate listing of all vacancies, its plan and timeline to address PIC errors, and evidence of staff training.

PH 13b1

Based on a sampling of HUD's IMS/PIC information conducted during the physical condition inspections, DCHA is not receiving the correct operating subsidy for occupied units. In most developments inspected, there were units that appeared vacant in IMS/PIC which DCHA showed as leased-up. Vacant units shown to the inspector indicated they were occupied in IMS/PIC.

Regulatory Citation 24 CFR 990.140**Corrective Action (PH 13b1):**

DCHA must complete an analysis of each unit to determine its occupancy status. DCHA must compare this analysis to data it has submitted to IMS/PIC to develop and implement a plan to correct this data. Once complete, DCHA must complete an analysis of operating subsidy to determine any overpayment and repay these funds to HUD from non-federal sources. DCHA must provide an accurate listing of all vacancies, its plan and timeline to address PIC errors, its operating subsidy analysis and evidence of repayment of any overpaid operating subsidy from non-federal funds to HUD.

PH 13b2

Based on a sampling of PIC information conducted during the physical condition inspections, DCHA is not correctly identifying approved vacancies in PIC. There are instances in which the

DCHA has units in Undergoing Modernization status that are not under modernization as well as units actively being modernized by independent contractors that are not identified as Undergoing Modernization in PIC.

Regulatory Citations

24 CFR 990.145; PIH Notice 2021-35

Corrective Action (PH 13b2):

Following the reconciliation of PIC data in the above finding, DCHA must coordinate with HUD's DCFO to rectify HUD approved vacancies in accordance with PIH Notice 2021-35.

PH 13c

DCHA does not have adequate internal procedures in place for tenant selection, resident transfers, unit turnaround or leasing for its public housing units. HUD reviewers found the following:

- DCHA's waitlist has been closed since 2013, and it has not actively lease available units. Instead, DCHA is only transferring existing tenants and only increasing the overall number of vacant units.
- DCHA's Property Management Operations (PMO) staff members lack knowledge of unit turnaround procedures and could not provide the status of vacant units. In the past year, there have been many staffing changes in the PMO office, which may have attributed to a decline in leasing units. PMO's Sr. Vice President has been with DCHA for under 4 months.
- DCHA's lease up time is excessive. The communication between DCHA's tenant selection, property management and maintenance department is poor.
- DCHA lacks reports to track the status of vacancies, offers and leasing. Each inspected development contained units that were 90-100% ready to lease up with no applicant known to the housing manager. In at least one instance, a unit was turned down by an applicant. After several months a second applicant was not identified.

Regulatory Citation 24 CFR 960.202

Corrective Action (PH 13c):

DCHA must develop and implement adequate procedures in place for tenant selection, resident transfers, unit turnaround or leasing for its public housing units and train staff on same. DCHA

must produce reports to track status of vacancies, transfers, offers and leasing. DCHA must provide HUD with a copy of these procedures, reports, and evidence of staff training.

Waiting List Management and Tenant Selection

Finding PH 14

DCHA is not selecting applicants from its waiting list in accordance with its policies, MTW Plan, and HUD regulations.

PH 14a

DCHA was unable to provide documentation to support the method used to select applicants from the waiting list with the same preference qualification. Additionally, the waiting list only showed the date of application; it did not provide the time of application.

PH 14b

DCHA was unable to provide documentation of the number of persons on its Public Housing waiting list. DCHA staff members were unclear whether there was one single waitlist or site-based waitlists. The FY2022 MTW Plan indicates DCHA was in process of cleaning up the waitlist and would transition to site-based waiting lists. However, this information had a 2015 date for completion and is still outstanding.

PH 14c

DCHA has not updated its waiting list in ten years, and it could not provide the method it used to remove families from the waiting list. The FY2022 MTW Plan indicates DCHA was in process of cleaning up the waitlist and would move to site-based waiting lists. However, this information had a 2015 date for completion and is still outstanding.

PH 14d

DCHA does not maintain adequate waiting list records showing the status of applicants and eligibility actions it has taken.

Regulatory Citations

24 CFR § 960.206(e), 24 CFR § 960.202; PIH Notice 2017-23

PH 14 Corrective Action:

DCHA must establish and implement written policies for admission of tenants and train staff on the knowledge and implementation of the new policies. These policies shall provide and include the following:

- ✓ Targeting admissions to extremely low-income families;
- ✓ Deconcentration of poverty and income-mixing in accordance with the MTW Agreement;
- ✓ Precluding admission of applicants whose habits and practices may reasonably be expected to have a detrimental effect on the residents or project environment;
- ✓ Objective and reasonable policies for the authority's selection of eligible applicants, including requirements for applications and waiting lists (see 24 CFR 1.4), and for verification and documentation of information relevant to acceptance or rejection of an applicant, including documentation and verification of citizenship and eligible immigration status under 24 CFR part 5; and
- ✓ Policies of participant transfer between units, developments, and programs. For example, DCHA can adopt a criterion for voluntary transfer where the tenant must meet all obligations under the current program, including payment of charges to the authority.

DCHA must provide HUD with a copy of these policies and procedures, associated Board resolutions and evidence of staff training.

Corrective Actions 14 a-d:**PH 14a**

DCHA must develop and implement policies and procedures for selecting applicants from the waiting list with the same preference qualification using two criteria— (1) Date and time of application; and (2) A drawing or other random choice technique. In addition, the method for selecting applicants must verify how each applicant was chosen in accordance with the procedure specified in its ACOP. This method must be evident and clear for auditing purposes HUD must receive a copy of these policies and procedures, associated Board resolutions and evidence of staff training.

PH 14b

DCHA must analyze its records and determine the accurate number of households on its waiting list. DCHA must provide HUD with documentation of its plan to complete this analysis with a timeline and a copy of the Public Housing Waiting List.

PH 14c

DCHA must update its policies and procedures to clearly state its policy for removing applicants from the waiting list. These policies should include how families are removed from the waiting list if they do not respond to PHA requests for information, are determined ineligible, or have voluntarily asked to be removed from the list, and their appeal rights and train staff on the same. DCHA must provide copies of updated policies and procedures with required Board Resolutions and evidence of staff training to HUD.

PH 14d

DCHA must develop and maintain records of all actions taken on applicants to its Public Housing Program. The records must be in the form required by HUD, including requirements governing computerized or electronic forms of record-keeping, and in a manner that permits a speedy and effective audit. DCHA must train all staff on record-keeping requirements and Public Housing program tracking reports. DCHA must provide its plan and timeline, policies, and procedures for record-keeping, tracking reports, and evidence of staff training to HUD.

Finding PH 15

DCHA does not conduct criminal record screening and maintain record records in accordance with HUD regulations. A review of LIPH tenant files and information provided by DCHA staff found that DCHA keeps criminal records in the tenant/applicant file.

Regulatory Citation 24 CFR 5.905 (c)**PH 15 Corrective Action:**

DCHA must establish and implement its policies and procedures for records management and train staff on same. These policies and procedures must ensure any criminal record DCHA receives from a law enforcement agency must be:

- Maintained confidentially;
- Not misused or improperly disseminated; and
- Destroyed once the purpose(s) for which the record was requested has been accomplished, including expiration of the period for filing challenge to the PHA action without institution of a challenge or final disposition of any such litigation.

DCHA must provide copies of updated policies, procedures, associated Board resolutions and evidence of staff training to HUD.

Finding PH 16

DCHA does not screen applicants who may be subject to a lifetime sex offender registration in accordance with its policies and HUD regulations. In accordance with PIH Notice 2012-28, an application for admission into the applicable HUD-assisted housing program must include a complete list of all states in which any household has resided. In addition, DCHA must ask whether the applicant, or any member of the applicant's household, is subject to a lifetime sex offender registration requirement in any state.

DCHA's criminal screening policy documents reflect that DCHA checks applicants for anyone who may be a lifetime registered sex offender. However, the reviewer was unable to determine if DCHA's application and the authorization for criminal screening request included previous addresses. With the absence of this data, it could not be determined how DCHA verifies the complete list of all states the applicant may have resided.

Regulatory Citations

24 CFR 5.856; 24 CFR 960.204; PIH Notice 2012-28

Corrective Actions PH 16:

DCHA must develop and implement policies and procedures for screening applicants and train staff on same. In addition, the DCHA must update its application to include the requirements of PIH Notice 2012-28. DCHA must provide a copy of its policies and procedures, associated Board resolutions updated application, and evidence of staff training to HUD.

Record Keeping and HUD Reporting**Finding PH 17**

DCHA is not in compliance with HUD regulations on record retention.

Regulatory Citations

24 CFR 5.905(c), 24 CFR 990.325

Corrective Action:

DCHA must create, adopt, implement a records retention policy which provides DCHA's procedures for the retention of public housing applicant and tenant files. The policy must

include the duration of time DCHA will keep the files, and how DCHA will safeguard the files that may contain Personal Identifiable Information (PII). The policy should be accompanied by a schedule, which will provide the time frame by which DCHA will keep the files prior to archiving and or destroying. DCHA must train staff on the new policy and include in the ACOP. DCHA must provide copies of updated policies and procedures a plan and timeline for implementation, Board resolutions and evidence of staff training.

Finding PH 18

DCHA is not maintaining tenant files in accordance with HUD regulations. While onsite, the HUD team reviewed (25) public housing participant files. Twenty-three of the files reviewed were incomplete in at least one of the following areas: lead-based paint disclosure, HUD-50058 forms, VAWA, Policy and Notification of Tenancy Rights, Community Service and Self- Sufficiency Requirements, Citizenship Declaration form 214, Certification of Zero Income, EIV, third party income verification, flat rent documentation, leases, original applications, and Certification of No Assets

Regulatory Citations

24 CFR 5.236, 5.240, 5.512 and 960.253 PIH Notice 2007-27

Corrective Action:

DCHA must create, adopt, and implement Policies, Procedures including Quality Control review, which will ensure that all required data is in the tenant files and train staff on same. DCHA must conduct a review of all tenant files to ensure that information is complete and tenant files are auditable. DCHA must submit their plan and timeline for reviewing all tenant files and making corrections and evidence of staff training to HUD.

Finding PH 19

DCHA does not use the Enterprise Income Verification (EIV) in accordance with HUD regulations and its MTW plan.

PH 19a

DCHA not have a policy for monitoring reports for mandatory use of the Enterprise Income Verification (EIV) System. To reduce administrative and subsidy payment errors in accordance with HUD administrative guidance, PHAs are required to monitor specific EIV reports on a monthly and quarterly basis. The DCHA staff specified that the EIV reports were generated during the eligibility process and biannual /triennial recertifications. However, no documentation was provided by DCHA to corroborate these statements.

The following EIV reports are required to be monitored monthly and/or quarterly:

- Deceased Family Report (Monthly);
- Identity Verification Report (Monthly);
- Immigration Report (Monthly);
- IVT Report based on PHA Reexamination Schedule (Report will include information from the New Hires Report (Monthly);
- Multiple Subsidy Report (Monthly); and
- Income Discrepancy Report (Quarterly).

PH 19b

DCHA failed to provide the names of the EIV User and Security administrators. To protect the integrity of EIV, PHAs must assign at least two user and security administrators. In addition, DCHA did not provide evidence verifying that the current users completed the required annual security awareness training, initial and updated EIV training. These trainings are mandatory before accessing EIV. Viewers /handlers of EIV data must complete annual security awareness training.

Regulatory Citations

24 CFR §5.233, §5.236; 24 CFR §5.233; PIH Notice 2018-18

Corrective Actions:

PH 19a

DCHA must establish a written procedure for the EIV system and train staff on same. The procedure must require DCHA staff to fully utilize the EIV system as required and include security protocols, including how DCHA will ensure only authorized users access EIV. DCHA must provide the EIV procedure and evidence of staff training to HUD.

PH 19b

DCHA must assign at least two (2) user and security administrators in the EIV system and train these staff members on their roles and responsibilities. The User Administrators **CANNOT** be the Security Administrators. User Administrators will have access to user administration and the responsibilities to request access for PHA staff, assign, modify, and remove user roles and assignments, assign PH projects (PH only), certify users, terminate access, and view user role history, termination, and user certification reports. The Security Administrators' will have access to audit reports, and the responsibilities is to monitor staff access to the system by viewing the various reports such as user session and activity and tenant data access. DCHA must submit to HUD a list of all current EIV users, assigned roles, and the date users completed all the required trainings.

Finding PH 20

DCHA does not transmit data timely and/or accurately into HUD's Inventory Management System-PIH Information Center (IMS-PIC). DCHA's IMS-PIC data is inconsistent with the data in accordance with HUD's guidelines. DCHA's low reporting rate is directly related to unresolved fatal errors in IMS-PIC when submitting 50058 family data. Additionally, while there is data for some families in IMS-PIC, many of these records are inaccurate and/or incomplete. When family data is inaccurate and not reported timely, it can adversely affect PHA funding and HUD's ability to monitor PHA compliance with HUD program rules and regulations effectively.

Regulatory Citation 24 CFR §908.104

Corrective Action:

DCHA must develop and implement procedures for timely and accurate IMS-PIC submissions. DCHA must ensure the number of families reported in IMS-PIC is consistent and DCHA must reconcile all PH-related fatal errors in IMS-PIC and ensure all records are complete and accurate. Finally, DCHA must provide IMS-PIC training to all PH staff. DCHA must provide the following information to HUD:

- DCHA IMS-PIC submission procedures and timeline for implementation;
- A report confirming the number of families reported in IMS-PIC is accurate;
- Proof that all PH IMS-PIC fatal errors have been corrected; and
- Proof of IMS-PIC training for all PH staff.

Continued Occupancy**Finding PH 21**

During the review of DCHA's lease, it was noted that the lease states that DCHA shall not pay interest on a tenant's security deposit. However, according to District of Columbia law, a landlord must hold a tenant's security deposit in an interest earning account.

Regulatory Citations

24 CFR § 966.4 Lease requirements and D.C. Municipal Code Regs.tit.14 § 311

Corrective Action:

The administration of security deposits is governed by district law. DCHA must review the district law regarding security deposits to ensure compliance. and must update the policy and procedures if district law has changed. DCHA must review their ACOP and/or tenant lease with respect to security deposits and modify these as well as financial policy and procedures for

security deposits to ensure consistency for all documents. The financial policy and procedures for security deposits must be reviewed and modified based on changes made to the PHA's ACOP and/or tenant lease. DCHA must notify all residents of any changes and must train staff on updated policies and procedures.

DCHA must create and retain an escrow bank account for the administration of security deposits that matches or exceeds the security deposit liability account for the PHA-managed units.

DCHA must conduct a review of all move-outs, where a security deposit was paid out and pay out the interest that would have been earned on the deposit. DCHA must provide copies of updated policies and procedures, a plan and timeline for implementation, Board resolutions and evidence of staff training to HUD.

Finding PH 22

DCHA is not in compliance with its policy and procedure for collecting delinquent rents and other amounts owed. The review team was informed that some developments accept verbal payment arrangements, while others follow the procedure for rent collection requiring written repayment agreements. As a result, DCHA has a low rent collection percentage <50% of monthly roll.

Regulatory Citations

24 CFR § 902.43; 24 CFR § 903.7; 24 CFR § 966.4; Housing Authority Lease

Corrective Action:

DCHA must enforce its rent collection policy, keep track of tenants who are delinquent and ensure uniformity throughout all developments with the rent collection policy and procedures. DCHA staff must cease from accepting verbal repayment agreements and comply with the Policies and Procedures set forth in the ACOP. DCHA must provide copies of updated policies and procedures a plan and timeline for implementation, Board resolutions and evidence of staff training to HUD.

Finding PH 23

DCHA is not completing Public Housing annual re-examinations in accordance with HUD regulations and/or its MTW-approved alternative schedule, as required. At the time of our review, DCHA had 1,596 late re-examinations of family income.

Regulatory Citation 24 CFR § 960.257

Corrective Action:

DCHA must create and implement a procedure for conducting reexaminations and train staff on same. DCHA must also create a plan to complete late reexaminations with timeline. DCHA must provide copies of updated policies and procedures a plan and timeline for implementation, Board resolutions and evidence of staff training to HUD.

Finding PH 24

DCHA does not properly calculate rent. HUD reviewed 25 tenant files and income calculations were incorrect due to incorrect calculation(s), improper verification (s) and/or missing verification(s). Of the 25 files reviewed, only 3 files contained complete information. In addition, DCHA fails to offer tenants the option of flat rents.

Regulatory Citations

HUD 24 CFR, Part 5 “General HUD Program Requirements”, Subpart F, “Section 8 and Public Housing, Family Income and Family Payment”; HUD 24 CFR §5.601- §5.634 and HUD 24 CFR §960.259 “Family Information and Verification”.

Corrective Action:

DCHA must develop and implement rent determination and verification procedures, including quality control review, and train staff on same. DCHA must create a plan with timeline to audit all tenant files to determine rent and verify that proper verification of income/assets/expenses and household composition for all households is complete and accurate. Corrected 50058 forms for all households must be submitted in PIC/MTCS.

If the tenant rent increases, the tenant cannot be charged for the rent increase until a 30-day notice is provided. If the tenant was overcharged rent, a reimbursement must be made to the tenant from non-federal funds. DCHA must provide copies of updated policies and procedures, a plan and timeline for implementation, documentation of results of file review and evidence of staff training to HUD.

Finding PH 25

DCHA is not following its lease, and it cannot document when lease enforcement actions have taken place.

Regulatory Citation 24 CFR 966 subpart A (k)

Corrective Action:

DCHA must develop and implement Cause and Non-Payment Eviction Procedures and train staff on same. All lease enforcement actions must be recorded and placed in tenant files. In addition, tenants must be afforded the right to due process. DCHA must provide copies of updated policies and procedures, a plan and timeline for implementation, Board resolutions and evidence of staff training to HUD.

Finding PH 26

DCHA is not in compliance with its ACOP and HUD regulations regarding annual inspections. Inspections may be conducted no earlier than nine months and no later than 15 months from the date of the last required inspection.

Regulatory Citation

24 CFR 5.705, 24 CFR 200.855 (b)

Corrective Action:

DCHA must develop and implement policies and procedures for conducting annual inspections. DCHA must also supply its plan with timeline to complete inspections of all units. DCHA must provide copies of updated policies and procedures, a plan and timeline for implementation, Board resolutions and evidence of staff training to HUD.

Finding PH 27

DCHA is not in compliance with its ACOP and HUD regulations on Reasonable Accommodation requests, transfers, and tracking. DCHA has language in its ACOP that differs from the way they conduct intake, review, process, approve or deny of reasonable accommodation requests and transfers.

Regulatory Citation

24 CFR 100.24, Section 504, Fair Housing Act

Corrective Action:

DCHA must create, approve, and implement policies and procedures governing how it provides information to applicants and residents on reasonable accommodations and transfers, how it conducts intakes, process, approve and/or deny reasonable accommodation and transfer requests.

The policy and procedure must also clearly define how applicants and residents are informed about the status of their requests. In addition, DCHA must create a log tracking reasonable accommodation and transfer requests. The log must contain the request's submission date and approval/denial date. DCHA must train staff on both the Reasonable Accommodation and Transfer policies and procedures. DCHA must provide copies of updated policies and procedures, logs, a plan and timeline for implementation, Board resolutions and evidence of staff training to HUD.

Crime

In 2020, the D.C. Attorney General filed a lawsuit against the DCHA alleging the agency was “refusing to address systematic drug-and firearm related activity” at ten specific developments. Some developments were visited during this HUD review. During the review, HUD also found DCHA is not taking appropriate lease enforcement actions against households for violations including criminal activity. DCHA sent police escorts into the field to “make sure nothing happened” to the assessment team member conducting on-site inspections. Multiple housing managers indicated some applicants turn down units in their developments due to high crime. Additionally, one maintenance foreman informed HUD that emergency work orders are not addressed, at night, due to safety concerns.

DCHA maintains a regular police department, known as the District of Columbia Housing Authority Police Department (DCHAPD), to provide protection for its residents, employees, and properties. DCHAPD jurisdiction is concurrent with the Metropolitan Police Department (MPD). Members have the same powers as MPD, including the power of arrest. The DCHAPD's Command Center is in DCHA Headquarters and includes a state-of-the-art surveillance system which include cameras and Geo tracking to target problem areas within the portfolio.

Findings/Observations

Finding PH 28

Crime is not being adequately prevented in public housing.

Regulatory Citations

24 CFR 5 Subpart I; 24 CFR 5.861

Corrective Action:

DCHA must develop and implement a plan including a timeline to address crime for its entire portfolio and train staff on the same. The plan should also address lease enforcement consistent with 24 CFR 5.861. DCHA must provide a copy of plans and procedures, associated Board Resolutions, and evidence of staff training to HUD.

Observation OPH 1:

Not all exterior doors to multi-unit dwellings are equipped with a lock, which allows unauthorized persons to easily enter the buildings. Although there is no HUD regulation requiring locks on doors, the District of Columbia Municipal Regulation (DCMR) does contain this requirement.

Regulatory Citation 14 DCMR 705.5

Corrective Action (OPH 1):

DCHA must ensure each exterior door, when closed, fits reasonably well within its frame. The door must be equipped with a lock which will permit easy egress without a key. However, the lock will prevent entrance to the multi-unit dwelling without a key unless the door is opened from the inside, electrically or otherwise, by one of the tenants or an employee of the building owner.

Physical Condition and Capital Planning

Introduction

Overall responsibility for the physical conditions at DCHA is shared by Senior Vice-President (SVP) of Property Management Operations (PMO) for routine maintenance and upkeep, and Senior Vice-President (SVP) of Office of Capital Programs (OCP) for capital planning. With respect to physical conditions, PMO's organization is structured into two main pillars starting with the SVP and converge on the Maintenance Foreman. In the first pillar, DCHA is broken into large segments covering multiple developments overseen by an area manager. The area manager's report to the PMO Deputy Director who reports to the SVP. Each development has a housing manager that reports to an area manager and is responsible for administration, cleanliness, and coordinating with the maintenance foreman for work order prioritization. In addition to coordinating with the housing manager, the maintenance foreman for the development is also accountable to the Regional Maintenance Supervisor (RMS), who is under the Chief of Facilities Maintenance who reports back to the SVP. Under organizational branches separate from those mentioned above, PMO is also responsible for landscaping, pest control, and employs painters, plasterers, roofers, carpenters, electricians, plumbers, and utility system operators.

With respect to physical conditions the Capital Planning organization is structured with a Chief of Planning, Design, and Construction and a Chief Operating Officer. The Chief Operating

Officer oversees both the Procurement Manager and Development Team. The Planning, Design, and Construction team consist mostly of Construction Project Managers, Inspectors, and designer professionals (i.e., architects). The Development team consists mainly of Development Project Managers.

Procedures for preventative maintenance, unit turnover, and work order control, submitted by the DCHA for review were all last revised in 1999 and not in use at the developments. Aside from the standard procedures being outdated, they were generally well written and could form the basis of a solid maintenance program should they be updated, trained on, and followed. For this assessment, Hopkins Apartments, Potomac Gardens, Capper Senior II, Benning Terrace, Lincoln Heights, James Apartments, and Sibley Plaza were inspected with a focus on site conditions, building systems, common areas, and vacant units. At each site the inspector was accompanied by the Area Manager, Housing Manager, Maintenance Foreman (as applicable), Regional Maintenance Supervisor, and Chief of Facilities maintenance. In addition to the on-site inspections, interviews were conducted with The SVP of PMO and SVP of Office of Capital Improvements.

Findings/Observations

Finding PH 29

Boiler rooms at Hopkins Apartments, Potomac Gardens and James Apartments are not being maintained in a manner that meets the physical condition standards to be considered decent, safe, sanitary and in good repair. Inspected boiler rooms all had leaks to some extent with verdigris and corrosion evident. Maintenance within these boiler rooms is contracted out to RSC Electrical and Mechanical Contractors, Inc. (RSC). DCHA is conducting insufficient contract administration and quality assurance of RSC's work.

Regulatory Citation 24 CFR 5.703

Corrective Action:

Review contract(s) with RSC and create a quality control checklist that can be used to provide oversight with a focus on spot checking daily, weekly, and monthly preventative maintenance items in the boiler rooms. Then integrate the checklist into the appropriate contract administration procedure(s) and train applicable staff on its use.

Finding PH 30

Potomac Gardens, Lincoln Heights, and James Apartments contain vacant units that are not free of health and safety hazards. Specifically, in each of these developments at least one unit was identified that had mold throughout the unit. In one instance, an active leak was discovered in a

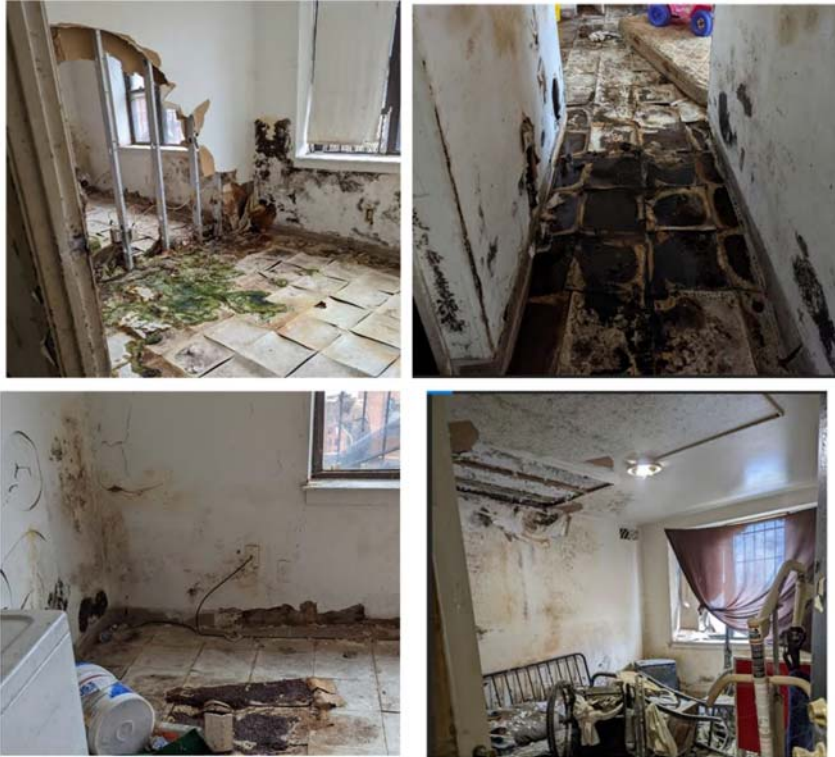
mold unit during the assessment which was providing the moisture necessary for mold growth. (See photos below for the most extreme example of vacant mold units.)

Regulatory Citations

24 CFR 5.703(f), 24 CFR 905.300(b)(1)(ii)(C)

Corrective Action:

DCHA must inspect each unit in every building that contains at least one occupied dwelling unit and create a list of mold units and units with active leaks. For units with mold, this list must contain, at a minimum, every unit where mold has damaged more than one square foot of a floor, wall, or ceiling. The removal or remediation of mold in these units must be prioritized in the Capital Fund Budget before other costs of lower priority. DCHA must provide a timeline to complete inspections, a list of all mold units, a list of units with active leaks and a plan with timeline to repair leaks and to remediate any mold from units to HUD.



Photos: Mold/mildew and moss growing in a vacant unit that was discovered with an active leak (top left and right). Mold/Mildew on walls and floor (left) and wall and ceiling (right) in vacant/abandoned units. These units represent the most extreme examples encountered.

Finding PH 31

DCHA is not maintaining units in decent, safe, and sanitary condition. In addition to the violations contained in **PH Findings 30 and 31**, during our review HUD found:

- Procedures for preventative maintenance, unit turnover, and work order control, submitted by the DCHA for review were all last revised in 1999 and DCHA staff indicated that they are not currently in use at the developments;
- Hopkins Apartments, Potomac Gardens, Benning Terrace, and Lincoln Heights have work order backlogs that are impeding proper routine and preventative maintenance;

- The Regional Maintenance crews appear to be responding mostly to resident complaints brought to the DC Department of Consumer and Regulatory Affairs. As such, this leaves the local Maintenance Technicians to answer emergency work orders, routine work orders, and make ready vacant units that are within their capability;
- DCHA Maintenance staff state that they are not responding to Emergency Work Order Requests at night due to safety concerns;
- DCHA is not completing annual inspections of units; (See Finding PH-26)
- PMO and Capital Planning should collaborate to determine if more make ready work can be contracted out until work order backlogs are clear and the vacancy rate is more manageable. DCHA should also consider continued use of the Apprenticeship Training Program to clear work order backlogs, including appropriate make ready work orders; and
- Maintenance staff were not adequately trained on the Yardi system when DCHA management software was switched over in 2018. For example, at one development a member of the PMO staff remarked that one of the features the system was lacking the ability to upload photos with work orders upon completion while at another development this exact feature was something that the staff liked about it.

Regulatory Citation 24 CFR 5.703

Corrective Actions:

DCHA must develop and implement policies, procedures and tracking reports for preventative maintenance, unit turnaround and work orders and train staff on same. DCHA must develop a plan with timeline to address work order backlogs. DCHA must also train all staff on its current software system. DCHA must provide a copy of these policies, procedures and reports, a plan with timeline to address work order backlog, associated Board Resolutions, and evidence of staff training to HUD.

Finding PH 32

DCHA developments have aging infrastructure, such as wastewater pipes, that are exacerbating the deterioration of physical conditions. For example, backup of wastewater into ready to lease units is an issue in at least two developments inspected.

Regulatory Citation 24 CFR 5.703

Corrective Action:

PMO and Capital Planning should collaborate to identify and prioritize issues caused by aging infrastructure and consider modernization or replacement as appropriate when the associated units are being made ready.

Procurement

Introduction

HUD initiated a remote review of DCHA's procurement actions in 2021. This review continued during the onsite review and this report provides HUD's Findings, Observations and Recommendation from both the remote and onsite review. As part of the remote review, HUD requested information from DCHA on 11 separate procurements. Additionally, as part of our onsite review, HUD requested documentation/records from DCHA for three (3) additional procurements actions. The following is a full list of the procurement actions reviewed:

- Contract # 0032-2020 - Studio 27 Architecture, Professional Architecture and Engineering Services, \$140,000, Non-Federal Award;
- Contract # 0028-B-2019 - Censere Consulting, RAD Financial and Development Consultant, \$150,000, Non-Federal Award;
- Contract # 0027-D-2019 - Matlock & Matlock, Administrative Hearing Officers, \$35,625, Non-Federal Award;
- Contract # 0018-2017 - Yardi Systems, Enterprise Resource Planning Application Software, \$4,350,000, Federal Award;
- Contract # 0001-2018 - Thinkbox Group, Energy Capital Improvement Phase 2 (ECIP 2) Management Consulting Services, \$14,586,466, Federal Award;
- Contract # 0005-2020 - Thinkbox Group, Utility Billing Administration, \$999,924.50, Federal Award;
- Contract # DJ69-0008-2019 - Irreno Construction, JOC General Construction, \$35,000,000, Federal Award;
- Contract # 0020-2019 - Amar Group LLC, Visual Inspection Services for Residential Housing Units, \$540,000, Non-Federal Award;
- Contract # X-2018 - HD Supply, Repair, Operating Supplies, Industrial Supplies and Related Products and Services (U.S. Communities), \$5,100,000, Federal Award;
- Contract # X-2019 - McKinsey & Company, Consulting Services for Strategic Planning, \$948,600, Non-Federal Award;
- Contract # 31-2018 - Moya Designs, Capper Master Planner, \$350,000, Non-Federal Award;
- Contract # no contract Verbosity, computer services, \$875,260, Non-Federal;

- Contract # 0023-2017 Clifton Larson Allen, Auditing, \$1,132,515 original award, plus \$15,000 contract modification Non-Federal Award; and
- Contract # PO – 7,000 KN95 Masks, COVID-19 Health emergency, credit card purchase, \$21,999, Non-Federal Award.

HUD's review found that systemic problems exist in DCHA's procurement system because of a lack of appropriate oversight by the executive leadership and the Board. In addition, DCHA staff reported at times they felt constrained to take actions as directed by executive leadership and the Board, instead of in conformance with the regulations, policies and procedures that should have governed their actions. From the lack of a Board adopted procurement policy to smaller systematic issues, actions to ensure that federal funds are spent appropriately are required.

The review team found many of the procurements selected for review were paid for with non-federal funds including—Amar Group, Moya Design Partners, McKinsey & Company, Matlock & Matlock, Censere Consulting, Studio 27 Architecture, Verbosity, and KN-95 masks. As staff reported, procurements paid for with non-federal funds were handled identically to those paid for with federal funds it is likely those issues found in the non-federal procurements can also be found in procurements conducted with federal funds. While HUD will not require specific corrective actions on procurements paid for with non-federal funds the Department will mention them, as recommendations and observations, so the Board can protect itself from future findings and the financial hardships that may be caused by repayments to the Federal Government that such shortcomings could cause.

Findings

Finding P1

DCHA is operating without a Board adopted procurement policy in compliance with HUD requirements. DCHA staff members state that an unadopted policy, for all federal and nonfederal procurement actions, has been in use since April 2017. Staff members indicated that this policy was presented to the Board, but it was not supported by a resolution. When asked for the prior policy, DCHA staff members provided a prior version and informed HUD that a search back to 2006 failed to find a corresponding Board resolution adopting the prior version. As such, DCHA is not able to document that it has conducted any procurement since 2006 under a Board adopted standard.

In addition, our review of the unadopted policy found that it is citing incorrect regulatory language. HUD's Procurement Handbook for Public Housing Agencies, Handbook 7460.8 Revision 2, dated 2/2007, s PHAs are required, "...to establish and follow written procurement policy." The unadopted DCHA policy in use states in section 7200.2, "These regulations apply to contracts for the procurement of supplies, services, and construction entered into by DCHA

after the effective date of these regulations." DCHA's current policy also states it is authorized to, "adopt and administer its own procurement and contracting policies and procedures."

Regulatory Citation

The standards at 2 CFR 200.318 require PHAS to have and use documented procurement procedures.

Corrective Action:

The Board must adopt a procurement policy in compliance with HUD regulations and train staff on the policy. DCHA must provide HUD with a copy of the policy, associated Board resolution, timeline for implementation and evidence of staff training. New federal procurement regulations went into full effect on November 12, 2020, and DCHA should consider these regulations when adopting a policy. Additionally, the procurement policy shall update Section 7224 to reference the updated regulations at 24 CFR 75 from the prior regulations at 24 CFR 135.

Finding P2

DCHA violated its procurement policy and HUD requirements in the award of contracts and utilizing federal funds for Irreno Construction and Consys Inc. In reviewing the Irreno Construction contract, which was paid with federal funds, HUD found the current procurement policy at DCHA did not allow for multiple awards from a single procurement action. In addition, DCHA made two awards to Consys Inc. in violation of its procurement policy and HUD requirements

HUD reviewers also found the Matlock & Matlock, Studio 27 Architecture, and Censere Consulting contracts were paid for with non-federal funds, which violates the current DCHA procurement policy: For these contracts, DCHA made multiple awards from a single procurement action when this is not allowed under the authority's current policy. Additionally, HUD's review of DCHA's provided report "Contracts Registry Open & Awarded Contracts FY '20 - Present" listed 378 contracts, including 49 multiple awards covering 220 contracts. These 220 contracts each violate current DCHA procurement policy

Regulatory Citation

DCHA's procurement policy at 7205.3(a) states, "An award will be made to the lowest responsible and responsive bidder whose bid meets the requirements of the IFB."

Corrective Actions:

DCHA shall cease utilizing federal funds for existing contracts with Irreno Construction and Consys Inc. DCHA will repay HUD all federal funds utilized for these contracts to from non- federal resources. Such payment will be made within 30 days of this report. If DCHA wants to make multiple awards from a single procurement action, it must adopt language allowing for this in its procurement policy. The Board must consider if the procedures for utilizing multiple

awards should require justification in line with standardized criteria or direct the Board approval of such actions to prevent bid splitting or favoritism in awards when multiple vendors may be selected following contract award.

DCHA's Board must also consider conducting in-depth reviews of its procurement policies and procedures on a regular basis that are not performed by people working on the day-to-day administration of the program.

Finding P3

DCHA procured materials utilizing federal funds from HD Supply Facilities Maintenance, Ltd (HD Supply), in violation of its policy and HUD requirements. DCHA stated it entered into a Cooperative Agreement with HD Supply. HUD outlines the conditions for this type of procurement in its Procurement Handbook. To use an Intergovernmental Agreement, the base agreement must have been procured under 2 § CFR 200, the Federal Regulations for Procurement Standards. The Notice of Solicitation DCHA utilized specifically states, "The Maricopa County Procurement Code (The Code) governs this procurement and is incorporated by this reference." Additionally, the Maricopa County Procurement Code, Article 10, Section MC1-1008 specifically states, "If a Procurement involves the expenditure of Federal assistance or contract monies, the Chief Procurement Officer or using agency shall comply with Federal law and authorized regulations which are mandatorily applicable and which are not presently reflected in this Code." DCHA failed to ensure the base contract was procured under Federal regulations.

Additionally, the contract between Maricopa County of the State of Arizona and HD Supply allows two methods for other entities to take advantage of the contract. The contract between Maricopa County of the State of Arizona and HD Supply, allows purchasing under the contract by Members of a cooperative purchasing group that includes the State of Arizona, many Phoenix metropolitan area municipalities and many K-12 unified school districts. At Section 3.8.1., DCHA is not eligible to use this contract under this clause. The contract between Maricopa County of the State of Arizona and HD Supply limits the purchasing under the second clause to other governmental entities throughout the State of Arizona at Section 3.9.1. DCHA is also contractually excluded from using the contract by the terms of the base contract.

Regulatory Citation 2 CFR 200.

Corrective Action:

DCHA shall repay HUD, with non-federal funds, for all federal funds expended to pay the HD Supply Facilities Maintenance, Ltd., contract effective May 18, 2018. Such payment will be made within 30 days of this report.

Finding P4

DCHA is utilizing geographical preferences in federally funded procurements in violation of federal regulations.

In reviewing the Yardi Systems for Enterprise Resource Planning Application Software procurement award, which was paid with federal funds, HUD found DCHA used a local (geographical) preference in its advertisement. However, in this procurement the geographical preference was not scored, and the local preference was not addressed by the bidders. Therefore, HUD will not require the repayment of federal funds for this procurement.

Additionally, in reviewing the non-federally funded procurements for the contract awards to Matlock & Matlock for Hearing Officers, Studio 27 Architecture for Professional Architecture and Engineering Services, Amar Group for Visual Inspection Services for Residential Housing Units, and Censere Consulting for RAD consulting services, HUD found DCHA utilized a local or geographical preference. Because these were all non-federal procurements, HUD is not requiring any specific actions be taken on these contracts.

DC Law § 2-218.43(D) & (E) does allow the use of local preferences. However, in reviewing the geographical preference in DCHA's procurement policy, it was not as clear when to use it for federal vs. non-federally funded contracts.

Regulatory Citations

2 CFR 200.319(c) and DC Law § 2-218.43(D) & (E)

Corrective Action:

DCHA must update its policy to differentiate the procurement process for the utilization of local preference for federal vs non-federal funds and train staff on same. DCHA must provide a copy of the updated policy, associated Board resolution and evidence of staff training to HUD.

Finding P5

DCHA made payments to hotels used to relocate tenants during work on the environmental initiative without any open competition in violation of its policy and federal requirements. These expenses were paid with a credit card evading the procurement process.

Regulatory Citation

2 CFR 200.318. This also violates the DCHA procurement policy in use at the time which requires "...providing for full and open competition".

Corrective Action:

DCHA must identify all payments made to hotels utilizing federal funds, from 2016 to present, and repay all funds to HUD from non-federal sources.

Finding P6

DCHA does not have appropriate delegations of authority in place for procurement actions. As part of our review, HUD requested a copy of its Delegations of Authority for procurement actions. DCHA staff provided HUD with a letter delegating procurement authority from the Executive Director to the Acting Director of Contracts and Administrative Services and the Lead Contract Specialist dated November 8, 2011. The previous executive director, who signed the letter, no longer works for DCHA. The two staff members given authority currently have different job titles. At least one of these staff members no longer has direct responsibility for procurement and her replacement has no delegated authority for the job she is performing based on the written record produced for review.

Regulatory Citation

The HUD Procurement Handbook for Public Housing Agencies, Handbook 7460.8, Revision 2, dated 2/2007 requires limits of delegated authority to be clearly stated in Chapter 2.

Corrective Action:

DCHA's Executive Director shall issue new delegations of authority and provide a copy to HUD.

Recommendation

DCHA shall hire an integrity monitoring firm to review all existing contracts to determine if they are in compliance with its procurement policy and HUD requirements. This report must also include the source of funds used for each contract. DCHA shall provide a copy of the report and its plan and timeline to take corrective actions to HUD. In addition, any misuse of federal funds identified must be repaid to HUD from non-federal sources.

Regulatory Citation

Per 2 § CFR 200.208(d), the above integrity monitoring is being imposed because of the failure to comply with the requirement to have a Board adopted procurement policy and ensure existing contracts comply with federal regulations.

Observations

Observation P1

DCHA awarded multiple contracts totaling \$875,260.00, utilizing non-federal funds to Verbosity without any competition in violation of its procurement policy. Verbosity provided software, and competition for this type of work should have been possible.

Regulatory Citation

This violates DCHA's procurement policy in use at the time which requires "...providing for full and open competition."

Corrective Action:

DCHA's Board must investigate DCHA reasons for taking these actions. In addition, DCHA's Board must put procedures in place to ensure future procurement actions comply with its Procurement Policy before any contracts are awarded.

Observation P2

DCHA awarded contracts, using nonfederal funds, to Moya Design Partners, in violation of ethic requirements. DCHA's Board Chairman failed to disclose his domestic partnership relationship with the principal of Moya Design Partners. The Code of the District of Columbia provides a good cause waiver of ethical conflicts in extraordinary circumstances at § 6-220 (c)(1)(D). However, DCHA reported no ethics waiver were granted to the prior Board Chair.

Regulatory Citation

Code of the District of Columbia § 6-220 (c)(1)(D). The District of Columbia Housing Authority: Procurement and Contracting policy in use.

Corrective Action:

DCHA's Board should investigate and determine what actions it should take regarding these ethic violations. We further recommend the Board pursue such disciplinary or civil actions against employees and Board members, past or present, as may be appropriate. In addition, DCHA's Board should put procedures in place to ensure that all future procurement actions comply with their Procurement Policy and ethics requirements before any contracts are awarded.

Observation P3

DCHA purchased K95 masks, utilizing nonfederal funds, without any open procurement action in violation of its procurement policy.

Recommendation:

DCHA's Board should investigate DCHA's reasons for taking these actions. In addition, the DCHA Board should put procedures in place to ensure that all future procurement actions comply with their Procurement Policy before any contracts are awarded.

Housing Choice Voucher (HCV) Program

DCHA's HCV program offers applicants and participants a wide array of housing services, mainly funded by HUD. DCHA's CY 2022 HCV funding is \$250,799,139 in budget authority. Additionally, as of 12/31/2021, DCHA had \$8,860,921 in program reserves. DCHA has an Annual Contributions Contract for 16,038 units. As of February 2022, below is a list of HUD-funded programs administered by DCHA. The chart provides a breakdown of the number of families currently receiving assistance and the associated expenses as reported in the Voucher Management System (VMS):

	Feb-22	
Rental Assistance Component 1 (RAD1)	92	\$86,217
Homeownership	63	\$59,258
Moving To Work	8,368	\$13,255,979
One Year Mainstream - MTW	250	\$410,974
Family Unification Pre2008 - MTW	328	\$625,520
Family Unification 2008/Forward - MTW	8	\$19,522
Non Elderly Disabled 2008 Forward - MTW	130	\$190,354
Portable Vouchers Paid	110	\$141,965
HOPE VI	147	\$221,834
Tenant Protection	1,424	\$2,401,874
Veterans Affairs Supported Housing (VASH) Voucher	1,046	\$1,473,485
Total Vouchers	11,966	\$18,905,959
5 Year Mainstream	53	\$101,308
Number of PBVs under HAP and leased	1,575	
Number of PBVs under HAP and not leased	189	

DCHA closed its HCV waiting list in FY 2013 due to the number of applicants on the list, approximately 39,442. DCHA does not have an estimate of when the waiting list will reopen. Currently, DCHA is only selecting homeless families from its waiting list following the District of Columbia Municipal Regulations (DCMR 14). DCHA needs to update its HCV Administrative Plan to provide specific information on all preferences and priorities, their weight, and how families with the same preference are selected.

The HCV Compliance Monitoring Review aimed to ensure DCHA is operating the HCV program in accordance with HUD rules and regulations and DCHA's MTW Plan. The HUD team reviewed the organizational structure, Administrative Plan, HAP register, waiting list, payment standards, utility allowance schedules, reporting systems, and other supporting documentation. HUD also conducted interviews with staff to confirm processes and procedures. The review team was unable to review tenant files, rent reasonableness, HQS inspections,

recertifications, lease-up procedures, and rent calculations because DCHA failed to provide documentation and/or records.

Staffing and Capacity

Latweeta Smyers, Senior Vice President for the HCV Program/Eligibility Continued Occupancy Division, heads the HCV department. HCV staff includes 117 positions which consist of the Senior Vice President, Deputy Directors, Eligibility Supervisors, Supervisory Housing Program Specialist, Housing Program Managers, Mediation Specialists, Data Management Specialist, Housing Programs Quality Control Specialists, Data Analysts, Financial Analyst, Port Mobility & Landlord Relations Specialist, Clerical Assistants, Orientation & Training Coordinators, Mobility Specialists, HCVP Utilization & Port Mobility Supervisor, Quality Assurance Manager, Inspection Supervisor/ Manager, ROTC Supervisor/ Manager, Relocation Coordinators, Housing Program Specialists, Housing Inspectors, Inspection Enforcement Assistant, Scheduling Coordinator, Inspection Program Assistant, Homeownership Coordinators, Administrative Coordinator, Housing Program Coordinators, Intake Specialist, Recert/Eligibility Specialist, and Staff Assistants.

There have been numerous reorganizations and changes in the roles and functions of each department. As these roles and functions changed, minimal training was provided to staff in vital areas. HUD staff was unable to clearly understand the role of each department or the various positions as it appears the intake and eligibility process is very lengthy and goes through several stages before completion.

Since several sub-departments have various positions, DCHA should consider developing a process that allows for checks and balances of internal controls to ensure the agency is effectively and efficiently operating the HCV program. In addition, staff needs adequate refresher training in all areas of the HCV program and comprehensive training for the VMS, IMS/PIC, and EIV systems. DCHA staff seems knowledgeable, eager to learn, and capable of correcting the deficiencies within the agency if provided consistent and frequent training to adapt to the constant changes in HUD policies and procedures and the flexibility provided in its MTW Agreement.

Based on the onsite review and the review of the various documents provided by DCHA, the HUD team reports the following findings and recommendations related to program management and operations.

Finding HCV 1

DCHA's Administrative Plan is not in compliance with current HUD rules and regulations and its MTW Plan. DCHA's Administrative Plan was last amended on September 29, 2012. The MTW designation does not waive the requirement for DCHA to update its Administrative Plan; therefore, DCHA is out of compliance with its MTW Agreement. While the Administration Plan touches upon many of the mandated subjects stated in 24 § CFR 982.54, DCHA has implemented changes in the administration of its HCV program under the MTW Designation and new streamlining administration regulations, which are not consistent with the Administrative Plan. For example:

- In the approved FY2015 revised MTW Plan, DCHA updated its interim recertification process. Families would no longer have to report increases in earned income, regardless of how large, between scheduled biennial recertifications; however, the Administrative Plan has not been updated to reflect this change; and
- In the approved FY2016 MTW Plan, DCHA implemented triennial recertifications for families that consist only of elderly and/or disabled members on fixed incomes; however, the Administrative Plan has not been updated to reflect this change.

Regulatory Citation 24 CFR §982.54

Corrective Action:

DCHA must review and update its HCV Administrative Plan to be consistent with the MTW Plan. The Administrative Plan, including any revisions, and the MTW plan must be in accordance with HUD regulations and contain consistent requirements. In addition, the Plans must be formally adopted by the PHA Board of Commissioners. Once adopted, DCHA should train all staff on the Administrative Plan and the MTW Plan provisions. The Administrative Plan and the MTW Plan must be made readily available to residents and the public. DCHA must provide a copy of the updated Administrative Plan and MTW Plans, a copy of the Board Resolution approving the Plans, evidence of staff training, and evidence that these documents are readily available to the public to HUD.

Finding HCV 2

DCHA is not managing its waiting list in accordance with HUD rules and regulations and its MTW Plan.

HCV 2a:

DCHA was unable to provide documentation to support the method used for selecting applicants from the waiting list with the same preference qualification. Additionally, the waiting list only showed the date of application; it did not provide the time of application.

HCV 2b:

DCHA was unable to provide documentation of the number of persons on its HCV waiting list. DCHA's 2022 MTW Plan stated there are 39,442 families on its HCV waiting list; however, DCHA provided a copy of its waiting list, which only showed 36,602 families on the waiting list.

HCV 2c:

DCHA stated the waiting list was purged in 2014; however, there was no documentation to support this, or the method used to remove families from the waiting list. In addition, while onsite, HUD staff was advised that applicants are not removed from the waiting list but rather made inactive with the option of being placed back on the waiting list according to the original date and time of application.

HCV 2d:

DCHA does not maintain adequate waiting list records showing the status of applicants and edibility actions taken by DCHA.

Regulatory Citations

24 CFR § 960.206(e); 24 CFR 982.204

Corrective Actions:**HCV 2a:**

DCHA must develop a process for selecting applicants from the waiting list with the same preference qualification using two criteria (1) Date and time of application; and (2) A drawing or other random choice technique. In addition, the method for selecting applicants must leave a clear audit trail that can verify each applicant was chosen in accordance with the procedure specified in its Administrative Plan.

HCV 2b:

DCHA must analyze its records and determine the accurate number of households on its waiting list. DCHA must provide its plan to complete this analysis with a timeline and a copy of the HCV waiting list to HUD.

HCV 2c:

DCHA must update its policies and procedures to clearly state its policy for removing applicants from the waiting list. These policies should include how families are removed from the waiting list if they do not respond to PHA requests for information, are determined ineligible, or have voluntarily asked to be removed from the list, and their appeal rights and train staff on the same. DCHA must provide copies of updated policies and procedures with required Board Resolutions and evidence of staff training to HUD.

HCV 2d:

DCHA must develop and maintain records of all actions taken on applicants to its HCV Program. The records must be in the form required by HUD, including requirements governing computerized or electronic forms of record-keeping, and in a manner that permits a speedy and effective audit. DCHA must train all staff on record-keeping requirements and HCV program tracking reports. DCHA must provide its plan and timeline, policies, and procedures for record-keeping, tracking reports, and evidence of staff training to HUD.

Finding HCV 3

DCHA does not update its payment standards annually with the Fair Market Rents (FMRs) set by HUD in accordance with HUD rules and regulations and its MTW plan. DCHA's payment standards are currently set at 187% of 2019 FMRs.

Regulatory Citation 24 CFR §982.54(d)(14)**Corrective Actions:**

At least annually, DCHA must review its payment standards to determine whether adjustments are needed for some or all unit sizes. DCHA needs to conduct an analysis following its policy and HUD requirements and determine the correct Payment Standards for 2022. DCHA must provide a copy of the updated payment standards, using current FMRs, along with a copy of the rental market analysis to HUD.

DCHA must also conduct an analysis and determine what the correct Payment Standards should be for 2020 and 2021. If this analysis results in a change to the Payment Standards utilized by DCHA during this timeframe, DCHA's analysis must also identify any overpayment or underpayment of HAP and its plan to reimburse impacted participants, landlords, and HUD from non-federal resources. DCHA must provide this analysis, correct 2020 and 2021 Payment Standards, identified overpayment and underpayments, and its reimbursement plan to HUD.

Finding HCV 4

DCHA is not managing utility allowances in accordance with HUD regulations and its MTW Plan. DCHA has not reviewed or updated its utility allowances for the HCV program since October 1, 2015. This finding was also identified during a compliance monitoring onsite review conducted on August 7-11, 2017.

Regulatory Citation 24 CFR § 982.517(c)(1)**Correction Actions:**

DCHA must review its utility allowance schedule annually and revise its allowance for a utility category if there has been a change of 10 percent or more in the utility rates or fuel costs since the last revision. Additionally, DCHA must maintain the supporting documentation to determine the initial allowances and revisions. DCHA should submit its revised utility allowance to HUD. Additionally, DCHA must complete an analysis of utility costs from 2015 to 2022 and determine accurate utility allowances from each year. Based upon this analysis, DCHA must then review utility allowances provided for each of these years to determine if any underpayment or overpayment of utility allowances were made. DCHA must provide this utility analysis and documentation of all corrective actions, confirming that appropriate corrections were made for all impacted families. In the case of underpayments, DCHA must reimburse impacted participants from Administrative Fees or other non-federal funds. In the case of overpayments, DCHA must reimburse their HAP account from Administrative Fees or non-federal sources.

Finding HCV 5

DCHA does not conduct annual rent reasonableness assessments or perform rent reasonableness determinations in accordance with HUD rules and regulations and its MTW Plan. DCHA uses submarket rents determined by the District of Columbia Municipal Regulations (DCMR) to determine rent reasonableness. While onsite, concerns were raised to the HUD review team that DCHA was not following its local rent reasonableness process and

that it was being exploited by HCV landlords. HCV submarket payment standards should not be treated as a proxy for rent reasonableness reviews. It's unclear what DCHA's actual "process" is to verify that unit rents are reasonable. DCHA stated in its FY2022 Annual MTW Plan that a final comprehensive assessment of the local rent reasonableness activity would be completed by the end of FY2021.

Regulatory Citations 24 CFR § 982.507 and MTW Plan

Corrective Actions:

Establish policies and procedures to ensure that DCHA is performing a rent reasonableness determination before executing a HAP contract, before any increase in rent to the owner and if there is a ten percent or more reduction in the FMR schedule. DCHA must, if necessary, adjust its policy in the Annual MTW Plan and Administrative Plan. DCHA must complete the final local rent reasonableness comprehensive assessment and provide it to HUD.

Additionally, DCHA must also conduct a rent reasonableness analysis for 2021, 2022 and 2023 to determine if the unit rents were reasonable for all new admissions and rent increases. If this analysis results in a change to the HAP utilized by DCHA during these timeframes, DCHA must identify the amount of any overpayment of HAP and its plan to reimburse HUD from non-federal resources. DCHA must provide this analysis, identified overpayment, and its reimbursement plan to HUD.

Finding HCV 6

DCHA is not calculating Housing Assistance Payments (HAP) and the family rent to owner in accordance with HUD rules and regulations. As a result of DCHA's failure to update its payment standard and utility allowance annually, as required by HUD, the HAP and family rent to owner are not being calculated correctly.

Regulatory Citation 24 CFR § 982 subpart K

Corrective Action:

After DCHA determines the correct payment standard, as stated in the corrective actions for finding #3 and finding #4, DCHA must make corrections to all HAP and family rent determinations for the period in which the information was not updated. Additionally, DCHA must identify and provide to HUD the amount of any overpayment of HAP and family rent to owner, and its plan to reimburse HUD and any impacted families from non-federal resources.

Finding HCV 7

DCHA is not verifying rent burden for new lease-up and moves in accordance with HUD rules and regulations and its MTW plan. DCHA was unable to document that the rent burden for new lease-ups and moves does not exceed 40 percent of the adjusted monthly income.

Regulatory Citation 24 CFR 982.305(a)(5)

Corrective Action:

DCHA must implement a procedure to review rent burden for participants, which includes Quality Control, and train staff on the same. In addition, DCHA must maintain records/reports of this review for audit purposes. DCHA must provide these procedures, evidence of staff training and sample reports to HUD.

Finding HCV 8

DCHA is not conducting reexaminations in accordance with HUD regulations and its MTW plan. In addition, DCHA's Administrative Plan conflicts with their MTW Plan regarding how DCHA conducts recertifications (See Finding HCV #1). Also, DCHA could not provide documentation to show that it performs reexaminations of income and family composition, by family type, in accordance with its policies and procedures.

Regulatory Citations 24 CFR §982.516; MTW Plan

Corrective Actions:

- DCHA must update its HCV Administrative Plan and ensure its recertification policies are consistent with its MTW Plan. DCHA must provide a copy of its updated plans with Board Resolutions to HUD;
- DCHA must analyze all current HCV participants to determine what recertifications are required. Based on this analysis, DCHA must establish a plan and a timeline to complete these recertifications. DCHA must supply this plan to HUD and provide monthly updated progress reports; and
- DCHA must create and implement tracking reports for recertification and train staff on the same. DCHA must supply a copy of these reports and evidence of staff training to HUD.

Finding HCV 9

DCHA is not ensuring that units leased meet Housing Quality Standards (HQS) in accordance with HUD rules and regulations, its HCV Administrative Plan, and MTW Plan.

Regulatory Citations

24 CFR §982.405(b), 24 CFR §985.3(e) 24 CFR §982.404, 24 CFR §985.3(f)

HCV 9a:

DCHA is not conducting inspections or quality control inspections. DCHA was unable to provide documentation on inspections to HUD.

HCV 9b:

DCHA is not monitoring outcomes of inspections and taking appropriate action for corrections, including abatement or terminations of HAP contract. DCHA was unable to provide an HQS Enforcement tracking log identifying the outcome of the HQS inspections; therefore, HUD was unable readily identify which units had recently failed inspections due to health and safety deficiencies, nor did they provide the names of the owners where the HAP had been abated. DCHA provided a failed inspection report; however, the report did not show the date of follow-up inspections and the outcome of failed inspections.

Corrective Actions:**HCV 9a:**

DCHA must conduct inspections, including supervisory quality control HQS inspections, in accordance with its HCV Administrative and MTW Plans. DCHA must implement a procedure for both and train staff on the same. In addition, DCHA must create and implement reports for tracking inspections. DCHA must provide its plan with a timeline, proof of staff training, ongoing progress, and tracking reports to HUD.

HCV 9b:

DCHA must develop and implement procedures for HQS enforcement and train staff on the same. In addition, DCHA must create and implement reports that detail each HQS inspection of a unit under contract where the unit fails to meet HQS cited life-threatening HQS deficiencies, all other cited deficiencies, abated and terminated HAPs and family-caused defects. DCHA must provide a copy of these procedures, reports, and evidence of staff training to HUD.

Finding HCV 10

DCHA does not monitor elevated environmental intervention blood lead levels (EBLL) in accordance with HUD rules and regulations.

HCV 10a:

DCHA policies state that for units occupied by children under six (6) with an elevated environmental intervention blood lead level (EBLL), a risk assessment shall be conducted; however, DCHA failed to provide documentation to show that risk assessments are completed and compliance with regulations requiring data collection of addresses with children less than six years of age with EBLL. DCHA provided a spreadsheet of families matched through November 2021; however, they did not provide supporting documentation to show these are conducted at least quarterly, nor did they provide documentation to indicate how information is sent to the health department.

HCV 10b:

For instances where a child under six years old is identified with an EBL, DCHA was unable to provide documentation to show that the HUD field office or the HUD Office of Lead Hazard Control and Healthy Homes were notified of the case within five business days.

Regulatory Citations

24 CFR §35.1225; 24 CFR 35.1225; Notice PIH 2017-13

Corrective Actions:**HCV 10a:**

DCHA must clearly define its policy for conducting risk assessments for units occupied by children under six (6) with EBLs and ensure its policies and procedure are in accordance with Notice PIH 2017-13. At least quarterly, DCHA must provide an updated list of their HCV property target housing addresses to the health department so that the health department may evaluate whether they have information about incidences of EBL cases in assisted housing.

HCV 10b:

DCHA must develop a tracking system and QA process to ensure that either they or the owner of the property notify the local field office and the HUD Office of Lead Hazard Control and Healthy Homes of EBLs within five days of notification.

Finding HCV 11

DCHA does not safeguard personally identifiable information (PII) in accordance with HUD rules and regulations.

Regulatory Citations

24 CFR 5 (Subpart B), 24 CFR 200.303(e), Section 6 of the Housing Act of 1937, the Privacy Act of 1974, 5 USC § 552a (Privacy Act), PIH Notice 2015-06 Privacy Protection Guidance for Third Parties, The Freedom of Information Act (FOIA), 5 USC § 552, and Section 208 of the E- Government Act.

Corrective Actions:

DCHA must immediately implement administrative, technical, and physical safeguards to protect applicant and participant information. This includes safeguarding electronic transmissions of sensitive data via fax, email, and other electronic devices. DCHA must consistently implement procedures to protect all hard copy and electronic files containing sensitive PII and manage access to sensitive applicant, tenant, and participant PII. Additionally, DCHA must train staff on HUD Information Security Procedures (ISP) and mandates. Finally, DCHA must provide a copy of

approved and implemented policies and procedures to the field office, along with proof of staff training.

Finding HCV 12

DCHA is not in compliance with updated portability guidance in accordance with PIH Notice 2016-09, HUD regulations, and its MTW plan.

Regulatory Citations

24 CFR §982.301(a) §982.303(c), §982.314, (c), §982.353(c), §982.354(c), §982.355(b).), §982.4, and PIH Notice 2016-09

Corrective Action:

DCHA must update its policies and procedures to incorporate the regulatory requirements outlined in PIH Notice 2016-09 and train staff on the same. DCHA must provide copies of these policies and procedures as well as evidence of staff training to HUD.

Finding HCV 13

DCHA does not monitor or maintain participant files in accordance with HUD regulations and its MTW Plan. DCHA must maintain complete and accurate records for the program in accordance with HUD requirements in a manner that permits a speedy and effective audit. The records must be in the form required by HUD, including requirements governing computerized or electronic forms of record-keeping. The PHA must furnish to HUD accounts and other records, reports, documents, and information, as required by HUD.

HCV 13a:

DCHA uses two different software systems, Visual Homes Wizard and Yardi Voyager, to maintain electronic copies of tenant files; however, the file structure was not clear and auditable. HUD was unable to complete a review of tenant files for the following reasons:

- The electronic tenant records do not have uniformity in how files are uploaded, thus presenting an administrative burden for accessing and reviewing tenant documents, and DCHA staff members lack knowledge of the two software systems utilized by the DCHA;
- DCHA was unable to provide a report showing all families on the HCV program consistent with the number of families reported in VMS;
- Payments Standards are not up to date;
- The Utility Allowance schedule is not up to date; and
- DCHA has not performed the annual rental market analysis to determine rent reasonableness as required in the DCMR since 2019.

HCV 13b:

DCHA does not conduct Annual Quality Control Reviews of HCV participant files. DCHA's MTW Agreement exempts the PHA from submitting a SEMAP certification; however, DCHA is still required to follow SEMAP regulations. Under SEMAP regulations, PHAs are required to conduct annual quality control reviews of participants' files. During the onsite visit, DCHA did not provide evidence to confirm that annual quality control reviews of HCV participant files were conducted.

Regulatory Citations

24 CFR §985.3, 24 CFR § 982.158 (a)(b) (f)

Corrective Actions:**HCV 13a:**

DCHA must develop and implement participant file protocols in accordance with HUD requirements and train staff on the same. DCHA's participant files must be kept in a manner that permits a speedy and effective audit, and records must be in the form required by HUD, including requirements governing computerized or electronic forms of record-keeping. DCHA must provide to HUD their file protocols and the timeline for implementation, evidence of staff training, and evidence that files are maintained in accordance with HUD requirements. Once these actions are complete, HUD will conduct a full review of tenant files.

HCV 13b:

DCHA must conduct an annual Quality Control sample of files or records drawn in an unbiased manner and reviewed by a PHA supervisor (or by another qualified person other than the person who performed the original work) to determine if the work documented in the files or records conforms to HCV program requirements. DCHA must prepare, implement, and submit the protocols for the annual quality control reviews of HCV participant files to HUD along with any applicable tracking reports.

Finding HCV 14

DCHA is not in compliance with updated Violence Against Women Act (VAWA) requirements in accordance with HUD regulations and PIH Notice 2017-08.

Regulatory Citations

24 CFR Part 5, Subpart L and PIH Notice 2017-08 Violence Against Women Reauthorization Act of 2013 Guidance

Corrective Action:

DCHA must update its policies and procedures to include revised requirements of PIH Notice 2017-08, train staff on the same, and implement these policies and procedures. A copy of the updated VAWA policy and procedures, the Board Resolution approving the policy, evidence of staff training, and DCHA's plan and timeline to implement must be provided to HUD. DCHA's implementation plan must provide documentation that HCV participants have received notification of the updated occupancy rights under VAWA.

Finding HCV 15

DCHA is not tracking funds owed from HCV participants and/or landlords in accordance with HUD regulations and its MTW plan. DCHA was unable to provide a report showing funds owed from HCV participants and/or landlords and its collection methods and outcomes; therefore, it is unclear whether DCHA is collecting monies owed in a timely manner and in accordance with its policy and procedures. Although DCHA provided a tenant repayment report, the report showed several instances of large repayment amounts that were canceled without providing a justification. Additionally, the report only reflects agreements from December 31, 2019 to present.

Regulatory Citation 24 CFR §792.204

Corrective Action:

DCHA must maintain records to show amounts owed to the PHA from participants and/or landlords, any amounts recovered, and its collection methods and outcomes. DCHA must analyze monies owed, develop collections procedures, and train staff on the same. DCHA must provide a copy of its analysis, collection procedures, evidence of staff training, justification for debts canceled, and tracking reports to HUD.

Finding HCV 16

DCHA does not terminate HCV participants in accordance with its policies and HUD requirements. DCHA was unable to provide a list of participants terminated from the program and documentation of their process for appeals.

Regulatory Citation 24 CFR §792.204

Corrective Action:

DCHA must develop and implement termination procedures in accordance with its policies and HUD requirements and train staff on same. DCHA must create tracking reports and maintain records of all termination actions taken on participants including appeals. DCHA must provide these procedures, reports, and evidence of staff training to HUD.

Finding HCV 17

DCHA does not use the Enterprise Income Verification (EIV) in accordance with HUD regulations and its MTW plan.

HCV 17a:

DCHA not have a policy for monitoring reports for mandatory use of the Enterprise Income Verification (EIV) System. To reduce administrative and subsidy payment errors in accordance with HUD administrative guidance, PHAs are required to monitor specific EIV reports on a monthly and quarterly basis. The DCHA staff specified that the EIV reports were generated during the eligibility process and biannual /triennial recertifications. However, no documentation was provided by DCHA to corroborate these statements.

The following EIV reports are required to be monitored monthly and/or quarterly:

- Deceased Family Report (Monthly);
- Identity Verification Report (Monthly);
- Immigration Report (Monthly);
- IVT Report based on PHA Reexamination Schedule (Report will include information from the New Hires Report (Monthly);
- Multiple Subsidy Report (Monthly); and
- Income Discrepancy Report (Quarterly).

HCV 17b:

DCHA failed to provide the names of the EIV User and Security Administrators. To protect the integrity of EIV, PHAs must assign at least two user and security administrators. In addition, DCHA did not provide evidence verifying that the current users completed the required annual security awareness training, initial and updated EIV training. These trainings are mandatory before accessing EIV. Viewers /handlers of EIV data must only complete annual security awareness training.

Regulatory Citations

24 CFR §5.233, §5.236; 24 CFR §5.233 PIH Notice 2018-18

Corrective Actions**HCV 17a:**

DCHA must establish a written procedure for the EIV system and train staff on same. The procedure must require DCHA staff to fully utilize the EIV system as required and include security protocols, including how DCHA will ensure only authorized user access EIV. DCHA must provide the EIV procedure and evidence of staff training to HUD.

HCV 17b:

DCHA must assign at least two (2) user and security administrators in the EIV system and train these staff members on their roles and responsibilities. The user administrators **CANNOT** be the security administrators. User administrators will have access to user administration and the responsibilities to request access for PHA staff, assign, modify, and remove user roles and assignments, assign PH projects (PH only), certify users, terminate access, and view user role history, termination, and user certification reports. The Security Administrators' will have access to audit reports, and the responsibilities is to monitor staff access to the system by viewing the various reports such as user session and activity and tenant data access. DCHA must submit to HUD a list of all current EIV users, assigned roles, and the date users completed all the required trainings.

Finding HCV 18

DCHA does not transmit data timely and/or accurately into both HUD's Inventory Management System - PIH Information Center (IMS-PIC) and HUD's Voucher Management System. DCHA's IMS-PIC data is inconsistent with the data it has submitted in the Voucher Management System (VMS) in accordance with HUD's guidelines. This is evident in the disparities between the number of families reported in VMS versus the number of families reported in IMS-PIC, which appear to be directly related to unresolved fatal errors in IMS-PIC when submitting 50058 family data. Additionally, while there is data for some families in IMS-PIC, many of these records are inaccurate and/or incomplete. When family data is inaccurate and not reported timely, it can adversely affect PHA funding and HUD's ability to monitor PHA compliance with HUD program rules and regulations effectively.

Regulatory Citations

24 CFR §908.104, § 982.157 (b)(2) § 982.158 (a)(b)

Corrective Action:

DCHA must develop and implement procedures for timely and accurate IMS-PIC and VMS submissions. DCHA must ensure the number of families reported in IMS-PIC is consistent with the number of families reported in VMS. DCHA must reconcile all HCV-related fatal errors in IMS-PIC and ensure all records are complete and accurate. Finally, DCHA must provide IMS- PIC and VMS training to all HCV staff. DCHA must provide the following information to HUD:

- DCHA IMS-PIC and VMS submission procedures and timeline for implementation;
- A report confirming the number of families reported in VMS is consistent with the number of families reported in IMS-PIC, and the data in IMS-PIC is accurate;
- Proof that all HCV IMS-PIC fatal errors have been corrected; and
- Proof of IMS-PIC and VMS training for all HCV staff.

Recommendations

Recommendation HCV 1

DCHA should analyze the HCV Department's organizational structure and make necessary changes. DCHA should submit an updated organizational structure to HUD that clearly defines roles and responsibilities for each Department and position.

Recommendation HCV 2

DCHA needs to develop and implement QA/QC policies and procedures for the HCV program and train staff. DCHA should submit these QA/QC policies to HUD.

Recommendation HCV 3

DCHA needs to develop and implement internal control processes for the HCV program. DCHA should submit these internal control processes to HUD.

Recommendation HCV 4

DCHA should provide training for all staff working on its HCV program in all areas of the HCV program and comprehensive training for the VMS, IMS- PIC, and EIV systems.

Recommendation HCV 5

As of March 2022, DCHA was leasing 76% of its Unit Months Allowed (UMA). Additionally, it is spending 92.2% of their Calendar Year 2022 budget authority and 89.4% of all available funds, which includes reserves. This leasing trend has contributed to DCHA being found not compliant with the MTW statutory requirement to serve substantially the same number of families absent its MTW designation. HUD has a national goal of ensuring all PHAs are spending a minimum of 98% of their budget authority. DCHA should use the two-year tool to optimize and monitor its HCV budget allocation. DCHA staff should monitor spending and leasing closely and work with the field office to monitor program spending and request technical assistance in using the two-year tool.

Recommendation HCV 6

The Family and Landlord briefing package should be updated with the current Executive Director information and update utility, payment standards, VAWA and other required documents.

Recommendation HCV 7

DCHA submitted standard operating procedures (SOPs) for the FSS program, which were last updated in 2019. We recommend that DCHA update the SOPs to reflect any recent changes.

Finance

The review team analyzed DCHA's Financial Data Schedule (FDS), check registers, general ledger, Board meeting minutes, performance reports, and source documentation supporting disbursements. The team's financial assessment is based on data from the five-year period 2016 through 2020. The financial data for DCHA's fiscal year ended September 30, 2021, was not available at the time of this report as the PHA's FDS submission to HUD's Real Estate Assessment Center (REAC) was recently rejected, requiring multiple corrections.

Federal funding sources accounted for roughly \$338 million or 55% of total revenues, while local funding sources accounted for approximately \$277 million or 45% in FY 2020. See Finance I Attachment at conclusion of report.

At first glance, DCHA's entity-wide financial position appears healthy at the end of fiscal year 2020 with net current assets increasing to \$160,640,148 and a current ratio of 2.53, with no Accounts Payable over 90 days old. However, its financial position is trending downward with its current ratio decreasing by nearly 40% as its current liabilities increased by over \$40 million over the five-year period. While the overall entity appears sound, varied funding sources come with many restrictions.

Entity	2015	2016	2017	2018	2019	2020
Total Current Assets	\$157,585,759	\$156,483,366	\$162,612,937	\$292,635,445	\$270,220,374	\$265,795,599
Total Current Liabilities	\$38,492,612	\$44,319,050	\$50,190,759	\$88,094,790	\$72,948,125	\$105,155,451
Net Current Assets	\$119,093,147	\$112,164,316	\$112,422,178	\$204,540,655	\$197,272,249	\$160,640,148
Current Ratio	4.09	3.53	3.24	3.32	3.70	2.53
Accounts Payable over 90 days	0	0	0	0	0	0

DCHA's focus on consolidated financial reporting to its Board and Management has obscured the poor performance of public housing program. The program is not self-sustaining and relies on ever increasing infusions of local funds like the Agency's Business Activities and Central Office Cost Center financial profiles. Despite annual cash transfers from local funds, the financial condition of the Public Housing program has deteriorated steadily over the past five years as operating reserves declined from a high of \$59 million for FYE 2016, declining to \$9 million for FYE 2020. Months of operating reserves declined from 7.35 to 1.05 which is nearly considered insolvent as shown in the table below:

Summary of Operating Reserves & Monthly Expenses – FYE 2016 through FYE 2020

Account Name	2020			2019			2018			2017			2016		
	Balance	Difference	% Diff	Balance	Difference	% Diff	Balance	Difference	% Diff	Balance	Difference	% Diff	Balance	Difference	% Diff
Total Operating Reserves	9,029,484	(3,295,891)	-27%	12,325,375	(21,473,593)	-64%	33,790,968	(21,608,452)	-39%	55,407,460	(3,571,975)	-6%	58,979,435		
Monthly Expenses	8,599,459	(717,206)	-8%	9,316,664	683,555	8%	8,633,110	(5,623,740)	-39%	14,256,850	6,231,875	78%	8,024,975		
Months of Reserves (MOR)	1.05	(0.27)	-21%	1.32	(2.59)	-66%	3.92	0.03	1%	3.89	(3.46)	-47%	7.35		

DCHA's performance is not assessed by HUD's Public Housing Assessment System (PHAS) due to provisions of DCHA's MTW Agreement. However, these scores serve as a transparent indicator of the Public Housing Program's declining financial position. As shown below the PHAS Financial Indicator scores declined from 23 of 25 in 2016 to 11/25 in 2020.

	2020	2019	2018	2017	2016
PHAS Financial Score	11	6	10	21	23

The erosion of the program's financial position is due to annual operating deficits in its public housing operations. Public Housing Operating (PHO) expenses consistently exceed Public Housing Operating Subsidy and the program's tenant rents. The PHO subsidy formula is based on specific characteristics of each PHA's portfolio and benchmarked at levels adequate for a well-run public housing program to sustain itself. However, based on its audited submissions to REAC, DCHA has incurred increasing deficits over a five-year period increasing from \$20 million in 2016 to hovering around \$30 million in 2019 and 2020 as shown below.

	2020	2019	2018	2017*	2016
Operating Subsidy	\$58,000,000	\$63,000,000	\$64,000,000	\$55,000,000	\$54,000,000
Tenant Rent Charged*	\$18,000,000	\$19,000,000	\$21,000,000	\$22,000,000	\$21,000,000
Total Revenue	\$76,000,000	\$82,000,000	\$85,000,000	\$77,000,000	\$75,000,000
Less Operating Expenses	\$103,000,000	\$112,000,000	\$104,000,000	\$97,000,000	\$96,000,000
Deficit	-\$27,000,000	-\$30,000,000	-\$19,000,000	-\$20,000,000	-\$21,000,000
Unit Months Available	101934	91939	75463	93226	89789
Unit months Leased	72165	81012	70192	88527	86938
Occupancy percentage	71%	88%	93%	95%	97%
PUPM Op Exp.	\$1,427	\$1,383	\$1,482	\$1,096	\$1,104

*\$73,875,417 Bad debt-mortgages was removed from 2017 operating expenses for this comparison.

* Actual tenant rent received was significantly less than tenant rent charged due to DCHA's rent collection issues.

The deficits are caused by income losses due to increasing vacancies, rent collection losses and higher than normal operating expenses. As noted as a finding in the Public Housing section of this report, DCHA lacks cohesive occupancy and rent collection strategies.

Recommendation F1

Based on the team's review of reports and discussions with DCHA's CFO, the financial reporting to the Board of Directors is done primarily at an entity wide level by providing revenue and expense variance reports. Further, based on the Team's discussion with DCHA Board Members, they were not aware of the declining financial position of DCHA's PH program.

DCHA must develop a robust regular financial reporting approach to management and the Board of Commissioners to improve transparency of financial information and to facilitate monitoring of the effectiveness, financial position, and performance of DCHA's programs and financial profiles. DCHA must provide financial reports to management and the Board of Commissioners at the development, program, and entity-wide level. DCHA is requested to provide a sample of management and Board reports to HUD.

Income

DCHA's PHO based on comparison of unit months available and leased, as reported in the Housing Authority's audited financial statements, has declined steadily from 97% in 2016 to 71% in 2020. Vacancies over 3% do not receive PHO subsidy unless they are in an approved vacancy status, such as "off-line for modernization." Based on an analysis of prepopulated data from HUD's OPFUND Web Portal, potential rent and PHO subsidy lost to vacancies is estimated at \$10,600,000 for 2021, and \$13,200,000 for 2022.

Recommendation F2

In addition to observations mentioned earlier in the Public Housing and Physical Condition and Capital Planning sections of this report regarding vacant unit turnover and improved leasing practices, DCHA should categorize its inventory of vacant units to determine units ready for immediate occupancy, those requiring typical turnover prep and those requiring significant modernization and immediately take actions to increase occupancy and house more families. Once units are categorized, staff should engage collaboratively with HUD's D.C. field office staff to properly categorize these in IMS/PIC. Once proper contracting and documentation is in place, the affected apartments can be considered "off-line for modernization," which will increase PHO subsidy eligibility.

Expenses

DCHA's FYE 2020 public housing operating expenses were compared to average expenses per occupied unit per month (PUPM) of a peer group consisting of three large MTW housing authorities in the Mid-Atlantic region: Baltimore, Pittsburgh, and Philadelphia. Its total operating expenses were 33% higher than these peers. The variance comes largely from three main expense categories—utilities; maintenance and operations expenses; and administrative salary expenses.

		Total PUPM Operating Expenses	Total PUPM Utility Expenses	Total PUPM Maintenance & Operations	Total PUPM Administrative Salaries
DCHA	2020	\$1,430	\$323	\$485	\$93
Peers	2020	\$1,077	\$137	\$338	\$61

The PHA has an active energy performance program in place. However, actual utility costs are over two times higher than the peer group. Further, it appears considerable savings opportunities are available. As an example, significant issues were noted in the small sample of boiler rooms inspected during this review. Yet, the FY 2022 Annual MTW Plan notes only 60% of the \$86 million in funding for Phase II (initiated in 2016) of the energy performance contract was obligated through the end of 2020.

Recommendation F3

Provide an independent analysis of the efficacy of the EPC program including an updated status report on Phase II EPC work completed, in process, and a schedule of planned improvements. Provide this analysis and a schedule of planned improvements to HUD.

Inventory/Property/Equipment

Finding P1

DCHA failed to conduct an annual inventory as required by federal regulations. An entity-wide asset register of property and equipment was provided but a physical inventory was not conducted for FYE 9/30/2020 or 9/30/2021 due to COVID issues.

Regulatory Citation 24 CFR § 200.313

Corrective Action:

Complete a physical inventory of property and equipment during fiscal year 2022. DCHA must provide a copy to HUD.

Finding F2

Three sampled monthly payments to American Express CPS related to vehicle maintenance and operations from 2019 and 2020 totaling \$418,113.10 (8/4/2021 Check No. 3032 for \$111,080.78; 3/5/21 Check No. 3015 for \$104,939.86; 12/3/20 Check No. 3005 for \$202,092.46) remain unsupported as sufficient documentation was not provided. Total charges to DCHA's American Express CPS Account for 2021 were \$1,861,170.

Regulatory Citation 2 CFR § 200**Corrective Action:**

Provide copies of detailed invoices to HUD to support sampled expenditures of \$418,113.10 to HUD or repay applicable federal programs from non-federal funds. Further, the scope of invoices reviewed in this finding will be expanded if these sampled transactions are not properly documented.

Recommendation F4

DCHA has over 200 vehicles. DCHA's policies regarding the use of vehicles and maintenance and gas purchases should be evaluated to ensure they govern proper vehicle usage, include daily mileage logs, gas purchase logs, and monitor vehicle use when in employee custody to prevent personal use. DCHA should provide to HUD a formal, written evaluation of these policies and a determination of which vehicles are essential. Non-essential vehicles should be disposed of as a cost saving measure.

Payroll and Related Costs**Recommendation F5**

DCHA should compile an organizational chart and complete a comprehensive staffing analysis and take immediate steps to achieve appropriate staffing at sustainable levels. DCHA must provide a copy of this analysis, actions taken to reduce costs and an updated Organization Chart to HUD.

Our review found—(1) Administrative Salaries PUPM of \$93 are 52% higher than the MTW peer group average of \$61, and the highest of a peer group of 18 large and extra-large housing authorities in the Mid-Atlantic region; (2) Maintenance Payroll, Benefits and Contracts PUPM of \$440 are 56% higher than the MTW peer group average of \$283; and (3). The review team was

informed that the HR Department was compiling an organizational chart but was not able to provide it prior to the issuance of this report.

Disbursement and Credit Card Testing

The team selected 17 check disbursements totaling \$137,589 for testing. The team reviewed support documentation and general ledger entries for each of the 17 transactions to assess compliance with 2 CFR Part 200. Most of the transactions in the sample were found to be paid from non-federal funds. One disbursement to LaPrima Food Group for \$610.20 from the HCV Administrative Fee account in December 2019 was unsupported. Since our sampling method was not statistical due to time constraints, the team cannot conclude that results are representative of DCHA's total population of disbursements.

Credit card disbursements were also tested. DCHA used three corporate credit card accounts during the review period; American Express 7500; American Express 8869; and Wells Fargo. Charges of \$631,030. For three months, December 2020, March 2021 and August 2021 were selected for review.

Wells Fargo expenditures for the three months sampled were \$142,020. The account was primarily used to pay trash removal costs. DCHA staff stated this is because D.C. does not accept checks from DCHA for payment. Of the \$142,020, \$141,710 was spent for refuse removal and \$310 was for relocation costs.

American Express 8869 expenditures for the three months sampled were \$70,897. The charges were split between routine Central Office Costs like software licensing fees, advertising for human resources, travel, training, and relocation costs billed to specific properties. The relocation costs included hotels and gift cards purchased at CVS and Walgreens for paying per-diem food and transportation costs to temporarily relocated residents due to mold remediation and maintenance issues.

Receipts and documentation were requested for a sample of eight CVS and Walgreens transactions totaling \$9,742, as well as four hotel invoices for \$3,098. The hotel and per-diem costs were found well documented with detailed receipts, supported by emails explaining the purpose and consistent calculations. These expenses appeared to be necessary, reasonable, and consistent with the PHA's Standard Operating Procedures for maintenance related hotel and per-diem costs.

Payments to American Express 7500 during the three-month period were discussed earlier and included as Finding 1.

Finding F3

The disbursement from the HCV Administrative fee account to LaPrima Food Group for \$610.20 from December 12, 2019, was found to be unsupported.

Regulatory Citation 2 CFR § 200

Corrective Action:

Repay \$610.20 from non-federal funds or provide documentation of the programmatic purpose of expenditure.

Finding F4

DCHA does not have an executed General Depository Agreement. All Federal Funds are held by Wells Fargo Bank. A copy General Depository Agreement was provided but it was not signed by Wells Fargo. The PHA is now in the process of obtaining the Bank's signature.

Regulatory Citations - ACC and CACC**Corrective Action:**

DCHA must provide an executed copy of the General Depository Agreement to HUD.

Recommendation F6

Complete conversion from Yardi to Voyager prior to fiscal year beginning October 1, 2022. The Finance Department's software conversion from Yardi to Voyager has been problematic and is taking longer than expected. Some tasks are still done in each system which is cumbersome, making reporting and routine tasks overly time consuming. The conversion was expected to be completed by 9/30/2021 but issues arose during the reconciliation process and transition into the new fiscal year.

No Regulatory Citation**Recommendation F7**

Complete the Finance Department's reorganization, fill vacant positions and train staff to improve capacity and reporting. The Finance Department was recently reorganized. However, it is understaffed, especially in key leadership positions. A Development Manager was hired recently on February 28, 2022. However, the Comptroller, Budget Manager, Financial Analyst, Clerical Assistant and Payroll Specialist positions are vacant.

Repositioning

HUD has made various strategies available to public housing agencies (PHAs) to reposition public housing developments. These strategies may enable PHAs to provide thousands of families across the country with better-maintained units while creating opportunities to leverage public and private resources, easing administration, and preserving affordable housing. Repositioning moves families from a public housing platform to other forms of HUD rental assistance, such as HCV, Project-Based Vouchers (PBV), or Project-Based Rental Assistance

(PBRA). This change can help PHAs preserve affordable housing units, address rehabilitation and physical needs, and place properties on a more stable financial foundation. HUD's repositioning efforts provide communities with additional flexibilities to better meet local needs and funding options to achieve long-term viability for their affordable housing.

The Rental Assistance Demonstration (RAD) program is a repositioning strategy authorized in 2012 to preserve and improve public housing properties and address a \$26 billion nationwide backlog of deferred maintenance. RAD's purpose is to provide an opportunity to test the conversion of public housing and other U.S. Department of Housing and Urban Development (HUD)-assisted properties to long-term, project-based Section 8 rental assistance properties to achieve specific goals, including preserving and improving these properties by enabling public housing agencies to use private debt and equity to address immediate and long-term capital needs. RAD has two components. The first component allows the conversion of public housing and moderate rehabilitation properties to properties with long-term, project-based Section 8 rental assistance contracts. The second component allows rent supplement, rental assistance payments, and moderate rehabilitation properties to convert tenant protection vouchers to project-based assistance at the end of the contract.

The objective of this review was to determine whether the Authority administered its RAD conversions in accordance and compliance with HUD requirements. Other repositioning activities were not evaluated during this review except for one action questioned by a Board Member regarding the sale of DCHA's Headquarters building. In addition to the three conversions evaluated during this review, DCHA has three RAD transactions in progress; Melvo DC001001290, Judiciary House DC001001650, and Potomac Gardens DC001004430, as well as other local initiatives to address the capital needs of its housing stock.

Colorado-Columbia (DC001001950)

On December 18, 2013, the Authority applied to convert its 44-unit public housing project, Colorado, and Columbia Roads Apartments, to project-based vouchers. On March 27, 2015, it received its RAD award and commitment to enter into a Housing Assistance Payment (HAP) contract for the project under the first RAD component. In March 2017, HUD issued the RAD conversion commitment for the conversion. The project was substantially renovated in 2012 and 2013; therefore, no substantial rehab was completed as part of the conversion. Closing occurred on March 15, 2018.

Fairlawn Marshall (DC001005280)

On July 13, 2015, the Authority applied to convert its 30 public housing units called Fairlawn Marshall to project-based vouchers. On June 23, 2016, it received its RAD award and commitment to enter into a HAP contract for the project under the first RAD component. In March 2017, HUD issued the RAD conversion commitment for the conversion. The project was substantially renovated in 2009; therefore, no substantial rehab was completed as part of the conversion. Closing occurred on July 16, 2018.

Matthews Memorial Terrace (DC001005320)

On July 13, 2015, the Authority applied to convert its 35 public housing units called Matthews Memorial Terrace to project-based vouchers. On June 23, 2016, it received its RAD award and commitment to enter into a HAP contract for the project under the first RAD component. In July 2017, HUD issued the RAD conversion commitment for the conversion. The building was constructed in 2011; therefore, the immediate needs were minimal, and no substantial rehab was completed as part of the conversion. Closing occurred on July 16, 2018.

Findings/Observations

DCHA could not provide documentation to show that it consistently monitored the three completed RAD PBV conversions per HUD rules and regulations. The details and corrective actions are detailed as follows:

RAD PBV Finding 1

The PHA's Board is not confirming that the Project Owner is making deposits into the Reserve for Replacement account in accordance with the Rental Assistance Demonstration Conversion Commitment (RCC) or assessing the financial health of the Covered Project on an annual basis.

Regulatory Citations

RAD HAP Contract Rider, RAD Notice H-2019-09, PIH-2019-23 (HA) Section 1.6.D.2; "The Owner must submit to the administering PHA's Board the operating budget for the Covered Project annually. DCHA's Board must confirm that the Project Owner is making deposits into the Reserve for Replacement account in accordance with the RCC as well as assess the financial health of the Covered Project."

Corrective Actions:

- DCHA must provide evidence that the operating budget for each conversion was submitted to the Board of Commissioners (Board);
- The Board must confirm that the annual deposit into the Reserve for Replacement account was made in accordance with the Rental Assistance Demonstration Conversion Commitment (RCC); and
- DCHA must provide evidence that an assessment of the financial health of each conversion was completed.

DCHA must provide all evidence and documentation to HUD.

RAD PBV Finding 2

DCHA could not provide evidence of the required monthly deposits to the Replacement Reserve for all projects. Evidence was provided to confirm deposits for Matthews Memorial Terrace DC001005320 and Fairlawn Marshall DC001005280; however, the reviewer could not verify that monthly Replacement Reserve deposits were made for Colorado and Columbia Roads Apartments DC001001950 because the statements were not provided. Furthermore, DCHA did not provide evidence that it regularly monitors the Reserve for Replacement accounts to ensure deposits are consistent with the Rental Assistance Demonstration Conversion Commitment (RCC).

Regulatory Citations

RAD Notice H-2019-09, PIH-2019-23 (HA) Section 1.6.D.10; RAD HAP Contract Rider

Corrective Action:

The authority must provide evidence that it has completed a review of all projects confirming that the owner is making monthly deposits into the Reserve for Replacement account in accordance with the RCC.

DCHA must provide evidence of the review to HUD.

RAD PBV Finding 3

DCHA could not provide evidence that the Replacement Reserve draws were used for legitimate capital expenses. DCHA failed to produce documents for Fairlawn Marshall DC001005280 or Colorado and Columbia Roads Apartments DC001001950. DCHA only provided support for 2021 withdrawals for Matthews Memorial Terrace DC001005320.

Regulatory Citations

RAD Notice H-2019-09, PIH-2019-23 (HA), HUD Handbook 4350.1 Rev-1

Corrective Action:

DCHA must review all Replacement Reserve accounts' draws to ensure they were used for legitimate capital expenses.

The PHA must provide evidence of the review to the HUD as well as any corrective actions necessary with timeline to HUD.

RAD PBV Finding 4

Although the DCHA provided evidence of HQS inspections by an independent entity, there was no evidence to confirm that the Authority analyzed the reports to identify trends, provided recommendations to the property manager, or submitted HQS inspection reports to the D.C. Field Office as required.

Regulatory Citation 24 CFR 983.103(f)(2)

Corrective Action:

The PHA must develop and implement a procedure to ensure that all required HQS inspections by independent entities are completed and that copies submit HQS inspection reports to the D.C. Field Office. DCHA must provide a copy of this procedure, a timeline for implementation and copies of all required HQS reports to HUD.

RAD PBV Finding 5

Unable to determine if DCHA processed the RAD Contract Rent Adjustments correctly because the HAP register submitted was incomplete.

Regulatory Citations

2012 Appropriations Act (PL112-55); RAD Notice H-2019-09 PIH-2019-23 (HA)

Corrective Action:

DCHA must provide a complete HAP register to HUD. The HAP register must include:

- Name and address of family;
- Name and address of owner;
- Unit size;
- Beginning date of lease term;
- Monthly contract rent to owner;
- Monthly tenant rent;
- Monthly housing assistance payment to owner; and
- Date family vacated, and number of days unit is vacant, if any.

RAD PBV Finding 6

Unable to determine if the PHA is collecting the correct tenant rent based on Total Tenant Payment (TTP) and any applicable RAD rent phase-in because the HAP register submitted by the PHA was incomplete.

Regulatory Citations

RAD Notice H-2019-09 PIH-2019-23 (HA), 24 CFR 353

Corrective Action:

DCHA must provide a complete HAP register to HUD. The HAP register must include:

- Name and address of family;
- Name and address of owner;
- Unit size;
- Beginning date of lease term;
- Monthly contract rent to owner;
- Monthly tenant rent;
- Monthly housing assistance payment to owner; and
- Date family vacated, and number of days unit is vacant, if any.

RAD PBV Finding 7

DCHA did not provide documentation that the RAD Owners/Property managers comply with the resident participation funding requirement.

Regulatory Citation

RAD Notice "Project Owner must provide \$25 per occupied unit annually for resident participation, of which at least \$15 per occupied unit shall be provided to the legitimate tenant organization at the covered property."

Corrective Action:

DCHA must provide documentation to HUD, verifying the resident participation account has been fully funded.

The authority should work with the residents to determine the most appropriate ways to foster a constructive working relationship, including supporting the formation of a legitimate resident organization.

RAD PBV Finding 8

DCHA could not provide documentation that the RAD Owners/Property managers comply with the choice mobility requirements.

Regulatory Citation

RAD Notice; "the mobility component provides that if the family has elected to terminate the assisted lease at any time after the first year of occupancy in accordance with program requirements, the PHA must offer the family the opportunity for continued tenant-based rental assistance, in the form of either assistance under the voucher program or other comparable tenant-based rental assistance."

Corrective Action:

DCHA must provide documentation to HUD demonstrating compliance with this requirement with one of the following— (1) Evidence of households requesting and receiving a Housing Choice Voucher; (2) Evidence of households who have requested a choice mobility move and have priority status on the HCV waitlist; or (3) A document in the initial lease package that identifies this right to choice mobility.

Other Repositioning Activity

DCHA is also conducting redevelopment under the New Communities Initiative (NCI), a development program funded by the District of Columbia. Six developments are currently slated to be or are in the process of redevelopment under this program. Federal properties to be redeveloped must be processed through HUD's Special Applications Center (SAC) and meet the Section 18 demolition/disposition requirements for obsolescence. For federal properties, Tenant Protection Vouchers are offered to tenants to relocate with a voucher through the HCV program or residents have the option to relocate to another DCHA PH property. Under the District of Columbia's New Communities Initiative (NCI), no tenant protections exist as they do under HUD's Federal programs.

Complaints have been expressed by tenants about DCHA's performance and conduct in executing its NCI, and how the redevelopment has been conducted. Some of the claims made are:

- Resident groups have not been informed of changes in site redevelopment plans;
- PHA has broken commitments to not move tenants from current housing until replacement units have been built, i.e., "Build First";

- PHA has broken promises to minimize disruption by offering temporary replacement units in wards not currently resided in versus buildings in their current ward;
- PHA not practicing one for one replacement of public housing units as promised. Market rate and LIHTC units are being planned for the redeveloped properties, reducing the number of public housing units;
- Regular maintenance on properties slated for redevelopment halted in retaliation for tenant complaints about relocation actions and what is viewed as staff harassment;
- Harassment by PHA staff to move out of units at Park Morton;
- PHA violating land covenant at Greenleaf Mid-Rise & Senior extension prohibiting construction of market rate housing on site;
- Tenants denied right to choose units in developments used for temporary relocation. Assigned units are too small. Relocated tenants are not permitted to view LIHTC units in the property for possible occupancy; and
- PHA building new units not bigger than three bedrooms, too small to accommodate public housing tenants.

Recommendation

The complaints by resident groups are a continued example of the lack of trust and poor communication between residents and DCHA. DCHA should schedule regular meetings with the resident groups affected by redevelopment under its New Communities Initiative to discuss plans, timelines, relocation options and planned changes regarding these properties. Tenants should be clearly and accurately informed of their rights and present and future possibilities to reside in redeveloped properties. Customer service training should be provided to public housing staff to ensure tenants are treated professionally, respectfully and provided the assistance needed to meet their relocation goals.

Observation

One Board member expressed concerns about the sale of the DCHA headquarters building, believing the valuation of the property was too low, and that a conflict of interest existed between a former Board Chairperson and one of its chosen contractors in the deal. A follow-up call was made by HUD with the Board member, HUD's Special Applications Center (SAC) Director, HUD's MTW Deputy Director and HUD Review Team member. The SAC Director discussed the appraisal of the property, the use of proceeds, environmental review, and resident consultation requirements. HUD's review of documentation submitted by DCHA found no violation of federal guidelines or regulations in the transaction.

Approved by the Board of Directors

	FYE2020	Qtr	Qtr	FYE2019	Qtr	% Chg	FYE2018	Qtr	% Chg	FYE2017	Qtr	% Chg	FYE2016
7000 Net Tenant Rental Revenue	B888586	(9554)		2985346	45913	1	21m.m	(4100)	0%	B57542	1042	1	21491517
7100 Tenant Revenue Other	390251	(11465)	-11	501716	(7434)	-8%	576080	(5327)	-10%	642207	154m	12	487sn
7050 Total Tenant Revenue	24,278,337	(10845)	-8%	24,487,062	m849	1%	24,009,613	(1.2)		24,218,449	W8.	1	21979389
7060 HUD PHA Operating Grants	m8130180	617148	m.283032	ummm	11		290,005,460	11,0594	127	1238466	101488	36	1003605
70610 Capital Grants	9,649,480	(102)	-1%	9,959,455	210	1%	7838971	1W2523	-14%	9112526	1103911	-11	9,216,443
Total Federal/SLUs	357,719,660	6m.m	23324507	3398016	11%		297844431	1749439	6%	280,380,092	111044	427	4022048
70800 Other Government Grants	218038380	31m.768	11	180905612	3580091	25	145042520	3454959	37%	110882561	4870318	78	62,833733
71100 Investment Income-Unrestricted	m.580	10.01	57	403380	17		56,905	(468,628)	-99%	4,754,51n	1411905	103	2342,628
71200 Mortgage Interest Income	5022399	108,799	186	1,755,000	(745357)	-80%	9,201,571	1265103	10d	7315468	sm.408	140	1,662,000
71300 Proceeds from Disposition of Assets Held for Sale	(4844,792)	(341910)	340%	(1,011,862)	745761	-80%	(8,559,229)	11mml	2%	(6,626,658)	(441995)	200	(2146,691)
7B10 Cost of Sale of Assets	214639	(251.2)	-54	46781	(811)	-46%	54308	7.84	178%	193351	(80105)	811	1,086,356
71400 Fraud Recover	33798325	1n.57942	-	56,378,267	32,210,848	m	24,67,609	m65384	116%	11,09745	(1065,571)	9	21895416
71500 Other Revenue	(166289)	(50m)	-m	20,294	11905	141	83918	78531	145%	5383	90844	114	(85,461)
71600 Gain or Loss on Sale of Capital Assets	183662	117914	-49	362,676	1914	111%	17143	16,166	1511%	10379	3211	16	7,102
70000 Investment Income-Restricted													
70001 Total Revenue	614,739,701	19640.4	m.099647	1008856	21%		492,670,691	83,088	14	432,31603	130803	14	339144,20

Chairman DAVIDSON. It is an interesting data point. Thank you, Mr. Slover. Mr. Doherty, you are now recognized for your opening remarks.

STATEMENT OF MR. MATT DOHERTY, FORMER EXECUTIVE DIRECTOR, ATLANTIC CITY HOUSING AUTHORITY (ACHA)

Mr. DOHERTY. Thank you. Thank you, Chairman Davidson and Ranking Member Cleaver for having me today, along with the other members of the committee. Thank you for allowing me the opportunity to present a firsthand account of the corruption and mismanagement I encountered at the Atlantic City Housing Authority, ACHA, which has grievously impacted the lives of the most economically vulnerable Americans. It is critical to acknowledge that ACHA is not just the housing authority, it is also the largest slumlord in Atlantic City. If they were a private concern, they would have been put out of business a long time ago.

After my service as mayor in Belmar, New Jersey from 2011 to 2018, and subsequent role as executive director of the New Jersey Casino Reinvestment Development Authority in Atlantic City, I was appointed as executive director of the ACHA in May 2023. Unfortunately, I was fired in September 2023 for exposing the deeply ingrained corruption within the ACH board and its vendors. I witnessed and spoke out against systemic corruption and financial misconduct by the board and its vendors. The leadership under chair, Stephanie Marshall, and treasurer, Geoffrey Dorsey, has cultivated an environment ripe with corruption that has directly contributed to the degradation of living conditions for the residents.

I observed mismanagement involving approximately \$7.4 million allocated to no-bid contracts, which brought about very limited improvements. There were instances of invoices being paid for uncompleted work, purchase orders with no contracts or scope of work, contracts that were never bid out, and bids that were rigged, exemplifying a severe disregard for procedural norms regarding procurement. The procurement process at the ACHA violated their own written procurement policy. A simple-to-understand instance involved a \$1,200 invoice for the labor to install three window air conditioning units under a no-bid contract, which I rejected. The manager who requested the work also refused to approve the invoice because they believed it was fraudulent. Despite this, the board overrode my decision and proceeded with the payment.

This corruption has dire consequences for the residents, especially concerning their basic living needs. Over the last two winters, ACHA has failed to provide consistent heating and hot water, and we anticipate similar failures in the coming 2024–2025 winter season. This neglect stems from a misallocation of funds diverted away from essential services to corrupt dealings by the Board. Procurement processes have been manipulated to benefit the Board members, removing all oversight from the executive director's office. This was structured through the appointment of an external contractor, Jerry Volpe, who was instructed by Board resolution to report directly to the Board, further enabling their unchecked control over financial transactions. Additionally, the Atlantic City Council, which is supposed to oversee the ACH Board, has shown a lack of will to act and hold hearings.

I have spoken about the fraudulent activities at the ACHA with various law enforcement officials, including New Jersey State Police, HUD's Office of Inspector General, the FBI, and assistant U.S. attorneys. While I understand and appreciate the need for them to conduct a thorough and comprehensive investigation that supports charges leading to convictions, this process is inherently time consuming. Given the urgent needs of residents who are suffering under the current management, I strongly recommend that HUD immediately assume control of the Board and the management of the Authority. Congressman Van Drew has also spoken about this as well. The residents cannot afford to wait for the criminal justice system to take action against the Board members.

In addition, I would propose a few simple recommendations for HUD that include, first, implement strict oversight mechanisms that empower HUD to audit and, if necessary, remove corrupt housing authority board members and ban vendors who commit fraud. Second, ensure that HUD and its Office of Inspector General have unrestricted access to all housing authority records and communications, such as emails, to facilitate transparency and prevent further abuses. The level of corruption at ACHA is not merely a breach of ethical standards, but a critical failure that inflicts real harm on the community. It is crucial that HUD takes immediate and forceful action to dismantle these corrupt practices and reinstate integrity and effective management at the Atlantic City Housing Authority.

Thank you for your attention. I look forward to your questions and the opportunity to assist in any way possible in these reformative efforts.

[Prepared statement of Mr. Doherty follows:]

Matthew Doherty, Former Executive Director, Atlantic City Housing Authority

Before the House Financial Services Committee Subcommittee on Housing and Insurance

Chair Warren Davidson, Members of the Subcommittee,

Thank you for allowing me the opportunity to present a firsthand account of the corruption and mismanagement I encountered at the Atlantic City Housing Authority (ACHA), which has grievously impacted the lives of the most economically vulnerable Americans. It's crucial to acknowledge that ACHA is not just a housing authority; it is also the largest slum lord in Atlantic City. If they were a private concern, they would have been put out of business a long time ago.

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I witnessed and spoke out against systemic corruption and financial misconduct by the board and its vendors. The leadership under Chair Stephanie Marshall and Treasurer Geoffrey Dorsey has cultivated an environment ripe with corruption that has directly contributed to the degradation of living conditions for the residents:

- I observed mismanagement involving approximately \$7.4 million allocated to no-bid contracts, which brought about very limited improvements.
- There were instances of invoices being paid for uncompleted work, purchase orders with no contract or scope of work, contracts that were never bid out, and bids that were rigged, exemplifying a severe disregard for procedural norms regarding procurement.
- The procurement process at the ACHA violated its own written procurement policy.
- A simple to understand instance involved a \$1,200 invoice for the labor to install three window air conditioners under a no-bid contract, which I rejected. The manager who requested the work itself also refused to approve the invoice because they believed it was fraudulent. Despite this, the board overrode my decision and proceeded with the payment.

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Procurement processes have been manipulated to benefit the board members, removing all oversight from the Executive Director's office. This was structured through the appointment of an external contractor, Jerry Volpe, who was instructed by board resolution to report directly to the board, further enabling their unchecked control over financial transactions. Additionally, the Atlantic City Council, which is supposed to oversee the ACHA board, has shown a lack of will to act and hold hearings.

I have spoken about the fraudulent activities at the ACHA to various law enforcement agencies, including the New Jersey State Police, HUD's Office of Inspector General, the FBI, and Assistant United States Attorneys. While I understand and appreciate the need for them to conduct a thorough and comprehensive investigation that supports charges leading to convictions, this process is inherently time-consuming. Given the urgent needs of the residents, who are suffering under the current management, I strongly recommend that HUD immediately assume control of the board and management of the authority. The residents cannot afford to wait for the criminal justice system to take action against the board members.

In addition, I would propose a few simple recommendations for HUD that include:

1. Implement strict oversight mechanisms that empower HUD to audit and, if necessary, remove corrupt housing authority board members and ban vendors who commit fraud.
2. Ensure that HUD and its Office of Inspector General have unrestricted access to all Housing Authority records and communications, such as emails, to facilitate transparency and prevent further abuses.

The level of corruption at ACHA is not merely a breach of ethical standards but a critical failure that inflicts real harm on the community. It is crucial that HUD takes immediate and forceful action to dismantle these corrupt practices and to reinstate integrity and effective management at the Atlantic City Housing Authority.

As we discuss these grave issues, I stand ready to provide further details or clarification needed to support HUD's intervention and oversight efforts. Your proactive engagement is essential to rectify these injustices and restore faith in our housing systems.

Thank you for your attention, and I look forward to your questions and the opportunity to assist in any way possible in these reformative efforts.

Chairman DAVIDSON. Thank you, Mr. Doherty. Mr. Banna, you are now recognized for your opening statement.

**STATEMENT OF MR. GEORGI BANNA, GENERAL COUNSEL AND
DIRECTOR OF STRATEGIC INITIATIVES, NATIONAL ASSOCIATION
OF HOUSING AND REDEVELOPMENT OFFICIALS
(NAHRO)**

Mr. BANNA. Chairman Davidson, Ranking Member Cleaver, Ranking Member Waters, and members of the committee, thank you for the opportunity to testify today about the performance of our Nation's public housing agencies. My name is Georgi Banna, and I serve as general counsel and director of Strategic Initiatives for the National Association of Housing and Redevelopment Officials, NAHRO. NAHRO has worked for over 90 years to ensure that all families have access to safe, secure, affordable housing in strong, resilient communities. In my roles at NAHRO, I have had the pleasure of working with NAHRO's 2,500-member housing agencies, and there are more than 26,000 incredible housing and community development member officials nationally. NAHRO members administer more than 3 million homes for more than 8 million people.

Public housing agencies—PHAs—overwhelmingly administer the public housing and Housing Choice Voucher Program successfully and are responsible stewards of Federal taxpayer dollars. The public housing assessment system provides a comprehensive evaluation of an agency by measuring their physical, financial management, and capital fund conditions. HUD's latest data shows that 73 percent of PHAs receive a high or standard performer designation. Only 5 percent were designated as troubled.

PHAs are local governmental entities that represent the communities that they serve. More than 1.6 million people live in public housing, and more than 5 million people are housed through the Housing Choice Voucher Program. Public housing provides critical housing to families, seniors, and individuals with disabilities, including over half a million children. The vast majority, approximately 77 percent, of families receiving housing assistance earn less than 30 percent of the area median income. Only 4 percent of assisted families rely on welfare as a major source of income.

PHAs effectively provide housing assistance to millions of Americans despite consistent underfunding of HUD programs. A significant amount of America's current public housing stock was built between the 1950s and the 1970s. In 2010, HUD conducted a national public housing capital needs assessment that determined that the total backlog of public housing capital funding was \$26 billion. The report also determined that Congress would need to appropriate \$3.4 billion per year to meet all public housing capital needs, but the backlog continued to grow. NAHRO now estimates that the Capital Fund backlog is over \$90 billion, and although Capital Fund appropriations have increased in recent years with all-time highs in 2022, they have not once reached the annual capital need amount of \$3.4 billion established 14 years ago. Providing adequate annual appropriations is critical to ensuring that aging public housing units remain decent and safe, leading to the long-term sustainability of this essential program.

During the recent coronavirus disease 2019 (COVID-19) pandemic, PHA served as invaluable community hubs providing food, healthcare, and other necessities of daily life. PHAs embraced new technologies and modes of operation to ensure that residents were still well served. Many PHAs quickly and successfully implemented new waivers that provided broad flexibilities and created new processes to ensure the health and safety of their residents. For example, many PHAs did their first remote video inspections and virtual eligibility and annual income examinations that allowed them to safely monitor unit conditions and serve the residents. When provided the appropriate tools and flexibilities to respond through local community needs, PHAs quickly adapt to ensure their residents are provided critical services.

As I conclude, I ask Congress to take the following steps to support the success of PHAs. One, increase investments in affordable housing programs. Congress should fully fund public housing, Housing Choice vouchers, project-based rental assistance contracts, and community development programs to guarantee that all families have access to safe and secure housing. Second, streamline Federal regulations. Although some guardrails are necessary to ensure statutory compliance, they must allow for efficient and cost-effective operation of housing programs so that agencies can better address the unique needs of their community. Finally, demonstrate congressional support for local flexibility. Congress must ensure that housing authorities have the necessary flexibilities to meet local needs effectively, acknowledging the importance of local expertise and community engagement in the affordable housing sector.

Thank you again for this opportunity to testify, and I look forward to any questions that you may have.

[Prepared statement of Mr. Banna follows:]



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**Testimony by
Georgi Banna
General Counsel and Director of Strategic Initiatives
National Association of Housing and Redevelopment Officials**

**U.S. House of Representatives
Committee on Financial Services
Subcommittee on Housing and Insurance**

**“PHA Oversight: How Scandals and Mismanagement Harm Residents
and Taxpayers”**

May 22, 2024

The National Association of Housing and Redevelopment Officials (NAHRO) has worked for over 90 years to ensure that all families have access to safe, secure affordable housing in strong, resilient communities across the country. NAHRO, established in 1933, is a membership organization of over 26,000 housing and community development providers and professionals throughout the United States. NAHRO members create and manage affordable housing for low- and middle-income families and support vibrant communities that enhance the quality of life for all. NAHRO members administer more than 3 million homes for more than 8 million people.

NAHRO's core mission is to advance the creation of strong, sustainable and affordable communities through advocacy, professional development, and empowerment of our diverse members. NAHRO does this by advocating for additional resources and common-sense changes to existing housing programs so that all Public Housing Agencies (PHAs) have the fundamental tools they need to create long-term housing solutions. Ensuring that families across this country have access to safe, secure homes is the top priority for NAHRO and its members. We envision a future of thriving communities with affordable homes for all.

Critical to the work of a PHA is a PHA's Board of Commissioners. PHA commissioners oversee how billions of dollars in federal, state, and local funds are spent to improve housing for more than 8 million low-income individuals, including the elderly and the disabled. A PHA commissioner's job, however, is not a one-size-fits-all job. The multitude of PHAs around the country exist in response to a patchwork of federal, state and local legislation intended to allow for local solutions to local housing issues. As

George Guy, President; **Sean Gilbert**, SPHM, NAHRO Fellow, Senior Vice President; **Renee Smith** NCC, Vice President - Commissioners; **David S. Gates**, CSO-PH, CSEC-PH, CMPO, C-PHM, CME Vice President - Professional Development **Jeff du Manoir**, Vice President-International Research and Global Exchange; **Duane Hopkins**, CME, Vice President-Budget & Administration; **Shaunté Evans** MBA, PHM, Vice President-Member Services; **Grace Stepter**, Vice President-Community Revitalization and Development; **Lanita Hillen**, Vice President-Housing, **Mark Thiele**, CS-PHM, CME, CMVO, NCC, Chief Executive Officer

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such, each authority's board of commissioners is independent and operates in its own unique way. This is how PHAs were set up through the Housing Act of 1937 and state enabling laws. These differences include how individual commissioners are appointed and the duties and responsibilities they are expected to perform

PHAs utilize a variety of federal rental assistance and community development programs, however the public housing and Section 8 programs are two of the largest programs agencies operate. The Public Housing program remains the oldest source of federally assisted affordable housing in the country. Public housing units are permanent units that must remain affordable in perpetuity. Since its inception in the 1930s, public housing has evolved dramatically, but still provides critical housing to low-income families, seniors, and individuals with disabilities nationwide. Children and elderly individuals comprise the majority of public housing residents—34% of public housing units house families with children and 37% of public housing units have an individual over the age of 62 as the head of household. Most residents of public housing spend 30% of their income on rent, except when residents opt to pay a flat rent or a PHA charges a minimum rent. This structure has long been successful in making housing available to families that otherwise may not be able to afford a home. According to 2023 HUD Picture of Subsidized Housing (POSH) data, 1,604,633 individuals live in public housing. Only 4% of public housing households rely on welfare—like Temporary Assistance for Needy Families (TANF), General Assistance, or Public Assistance—as a major source of income. The average household income reported by public housing residents is \$18,284.

The Section 8 or Housing Choice Voucher (HCV) program—one of the Section 8 programs—is another rental assistance program managed primarily by PHAs. The Section 8 program is a prime example of how, in addition to administering public housing, PHAs are also at the forefront of managing public-private partnerships. The program allows PHAs to directly distribute subsidies to private landlords in the private housing market. The HCV program provides federal rental assistance to approximately 2.3 million households. According to HUD's POSH data, 77% of the families on the program are very low-income, earning less than 30% of the adjusted median income (AMI) for their locality. The remaining families are generally very low-income, earning less than 50% of AMI. Similar to the Public Housing program, just 4% of HCV households rely on welfare as a major source of income.

PHAs are local governmental entities that represent the communities that they serve. To the extent that the federal government supports local governments and individual communities across America, the federal government should support PHAs. PHAs understand the local needs, concerns, and conditions of their communities and strive to provide safe, secure housing even when facing challenging funding realities. Systemic underinvestment in affordable housing has directly contributed to the nation's growing affordable housing needs. Years of insufficient investments in housing programs across the board have exacerbated the affordable housing crisis by failing to provide adequate options for low- and middle-income families. Although increases to the HUD budget have occurred year-over-year since 2016, these increases have not kept pace with on-

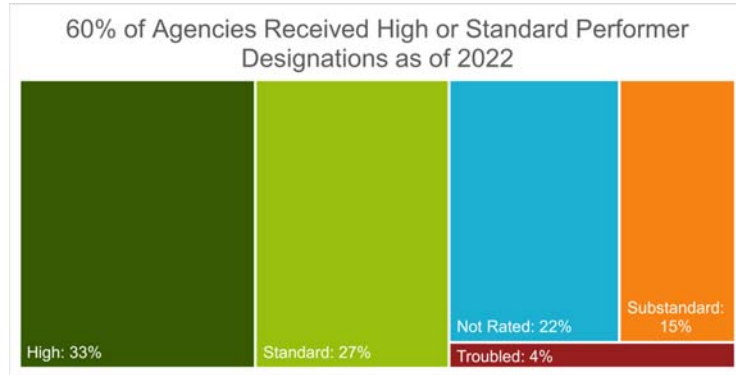
the-ground costs. Lack of housing supply, rising rents, tight rental markets, increased insurance premiums, and federal inflation factors that do not keep pace with rising costs on the ground all contribute to the growing need for additional federal support of rental assistance and community development programs. Underfunding of public housing capital needs has created a considerable backlog that must be addressed to ensure public housing units are preserved for future generations. Yet, based on federal performance metrics, PHAs that manage and maintain public housing operate the program effectively, especially when considering funding trends over the past decade.

PHAs Generally Score Well on HUD Performance Metrics.

According to the most recent data published by the Department of Housing and Urban Development (HUD), PHAs that administer public housing generally perform well and are responsible stewards of federal taxpayer dollars. HUD assesses public housing via the Public Housing Assessment System (PHAS). PHAs are scored along four metrics: the physical state of the project, as previously measured by the Uniform Physical Condition Standards (UPCS) and now the National Standards for the Physical Inspection of Real Estate (NSPIRE), the financial health of the project, management of the project, and compliance with capital fund requirements.

PHAs receive a numerical score from HUD derived from the sum of the four metrics within PHAS, including inspections. Agencies designated as high performers get additional benefits, including being subject to fewer regulations and being assigned preference when applying for certain grants. Those that are substandard receive additional oversight from HUD and must work to improve their scores. Troubled housing agencies are provided 2 years to improve to a passing score.

In 2023, 82% of PHAs received a high or standard performer designation or were not required to be designated, with 33% designated as a high performer and 27% designated as a standard performer. Just 15% of agencies received a substandard designation, meaning that these agencies received a substandard score in one of the four metrics. Agencies with substandard designations submit a corrective action plan and receive monitoring from HUD to increase their scores. Only 4% of PHAs are designated as troubled, the lowest rating. An agency must have major problems in key areas to be considered troubled. The PHAS designation protocol does not apply to agencies that have 249 or fewer units of public housing, Moving to Work (MTW) participants, and Rental Assistance Demonstration (RAD) projects (accounting for 22% of agencies). Agencies with 249 or fewer units of public housing do receive a numerical score for certain PHAS metrics, and the frequency with which they are reassessed is based on that score.



Across all PHAs, only 3% of agencies received substandard inspection scores and 2% received substandard financial scores meaning the vast majority of agencies designated substandard still provide safe, decent units and act as responsible stewards of federal funding.

HUD Regularly Assesses the Quality of Public Housing and HCV Units.

Prior to July 2023, public housing was inspected using the Uniform Physical Condition Standards (UPCS). In 2023, HUD transitioned to a new inspection protocol, the National Standards for the Physical Inspection of Real Estate (NSPIRE). Although HUD is now using this new inspection protocol, many properties have not yet been inspected using NSPIRE and have not yet received NSPIRE scores. Units will receive their first NSPIRE scores at some point between 2023 and 2025. As of the publication of this report, no NSPIRE scoring data has been made public. As such, this section will provide an analysis of public UPCS data.

The UPCS model requires contracted inspectors to walk through public housing properties and visually inspect five major areas: the overall housing site, building exteriors, general building systems, building common areas, and residential units. Inspectors are trained to look for specific deficiencies in the units and properties. NSPIRE will reduce the number of inspectable areas from five to three – the unit, inside the building, and outside the building, including the exterior.

Through UPCS, agencies receive a score where points are deducted based on the severity and criticality of the deficiencies in the unit. The maximum score is 100, and scores below 60 are considered failing. 2021 physical inspection score data from HUD shows that 90% of inspections yielded a passing score of 60 or higher on record, with most scores between 83 and 100. According to NAHRO analysis of HUD data, failing scores are typically outliers. NSPIRE will use a weighted defect scoring method based on the location and severity of the deficiency.

For inspections of units with HCV tenants, HUD is transitioning from the Housing Quality Standards (HQS) protocol to a new protocol known as National Standards for the Physical Inspection of Real Estate (NSPIRE) for vouchers. The new NSPIRE for vouchers protocol is intended to be more objective than the HQS protocol leading to more standardized inspections. NSPIRE for vouchers should align HCV unit inspections more closely to how public housing units are inspected via NSPIRE. This increased standardization will mean that inspections by different inspectors at the same unit should result in the same list of deficiencies and same score.

PHAs Provide Critical Housing Assistance and Services to Their Residents.

Recently, new federal programs have been created to help preserve public housing units by utilizing the Section 8 program. Created as a mechanism to address the chronic underfunding of the public housing program, the Rental Assistance Demonstration (RAD) and Section 18 demolition/disposition options have become important tools for housing agencies to modernize and redevelop their public housing units. RAD simplifies the long-term recapitalization of public housing so agencies can make capital improvements to public housing developments. Over 231,681 units of public housing have converted or are planning to convert through RAD. The program has been incredibly helpful for the long-term sustainability of the public housing program for PHAs that can make RAD deals work.

PHAs also manage self-sufficiency programs, including the Family Self-Sufficiency (FSS) and the Resident Opportunity and Self-Sufficiency (ROSS) programs and the Jobs Plus Initiative. PHAs that receive funding for these programs are able to help their residents reach self-sufficiency through a variety of mechanisms including program coordinators, support services, and employment-related services. Over 57,500 households actively participated in the FSS program with 10,000 additional households in initial Moving to Work agencies. Over 4,000 families have completed the program and graduated. Of the participants, 100% of the graduating families did not require temporary cash assistance (i.e., TANF/welfare), and 34% of graduates did not need rental assistance within one year of leaving the FSS program. The FSS program is an important tool PHAs use to help families move towards financial independence.

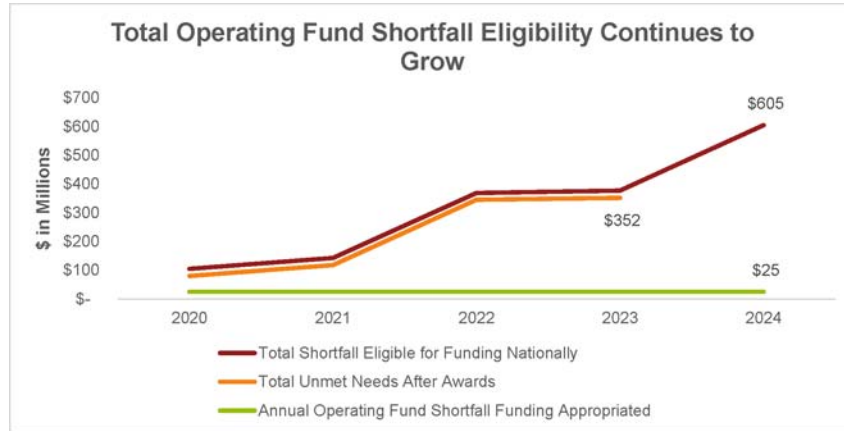
During the recent COVID-19 pandemic, PHAs served as invaluable community hubs to distribute food, health care, and other necessities of daily life to the most vulnerable community residents. During the pandemic, PHAs quickly pivoted to new technologies and modes of operation to ensure that residents were still well served. Many PHAs had to quickly implement new waivers that provided broad flexibilities and create new processes to ensure the health and safety of their residents. For example, during this period, many PHAs did their first remote video inspections, virtual eligibility and annual income reexaminations, and safely monitored unit conditions. When provided the appropriate tools, PHAs can quickly pivot while ensuring their residents are provided critical services when provided the flexibilities to respond to their local community's needs.

Congress Has Consistently Underfunded PHAs and HUD Programs

PHAs effectively provide housing assistance to millions of Americans despite consistent underfunding of HUD programs. A significant amount of public housing was built between the 1950s and 1970s. In 2010, the national Public Housing Capital Needs Assessment determined that the total backlog for public housing capital funding was \$26 billion, and that Congress would need to appropriate \$3.4 billion (in 2010 dollars) per year to meet all public housing capital needs. The report noted that each year the cost of the backlog compounds at a rate of 8.7% due to inflation and the increased cost of addressing deferred maintenance. As a result, even when accounting for other federal capital programs that have helped modernize and improve public housing, such as the Rental Assistance Demonstration, NAHRO's analysis estimates the Capital Fund backlog has grown to over \$90 billion in 2024. This growth is directly tied to insufficient funding over the past decades which leads to increased costs of repairs when PHAs are forced to choose certain capital repairs and defer others due to funding realities.

Although Capital Fund appropriations have increased in recent years with all-time highs in 2022, 2023, and 2024, Congress has not once provided an annual appropriation of \$3.4 billion to the Capital Fund. Addressing the Capital Fund backlog and providing adequate annual appropriations is critical to ensuring that aging public housing units remain decent and safe, leading to the long-term sustainability of the program.

PHAs also receive Operating Fund dollars for daily operating expenses associated with managing public housing properties. Appropriations for the Operating Fund rarely cover the full costs of the Operating Fund formula, which HUD uses to determine annual program costs. Certain recent market changes—including inflation, a pandemic-related lag in rent collection, and skyrocketing insurance premiums—have further impacted public housing operating costs. The most recent PHA-level data shows that average monthly spending rose by 23% for agencies operating the public housing program from 2022 to 2023, while the Operating Fund increased by only 15%. This gap creates an operating fund shortfall. In Fiscal Year 2024, the average shortfall amount was \$199,683 per PHA operating public housing included in the data, totaling \$605 million nationally. Again, this shortfall has a direct connection with federal funding not keeping pace with actual costs.



In recent years, Congress has appropriated \$25 million to help fill the funding gap. Still, nearly 1 in 10 eligible PHAs continue to have significant shortfalls. These shortfalls are linked to challenges seen across all rental markets coming out of the COVID-19 emergency, including, but not limited to, inflation, the impacts of the eviction moratorium, rising insurance premiums, increased costs in maintenance due to supply chain issues, and staffing shortages across all sectors. More support from Congress is needed to help PHAs meet the current financial uncertainty and allow them to operate the public housing program within the realities of a post-pandemic economy while remaining competitive employers for hiring necessary maintenance staff.

Although Congress usually funds the Housing Choice Voucher program at or very close to the amount needed to renew each voucher that was in use in the prior year, Congress has not fully funded the administrative fee account for the Housing Choice Voucher program since 2003. PHAs use administrative fees for a variety of activities, including day-to-day operations like income determinations and reexaminations, unit inspections, disbursing HAP to landlords, policy and operational planning implementation, financial management, record-keeping, reporting, and other overhead activities related to the HCV program. Other administrative activities can include pre-move counseling, helping a family find an appropriate unit, and certain post-lease up activities. One of the administrative fee uses is ensuring that public housing agencies are able to attract and retain qualified staff. Increasing this funding will contribute to necessary human capital investments.

Congress Should Support PHAs and Help Them Serve Their Residents.

NAHRO's PHA members remain focused on advocating for adequate and responsible

funding for housing and redevelopment agencies while remaining realistic as we consider the affordable housing challenges we face. Funding provided by Congress must support holistic approaches to housing and community development to help build and preserve affordable units through streamlined programs that allow for creative, local solutions. Congress should take the following actions to support the success of PHAs:

- **Increase Investments in Affordable Housing Programs:** Insufficient investments in affordable housing exacerbates the affordable housing crisis by failing to provide adequate housing options for low- and middle-income families. Congress should fully fund public housing, Housing Choice Vouchers, Project-Based Rental Assistance contracts, and community development programs to guarantee all families have access to safe and secure housing.
- **Improve Housing Preservation Options:** Ensuring that housing preservation options, such as the Rental Assistance Demonstration (RAD) program, accurately reflect on-the-ground rental prices is essential. HUD's Operating Cost Adjustment Factor (OCAF) methodology requires revision to better align with current market conditions. Congress and HUD must continue maximizing existing housing preservation efforts and increase housing inventory by creating new repositioning options and making them voluntarily available to all housing agencies. Mixed-finance development along with Section 30, the Capital Fund Financing Program, and the Operating Fund Financing can also work as tools in a toolbox that can help preserve public housing.
- **Streamline Federal Regulations:** Simplifying cumbersome federal regulations and requirements will enable housing agencies to operate more efficiently and cost-effectively, allowing them to better address the unique needs of their communities. Although some programmatic guiderails are necessary to ensure statutory compliance, current regulations are overly cumbersome, confusing, and often overreaching. PHAs should be able to focus more on their programs and less on unnecessary and redundant paperwork.
- **Demonstrate Congressional Support for Local Flexibility:** Congress must ensure that housing agencies have the necessary flexibilities to meet local needs effectively, acknowledging the importance of local expertise and community engagement in the affordable housing sector. HUD regulations must also reflect this need and not further complicate an already complex regulatory environment.

NAHRO stands ready to partner with Congress in supporting PHAs to serve as stewards of public housing and other critical housing assistance programs that provide shelter for the most vulnerable in our communities.

Chairman DAVIDSON. Thank you, Mr. Banna. Before we proceed to questions, I now recognize the ranking member, Ms. Waters, for 1 minute for an opening statement.

STATEMENT OF HON. MAXINE WATERS, RANKING MEMBER OF THE FINANCIAL SERVICES COMMITTEE, A U.S. REPRESENTATIVE FROM CALIFORNIA

Ms. WATERS. Thank you very much, Mr. Chairman. I am pleased that we are having this hearing today. I am one who has worked very hard to do everything that we can to improve public housing. As a matter of fact, I have legislation that first showed up in Build Back Better, and I have the Crisis Response Act that would provide \$65 billion to address the backlog of public housing repairs that threaten residents' lives.

We know that when poor people are piled on top of each other with not the proper resources and the deterioration that has taken place, there are going to be problems. If you would contact me, I will work with your representative to see what we can do about following up on the concerns, but I do not want to demonize all public housing. As you have said, I guess the larger percentage of them are operating successfully. It is only about 5 percent that we have these problems with. We should work on correcting them but not on demonizing them. I will yield back the balance of my time.

Chairman DAVIDSON. I thank the ranking member. I also ask unanimously consent to read into the record a statement from Representative Van Drew from New Jersey.

Without objection, "The Atlantic City Housing Authority has failed the people of Atlantic City. The Authority has squandered millions of taxpayers dollars through illicit no-bid contracts that failed to deliver any results. Mr. Doherty's testimony is a damning indictment of the illegal practices that left our most vulnerable residents in cold, infested, and moldy apartments. We must ensure that this never happens again. I concur with Mr. Doherty's recommendations for greater oversight and accountability, and that HUD assume control of ACHA. I thank the House Financial Services Committee for working with me to set up today's hearing and shine a light on this appalling crisis."

[The information referred to can be found in appendix.]

Chairman DAVIDSON. We will now turn to member questions, so I now recognize myself for questioning.

First of all, I would like to thank again Mr. Slover and Mr. Doherty for coming before us today. It takes a lot of courage to face down, essentially, a system or a machine of local government and public housing agencies to get your stories told. We are interested in hearing from both of you in your own words exactly what happened and why, and, frankly, thanks for having the moral courage to risk your livelihoods to do the right thing.

Mr. Doherty, when you first became aware of the mismanagement problems in the Atlantic City Public Housing Authority, what actions did the local governments take to address the problem and what was the result?

Mr. DOHERTY. When I first became aware of it was really within the first couple of weeks of being there. I simply asked for a list of vendors, and there was no list. I was met one morning by two

detectives from New Jersey State Police who asked how vendors were being selected. I said I had no idea, I just got there, but when I contacted the chair of the Board and let her know that there were two detectives from the State police, which is quite alarming when you show up to work, her and the treasurer, Geoffrey Dorsey, called me back, and Mr. Dorsey informed me that I do not talk to the police. That is when I knew that the Authority was heading in the wrong direction, telling—

Chairman DAVIDSON. When did things get bad enough that HUD became involved?

Mr. BANNA. HUD became involved when I started sending them purchase orders. I sent them one purchase order that had no contract, was never bid, for \$200,000 that had no scope of work, and it was not done during any emergency period. I sent it to them, and it literally went into a black hole. I followed up and they said we would be asking for additional information, and nothing ever came of it.

Chairman DAVIDSON. Do you think they would have even done that if you had not pressed the matter?

Mr. DOHERTY. No.

Chairman DAVIDSON. That is disappointing. Mr. Slover, as you were pointing out that the D.C. Public Housing Authority gets a passing grade and higher praise than that by HUD, it sort of reminds me of a school system where everyone gets an A or you can pass people on to the next grade because they are proficient in math or reading, and then when they graduate, they cannot read or do math. I think that is the concern with a lot of D.C. public housing authorities. I sent a letter in December to HUD Secretary Fudge on what I called the "unacceptable and inhumane conditions of the D.C. Public Housing Authority." Public housing authorities do have this obligation under law to provide "decent, safe, and sanitary housing," so it is not debatable. Why do you think public housing authorities and HUD are not upholding the law?

Mr. SLOVER. That is a great question. It is hard to understand what the answer to that could be because we basically have 6,000-plus public housing units left in the District of Columbia. I think everybody wants to talk about how housing authorities are underfunded. I think that is the continued sort of comment—"underfunded, underfunded, underfunded." My point is when you are wasting millions and millions and millions of dollars, as an example, the capital budget for D.C. Housing Authority is \$32 million. The amount of money that makes it to capital projects was \$2 million in 1 year because all the money gets scraped away. It gets used for pet projects, for the police force, for other things, and so it is gross mismanagement and failure to understand what the mission of the Agency is and being dragged by local jurisdictions who want a different outcome. They are not so interested in zero to 30 percent of area mean income. They are interested in supporting their own housing desires, but they do not have the resources to do it. So they use the local agency to do it, and what does not get served is the clients and residents of public housing. They become a secondary thought.

Chairman DAVIDSON. Yes. Thank you, and I think the number of unused, unoccupied units here in DC really sounds the alarm. I

think the other thing we did not mention is the voucher system because the public housing system was not working as well, so we have areas that have used some of these very effectively, and even that system has failed. I just cannot stop thinking about 70 current former employees of NYCHA, single largest public housing authority in the Nation, arrested in a massive Federal sting operation. Charges involve more than \$2 million in bribes taken over 10 years, nearly one-third of NYCHA's developments. The New York Times called it "the largest number of Federal bribery charges the Department of Justice (DOJ) has ever handled in a single day." These arrests follow the conviction of 12 vendors who pled guilty in 2021 to paying bribes to NYCHA employees.

If you look at the reporting on this; we need to give far more attention to it. I look forward to the future testimony of our inspectors general, and I now yield 5 minutes to the ranking member from Missouri, Mr. Cleaver, for 5 minutes.

Mr. CLEAVER. I want to make sure that I am clear in the ambiguity in what I say. If somebody is stealing money, they ought to go to jail. I do not care if it is public housing or public bathrooms, they go to jail. I am always, and I said to myself this morning in the shower I was not going to take anything on a personal level because I lived in public housing, and then I ran a public housing at least for 2 months before it went into receivership. I know how it runs and I know how it operates, and I do not think anybody that I know is going to say, "Well, let us keep the corruption going in public housing." Nobody is going to say that but let me also be clear. Funding does matter, and for us to suggest that funding does not matter, it just does not compute because if housing is collapsing in and there are problems in public housing that cannot be fixed otherwise, those problems do exist.

I mean, I do not think anybody living in public housing got equipment when they started knocking down walls and tearing up furnaces. Those things get old and they have to be replaced, and they often are not replaced because there is not enough money. I am not telling you what I heard. I am not telling what I read in a sociology book. I am telling you what I have seen and experienced. I lived in 405, Unit B, for 7 years, and the people who lived there wanted to live under the best circumstances they could because that is what we want to do in our country. Right now, Mr. Banna, what tools do we have in HUD that you are aware to deal with these issues?

Mr. BANNA. Thank you for the question, Ranking Member. There are mechanisms in place for oversight of housing authorities. There is the Public Housing Assessment System, which does evaluate housing authorities at various levels and provides a score. It does not look at the condition of the properties. It looks at their financial condition, their management condition, and their capital fund conditions. Those mechanisms are in place, and agencies receive scores on, generally, an annual basis, and based on those scores, continued and additional oversight, if necessary, is provided by HUD. There are mechanisms in place that currently do provide that oversight from the HUD level to the local housing authority.

Mr. CLEAVER. Mr. Doherty, so I am assuming that the problems you noticed or that there were in your community with public hous-

ing, once it was brought to the attention of officials, that the proper law enforcement agencies were brought in and that any other problems existing in public housing in terms of how people lived, that was also addressed.

Mr. DOHERTY. Thank you for the question. Law enforcement was brought in, but what unfortunately happened is while law enforcement is actively seeking evidence to prosecute, at the same time, people are suffering. If HUD Office of Inspector General (OIG) could communicate with HUD and say, look, we have an active investigation and we think this is going somewhere, that should trigger something in HUD to say, all right, let us take a look at this authority and take it over so that people no longer have to suffer through terrible living conditions.

I will give you one example. Last year, because the procurement process was so terrible, there was no extermination for roaches and mice for about 7 weeks during the summer. Now, if you have lived in public housing and you do not exterminate for that long, particularly in the summer months, you know that you are going to get a terrible infestation. There were people living in those conditions, young families, seniors, children living in deplorable conditions because the procurement was so inadequate and was done improperly. Again, law enforcement is involved, and they should be involved, but I think it is time that HUD takes it over and improves the conditions of the—

Mr. CLEAVER. With what money?

Mr. DOHERTY. Pardon me?

Mr. CLEAVER. You said it would be time for HUD to take it over. With what money?

Mr. DOHERTY. I would say HUD should take over the governance of the Board—

Mr. CLEAVER. I know. Okay. With what money?

Mr. DOHERTY. Sir, the Board is—

Mr. CLEAVER. I appointed a board. I know how it is. I want to know what money is going to be used to make the improvements necessary.

Mr. DOHERTY. I do not have an answer to that question, sir.

Mr. CLEAVER. Thank you, Mr. Chairman.

Chairman DAVIDSON. The gentleman from Wisconsin, Mr. Fitzgerald, is now recognized for 5 minutes.

Mr. FITZGERALD. Thank you, Chair. I want to talk about the city of Milwaukee. HUD reports in December 2022 and April 2023 showed the Housing Authority of the city of Milwaukee was at risk for fraud and abuse and allegedly mismanaged millions of dollars. In May 2023—that may be some of the dollars we were just talking about—HUD deemed some of the Housing Authority's programs, including the Section 8 Program, "troubled." In recent years, residents have come forward and expressed complaints about bedbugs, rat infestations, apartment break-ins, and mold. For its financial conditions, the Housing Authority scored zero of 25 points. The physical conditions of its properties, too, received a poor grade, scoring just 26 of 40 points.

HUD recently ordered the Housing Authority to hire an outside agency, the Department of Neighborhood Services, to run inspections of the Housing Authority's more than 4,000 units. HUD also

ordered the Housing Authority to bring in an outside vendor to help the Section 8 office go through every single participant in the Housing Choice Voucher Program and make corrections if needed. While leaving the Housing Authority as the administrator, which is key in this discussion, I think, after that, Department of Neighborhood Services (DNS) had the ability to fine and hold the Housing Authority of the city of Milwaukee accountable.

Mr. SLOVER, Mr. Doherty, you have both mentioned so far today kind of a need for more direct accountability to HUD. Let me ask you first, Mr. Slover, is this a situation where HUD should have stepped into the Milwaukee situation sooner, and is this typically what you see in other larger metropolitan areas?

Mr. SLOVER. No, absolutely, HUD needs a quicker trigger. They wait way, way, way too long, and by the time they get there, the damage is so bad that it is really hard to unwind, and then they do not even do it then.

Mr. FITZGERALD. Very good. Mr. Doherty, would conditions that I just described in Milwaukee be more likely to be improved if the Authority or its vendor were held accountable directly to HUD?

Mr. DOHERTY. No. If there were more accountability and more enforcement, I think you would see improved living conditions for the residents in public housing.

Mr. FITZGERALD. Then, the question to both of you, how can Congress, how can those of us sitting in this room right now kind of refocus the accountability of public housing agencies to HUD for greater accountability for tracking and the reporting and the achieving results because what I think many Members of Congress find frustrating is this problem is so massive across the country right now. It is hard to figure out what can we do to specifically target something.

Mr. SLOVER. I will take a shot at that. There are 3,000 public housing agencies in the country. Again, it is the largest real estate operating business in the country. The largest private landlord is you. You are right there, but you do not run it that way. You run it as if you are sending money and do not really care what happens. I do not want to say "care," but there is no demand for a return on the investment. There are plenty of models out there. There are franchise models, there are business models, there are many models of accountability. When someone checks into the Days Inn in Austin, Texas, they know how much that room rate was, and they know what their profit was. The technology exists.

This government and this Agency, HUD, does not want to know that level of information because then we have to really start—Accountability is a really difficult thing, and it is going to be a very difficult road, but we have to start because the results are just ineffective. Again, it is not a money problem. It is an execution problem. There is a saying out there, 20 percent idea, 80 percent execution. We do not have any execution capacity within this vast enterprise.

Mr. FITZGERALD. Very good. Mr. Doherty, do you have a comment on that front?

Mr. DOHERTY. I think Bill handled that really well, so I do not want to answer.

Mr. FITZGERALD. Very good. Thank you. I yield back.

Chairman DAVIDSON. I thank the gentleman. The chair now recognizes the ranking member from California, Ms. Waters, for 5 minutes.

Ms. WATERS. Thank you very much. I would like to direct this question to Mr. Doherty. You were the mayor. Did you have an appointment to the Board when you were mayor?

Mr. DOHERTY. Yes, ma'am.

Ms. WATERS. How many appointments did you have?

Mr. DOHERTY. Just to be clear, I was mayor of my town in Belmar, but I served as the executive director for the Atlantic City Housing Authority. When I was mayor in Belmar, I had one appointment to the Board.

Ms. WATERS. You had how many appointments?

Mr. DOHERTY. One appointment as the mayor.

Ms. WATERS. One appointment, and so who selects the head of the Housing Authority? What is your understanding of how one gets to be the director, the head of a housing authority?

Mr. DOHERTY. Yes, ma'am. In New Jersey, under State statute, every housing authority has 7 members. Five are chosen from the Council, one from the mayor, and one from the Department of Community Affairs, which, ultimately, is the Governor. Those—

Ms. WATERS. How is the executive director?

Mr. DOHERTY [continuing]. Those 7 do a search for an executive director, and the Board appoints an executive director by resolution.

Ms. WATERS. Does the mayor have any responsibility in that appointment at all? Is the City Council involved with that appointment, or is it simply done by the Board of the Housing Authority?

Mr. DOHERTY. By the Board of the Housing Authority.

Ms. WATERS. So, knowing what you know, would you propose to change the way the makeup of the Board takes place and involves the City Council and the mayors more?

Mr. DOHERTY. No. The mayor and council only appoint the Board, and they have oversight over the Board as well.

Ms. WATERS. I beg your pardon?

Mr. DOHERTY. The Council appoints 5 members of the Board, and they have oversight for the Board, so it is a whole—

Ms. WATERS. Okay; so, that is the City Council?

Mr. DOHERTY. Yes ma'am.

Ms. WATERS. Okay, tell me, when you were mayor, what you did working with the City Council to deal with the issues that you are bringing here today.

Mr. DOHERTY. Again, ma'am, when I was mayor in Belmar, we had a very small housing authority, only 46 units, all seniors. I was the executive director at the Atlantic City Housing Authority, two completely different towns.

Ms. WATERS. Okay. That is different, but even when you were mayor, what did you do in this small town working with the City Council and the mayor about the oversight of public housing?

Mr. DOHERTY. Fortunately, in Belmar, we had a very well-run, public housing authority. There was minimal oversight. We worked together. They were not in a troubled status. They performed well.

Ms. WATERS. So, because that was well run and having been the executive director of another, you saw the difference?

Mr. DOHERTY. Yes, ma'am.

Ms. WATERS. The difference that you saw has been discussed with, worked with the mayor and the City Council?

Mr. DOHERTY. Everything has been brought up to the mayor and City Council, yes, ma'am.

Ms. WATERS. Not just brought up, but the City Council as a vote, and they have some authority, and they have some responsibility. What did you do, working with the City Council, the elected officials, about the problems of the housing authority that you were executive director of?

Mr. DOHERTY. I both spoke privately and publicly at an Atlantic City Council meeting and asked them to hold hearings, and they had refused.

Ms. WATERS. Did they hold the hearings?

Mr. DOHERTY. No, ma'am.

Ms. WATERS. When they did not hold the hearings, what did you do?

Mr. DOHERTY. I kept pushing as much as I could. I talked with the Congressman who represents Atlantic City, Jeff Van Drew. I reached out to our United States senators, including Bob Menendez, who himself has also called for HUD to take over the Atlantic City Housing Authority, and now I am here in front of you today, ma'am.

Ms. WATERS. Given the knowledge, both from a mayor's standpoint and from executive director's standpoint, what do you advocate in terms of helping to get better oversight and supervision? What is your advice?

Mr. DOHERTY. On a micro scale, when it comes to the Atlantic City Housing Authority, I advocate for HUD to take over the Board and management of the Authority immediately, and on a grander scale, for HUD to have more oversight and also to have more authority into housing authorities. One of the things I have learned through this process, which was quite eye opening and makes no sense to me, is that HUD, including HUD Office of Inspector General, have no authority to look at emails on housing authority servers. These housing authority servers are paid for by HUD with Federal dollars, and they are not granted access to those email servers.

Ms. WATERS. Thank you. I yield back.

Chairman DAVIDSON. I thank the gentlewoman. The gentleman from New York, Mr. Lawler, is now recognized for 5 minutes.

Mr. LAWLER. Thank you, Mr. Chairman. Housing affordability is a serious crisis in our Nation right now. We are well over 6.5 million units underbuilt at the moment with mortgage rates at multi-decade highs, limited supply, and continued supply chain and construction issues. For many, it is the most difficult time to purchase a home in a generation. These, among other factors, have forced many potential home buyers into the rental market, driving up rental demand and prices with it. This topic is critical, which is why we need to be working together as elected officials, government agencies, nonprofit organizations, local stakeholders, and key figures from industries like real estate development and construction and insurance. At such a crucial time with so many families struggling to get by, so many vulnerable and low-income Americans

are relying on access to decent, safe, and sanitary housing from public housing authorities.

The New York City Housing Authority, NYCHA, is by far the largest public housing authority in the Nation, consisting of almost 180,000 apartments. As such, it received over \$2.8 billion of Federal funding in 2023 through a range of different Federal programs. Yet despite the funding and all the money poured in from the State and local sources, NYCHA has exhibited a complete and total failure to adequately house New Yorkers. Go to many of these locations or read the reports from advocates about the horrific conditions of many of the Authority's units: reports about mold, apartments freezing cold during winter and scorching hot during summer, infestations of pests and rodents, and a host of life-threatening safety violations. Meanwhile, as the chairman alluded to, NYCHA just saw the largest number of Federal bribery charges the DOJ had ever handed out in a single day resulting from millions in bribes. This is from a Housing Authority that already has a Federal monitor resulting from their failure to adequately do their job, and while NYCHA may be arguably the biggest and baddest offender, these issues are reflected nationally in public housing authorities.

Mr. Slover, HUD is the Federal Agency tasked by statute with funding and overseeing public housing agencies and has many tools to conduct supervisory and enforcement actions. Do you believe HUD was properly overseeing DCHA or responsive to issues that have been known and reported on for many years or even prior to the audit report?

Mr. SLOVER. Actually, I am the one who had to call HUD because I spent over 3 or 4 years elevating issues, getting the Board to discuss them, getting articles written in the Washington Post and every other newspaper in the city. I finally reached out to HUD and basically begged them to come in. They came in 9 months to issue their report, and, again, a year and a half later, there is no meaningful reform at the Agency, and again, it is still considered a high-performing agency. Absolutely, funding it makes zero sense that an agency that has a 25 percent vacancy rate, 25 percent collection rate, they have a vacancy of 25 percent.

Mr. LAWLER. In your opinion, are there additional authorities or tools that Congress should consider in order to compel HUD to act sooner and more effectively with respect to troubled PHAs?

Mr. SLOVER. I think the problem is, as I articulated in my testimony, that HUD does not consider themselves a fiduciary. We keep talking about oversight, oversight. This is not an oversight matter. This is management. Oversight would lead you to believe that they are just there to make sure everything is okay. This is an operating business. I do not think the government runs any other operating businesses. Maybe the U.S. Mint. They make money. They sell it, right? This is an operating business. That is the thing that I do not think is resonating here.

It is almost like you have to, I hate to use the word "authority," to manage an authority problem, but it is almost like you have to take these public housing agencies out of HUD, spin them out into something that has accountability. It is its own Profit and Loss

(P&L). If I am going to give you X billion dollars, I want to see what the result is.

We do not have that today. We have the technology, we have the ability, but there is nobody who wants that information apparently. Everybody wants to talk about housing affordability. We are not even talking about affordable housing here. We are talking about subsidized housing. They are very different things. We cannot even get our subsidized housing correct. Imagine what affordable housing problems we have and do subsidize.

Mr. LAWLER. To that end, can you just briefly in the time I have left share some examples of how families living and housing provided by DCHA have been impacted from a health and safety perspective?

Mr. SLOVER. I am currently a receiver for the D.C. Superior Court. I have a thousand units in Washington D.C. I run through receivership. The D.C. Housing Authority properties are all, without question, in worse condition. The business is not run well. The capital budgets are not spent well. We overspend on the Voucher Program. We do everything possible to——

Chairman DAVIDSON. The time of the gentleman has expired.

Mr. SLOVER [continuing]. and not manage this process.

Chairman DAVIDSON. The gentleman's time has expired. The gentleman from Nevada, Mr. Horsford, is now recognized for 5 minutes.

Mr. HORSFORD. Thank you, Chairman and Ranking Member. As a country, the National Multifamily Housing Council estimates that we need to build an astounding 4.3 million new apartment units in the next 10 years to keep up with demand. That is only to keep up. Even at that pace, we would not even begin to deal with the shortfall that renters face today. Yet in the face of this daunting challenge, our public housing authorities remain dedicated to expanding affordable housing resources to all who need it. Now, I understand that the other side might want to focus on what does not work, but I would like to focus on what does and use it as a model for replication.

The Nevada Rural Housing Authority has been using unique public-private partnerships to bring safe, clean, and affordable apartments to portions of the State in rural Nevada that have faced decades of neglect.

I ask unanimous consent to enter into the record of MOAPA Valley Progress article from April 30 titled, "Grand Opening of Hafen Village."

Chairman DAVIDSON. Without objection.

[The information referred to can be found in the appendix.]

Mr. HORSFORD. Also, I would like to share one of the resident's experience, June Jones, who moved into a 1-bedroom apartment at Hafen Village. She said, "It is so peaceful here and quiet. I do not have to worry about traffic or crime or overcrowding. I am just so glad to be here." This is part of a 96-unit project, the largest to date to be built by the Nevada Rural Housing Authority. It offers 1-, 2-, and 3-bedroom units ranging from 680 square feet to over 1,100 square feet. The units feature patios and balconies, attractive kitchens and baths, beautiful flooring, extra storage space, and air conditioning. The common spaces offer picnic areas, a dog park, a

community garden, children's playground, computer lab, library, laundry room, fitness facility, and an entertainment space with kitchen.

It is not just an apartment, it is a home. It is a home with dignity, and they have done it the right way. It was only made possible, though, through years of work by our State's housing authority, community banks, developers, various nonprofits, and essential funding from the Federal Home Loan Bank of San Francisco. It was their shared commitment to providing rural Nevadans an affordable and safe place to call home that made this partnership work. This is who we should have testifying today.

Mr. Banna, as we have had consistently and adequate funding at the Federal level to increase the construction of affordable housing, we have seen an increase in PHAs that are turning to innovative and new partnerships to serve their residents. In your experience, how can effective partnerships, both with private developers and local municipalities, maximize a public housing authority's ability to deliver new, affordable units in the face of continued funding cuts?

Mr. BANNA. Thank you, Representative Horsford. Excellent question. I think housing authorities, these are a key partner in many housing developments to again, tackle that lack of housing supply that we have now. We need all hands on deck, more partners, more cooperation. Also, by housing authorities being part of that partnership and local communities, private industry, additional resources do come to the table through those partnerships and then working with the public side of the partnership as well. There are other advantages at the local level as well.

Mr. HORSFORD. Thank you.

Mr. BANNA. This is a time for all to be at the table so that we can tackle the lack of housing supply—

Mr. HORSFORD. Thank you very much. It is great to know that our public housing authorities are able to do what is necessary to carry out their vital mission. However, public-private partnerships do come with their own challenges, namely an inherent lack of transparency and accessibility surrounding data collection. Tenants searching for affordability periods of specific buildings within the Low-Income Housing Tax Credit Program have nowhere to look as no centralized public database exists presently. This means that tenants could be unaware of impending rent increases until they are notified by their management. That is why today, I am introducing along with the ranking member, Mr. Cleaver, the Housing Market Transparency Act to allow the collection and consolidation of critical data, such as habitability standards, recent inspection information, ownership status, development costs, and more.

We all know we have an affordability housing crisis in this country, but the only way to understand the magnitude of the crisis is to get a holistic view of our current affordable housing stock. By centralizing this information at HUD, researchers, regulators, advocates, and administrators will be able to make affordable housing development programs more efficient and keep tenants well-informed. That should be at the center of our housing policy. I yield back.

Chairman DAVIDSON. I thank the gentlemen. The gentleman from New York, Mr. Garbarino, is now recognized for 5 minutes.

Mr. GARBARINO. Thank you, Chairman, thanks to the ranking member for having this hearing, and thank you to all the witnesses for being here. I will say, housing authorities, some of them are very, very well run. We have a couple on Long Island where I am from, a couple in my district that have done a great job, but we also have some that have issues.

Specifically, I want to talk about the latest scandal that hit New York City's Housing Authority, NYCHA, which led to 70 current and former NYCHA superintendents and staff being arrested for allegedly pocketing bribes in exchange for granting no-bid or micro-contract repair work. This 10-year, \$2 million classic pay-for-play corruption scheme was the largest number of Federal bribery arrests brought in a single day in DOJ history and included public housing employees at developments in every borough. Unfortunately, we have seen consistent examples of waste, fraud, and abuse at many other housing authorities across the country, ranging from multiple NYCHA examples to the FBI's years-long investigation of missing and unallocated funds of the Little Rock Public Housing Authority.

Mr. Doherty, to speak more generally, why do these types of problems appear to be so widespread and persistent for so long?

Mr. DOHERTY. Thank you for the question. I could tell you that well-run housing authorities far outnumber poorly run housing authorities, but housing authorities should be well run. It is serving the most vulnerable population in this country, and it is such a basic need to have decent, clean, healthy housing. What I am really here to highlight is the Atlantic City Housing Authority. Next door to us is the Pleasantville Housing Authority. It runs great. There is no reason why a housing authority should not run well, no matter what the scale, whether it is the smallest one or the largest one. They all should be running well, and if they are not, that is when HUD should either exercise its ability to take it over while law enforcement is researching and prosecuting corrupt practices, but the focus really needs to stay on the residents that are supposed to be served by the housing authorities.

Again, I would just reiterate, housing authorities should be running well. Most of them are. The real focus needs to be on the ones that are not because it is residents that are suffering because of it.

Mr. GARBARINO. Yes, and I agree with you. A lot of them do run well. In my previous life as an attorney, my firm represented a housing authority, and the smaller ones seem to run great, but we have had the New York City Housing Authority with thousands and thousands and thousands of people. Unfortunately, it is usually the residents that are being hurt by all the corruption that happens there.

Following the NYCHA incident, Department investigations released more than a dozen recommendations for the Housing Authority to implement. Of those recommendations, three were repeat recommendations from a 2021 incident, in which 9 contractors were charged with bribery, following another scheme that took advantage of the micro-contract process. The recommendations include

shifting responsibility for approving micro-contracts to NYCHA centralized staff instead of building superintendents, as well as identifying cost estimates for common, repeat no-bid repair jobs, making it easier to spot pricing anomalies. However, NYCHA ultimately rejected these recommendations and appeared to continue with its ways.

Mr. Slover and Doherty, in your opinion, what can be done, and you touched a little bit, Mr. Doherty, in your last comments, what can be done to hold public housing authorities, especially repeat offenders, more accountable for failures to make meaningful reforms? I know, Mr. Doherty, you just said HUD could take over for a little bit, but what other ideas are there?

Mr. DOHERTY. I just think it is a repeat theme, which is there has to be some sort of expectation and accountability to the money from the beginning. In other words, HUD should not be coming in and going, oh my god, something happened here. They should know on a day-to-day basis what their money is being used for and whether that is being successful so you can course correct mid-stream versus 2 or 3 years after the fact. If HUD is still making recommendations to NYCHA, after all we have read about NYCHA for the last 3 years, do you not think that is a little bit odd? They should not be making recommendations anymore because, clearly, they are not listening and, so—

Mr. GARBARINO. Here is the question. I mean, the governance structure, how do we change it? How do you change the governance structure?

Mr. DOHERTY. You change the governance structure by saying you do not report to the mayor, to the Council, to whomever. It is not their money. It is HUD's money. HUD is doing zero to 30 percent of area mean income. Local jurisdictions typically do not do that work. That zero to 30 percent is what the Federal dollars are for, so they should be focusing 100 percent of their attention on that, and so, again, it needs to be an operating business that reports to HUD, not to a local board.

Mr. GARBARINO. I yield back. Thank you.

Chairman DAVIDSON. I thank the gentlemen. The gentlewoman from Massachusetts, Ms. Pressley, is now recognized for 5 minutes.

Ms. PRESSLEY. Thank you to our witnesses for joining us today. I want the record to reflect that under this Republican majority in the 118th Congress, colleagues across the aisle have been trying to defund climate investments, diversity, equity, and inclusion initiatives, the Consumer Financial Protection Bureau, and now public housing. I am not sure what they actually want to fund.

Public housing is a lifeline for millions of families, especially our elders, people with living with disabilities, working families with children, and in many communities, there is no other source of housing more affordable or readily available to low-income households than public housing, and that is important to recognize. Being low income, being poor is certainly not a character flaw. Being poor is the hardest job you will ever have. It has nothing to do with work ethic or character. It is usually because of broken systems and shortsighted or failed policies. Everyone is deserving of more than just shelter or housing. They are deserving of a home,

a place where when you open the door, you feel a sense of belonging and refuge and safety away from the pressures of the world.

The chronic underfunding of public housing is a disgrace to our values, and it has real consequences. I have constituents in my district, the Massachusetts 7th, living in households with backed-up raw sewage, rat infestations, dark hallways with broken lights. A father recently explained to me how black mold in his apartment endangered and actually resulted in his child having severe asthma, so much so that they would rather sleep in their car instead of in their apartment. This is shameful, and it is preventable. This committee can and should and must take decisive action on improving the quantity and quality of public housing.

Mr. Banna, from your perspective, why have we not seen the investments that we need to address the housing crisis?

Mr. BANNA. Investment is needed. It is critical for both the preservation and for the development of new units. I think a choice has been made and decisions made to, again, with limited resources fund where those funds will go. I think the housing crisis that we have, the lack of affordable units that are currently in the system, there is a need to focus on affordable housing and reinvest into affordable housing; so again, that all Americans may have that home that you mentioned.

I think it is critical that we focus and, one, to preserve the hard units, the locally owned units—

Ms. PRESSLEY. Thank you.

Mr. BANNA [continuing]. and to develop new units.

Ms. PRESSLEY. Thank you. Massachusetts, the third most expensive State to live in across the United States, we have over 180,000 people on a wait list for subsidized apartments, and yet thousands of units remain empty. The primary reason for this is chronic underfunding, which has delayed repair, renovation, and the hiring of necessary staff. Mr. Banna, given the many problems with public housing and the thousands-long wait list, can you outline how families are impacted when both HUD and public housing authorities are chronically underfunded?

Mr. BANNA. An example in the Housing Choice Voucher Program, approximately only 1 in 4 eligible families receive a housing voucher to be used in the private market. The limited resources lead to longer waiting lists both in the public housing and the Housing Choice Voucher Program, and, again, without the resources to provide and develop new units, the waiting lists only grow longer that directly affects our residents and families.

Ms. PRESSLEY. I want to just also say since housing is not only about health outcomes and economic and social mobility, but it is also about dignity. When you walk into a space that is eroding in real time around you, it takes a toll on your psychological well-being. You feel invisible and that your government does not think you are worth investing in, so this is also about dignity. Many public housing authorities have turned to the Rental Assistance Demonstration Program in the face of congressional inaction. This program converts public housing units into privately managed Section 8 housing. Roughly 10 percent of our public housing stock nationwide has been converted through Rental Assistance Demonstration (RAD), often taking place with little government oversight. Instead

of compromise programs like RAD, we have to ensure that HUD and public housing authorities have the funding and the staffing they need to repair and renovate public housing while ensuring the health and safety of public housing residents. Thank you, and I yield.

Chairman DAVIDSON. I thank the gentlewoman. The gentleman from Nebraska, Mr. Flood, is now recognized for 5 minutes.

Mr. FLOOD. Thank you, Mr. Chairman. I would like to start by thanking our witnesses for your testimony today. The cases of the D.C. and the Atlantic City Housing Authorities are deeply disturbing, and I have a number of questions on how Congress can best prevent cases like this from happening again. Mr. Slover and Mr. Doherty, please help me clarify what authority does HUD has to intervene and address malpractice and fraud at public housing authorities, and, specifically, what tools do they have at their disposal to make changes at individual PHAs?

Mr. DOHERTY. HUD does have the ability to take over a housing authority. It did it recently in Irvington, New Jersey where they disbanded the Board, took over complete management, terminated the executive director, and put it into receivership to turn that Housing Authority around; so, it does have the ability to do it. It just seems as though the process to get there seems longer than it should be, and until they get to that point of taking over and putting in receivership, the residents continue to suffer on a regular basis. There is a mechanism there. It is, as Bill mentioned before, pulling the trigger sooner to take over the housing authority.

Mr. FLOOD. Mr. Slover?

Mr. SLOVER. Yes, I would agree with that. The D.C. Housing Authority was taken into receivership about 20, 25 years ago through D.C. Superior Court. It came out of receivership and was basically put back on the same trajectory. It began because the Board that is now running the agency is majority controlled by the mayor. Again, I keep elevating it back to the same place, which is that without lines of accountability, without an understanding that PHAs are a subsidiary of HUD, not an adjunct development company for a city. In other words, the cities who take advantage of it use it for their disposal versus what HUD's mandate is. They are getting away from the zero to 30 percent of area mean income.

HUD needs to run PHAs as if they are the owner and operator of those businesses. That is not what they do today, and the results are what you get. That is why I am talking about, funding, we do not know if funding is the problem because just at the D.C. Housing Authority, I watched millions and millions and millions of dollars wasted on contracts, consulting fees, this, that, and the other thing. We have no idea what it costs to run that business.

Mr. FLOOD. If you could go back and waive a wand at the D.C. Housing Authority, what should have HUD done, when and how and how fast and how extreme?

Mr. SLOVER. There are basic metrics, basic metrics of occupancy and rent collection. Those are the two easiest things to monitor. As soon as they went below 90 percent, they should have come in. We went down to 70 percent, and they still have not come in.

Mr. FLOOD. Come in and do what?

Mr. SLOVER. They got to come in and say why is the occupancy low. Why are you doing this? Why are you doing this? Put them on a PIP, a performance improvement plan.

Mr. FLOOD. Do those work?

Mr. SLOVER. In the private sector, they do. The private sector comes in, and they do not tolerate mismanagement because the money walks. The problem with this business is it is the biggest subscription business in the world. The money just keeps coming in, and the results do not happen and the money keeps coming and so, what is the compelling reason to improve?

Mr. FLOOD. Can HUD come in and fire people and assume control?

Mr. SLOVER. That is the thing. HUD owns this business, again, getting back to my testimony, which is to say it needs a complete reorganization. Right now, it is a local jurisdiction issue: the local board this, the independent that. It is not working. On enough places, it is impacting.

Mr. FLOOD. I appreciate that. There is one more question I want both of you to answer, and that is, you were both fired from your positions after reporting examples of mismanagement, fraud, and corruption. Are there any relevant whistleblower protections for people working in PHAs? Is that something Congress should consider, Mr. Doherty?

Mr. DOHERTY. There are no protections that I know of, but I would imagine, yes, that is something that Congress certainly should consider.

Mr. FLOOD. Mr. Slover?

Mr. SLOVER. Absolutely. The mayor, through emergency legislation, reconstituted the Board and removed my independent seat. This is an independent agency that she is not supposed to have control of, and yet they were able, within 2 weeks, to remove my seat, so that is not an independent board.

Mr. FLOOD. Thank you both for your testimony, and I yield back.

Chairman DAVIDSON. I thank the gentleman. The gentlewoman from Michigan, Ms. Tlaib, is now recognized for 5 minutes.

Ms. TLAIB. Thank you all three of you for being here, and thank you, Chair, for this important hearing. I want to start off, and I know some maybe have brought this up, but the PHAs, it is understatement, are facing decades of underinvestment. Do you have any idea how much underinvestment we are talking about, Mr. Banna?

Mr. BANNA. Thank you for the question. NAHRO does estimate that the current capital fund backlog is over \$90 billion.

Ms. TLAIB. Yes, \$60 to 90 billion. Those are the amounts. Did you know that Mr. Doherty?

Mr. DOHERTY. Yes. I would imagine that it is severely underfunded, which was also what made it more frustrating for me—

Ms. TLAIB. Yes.

Mr. DOHERTY [continuing]. because we had limited resources.

Ms. TLAIB. Sure.

Mr. DOHERTY. To see those resources not going to benefit the residents made it even that more challenging.

Ms. TLAIB. In terms of oversight and accountability, while our witness' testimony discuss an important role of HUD, HUD's OIG, PHA board's role in oversight, there is one group that has not re-

ceived as much attention, and those are the PHA residents and voucher holders themselves. Today the Public Housing Assessment Scoring System is based on four categories: physical conditions, financial conditions, management operations, and capital fund usage. Until 2011, the Public Housing Assessment System also included an additional category, which was the resident assessment subsystem, or what they call, I think, RAS? Is that correct? All three of you, are you familiar? Just nod. That is fine.

[Witnesses respond by nodding.]

Ms. TLAIB. Okay. You are not familiar with it, Mr. Doherty?

Mr. DOHERTY. No.

Ms. TLAIB. Okay. This category assessed residents, whether or not they were satisfied in a number of areas, including maintenance and repairs, communication, safety, services, and housing property appearance. Should HUD bring back a resident assessment category, and, if so, are there any changes—and, Mr. Banna, we will start with you—would make it or it is weighting overall PHA scores?

Mr. BANNA. There currently is a resident component to, generally, board membership. There is usually a resident commissioner at the agency as well.

Ms. TLAIB. So, they have no input, the residents.

Mr. BANNA. On the Public Housing Assessment System (PHAS) system, the RAS, the resident subsystem, currently is not part of that. The management and through occupancy is one way that the residents can speak. Again, if the units are not occupied is one way of having the resident input but housing authorities regularly hold their public meetings a lot of times—

Ms. TLAIB. Yes. No, no, but do they get any input in scoring? Do they—

Mr. BANNA. Not at this time

Ms. TLAIB. No.

Mr. BANNA. Not directly.

Ms. TLAIB. Last year, HUD updated its physical inspection process with the New National Standards for Physical Inspection of Real Estate System as part of the so-called, what is it, NSPIRE—there are many acronyms—process.

Residents can add up to five units to the inspection list. The process also includes a very brief survey, right? However, the resident-selected units are not necessarily included in the inspection score, and the resident survey is not factored into the score at all. I think this is a really big, missed opportunity here. To all the witnesses, should the current NSPIRE process factor resident assessments into the physical inspection score? Bill?

Mr. SLOVER. I agree a hundred percent that tenant feedback, client feedback is one of the most critical elements. I mean, I was the advocate—

Ms. TLAIB. That is who we are serving, right?

Mr. SLOVER. I was the advocate representative on the Board for 7 years. I represented the tenants. That was my job.

Ms. TLAIB. It is helpful. How about you, Matt?

Mr. DOHERTY. You are a hundred percent right, and I would tell you; I think the residents in Atlantic City Housing Authority would

tell you that they do not voice their opinion anymore because no one cares.

Mr. BANNA. Yes, that is right.

Ms. TLAIB. Yes. How about you, because this quasi-governmental authority thing, we do it with water now. We do it with housing. We have been doing it for the housing, and I am being honest. It is like a step removed from the actual residents being able to have any real say about their quality of life and their housing.

Mr. BANNA. The resident units are in addition to the NSPIRE system. They were not in the former system, so that is an improvement to have additional input from the residents so the residents can actually be part of the inspection process that they were not necessarily part of previously.

Ms. TLAIB. Yes. Just to all my colleagues—not many of us here—I really think this is a very important factor because there is a saying we say in Detroit, mayors come and go, but neighborhoods and community do not go anywhere. We are still there, and it is like we have no real say or input or any kind of a sense of real self-determination of what we consider quality. That was the whole point of creating housing commissions, but now, again, there does not seem to be a direct accountability for our residents on those PHAs. Thank you so much. I yield.

Chairman DAVIDSON. I thank the gentlewoman. The gentlewoman from Texas. Ms. De La Cruz is now recognized for 5 minutes.

Ms. DE LA CRUZ. Thank you, Mr. Chairman, for holding this hearing today, and thank you to the witnesses for appearing before us.

Today's hearing is simple. Our Nation's public housing agencies serve a critical function. We have talked about that. I have heard that from the reps over and over but ensuring access to housing for those that qualify for it starts first with proper oversight and transparency at HUD. It also is a critical step to ensure that we are being good stewards of our tax dollars. That is why I introduced H.R. 7280, the HUD Transparency Act, which was reported favorably out of this committee with a bipartisan 50 to zero vote. This is not a partisan issue, and transparency at HUD hand-in-hand with HUD's ability to achieve its stated goals, which, for the public housing program, is to provide a decent and safe rental housing for eligible low-income families, elderly, and persons with disabilities.

That being said, for today's witnesses, just how critical proper oversight and accountability is at HUD and at local PHAs, and, unfortunately, how there seems to be a vacuum of that leadership. Mr. Slover, you said something that stuck with me in response to the internal backlash you received at the D.C. Housing Authority. This backlash was for simply requesting an audit, I might add. You stated, and I quote in part, That is my job. I have a fiduciary responsibility to oversight. If I see something wrong, I have to say something. In addition to a fiduciary responsibility, did you feel that requesting an audit was also in the best interest of the residents, many of whom are elderly that DCHA serves?

Mr. SLOVER. One hundred percent. I think the purpose of the audit was to sort of ferret out the mismanagement and say, well,

the mismanagement is really what results in poor conditions. As soon as somebody sees something in poor condition, they say we need more money. Maybe somebody should step back and say, "Well, how did it get to these poor conditions?" Well, it was so poorly managed that we need to manage it; so, management is critical, that was the purpose of the audit to come in from a top-to-bottom analysis.

Ms. DE LA CRUZ. Now, did that same audit that you request find that there were more than 80 deficiencies at DCHA?

Mr. SLOVER. There were 80, but I would offer to you that it was a scratch of the surface. I was more surprised at what was not in the report than what was.

Ms. DE LA CRUZ. Very interesting. Why do you think, I should ask, why do you think there was so much internal opposition to this audit?

Mr. SLOVER. You have to understand, if you take a look at the construct of just the D.C. Housing Authority Board, you have people on that Board who are basically making money off of the enterprise in one way or another. They are a mayoral appointees. They are there to push favors. I do not want to say nobody, but it did not seem that anybody was there who understood that their job was to work for the Authority, not for somebody who put them on that Board, and that is the problem with these boards is people are there for the wrong reason. They do not understand who their boss is. The boss is the Agency. Their client is the resident. That is it at the end of the day. All your decisions need to be made on how to improve the enterprise, not what you can get out of it.

Ms. DE LA CRUZ. It almost seems like it is a culture within the Agency. Would you agree with that?

Mr. SLOVER. Absolutely, if you look at the money and where it goes. We had a scandal with the chairman of the Board who drove a \$4.5 million contract to his girlfriend. Everybody knew it, and so it just goes on and on and on. DC's a unicameral form of government. There is only one party, and we are in a government that has very few checks and balances, and so the result is we are all part of the same fraternity. Everybody, let us do our thing.

Ms. DE LA CRUZ. Leadership always starts at the top, and you see the results of leadership all the way down, and that is what you are clearly stating here. I only have a couple more seconds to go. Thank you, gentlemen, for your time. I yield back.

Chairman DAVIDSON. I would like to thank our witnesses for their testimony today, and as we talk so much about D.C. Public Housing Authority, the ranking member and I were pointing out that the current Acting Secretary at HUD is a former director of D.C. Public Housing Authority. I think your testimony is incredibly important. I hope it rallies our committee to address these problems.

Without objection, I ask that all members have 5 legislative days who wish to submit additional written questions for the witnesses to the chairman, which will be forwarded to witnesses for their response. If forwarded, I ask our witnesses to please respond promptly as you are able.

[The information referred to can be found in the appendix.]

Chairman DAVIDSON. This hearing is now adjourned.

[Whereupon, at 11:27 a.m., the subcommittee was adjourned.]

A P P E N D I X

May 22, 2024

The Atlantic City Housing Authority has failed the people of Atlantic City. The Authority has squandered millions of taxpayer dollars through illicit no-bid contracts that failed to deliver any results. Mr. Doherty's testimony is a damning indictment of the illegal practices that left our most vulnerable residents in cold, infested, and moldy apartments. We must ensure that this never happens again. I concur with Mr. Doherty's recommendations for greater oversight, accountability and that HUD assume control of the ACHA. I thank the House Financial Services for working with me to set up today's hearing and shine a light on this appalling crisis.

FRENCH HILL
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SUBCOMMITTEE ON NATIONAL INTELLIGENCE ENTERPRISE
SUBCOMMITTEE ON NATIONAL SECURITY AGENCY AND CYBER



Congress of the United States
House of Representatives
Washington, DC 20515

September 7, 2023

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The Honorable Marcia Fudge
Secretary
U.S. Department of Housing and Urban Development
451 7th St SW
Washington, D.C. 20410

Dear Secretary Fudge:

I write to you today regarding the U.S. Department of Housing and Urban Development's (HUD) oversight of the Housing Authority of the City of Little Rock d/b/a Metropolitan Housing Alliance (MHA). MHA is Arkansas's largest federally funded public housing agency and thousands of residents rely on it for affordable and public housing. While the basis of this letter is MHA's recent "Troubled" designation by HUD, this is only the latest example of the agency's years-long pattern of abysmal performance and financial mismanagement.¹

MHA was categorized as "Troubled" by HUD's Public Housing Assessment System (PHAS) for Fiscal Year 2022, in which the agency was given an overall score of 40 out of 100. This comes after MHA previously received a "Troubled" designation in 2017 and assessments were paused from 2019-2021 due to the COVID-19 pandemic, which seriously calls into question whether corrective actions were actually taken by MHA and enforced by HUD.

HUD's Quality Assurance Division revealed alarming findings in its September 2023 review of MHA's financial management and management operations.² For example, HUD found that over 600 units managed by MHA have not received an annual housing quality standards inspection in the last two years, with several units not having received an inspection in over six years.

The review goes on to describe not only a continuation of past failures but, in HUD's own words, "a further degradation of internal controls, financial management and reporting practices. Substantive errors ... appear to be prevalent, pervasive, and systemic." HUD's review suggests that nearly \$30 million of questionable and potentially disallowed expenses were incurred by MHA. Furthermore, HUD found that MHA has not submitted an audited financial statement to HUD beyond 2019, had "no clear method of maintaining monthly and/or annual accounting functions," and regularly used credit

¹ U.S. Department of Housing and Urban Development, ARN 2019-FW-1001: *Little Rock Housing Authority Rental Assistance Demonstration Program* (April 23, 2019); U.S. Department of Housing and Urban Development: Housing Authority of the City of Little Rock FY 2017 "Troubled" PHAS Designation, available at https://www.hud.gov/sites/dfiles/PIH/documents/PHAS_Score_12_2022.pdf.

² U.S. Department of Housing and Urban Development, QAD-FMR-MOR-2023-AR004 Report (Sep. 1, 2023).

cards for ineligible purposes without any supporting documentation or business justification. The role and practices of the Central Arkansas Housing Corporation (CAHC), a nonprofit created by and affiliated with MHA, are also questionable. HUD's review suggests that CAHC staff had inappropriate access to MHA's bank accounts—with several bank transfers between the two entities being made with no valid reasons provided—and that CAHC's financial records were comingled with those of MHA.

Public housing agencies play a critical role in providing housing and other essential services for veterans and our neighbors who are often the most in need. However, MHA has demonstrated a blatant disregard to honor its most basic obligation: to care for its residents and the housing they occupy. MHA's gross financial mismanagement of taxpayer funding and HUD's failure to compel the agency to take meaningful corrective action to date is unacceptable.

Given the seriousness of this situation, I respectfully request further information regarding the following questions:

1. In HUD's 2015 Financial Management Review of MHA, the agency was required to take corrective action to "establish written standard operating procedures and a quality control system that converts its internal and financial controls over the HCV program," yet MHA was found to still have significant issues with financial recording and reporting, as well as with its internal control procedures, in HUD's 2023 review. Why were these deficiencies never corrected and what steps will HUD take to ensure that they are permanently fixed?
2. In HUD's 2023 Financial Management Review of MHA, it states that MHA and/or the CAHC have failed or refused to provide the requested audited financial statements for any period beyond 2019, as well as information about where funds from the Regions 5011 account were transferred, the purpose of the transfer to unknown bank accounts, and the ultimate funding utilization. What steps will HUD take to ensure that this information is received, including in the event that MHA and/or CAHC refuses to provide this information?
3. In HUD's 2023 Financial Management Review of MHA, it states that MHA will be required to demonstrate that Housing Quality Standards Inspections are/were completed. If they were not, what steps will HUD take to ensure these inspections take place on a go-forward basis?
4. In the event MHA is financially insolvent, how will HUD ensure continuity of service for residents in the Second Congressional District of Arkansas?
5. What potential enforcement actions is HUD considering due to MHA's breach of the Annual Contributions Contract?
6. Is HUD aware of or planning to examine for any conflicts of interest between MHA commissioners and any officer or staff of the CAHC? If so, what actions will be taken to mitigate these conflicts of interest?

Separately, please provide a copy of the following:

1. Any additional debt identified during the required Corrective Action process.
2. The Corrective Action Plan when it is submitted by MHA to HUD for approval.
3. The Recovery Agreement entered into by MHA and HUD.

I would appreciate a response no later than September 30, 2023, and subsequently with the documentation requested. I appreciate your prompt attention to this request.

Sincerely,

A handwritten signature in blue ink, appearing to read "French Hill".

French Hill
Member of Congress

cc: Anthony S. Landecker, Director, Office of Public Housing
The Honorable Rae Oliver Davis, Inspector General, U.S. Department of Housing and Urban
Development
The Honorable Scott Frank Jr., Mayor, City of Little Rock
H. Lee Lindsey, Chair, Metropolitan Housing Alliance
Kerry Wright, Commissioner, Metropolitan Housing Alliance
Leta Anthony, Commissioner, Metropolitan Housing Alliance
Louis Jackson, Commissioner, Metropolitan Housing Alliance
Brandii Peterson, Commissioner, Metropolitan Housing Alliance
Ericka Benedicto, Executive Director, Metropolitan Housing Alliance



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-1000

ASSISTANT SECRETARY FOR CONGRESSIONAL
AND INTERGOVERNMENTAL RELATIONS

October 6, 2023

The Honorable French Hill
U.S. House of Representatives
Washington, DC 20515-0402

Dear Representative Hill:

On behalf of Secretary Fudge, thank you for your letter regarding the Department of Housing and Urban Development's (HUD) oversight of the Housing Authority of the City of Little Rock d/b/a Metropolitan Housing Alliance (MHA). The following information is from HUD's Office of Public and Indian Housing (PIH).

Below are the responses to items 1-3 from HUD's Office of Housing and Voucher Programs, Quality Assurance Division:

1. **In HUD's 2015 Financial Management Review of MHA, the agency was required to take corrective action to "establish written standard operating procedures and a quality control system that covers its internal and financial controls over the HCV program", yet MHA was found to still have significant issues with financial recording and reporting, as well as with its internal control procedures, in HUD's 2023 review. Why were these deficiencies never corrected and what steps will HUD take to ensure that they are permanently fixed?**

The Quality Assurance Division (QAD) conducted a Financial Management Review at MHA and issued a report on December 15, 2015 (Federal Fiscal Year 2016), which identified Findings for which a Corrective Action Plan (CAP) was required to be presented to QAD by the MHA. The QAD FMR Team worked with the MHA through the CAP process receiving additional financial records and assisting the MHA with taking corrective actions and adjusting financial records to reflect accurate balances. In October 2018, the QAD FMR Team closed its review because the supporting documentation provided by MHA to QAD indicated that the required Corrective Actions were completed. At that time, QAD advised the MHA that it would return to conduct a follow-up review to ensure that MHA followed the established policy and procedures to maintain accurate reporting and financial record keeping.

QAD's return review was delayed until 2023 due to the COVID-19 pandemic. During this review the QAD Team found that MHA executive leadership team had changed and the PHA had failed to maintain accurate accounting and proper management of the program.

2. **In HUD's financial management review of MHA, it states "MHA and/or CAHC have failed or refused to provide requested audited financial statements for any year beyond 2019", as well as information about where the funds from the Regions 5011 account were transferred, the purpose of the transfer to unknown bank accounts, and the ultimate funding utilization. What steps will HUD take to ensure that this information is received, including if MHA and/or CAHC refuses to provide this information?**

Monitoring of Corrective Action Plans (CAP) and PHA compliance falls within the purview of the Office of Field Operations (OFO) in consultation with Program Office. The QAD works with PHAs through the CAP process to prevent debt collection or further enforcement action. The QAD does not have enforcement authority, but it can refer outstanding compliance matters to enforcement authorities. If a PHA is noncompliant with CAP requirements HUD can also exercise enforcement activities including legal remedies up to and including program default or referral to the Office of Inspector General for further investigation.

3. **"In HUD's 2023 Financial Management Review of MHA it states that MHA will be required to demonstrate that Housing Quality Standards are/were completed. If they were not, what steps will HUD take to ensure these inspections take place on a go-forward basis"?**

If MHA cannot provide supporting documentation proving that inspections were conducted timely and in compliance with Housing Quality Standards regulatory requirements, HUD can choose to take enforcement action up to and including the requirement for MHA to repay all Housing Assistance Payments made on behalf of units that were not HQS compliant.

Below are the responses to items 4-6 from HUD's Office of Field Operations:

4. **In the event MHA is financially insolvent, how will HUD ensure continuity of service for residents in the Second Congressional District of Arkansas?**

HUD intends to ensure families remain housed and does not foresee a lapse in funding. HUD will continue to provide housing assistance payments, administrative, and operating funds in accordance with its obligations under the Housing Choice Voucher Consolidated Annual Contributions Contract and Public Housing Annual Contributions Contract with MHA. Once MHA has submitted their unaudited and audited financial information as required by 24 CFR Part 5 and 24 CFR Part 902, HUD will analyze to determine if MHA becomes financially insolvent. If insolvency is confirmed, HUD has made available the At Risk/Receivership/Substandard/Troubled Program and the Public Housing Operating Fund Shortfall funding opportunities that MHA may submit application for. However, Congressional appropriations determine funding availability.

5. **What potential enforcement actions is HUD considering due to MHA's breach of the Annual Contributions Contract?**

24 CFR § 5.403 establishes the regulatory guidance regarding the Annual Contributions Contract (ACC) for Public Housing Authorities. A breach of one or more terms of the ACC can result in a declaration of substantial default of the ACC and the pursuance of

remedial actions in accordance with 24 CFR § 907. Based on the potential MHA breaches of the ACC, PIH may exercise its authority to declare MHA in substantial default in accordance with 24 CFR § 907 and may pursue any available remedies pursuant to that regulation.

6. Is HUD aware of or planning to examine for any conflicts of interest between MHA commissioners and any officer or staff of the CAHC? If so, what actions will be taken to mitigate these conflicts of interest?

Pursuant to Section 6(j)(2)(B) of the U.S. Housing Act, HUD has determined that a public housing agency with more than 250 units and designated troubled provides for an on-site independent assessment of the management of the agency. As a part of HUD's Public Housing Agency Recovery Sustainability troubled monitoring process, HUD will complete a holistic assessment of MHA which will focus on root-cause operations, procurement, governance, and conflicts of interest between it and the Central Arkansas Housing Corporation and determine if any mitigating actions should be taken.

If you have additional questions or concerns for HUD, please contact Anthony S. Landecker, Public Housing Director in HUD's Little Rock field office, at 501-918-5753 or Anthony.S.Landecker@hud.gov.

I hope this information is helpful in responding to your constituent. Please let me know if I can be of further assistance.

Sincerely,

Dr. Kimberly A. McClain

Dr. Kimberly A. McClain
Assistant Secretary for Congressional
and Intergovernmental Relations

FRENCH HILL
2ND DISTRICT, ARKANSAS
COMMITTEE ON FINANCIAL SERVICES
VICE CHAIR
CHAIR
SUBCOMMITTEE ON DIGITAL ASSETS,
FINTECH, TECHNOLOGY, AND INCLUSION
SUBCOMMITTEE ON CAPITAL MARKETS
COMMITTEE ON FOREIGN AFFAIRS
VICE CHAIR
SUBCOMMITTEE ON GLOBAL FINANCIAL, GLOBAL HUMAN RIGHTS,
AND INTERNATIONAL ORGANIZATIONS
SUBCOMMITTEE ON OVERSIGHT & ACCOUNTABILITY
HOUSE PERMANENT SELECT COMMITTEE ON INTELLIGENCE
SUBCOMMITTEE ON NATIONAL INTELLIGENCE ENTERPRISE
SUBCOMMITTEE ON NATIONAL SECURITY AGENCY AND CYBER



Congress of the United States
House of Representatives
Washington, DC 20515

January 12, 2024

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WASHINGTON, DC 20515
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LITTLE ROCK DISTRICT OFFICE
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PHONE: (501) 324-5941
FAX: (501) 324-6029

CONWAY DISTRICT OFFICE
900 OAK STREET
CONWAY, AR 72032
PHONE: (501) 902-5733
FAX: (501) 324-6029

The Honorable Marcia Fudge
Secretary
U.S. Department of Housing and Urban Development
451 7th St SW
Washington, D.C. 20410

Dear Secretary Fudge:

Thank you for your response to my letter dated September 7, 2023, regarding HUD's ongoing investigation into the Little Rock Housing Authority d/b/a Metropolitan Housing Alliance (MHA). I have been keenly following developments on this matter, which is very important to me and my district.

In addition to a response to the questions below, I am also requesting an in-person visit from you, Richard Monocchio (Principal Deputy Assistant Secretary for Public and Indian Housing), and Dominique Blom (General Deputy Assistant Secretary for Public and Indian Housing), so that I can receive an update from HUD on your work with this matter.

As you know, HUD's QAD-FMR-MOR-2023-AR004 Report states, "... MHA appears to be in substantial default of their Annual Contributions Contract (ACC) and will be referred for further review and potential enforcement action(s)." Your agency's October 6, 2023 response to my September 7, 2023 letter states, "Based on the potential MHA breaches of the ACC, PIH may exercise its authority to declare MHA in substantial default in accordance with 24 CFR 907 and may pursue any available remedies pursuant to that regulation."

In light of those statements, please respond to the following questions by January 31, 2024.

- Following the QAD report, has HUD determined whether MHA has violated its Section 8 ACC? If not, when will HUD be making this determination?
- Has HUD determined whether MHA has violated its public housing ACC? If not, when will HUD be making this determination?
- If HUD determines MHA has violated either ACC, will HUD pursue substantial default as outlined in 24 CFR 907? If not, why?
- If HUD pursues actions as outlined in 24 CFR 907, does HUD have cause to use the "emergency situations" section outlined in 24 CFR 907.5(d)?

- If HUD determines MHA is in substantial default of its Section 8 and/or public housing ACC, does HUD plan to pursue receivership, transfer MHA's voucher program to another PHA, or propose another strategy?
- HUD staff previously committed to providing my office with the specific deliverables listed below. When does HUD plan on providing this information?
 - Any additional debt incurred by MHA identified during the required Corrective Action process.
 - The Corrective Action Plan when submitted by MHA to HUD for approval.
- Does HUD confirm that it is still preparing these pending deliverables, and that it will share them with my office when completed?
 - The Recovery Agreement when it entered into by MHA and HUD.
 - HUD's determination regarding MHA's financial solvency, per question #4 of my September 7, 2023 letter.
 - HUD's "holistic assessment of MHA", "which will focus on root-cause operations, procurement, governance, and conflicts of interest between it and the Central Arkansas Housing Corporation and determine if any mitigating actions should be taken."

Thank you for your attention to this request.

Sincerely,



French Hill
Member of Congress



ASSISTANT SECRETARY FOR CONGRESSIONAL
AND INTERGOVERNMENTAL RELATIONS

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-1000

January 30, 2024

The Honorable French Hill
U.S. House of Representatives
Washington, DC 20515

Dear Representative Hill:

Thank you for your letter regarding HUD's ongoing investigation into the Little Rock Housing Authority d/b/a Metropolitan Housing Alliance.

The Office of Public and Indian Housing received your letter, and our staff is working to respond in a timely manner. Upon completion of our team's review, we will respond with the findings.

Please let me know if I can be of further assistance.

Sincerely,

Dr. Kimberly A. McClain

Dr. Kimberly A. McClain
Assistant Secretary for Congressional
and Intergovernmental Relations



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-1000

ASSISTANT SECRETARY FOR CONGRESSIONAL
AND INTERGOVERNMENTAL RELATIONS

February 27, 2024

The Honorable French Hill
U.S. House of Representatives
Washington, DC 20515-0402

Dear Representative Hill:

On behalf of Secretary Fudge, thank you for your letter regarding the Department of Housing and Urban Development's (HUD) oversight of the Housing Authority of the City of Little Rock d/b/a Metropolitan Housing Alliance (MHA). The following information is from HUD's Office of Public and Indian Housing (PIH).

Below are the responses to items in your letter dated January 12, 2024, from PIH's Office of Housing and Voucher Programs, Quality Assurance Division:

1. **Following the QAD report, has HUD determined whether MHA has violated its Section 8 ACC? If not, when will HUD be making this determination?**
HUD has identified non-compliance that violates the terms of the Housing Choice Voucher (HCV) Annual Contributions Contract (ACC). HUD is currently working through the procedures in 24 CFR 907.5 for declaring substantial default, specifically the notice of a finding of substantial default and will keep you updated on the progress.
2. **Has HUD determined whether MHA has violated its public housing ACC? If not, when will HUD be making this determination?**
HUD has decided that the PHA is in violation of its Public Housing (PH) ACC. HUD is currently working through the procedures in 24 CFR 907.5 for declaring substantial default, specifically the notice of a finding of substantial default and will keep you updated on the progress.
3. **If HUD determines MHA has violated either ACC, will HUD pursue substantial default as outlined in 24 CFR 907? If not, why?**
HUD has decided that the PHA is in violation of its PH ACC and its HCV ACC. HUD is currently working through the procedures in 24 CFR 907.5 for declaring substantial default, specifically the notice of a finding of substantial default and will keep you updated on the progress.
4. **If HUD pursues actions as outlined in 24 CFR 907, does HUD have cause to use the "emergency situations" section outlined in 24 CFR 907.5(d)?**

HUD is continuing to research and investigate if there are conditions that exist that would support the emergency provisions of 24 CFR 907.5(d), which states that a PHA shall not be afforded the opportunity to respond to a written determination or to cure a substantial default in any case where:

- (1) HUD determines that conditions exist that pose an imminent threat to the life, health, or safety of public housing residents or residents of the surrounding neighborhood; or
- (2) The events or conditions precipitating the default are determined to be the result of criminal or fraudulent activity.

5. If HUD determines MHA is in substantial default of its Section 8 and/or public housing ACC, does HUD plan to pursue receivership, transfer MHA's voucher program to another PHA, or propose another strategy?

The Principal Deputy Assistant Secretary (PDAS) for PIH visited the PHA given the severity of issues. HUD is in the process of determining the proper course of action as outlined in 24 CFR 907. HUD recently sent a team onsite to perform an independent assessment to determine the root cause of the issues and to inform decision making for next steps and what is needed to bring the PHA into compliance. The independent assessment report further highlights the PHA's non-compliance with its PH ACC.

6. HUD staff previously committed to providing my office with the specific deliverables listed below. When does HUD plan on providing this information?

- **Any additional debt incurred by MHA identified during the required Corrective Action process.**
 - MHA is in the process of reconstructing its financial records. Until this process is complete, the additional debt incurred is undetermined at this time.
- **The Corrective Action Plan when submitted by MHA to HUD for approval.**
 - HUD is currently engaging with MHA on submission requirements of its Corrective Action Plan. Once an acceptable plan is submitted, a copy will be provided to your office.

7. Does HUD confirm that it is still preparing these pending deliverables, and that it will share them with my office when completed?

- a. The Recovery Agreement when it entered into by MHA and HUD.**
HUD confirms that it will share the pending deliverables with your office once these are finalized.
- b. HUD's determination regarding MHA's financial solvency, per question #4 of my September 7, 2023, letter.**
HUD is assessing MHA's instances of noncompliance to determine if it is financially insolvent, but this determination is pending.

8. HUD's "holistic assessment of MHA", "which will focus on root-cause operations, procurement, governance, and conflicts of interest between it and the Central Arkansas Housing Corporation and determine if any mitigating actions should be taken."

HUD is in the process of determining the proper course of action. HUD recently sent a team onsite to perform an independent assessment to determine the root cause of issues in an effort to make an informed decision about our next steps and what is needed to bring the PHA into compliance. The assessment team's report identified instances of MHA's non-compliance that violates the terms of its ACC. The outcome of this independent assessment will be memorialized in a Results and Determination Letter to be provided to your office once completed.

If you have additional questions or concerns for HUD, please contact Anthony S. Landecker, Public Housing Director in HUD's Little Rock field office, at 501-918-5753 or Anthony.S.Landecker@hud.gov.

I hope this information is helpful in responding to your constituent. If I can be of further assistance, please let me know.

Sincerely,

Dr. Kimberly A. McClain

Dr. Kimberly A. McClain
Assistant Secretary for Congressional
and Intergovernmental Relations



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EXECUTIVE DIRECTOR
SUNIA ZATERMAN

**Statement for the Record
Council of Large Public Housing Authorities**

House Financial Services Committee
Subcommittee on Housing and Insurance
Hearing on “PHA Oversight: How Scandals and Mismanagement Harm Residents and Taxpayers”
May 22, 2024

The Council of Large Public Housing Authorities (CLPHA) is pleased to submit the following statement for the record to the United States House of Representatives Committee on Financial Services for the congressional hearing entitled “PHA Oversight: How Scandals and Mismanagement Harm Residents and Taxpayers” on May 22, 2024. We appreciate the opportunity to offer CLPHA’s views regarding the challenges public housing authorities (PHAs) are facing as a result of decades of chronic federal underfunding.

CLPHA is a non-profit organization that works to preserve and improve public and affordable housing through advocacy, research, policy analysis, and public education. Our membership includes over 80 of the largest and most innovative public housing authorities across the country. The CLPHA membership collectively owns and manages nearly 40 percent of the nation’s public housing stock and administers more than a quarter of housing vouchers under the Housing Choice Voucher program. CLPHA members also assist with the provision of vital services to the low-income households they serve in federally assisted housing.

Despite chronic underfunding, PHAs have proven to be one of the most effective affordable housing delivery systems, especially for the lowest-income populations. Since the creation of the public housing program more than eighty years ago, PHAs have also grown into our nation’s most effective tool for preventing housing instability and homelessness. PHAs serve over 3.3 million households under the public housing and Housing Choice Voucher program. Over half of public housing and voucher households are older adults or persons with a disability, and over one million of these households include children. PHAs have also successfully partnered with different sectors to provide other crucial support services to residents.

PHAs are managing a severely underfunded and overregulated public housing portfolio. The Public Housing Capital Fund is the dedicated source of annual funding available to housing authorities to make rehabilitation and modernization improvements to public housing. Over the last several decades, Capital Fund appropriations have dwindled, while ongoing accrual needs have increased dramatically. PHAs manage undercapitalized, aging properties that do not meet basic market standards. PHAs are also mandated by the U.S. Department of Housing and Urban Development (HUD) to implement several major systems, increasing their administrative burden and operations costs. PHAs have made every effort to house vulnerable residents with the funding they currently have and have looked to

COUNCIL OF LARGE PUBLIC HOUSING AUTHORITIES

different sectors to help fill in the funding gaps. Until Congress appropriately funds public housing, current operations will not be sustainable over the long term.

The recent federal legislative Build Back Better proposal that included \$70 billion for public housing investments to address the backlog did not prevail. HUD's last estimate of the capital needs backlog was \$26 billion in 2010. Recent estimates of the capital needs backlog are now closer to \$100 billion and growing.

CLPHA continues to urge Congress to provide increased funding to meet annual accrual needs as well as funding to address the backlog for the Public Housing Capital Fund so that PHAs can effectively serve our nation's most vulnerable households.

Grand opening of Hafen Village

 mvprogress.com/2024/04/30/grand-opening-of-hafen-village/

May 1, 2024

By VERNON ROBISON

The Progress



Mesquite mayor Al Litman speaks to a standing room only audience at the grand opening ceremonies of the new Hafen Village low income apartment complex last week. PHOTO BY VERNON ROBISON/The Progress

It was a party atmosphere at the Hafen Village Apartment complex in Mesquite last week as city, county, state and federal officials gathered to celebrate the opening of Mesquite's newest low-income housing project.

A crowd of more than 100 people packed into the spacious great room of the new clubhouse at the complex on Tuesday morning, April 23 for the beginning of the grand opening celebration.

Nevada Rural Housing executive director Bill Brewer welcomed the attendees to the event, emphasizing that the project had taken a collaborative effort among a multitude of people and organizations to become a reality.

"A lot has happened behind the scenes before this ever came together," Brewer said.



Rep. Steven Horsford (center) visits with new Hafen Village resident June Jones (left) and Nevada Rural Housing board member Rose Cook (right) during a tour of the apartment complex at the grand opening event last week. PHOTO BY VERNON ROBISON/The Progress

He credited the Mesquite City Council, and specifically former council member George Gault, for unflagging support in the project. This included the donation of the 4.8 acre parcel for the project and the manpower in doing the significant dirtwork to prepare the ground.

In addition a Who's Who of various entities were integral to the development, Brewer said. "It takes a lot of people to make something like this," Brewer said. "And the secret ingredient behind it all is to serve people. We are not here to make a buck or to erect buildings. We are here to serve the people of Mesquite."

Rep. Steven Horsford, D-NV, was in attendance for the event and spoke about Hafen Village being an example for other housing projects in the state.

"This is more than just housing," he told the crowd. "It is a sense of dignity and an opportunity for people who will call this community home. Let's make this a model for more housing throughout Nevada. Because everyone deserves to have a home."

Also in attendance were Hector Lizaola from the office of Sen. Catherine Cortez Masto; and Mahalia Jaramillo, representing Sen. Jacky Rosen. Each of these took a few moments and presented Congressional Certificates of Recognition to Brewer in celebration of the project's opening.

Mesquite Mayor Al Litman spoke briefly expressing his excitement that the project had finally come to fruition.

He reminisced about the groundbreaking of the project which took place on a cold day in 2022. At that time, the property needed a lot of earthwork done to prepare for development, he said.

"I remember looking around the property and seeing basically this huge hole in the ground here," Litman said. "I thought to myself, 'This can be done, but I really don't know how they are going to do it.' But look at it today!"

Litman talked about the extreme shortage of affordable housing in the community and how much housing demand there is to fill in Mesquite. "All we have to do now is to duplicate this effort about three more times over," he said to laughter from the audience. "But it is going to happen, I guarantee you, it's going to happen."

After the ceremony, attendees could take a tour of some of the apartment units and other amenities at the complex.

The 96-unit project is the largest to date built by Nevada Rural Housing. It offers 1, 2 and 3-bedroom units ranging from 688 to 1,176 sq ft.. The units feature patios or balconies, attractive kitchens and baths, beautiful flooring, extra storage space and air conditioning.

The common spaces offer picnic areas, a dog park, a community garden, children's playground, computer lab, library, laundry room, fitness facility and entertaining space with kitchen.

New resident June Jones just moved into a 1-bedroom apartment at Hafen Village on Saturday, April 13. She moved to the community from Las Vegas where she had lived in low-income apartment housing. She was pleased to be in Mesquite.

"I was so ready to get out of Las Vegas," Jones said. "It is so peaceful here and quiet. I don't have to worry about traffic or crime or overcrowding. I'm just so glad to be here."

Hafen Village will serve working families at or below 50 percent of area median income. In addition to a rent subsidy, all utilities are included and residents receive a paid card to use the laundry room without cost to them.

According to Emily Stroman of Bluebird Property Management, a subsidiary of Nevada Rural Housing which leases and manages the property, Hafen Village already has people signed up for every unit. What's more, the complex has a 1-3 year waiting list of would-be residents. "I think that really shows how much demand there is for this type of housing in the market out there," Stroman said.

She added that the rental office works hard to lead people through the process of showing their eligibility for the housing.

She said that the process starts with an application which can be obtained at the rental office on site, or through an email request sent to her at hafenvillage@bluebirdnevada.com. Additional information can also be obtained by calling the complex at 702-702-4418.

"This is an excellent model for what we need to be doing throughout the state, particularly in rural communities," said Rep. Horsford in an interview with The Progress after touring the facility. "These are things that are desperately needed. We need more supply and we can't bring down costs unless we have that supply. It is examples like this in Mesquite that will help lead to what we can do in other communities throughout Nevada."

Hafen Village is located at 850 W. Hafen Lane, just west of the First Baptist Church and the Veterans Center.

Questions for the Record

Ranking Member Maxine WatersMr. Matt Doherty

1. Which of the following options best describes your self-identified race? (you may choose more than one)
 - a. **White or Caucasian**
 - b. Black or African American
 - c. Hispanic/Latinx
 - d. Asian
 - e. Middle Eastern/North African
 - f. Choose not to answer
 - g. Prefer to self-describe (please specify)
2. Which of the following options best describes your gender identity?
 - a. Woman
 - b. **Man**
 - c. Non-binary
 - d. Transgender Man
 - e. Transgender Woman
 - f. Choose not to answer
 - g. Prefer to self-describe (please specify)



National Association of Housing and Redevelopment Officials

630 I Street NW, Washington DC 20001-3736
Phone: (202) 289-3500 Toll Free: (877) 866-2476 Fax: (202) 289-4961

July 3, 2024

Congressman Patrick McHenry
Chairman, House Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

Chairman McHenry:

Thank you again for the opportunity to testify before the Subcommittee on Housing and Insurance of the House Committee on Financial Services on May 22, 2024. Please find my responses below to the additional questions provided by committee Members. Feel free to reach out with any additional questions.

Sincerely,

Georgi Banna
NAHRO General Counsel & Director of Strategic Initiatives

Ranking Member Maxine Waters

1. Which of the following options best describes your self-identified race? (you may choose more than one)
 - a. White or Caucasian
 - b. Black or African American
 - c. Hispanic / Latinx
 - d. Asian
 - e. Middle Eastern / North African
 - f. Choose not to answer
 - g. Prefer to self-describe (please specify)
2. Which of the following options best describes your gender identity?
 - a. Woman
 - b. Man
 - c. Non-binary
 - d. Transgender Man

George Guy, President; **Sean Gilbert**, SPHM, NAHRO Fellow, Senior Vice President; **Renee Smith** NCC, Vice President - Commissioners; **David S. Gates**, CSO-PH, CSEC-PH, CMPO, C-PHM, CME Vice President - Professional Development **Jeff du Manoir**, Vice President-International Research and Global Exchange; **Duane Hopkins**, CME, Vice President-Budget & Administration; **Shaunté Evans** MBA, PHM, Vice President-Member Services; **Grace Steptor**, Vice President-Community Revitalization and Development; **Lanita Hillen**, Vice President-Housing, **Mark Thiele**, CS-PHM, CME, CMVO, NCC, Chief Executive Officer

e-mail: nahro@nahro.org website: www.nahro.org

- e. Transgender Woman
- f. Choose not to answer
- g. Prefer to self-describe (please specify)

Representative Sylvia Garcia

1. *In your opinion, does HUD currently have the tools it needs to help struggling PHAs? Could you describe how HUD oversees PHAs, especially ones that are struggling with mismanagement?*

HUD assesses public housing via the Public Housing Assessment System (PHAS). PHAs are scored along four metrics: the physical state of the project, the financial health of the project, management of the project, and compliance with capital fund requirements. PHAs receive a numerical score from HUD through PHAS. Agencies that are substandard receive additional oversight from HUD and must work to improve their scores. Troubled housing agencies are provided 2 years to improve to a passing score.

According to the most recent PHAS data published by HUD, just 15% of agencies received a substandard designation, meaning that these agencies received a substandard score in one of the four metrics. Only 4% of PHAs are designated as troubled, the lowest rating. An agency must have major problems in key areas to be considered troubled. It is in the mutual interest of HUD, the PHA, the local community, and the American taxpayer that HUD and the PHA work cooperatively to improve substandard and troubled PHAs. HUD and the PHA focus on the areas that need improvement while maintaining well-functioning areas and the improvement can then be measured in the PHAS scores.

However, even with the tools HUD has, adequate funding will always be critical to the success of the program. Funding for the Public Housing program has not kept pace with operating and capital costs. The most recent PHA-level data shows that average monthly spending rose by 23% for agencies operating the public housing program from 2022 to 2023, while the Operating Fund increased by only 15%.¹ Rising costs are due to a variety of reasons including inflation and rising insurance premiums.

A significant amount of public housing was built in the 1950s and 1970s, and these developments have suffered from chronic underfunding for years. In 2010, the national Public Housing Capital Needs Assessment showed that the total backlog for public housing capital funding was \$26 billion, and that Congress would need to appropriate \$3.4 billion (in 2010 dollars) per year to meet all public housing capital needs. The report noted that each year the cost of the backlog compounds at a rate of 8.7% due to inflation and the increased cost of addressing deferred maintenance.¹³ As a result, even when accounting for other federal capital programs that have helped modernize

¹ *Public Housing Authorities*, HUD GIS Helpdesk. <https://hudgis-hud.opendata.arcgis.com/datasets/public-housing-authorities/explore?location=16.533014%2C-6.808925%2C2.85&showTable=true>.



I

118TH CONGRESS
1ST SESSION

H. R. 6550

To require the Inspector General of the Department of Housing and Urban Development to provide a report to the Congress on the non-compliance of the New York City Housing Authority, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 1, 2023

Mr. LAWLER introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To require the Inspector General of the Department of Housing and Urban Development to provide a report to the Congress on the non-compliance of the New York City Housing Authority, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Accountability for
5 NYCHA Act of 2023”.

6 **SEC. 2. CONGRESSIONAL FINDINGS.**

7 The Congress finds that—

1 (1) the New York City Housing Authority (in
2 this Act referred to as the “Authority”) is the larg-
3 est housing authority in the United States, providing
4 housing for over 520,000 residents in over 177,000
5 apartments in the City of New York (in this Act re-
6 ferred to as the “City”);

7 (2) the Authority is a public housing agency
8 that receives Federal financial assistance from the
9 Department of Housing and Urban Development (in
10 this Act referred to as the “Department”) to admin-
11 ister its public housing program;

12 (3) the Authority is required to, among other
13 things, provide decent, safe, and sanitary housing
14 for the public housing residents of the City and com-
15 ply with Federal law protecting children from the
16 hazards of lead poisoning;

17 (4) on June 11, 2018, the United States filed
18 a complaint in the United States District Court for
19 the Southern District of New York (in this Act re-
20 ferred to as the “Complaint”); which set forth the
21 findings of the United States investigation, alleging,
22 among other things, that the Authority had—

23 (A) routinely failed to comply with lead-
24 based paint safety regulations;

1 (B) failed to provide decent, safe, and san-
2 itary housing, including with respect to the pro-
3 vision of heat and elevators and the control and
4 treatment of mold and pests; and

5 (C) repeatedly misled the Department
6 through false statements and deceptive prac-
7 tices;

8 (5) in a Consent Decree executed June 11,
9 2018, the Authority made admissions regarding,
10 among other things, deficiencies in physical condi-
11 tions with respect to lead, mold, heating, elevators
12 and pests and made untrue statements to the De-
13 partment regarding the conditions of the Authority's
14 properties and practices with regard to Public Hous-
15 ing Assessment System inspections;

16 (6) based on the Authority's misconduct as de-
17 tailed in the Complaint, on January 31, 2019, the
18 Secretary of Housing and Urban Development (in
19 this Act referred to as the "Secretary") declared
20 that the Authority is in substantial default within
21 the meaning of section 6(j)(3)(A) of the United
22 States Housing Act of 1937 (42 U.S.C.
23 1437d(j)(3)(A));

24 (7) the Department did not take possession of
25 the Authority or appoint a receiver, but instead en-

1 tered into a voluntary agreement between the Au-
2 thority, the Department, and the City on January
3 31, 2019, under which the Authority agreed to rem-
4 edy noted deficiencies subject to the oversight of a
5 Monitor appointed by the City;

6 (8) as of the date of the enactment of this Act,
7 the Authority has still fully not complied with the
8 agreement, including the remedying of deficiencies
9 or compliance with its obligations under Federal law;

10 (9) the Department and the United States At-
11 torney's Office for the Southern District of New
12 York have sought to extend the term of a Monitor
13 over the Authority for an additional five years begin-
14 ning in 2024;

15 (10) the residents of housing provided by the
16 Authority should not be required to wait five addi-
17 tional years for the Authority to provide decent,
18 safe, and sanitary housing conditions, as is the
19 Authority's most basic and necessary function under
20 the law; and

21 (11) the Congress believes that it must provide
22 additional oversight over the Authority, the Depart-
23 ment, the City, and the Monitor in order to compel
24 the Authority to fix the appalling conditions and
25 other issues that lead to a declaration of substantial

1 default under section 6(j)(3)(A) of the United States
2 Housing Act of 1937.

3 **SEC. 3. INVESTIGATION AND REPORT TO CONGRESS.**

4 (a) INVESTIGATION.—The Inspector General of the
5 Department of Housing and Urban Development shall
6 conduct an investigation of the Authority, which shall in-
7 clude at a minimum—

8 (1) determining the status of the New York
9 City Housing Authority’s compliance with the agree-
10 ment entered into between the Authority, the De-
11 partment, and the City on January 31, 2019, includ-
12 ing specific areas of deficiency and progress towards
13 compliance;

14 (2) conducting a review of actions taken by the
15 Monitor over the Authority pursuant to such Agree-
16 ment, including any gaps in oversight by the Mon-
17 itor;

18 (3) conducting a survey of the physical condi-
19 tions of housing provided by the Authority for the
20 City’s residents;

21 (4) conducting an examination of any waste,
22 fraud, abuse and violations of Federal law com-
23 mitted by employees or contractors of the Authority;
24 and

1 (5) identifying other priority issues and areas,
2 as deemed necessary and appropriate by the Inspec-
3 tor General.

4 (b) REPORT.—Not later than the expiration of the
5 180-day period beginning on the date of the enactment
6 of this Act, the Inspector General shall provide to the
7 Committee on Financial Services of the House of Rep-
8 resentatives and the Committee on Banking, Housing, and
9 Urban Affairs of the Senate a report setting forth the
10 findings of its investigation, a summary of actions the De-
11 partment may take to compel the Authority to remedy de-
12 ficiencies, and any other recommendations of the Inspec-
13 tor General.

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