

SCOTT COUNTY COMMUNITY DEVELOPMENT AGENCY

323 South Naumkeag Street, Shakopee, MN 55379

Phone: (952) 402-9022 / Fax: (952) 496-2852

BOARD OF COMMISSIONERS

MINUTES – REGULAR MEETING

February 19, 2019

(1) CALL TO ORDER AND PLEDGE

Chair Croatt called to order the Regular Meeting of the Scott County CDA at 1:02 p.m. (which was rescheduled to this day/time due to inclement weather on February 12), and then led the Pledge of Allegiance.

(2) ROLL CALL

Commissioners present: District I, DeAnn Croatt
 District II, Terri Gulstad
 District III, Kent Robbins
 District IV, Patti Sotis

Commissioners absent: District V, Barry Stock

Staff present: Bill Jaffa, Executive Director
 Adam Johnson, Finance Director
 Stacy Crakes, Business Development Director, FSS
 Molly Link, Assistant Housing Director
 Anna Sexton, Housing Specialist-Project Based
 Pam Hinze, Administrative Services
 Linda Janovsky, Recording Secretary

Others Present: Zeb Carlson, Carlson Consulting
 Lorien Mueller, Great Lakes Management
 Camille Ritter, Great Lakes Management

Molly Link, Assistant Housing Director, introduced new Housing Specialist, Anna Sexton. Anna will be working with Prior Manor and workforce units. The Board welcomed Anna to the CDA.

(1) MINUTES SUBMITTED FOR APPROVAL

3.1) CDA Annual Meeting – January 8, 2019

3.2) GTDC Annual Meeting – January 8, 2019

3.3) CDA Regular Meeting – January 8, 2019

A motion was made by Commissioner Robbins to approve the Regular Minutes, the CDA Annual Minutes, and the Greentree Development Corporation Annual Minutes, with one motion. Commissioner Gulstad seconded the motion. Unanimous voice vote followed. Motion carried.

(2) AGENDA ACTION(S)

4.1) Agenda Modifications

Chair Croatt stated that an addition to the Agenda will be 5.4) Voucher Management System (VMS) Audit.

4.2) Consent Agenda (5.2, 6.11, 6.12, 6.21, 6.4, 6.52, 6.6)

Commissioner Robbins made a motion to approve the Consent Agenda. Commissioner Sotis seconded the motion. Unanimous voice vote followed. Motion carried.

(3) FINANCIAL REPORT

5.1) Payment of Bills

Commissioner Robbins made a motion to approve check registers in the amount of \$393,030.15. Commissioner Sotis seconded the motion. Unanimous roll call vote followed. Motion carried.

5.2)* Procurement Summary

[Consent item; no discussion]

5.3) Development Reports – FY2018 4th Qtr

Ms. Mueller, Great Lakes Management, indicated that overall all the buildings are doing well! There were some over budget maintenance items having to do with elevators/fire safety and snow removal. She indicated that Great Lakes is using a new resident survey company, and all the buildings received a gold or platinum rating (very good to outstanding) with good rate of return of completed surveys. Commissioner Gulstad requested Balance Sheets in the future.

5.31) River City Centre

98% leased/occupied

Pro Forma vs. 4th Quarter 2018

	YTD Proforma	YTD Actual
Rental Revenue	\$ 569,573	\$ 594,139
Operating Expenses	\$ 294,727	\$ 320,391
Net Operating Income *	\$ 276,889	\$ 272,094
(not including retail or TIF income)		

5.32) The Hamilton

100% leased/occupied

Pro Forma vs. 4th Quarter 2018

	YTD Proforma	YTD Actual
Rental Revenue	\$ 509,917	\$ 489,712
Operating Expenses	\$ 260,474	\$ 273,867
*Net Operating Income	\$ 251,350	\$ 209,914
*Does not incl. Retail Base Rent		

5.33) Philipp Square

100% leased/occupied

Pro Forma vs. 4th Quarter 2018

	YTD Proforma	YTD Actual
Rental Revenue	\$ 623,407	\$ 646,387
Operating Expenses	\$ 292,714	\$ 343,232
Net Operating Income	\$ 357,422	\$ 310,246

5.34) Northridge Court

100% leased/97% occupied

Pro Forma vs. 4th Quarter 2018

	YTD Proforma	YTD Actual
Rental Revenue	\$ 719,081	\$ 764,720
Operating Expenses	\$ 278,800	\$ 304,159
Net Operating Income	\$ 440,281	\$ 467,295

5.35) Glendale Place

100% leased/98% occupied

Pro Forma vs. 4th Quarter 2018

	YTD Proforma	YTD Actual
Rental Revenue	\$ 809,718	\$ 791,751
Operating Expenses	\$ 387,508	\$ 322,307
Net Operating Income	\$ 410,709	\$ 492,571

5.36) Market Village

100% leased/occupied

Pro Forma vs. 4th Quarter 2018

	YTD Proforma	YTD Actual
Rental Revenue	\$ 608,129	\$ 608,181
Operating Expenses	\$ 292,716	\$ 267,081
Net Operating Income	\$ 309,676	\$ 351,440

5.37) Brentwood Court

100% leased/occupied

Pro Forma vs. 4th Quarter 2018

	YTD Proforma	YTD Actual
Rental Revenue	\$ 556,002	\$ 570,992
Operating Expenses	\$ 254,537	\$ 298,287
Net Operating Income	\$ 298,344	\$ 275,553

5.38) The Henderson

100% leased/98% occupied

Pro Forma vs. 4th Quarter 2018

	YTD Proforma	YTD Actual
Rental Revenue	\$ 621,302	\$ 647,736
Operating Expenses	\$ 216,157	\$ 237,003
Net Operating Income	\$ 363,375	\$ 414,918

5.4) Voucher Management System (VMS) Audit

This item was added to the agenda. This is in regard to an audit of VMS reporting from September 2017 to August 2018. Finance Director Johnson explained that the audit has been ongoing for several months and he and Housing Director Siegert have spoken with HUD several times and provided data requested. The concerns raised by the VMS auditors have been resolved. The CDA has worked to provide the proper reporting for future reviews by troubleshooting reporting from our housing software, revising report timing and

updating the reporting template for improved accuracy. The Board gave kudos to the Finance Director for the successful audit. The VMS Validation Report from the HUD Quality Assurance Division along with Finance Director Johnson's audit response summary is attached to these Minutes.

(4) OLD BUSINESS

6.1) Affordable Housing Programs

6.11)* Affordable Housing Occupancy Report

[Consent item; no discussion]

6.12)* Housing Choice Voucher Utilization Report

[Consent item; no discussion]

6.13) RESOLUTION NO. 07-19: AUTHORIZING SECTION 8 MANAGEMENT ASSESSMENT PROGRAM (SEMAP) CERTIFICATION SUBMISSION FOR FISCAL YEAR ENDING DECEMBER 31, 2018

Assistant Housing Director Link explained the yearly process. Commissioner Sotis made a motion to approve Resolution No. 07-19. Commissioner Robbins seconded the motion. Unanimous roll call vote followed. Motion carried.

6.2) Home Ownership Programs

6.21)* Homeownership Programs Report

[Consent item; no discussion]

6.3) Liaison Report – Scott County Commissioner

Not present; no report.

6.4)* First Stop Shop (FSS)

[Consent item; no discussion]

6.5) SC-CDA Development Activities

6.51) Louisiana Lofts, Savage—MWF Properties

This development will be opening in March and is already leased up. A grand opening will be scheduled soon.

<https://nbphotos.eaglebuildingllc.com/2018projects/18540/>

6.52)* Sarazin Flats, Shakopee—MWF Properties

[Consent item; no discussion]

6.53) Concept Planning – 55+ Independent Living Building next to Brentwood Court Campus, Jordan, MN

Executive Director Jaffa indicated that City requirements and approvals are underway and the financing of the project with County backed General Obligation bonds will be discussed with the CDA's financial advisor, bond counsel, and the County.

6.54) Intensive Residential Treatment Services (IRTS) Facility, Savage, MN

Executive Director Jaffa reported that the City entitlement process is underway. There will be a neighborhood meeting in March and City planning commission and council approvals will be requested in April. The architect, UrbanWorks, is continuing to work with Guild Incorporated to finalize the space planning in order to proceed to construction drawings.

6.6)* River City Centre Master Lease Tenant (MLT)

[Consent item; no discussion]

6.7) Marketing Initiative

Assistant to Executive Director Janovsky gave an update on the Mission/Vision/Values project. The Board spent some time discussing the potential new Mission: "the CDA invests in possibilities to live and work in Scott County". There was general consensus of approval on this with a request to have it formally adopted by Resolution. Consultant, Zeb Carlson, introduced the goal of a Vision, with discussion and options on the Vision statement to continue at the next Board meeting.

(7) NEW BUSINESS

None at this time.

(8) SET NEXT MEETING DATE, TIME AND PLACE

8.1) Regular Meeting

March 12, 2019, 2:00 p.m.

8.2) SPECIAL Meeting

as needed

EXECUTIVE SESSION

Commissioner Gulstad requested information regarding a personnel matter and made a motion to move into Executive Session at 2:20 p.m. with Commissioner Sotis seconding that motion. Unanimous voice vote followed. Motion carried. Commissioner Robbins then made a motion to move out of Executive Session and adjourn the Regular Meeting at 2:25 p.m. Commissioner Sotis seconded the motion. Unanimous voice vote followed. Motion carried.

(9) ADJOURN

Adjourned as above.


Chair Croatt




Secretary Gulstad


Recording Secretary

3/12/19
Date



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000
OFFICE OF PUBLIC AND INDIAN HOUSING
Quality Assurance Division

EXHIBIT: 5.4

February 11, 2019

Mr. William Jaffa
Executive Director
Scott County Community Development
323 S. Naumkeag Street
Shakopee, MN 55379

Dear Mr. Jaffa,

Recently Quality Assurance Division (QAD) staff conducted a remote Housing Choice Voucher Program (HCV), Voucher Management System (VMS), Validation Review of the Scott Housing Authority (MN184). The purpose of our review was to identify any VMS reporting discrepancies, and to provide guidance and technical assistance to improving the HCV data reported in the VMS.

Our review focused on the VMS reporting period **September 1, 2017 through August 31, 2018**. During the review Quality Assurance Division (QAD) Staff identified areas where the PHA can improve the accuracy of its VMS reporting. These areas and any technical assistance provided are detailed in the enclosed report. The report contains Four (4) concerns.

Since corrections to VMS data were identified by the QAD Staff, it is important that these corrections be made as directed in the enclosed report as soon as possible, but not later than 30 days from the date of this report. Notification of informal corrective actions because of review concerns may be sent via e-mail to Eugenia Beale at eugenia.y.beale@hud.gov.

We appreciate the cooperation extended to QAD Staff during this review, and your assistance in helping us ensure the best possible VMS data integrity. Should you have any questions or concerns please contact Eugenia Beale at 215-861-7601

Donna Adams

Supervisory Program
Analyst Quality Assurance
Division

Enclosure: VMS Validation Report MN184

cc: Lucia Clausen, Director of Minneapolis Field Office
June Burnes, West Division Director, Financial Management Center
Ms. DeAnn Croatt, Board Chair, Scott Housing Authority

VMS Validation Report – MN184

Background: The VMS collects data on monthly leasing activities and costs for the HCV Program via mandatory PHA reporting. The Department reviews the VMS data to identify issues of concern to PHA and/or the Department. The system is periodically enhanced to provide new flexibilities or features for improved ease and accuracy of reporting and use of the data. The VMS is a critical data system that is used for a variety of major functions, including budget formulation, utilization analysis, and funding allocations. As such accuracy of the data is extremely important, especially to the Quality Assurance Division who requested this VMS Validation Review.

The purpose of this review was to validate the Units Months Leased (UML) and related Housing Assistance Payment (HAP) expenses certified as accurate by the Scott Housing Authority for the period **September 1, 2017 through August 31, 2018**. For the period covered by our review, we validated Scott source documents against their VMS data entries, which could be used by the OHVP Financial Management Division (FMD) to calculate renewal funding. Our review revealed reporting discrepancies as noted in the body of this report.

Concerns

Concern No. 1: Unit Months Leased (UML) was incorrectly reported.

Condition: The Total UML for the period of **September 1, 2017 through August 31, 2018** was incorrect in the Voucher Management System by 13 (see Table 1). Table 2-3 below consist of the categories which comprise the UML variance found in VMS reporting.

Table 1

Total UML			
	Reported	Validated	Difference
Sep-17	386	393	-7
Oct-17	389	394	-5
Nov-17	382	361	21
Dec-17	387	395	-8
Jan-18	384	391	-7
Feb-18	388	355	33
Mar-18	386	393	-7
Apr-18	385	384	1
May-18	382	383	-1
Jun-18	380	380	0
Jul-18	385	385	0
Aug-18	381	414	-33
12 Month Total	4,615	4,628	-13

Table 2

Tenant Protection UML			
	Reported	Validated	Difference
Sep-17	17	20	-3
Oct-17	17	19	-2
Nov-17	17	19	-2
Dec-17	17	19	-2
Jan-18	17	19	-2
Feb-18	17	18	-1
Mar-18	17	18	-1
Apr-18	17	18	-1
May-18	17	18	-1
Jun-18	17	18	-1
Jul-18	17	18	-1
Aug-18	17	17	0
12 Month Total	204	221	-17

Table 3

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All Other Vouchers UML			
	Reported	Validated	Difference
Sep-17	270	274	-4
Oct-17	272	275	-3
Nov-17	265	242	23
Dec-17	269	275	-6
Jan-18	264	269	-5
Feb-18	266	232	34
Mar-18	263	269	-6
Apr-18	263	261	2
May-18	262	262	0
Jun-18	261	260	1
Jul-18	270	269	1
Aug-18	267	300	-33
12 Month Total	3,192	3,188	4

Cause: The PHA misreported the number of vouchers leased for certain months of the review period which impacted various UML categories in VMS. The PHA under-reported 17 Tenant protection vouchers, and over-reported 4 All Other vouchers which resulted in Total UML being under-reported in VMS by 13 vouchers during the review period.

Total Vouchers: This is a calculated field and does not accept data entry from the user. It contains monthly totals of the following UML fields: RAD 1, RAD 2, Litigation, Homeownership, Moving to Work, One Year Mainstream MTW, Family Unification Non – MTW, Family Unification Pre 2008 – MTW, Family Unification 2008 Forward – MTW, Non-Elderly Disabled – Non MTW, Non-Elderly Disabled 2008 Forward – MTW, Portable Voucher Paid, HOPE VI, Tenant Protection, Veterans Affairs Supportive Housing (VASH) Vouchers, All Other Vouchers.

Tenant Protection: Total number of vouchers under lease for households whose vouchers were initially provided from an award designated for tenant protection purposes and who were affected by a tenant protection action. This includes vouchers awarded for relocation from or replacement of a public housing property; vouchers for tenants affected by a termination, opt-out, or prepayment of a multifamily assisted development or a property disposition action; and vouchers provided for the replacement of expired Mod Rehab HAP and SRO contracts. A unit is reported in this category as long as the original voucher holder remains a voucher participant even after the units are renewed and become part of the PHA's baseline units. NOTE: Effective April 2016, RAD Component 1 and 2 leasing and expense information is no longer reported in this field. RAD information should be reported in the appropriate RAD 1 and 2 fields.

All Other Vouchers: Total number of vouchers leased for all other purposes. Do not include any vouchers already reported in the other voucher categories above.

- The PHAs was using a report that was produced from its software system to report Tenant Protection Vouchers. As a result of this review, the PHA realized that the report was not capturing all their Tenant Protection tenants. The PHA provided a spreadsheet

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with a listing of the Tenant Protection tenant for the review period. The PHA will follow up the Lindsey Software to rectify this issue.

- The PHA initially reported some of their Tenant Protection Vouchers in the All Other voucher category as mentioned above the PHA has put new procedures in place for future reporting so it is no longer an issue in the future.

Effect: PHAs must adhere to 24 CFR §982.158; they must maintain complete and accurate accounts and other records for the program in accordance with HUD requirements, in a manner that permits a speeding and effective audit. The UML data is utilized by the Financial Management Division for calculating PHA administrative fee allocation. Inaccurate UML reporting in VMS may adversely impact the amount of the administrative fees received. HUD relies on accurate VMS data to monitor the state of each PHA's Housing Choice Voucher (HCV) Program to calculate the HCV funding PHAs receive each year. Inaccurate reporting of UMLs results in inaccurate calculation of per unit costs (PUC) of the PHA's HCV program. Additionally, HUD also uses the HCV data contained within VMS to provide reports on the HCV Program to Congress.

Recommended Corrective Action No. 1: The PHA should develop and implement policy and procedures that will allow for proper reporting in this category. The PHA should make corrections to VMS as shown in the validated columns of the tables 2 and 3 as soon as possible but no later than 30 days from the date of this report and notify Eugenia Beale, Eugenia.y.beale@hud.gov.

Concern No. 2: Housing Assistance Payments (HAP) expenses were incorrectly reported.

Condition: The Total HAP expenses for the period of **September 1, 2017 through August 31, 2018** were under-reported in the Voucher Management System by -\$6,183 (see Table 4). Tables 5 and 6 consist of the categories which comprise the HAP variances found in VMS.

Table 4

Total HAP			
	Reported	Validated	Difference
Sep-17	247,032	247,032	0
Oct-17	248,270	248,270	0
Nov-17	270,845	270,845	0
Dec-17	253,954	253,954	0
Jan-18	247,018	246,348	670
Feb-18	256,403	258,412	-2,009
Mar-18	257,014	257,014	0
Apr-18	260,778	260,777	1
May-18	256,751	256,751	0
Jun-18	253,373	253,373	0

Table 5

Tenant Protection HAP			
	Reported	Validated	Difference
Sep-17	32,086	12,353	19,733
Oct-17	30,085	12,249	17,836
Nov-17	30,354	11,799	18,555
Dec-17	29,189	11,397	17,792
Jan-18	29,367	11,445	17,922
Feb-18	28,996	11,629	17,367
Mar-18	29,627	11,645	17,982
Apr-18	30,596	12,120	18,476
May-18	29,622	12,477	17,145
Jun-18	29,976	12,649	17,327

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Jul-18	270,558	270,558	0
Aug-18	264,368	269,213	-4,845
12 Month Total	3,086,364	3,092,547	-6,183

Jul-18	30,793	13,338	17,455
Aug-18	30,876	12,534	18,342
12 Month Total	361,567	145,635	215,932

Table 6

All Other Vouchers HAP			
	Reported	Validated	Difference
Sep-17	154,069	173,802	-19,733
Oct-17	158,081	175,917	-17,836
Nov-17	176,613	195,168	-18,555
Dec-17	163,389	181,181	-17,792
Jan-18	151,726	168,978	-17,252
Feb-18	165,740	185,116	-19,376
Mar-18	165,066	183,048	-17,982
Apr-18	167,803	186,278	-18,475
May-18	167,724	184,869	-17,145
Jun-18	166,133	183,460	-17,327
Jul-18	180,844	198,299	-17,455
Aug-18	170,147	193,334	-23,187
12 Month Total	1,987,335	2,209,450	-222,115

Cause: PHAs must adhere to 24 §CFR 982.158; the PHA must maintain complete and accurate accounts and other records for the program in accordance with HUD requirements, in a manner that permits a speedy and effective audit. Appendix A of the VMS User's Manual requires, "All HAP expense data is to be reported in the voucher categories as of the first day of the month. HAP expenses are entered under the month for which they are applicable, regardless of the month in which they are paid. HAP expenses are only entered after the payment has been made. A separate line item on the Voucher UML and HAP tab, called "Voucher HAP Expenses for New Contracts Effective After the First of the Month" collects HAP costs incurred for new HAP contracts effective after the first of the month. These costs are not reported elsewhere. The PHA should include as HAP in the appropriate categories any amounts expended for utility reimbursements."

The criteria as defined in Appendix A of the VMS User's guide for the specific line items that are in error are as follows:

HAP Total: This is a calculated field and does not accept data entry from the user. It contains monthly totals of the following HAP fields: RAD 1 HAP, RAD 2 HAP, Litigation HAP, Homeownership HAP, Moving to Work HAP, One Year Mainstream MTW – HAP, Family Unification Non MTW – HAP, Family Unification Pre-2008 MTW – HAP, Family Unification 2008 Forward MTW – HAP, Non-Elderly Disabled Non-MTW – HAP, Non-Elderly 2008 Forward MTW – HAP, Portable Voucher HAP, HOPE VI – HAP, Tenant Protection HAP, All Other Vouchers HAP, Veterans Affairs Supportive Housing (VASH) Vouchers HAP, All

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Voucher HAP Expenses for contracts effective After the First of Month, MTW Family Unification 2008 Forward HAP Expenses After the First of the Month, MTW Family Unification Pre-2008 HAP Expenses After the First of the Month, MTW Non-Elderly Disabled 2008 Forward HAP Expenses After the First of the Month, MTW VASH HAP Expenses After the First of the Month, MTW One Year Mainstream HAP Expenses After the First of the Month, FSS Escrow Deposits. Note that the PHA should include as HAP in the appropriate categories any amounts expended for utility reimbursements.

Tenant Protection HAP: Total HAP expenses incurred for Tenant Protection vouchers reported in the Units section.

All Other Vouchers HAP: Total HAP expenses incurred for all other vouchers reported in the unit section, for contracts in effect on the first day of the month. Do not include any HAP expenses already reported in ANY other Voucher HAP Expense categories above or for FSS Escrow Deposits below.

- The PHA did some troubleshooting to generate a report by running a separate query and isolating The Tenants Protection Tenants. When this was done, it was found that the HAP was lower than originally reported. The PHA will adjust the Tenant Protection HAP and All Other HAP in VMS so they fall into the correct categories. The PHA have also put new procedures in place for future reporting, so it is no longer an issue in the future.

Effect: HUD relies on VMS data to monitor the state of each PHA's Housing Choice Voucher Program and to calculate the funding PHAs receives each year. Additionally, HUD also uses the data contained within VMS to provide reports on the Voucher Program to Congress. Misreporting negatively affects HUD's ability to determine accurate HAP expenses for the Agency. Since HUD provides renewal funding for each public housing agency based on validated leasing and cost data in VMS, it is essential that VMS reported data are both timely and accurate. PIH Notice 2015-16, paragraph 9, states, "PHAs are required to transmit certain leasing and cost data electronically through VMS. The Department uses VMS data for budget formulation, cash management, monitoring, determining renewal funding levels, and funding-related factors under the Section Eight Management Assessment Program (SEMAP). Therefore, it is imperative that PHAs comply with reporting requirements and timelines for reporting through VMS, ensuring that the information submitted is both timely and accurate. The data submitted in VMS is subject to verification and review by the PIH OHVP, Quality Assurance Division."

Recommended Corrective Action No. 2: The PHA should develop and implement policy and procedures that will allow for proper reporting in this category. The PHA should make corrections to VMS as shown in the validated columns of the table 5 and 6 as soon as possible but no later than 30 days from the date of this report and notify Eugenia Beale, Eugenia.y.beale@hud.gov.

Concern No. 3: Vouchers issued but not under HAP on the last day of the month was incorrectly reported.

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Condition: The Number of vouchers issued but not under HAP contract on the last day of the month for the period of September 2017 through August 2018 was incorrectly reported in several months (see Table 7) below.

Table 7

VO Issued but not Under HAP on Last Day of Month			
	Reported	Validated	Difference
Sep-17	7	5	2
Oct-17	7	5	2
Nov-17	10	2	8
Dec-17	7	3	4
Jan-18	5	3	2
Feb-18	3	3	0
Mar-18	1	3	-2
Apr-18	0	3	-3
May-18	1	4	-3
Jun-18	1	5	-4
Jul-18	1	8	-7
Aug-18	2	8	-6
12 Month Total	45	52	-7

Cause:

24 CFR § 982.158 (a), states: “The PHA must maintain complete and accurate accounts and other 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 comply with the financial reporting requirements in 24 CFR Part 5, subpart H.” 24 CFR Part 5, Subpart H is the Uniform Financial Reporting Standards and can be found at 24 CFR 5.801.

As established in PIH-Notice 2010-16 and the VMS User’s Manual, PHAs must report the total cumulative number of new vouchers issued for all categories and not yet under active HAP contract as of the last day of the reporting period.

Number of vouchers issued but not under housing assistance payments (HAP) contract as of the last day of the month: This figure represents the total **cumulative** number of new vouchers issued for all categories listed above and not yet under a HAP contract as of the last day of the reporting period. This figure excludes vouchers issued to participants who are currently under a HAP contract in one unit but have been issued a voucher to search for another unit to which they intend to move with continued voucher assistance.

- The documentation provided did not match the data reported in VMS by the PHA. The PHA was using a report from Linsey software that was not reliable. Once the PHA realized the discrepancy the PHA immediately developed a spreadsheet to track the voucher issued but not under HAP on the last day of the month to avoid this error in the future.

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Effect: For HCV budget planning purposes accurate reporting creates vital data used to assist in establishing the HAP liability for those vouchers issued but not under HAP contract. This aid both HUD and the PHA in projecting future voucher utilization efforts and assists in the projection of funding shortfalls by HUD's integrating this data into the HCV Utilization tool. The PHA is encouraged to use information in this VMS field as a tool for planning to monitor potential leasing. Without accurate reporting of this field in the VMS, HUD is unable to adequately monitor potential funding shortfalls and assist PHAs facing a shortfall to develop solutions to prevent the termination of vulnerable families from the HCV program.

Reporting inaccurate amounts in VMS negates the PHA's assurances that data certified and reported in VMS is reliable for renewal funding calculation purposes.

Recommended Corrective Action No. 3: The PHA should make corrections to VMS as shown in the validated column of the table 1 as soon as possible but no later than 30 days from the date of this report and notify Eugenia Beale, Eugenia.y.beale@hud.gov.

Concern No. 4: VO Under Lease on Last Day of Month was incorrectly reported.

Condition: The amount reported of Vouchers under Lease as of the Last Day of the Month did not match the source documentation. The total was under reported by 13 UMLs (see Table 8).

Table 8

VO Under Lease on Last Day of Month			
	Reported	Validated	Difference
Sep-17	386	393	-7
Oct-17	389	394	-5
Nov-17	382	361	21
Dec-17	387	395	-8
Jan-18	384	391	-7
Feb-18	388	355	33
Mar-18	386	393	-7
Apr-18	385	384	1
May-18	382	383	-1
Jun-18	380	380	0
Jul-18	385	385	0
Aug-18	381	414	-33
12 Month Total	4,615	4,628	-13

Cause: The VMS User's Manual states, "Number of vouchers under Lease (HAP Contract) on the last day of the Month: Total number of vouchers under lease on the "LAST" day of the month for all categories listed in 'HAP Total' above. This includes HAP contracts that expired that day. Zero HAP units continue to be reported for up to six months. The HAP contract terminates automatically 180 calendar days after the last HAP payment to the owner."

- The PHA did not fully understand the reporting requirements for this category,

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therefore, QAD provided technical assistance on the reporting requirements in VMS.

Effect: The PIC extract uses this line item from VMS to calculate the PHA's Public and Indian Housing Information Center (PIC) reporting rate. Therefore, incorrectly reporting in this category also causes the PHA's PIC reporting rate to be incorrectly calculated.

Recommended Corrective Action No. 4: The PHA must make corrections to VMS as shown in the validated column of the table 8 as soon as possible but no later than 30 days from the date of this report and notify Eugenia Beale, Eugenia.y.beale@hud.gov when the corrections have been made.

The PHA should make necessary VMS corrections within 30 days of the date of this report and notify Eugenia Beale at Eugenia.Y.Beale@hud.gov; when the identified discrepancies have been corrected. If identified reporting discrepancies and their causes are not corrected, they may result in finding(s) which could subsequently initiate funding recalculation.

Note: The QAD validated columns represent the amount that should have been reported in VMS based on source documents provided at the time of the review. It is understood these totals could change if subsequent accrual adjustments are made.

Tenant File Reviews

As part of the QAD review protocol, QAD staff is required to conduct a comparison between HAP expenses as reported in PIC on HUD Form 50058 and the PHA's check register. The QAD reviewer randomly selected a sample of Twelve (12) files to determine the accuracy of HAP paid to landlords and utility reimbursements (URP) made to tenants. For all the case files, the PHA HAP payment records were used as supporting documentation to verify the amount of HAP paid to the landlords, and the amount of utility allowance reimbursements paid to the participating voucher holder if applicable. There were no discrepancies identified in the files that were sampled. Upon review of the records it was determined that all HAP and utility reimbursement payments were accurate and consistent with HAP amounts reported in PIC.

Technical Assistance

PHA staff was provided guidance on the reporting requirements of HAP and the necessity to identify, track, and maintain documentation of all data reported in VMS. PHA was reminded that accurate VMS data reporting is critical to the PHA receiving appropriate future program funding.

2017-18 VMS Audit Summary:

Report Concerns from HUD:

- **Concern One – Unit Months Leased (UML) incorrectly reported.**
 - Tenant Protection UML reported at 204, verification was 221 (underreported by 17 units or 7.7%).
 - Effective in April 2016, RAD Component 1/2 leasing and expenses are no longer reported here. Separate fields were created for these, also see note under Concern Two below.
 - All Other Vouchers UML was reported at 3,192, verification was 3,188 (over reported by four units).
 - Total UML was reported at 4,615, audit verification was 4,628 (underreported by 13 units or .28%).
 - Lindsey software did not provide a Tenant Protection report – we had 17 units from an external listing. HUD required a listing of HAP by tenant so we generated a custom report.
- **Concern Two – Housing Assistance Payments (HAP) were incorrectly reported.**
 - Tenant Protection HAP was over reported by ~\$216K, ~60% (included RAD 1/2 HAP). VMS template used an allocation formula due to the lack of a reliable Tenant Protection report from Lindsey.
 - Custom generated report showed that the HAP was much lower. Using new report now.
 - All Other Vouchers HAP was underreported by ~\$222K, about 10%. This allocation was also a formula that calculated the HAP remaining after allocating HAP to other categories.
 - We also did not have a reliable report here, so we had to modify other reports to attempt to justify the amounts, and this was not sufficient enough for the audit coordinator.
 - Provided analysis on a number of separate reports to justify the reasonableness of our reporting. Created new reporting category in VMS for this area to isolate.
 - After HUD was satisfied with our alternative analyses, they accepted moving between categories. Final total reported at \$3,086,364, verification was \$3,092,547 (underreported by ~\$6.2K).
- **Concern Three – Vouchers issues but not under HAP on last day of month was incorrectly reported.**
 - This category was reported at 45, verification counted 52. This was due to a discrepancy in when we process the count in this category – we are revising the timing of this so we can provide a count that matches the reporting available in Lindsey.
- **Concern Four – Vouchers leased on LDOM incorrectly reported – see point three under Concern One.**

Final Summary:

- We have worked to provide the proper reporting needed for future reviews by troubleshooting reporting from Lindsey, revising our reporting timing and updating our reporting template to ensure improved accuracy. HUD repeatedly referenced the reporting needs that need to be adhered to in order to provide a 'Speedy and Efficient Audit', which this audit was not. They also took the additional step of verifying HAP received was paid out. We have made the proper corrections to resolve these issues for the future.