

DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

OIG Project No. 22-1-02HY

October 2022



DISTRICT OF COLUMBIA HOUSING AUTHORITY

DCHA Can Improve Financial and Program Management to Ensure Housing Subsidy Programs are Administered in an Efficient and Effective Manner



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Executive Summary

DCHA Can Improve Financial and Program Management Processes to Ensure Housing Subsidy Programs are Administered in an Efficient and Effective Manner

WHY WE DID THIS AUDIT

We conducted this audit under D.C. Code § 1-301.115a(e-1) (Supp. 2018), which allows the D.C. Office of the Inspector General (OIG) to conduct an annual fiscal and management audit of the District of Columbia Housing Authority (DCHA), and to address Council of the District of Columbia concerns regarding the extent of oversight and funding needed to rehabilitate and maintain the District of Columbia's public housing conditions. This audit focused on fiscal and program management of the various District housing subsidy programs and activities administered by DCHA during fiscal year (FY) 2020.

OBJECTIVES

The objectives of this audit were to (1) assess whether DCHA administered the programs supported by the operating and capital subsidies in accordance with District and federal laws and regulations and (2) identify areas at risk of loss through errors, theft, or noncompliance.

WHAT WE FOUND

DCHA experienced challenges during the COVID-19 pandemic, including the sudden transition to a remote work environment, key leadership changes, staff attrition, and eviction and utility payment moratoria. Despite these challenges, DCHA: verified applicants' identity; ensured qualified families were placed in appropriately-sized housing; and validated applicants' qualifications for certain demographic-based assistance, in accordance with District and federal laws and regulations. We want to commend DCHA for administering certain aspects of the rental housing assistance program in accordance with District and federal laws and regulations during the pandemic.

However, DCHA did not adopt a financial management process used by the District of Columbia Office of the Chief Financial Officer (OCFO) to maintain a general ledger, prepare a trial balance, and produce the subsidy's financial statements to account for District resources accurately and completely. DCHA also did not follow the OCFO budget formulation and execution process to ensure approved budgets were uploaded to DCHA's internal accounting system. DCHA should have used the same budget line items as the District to facilitate periodic monitoring of over- and under-budget spending to justify changes in operational needs or spending pressures occurring during the year. In the wake of the pandemic, new leadership at DCHA can improve DCHA's financial

Executive Summary

management process to ensure DCHA uses the housing subsidies it receives from the District efficiently and effectively.

We also found that DCHA needs improvements in (1) documenting evidence that required criminal background checks were completed, (2) determining rent reasonableness for signing the initial lease, and (3) conducting required housing unit inspections consistently to ensure the administration of certain aspects of the rental housing assistance program comply with District and federal laws and regulations.

Finally, the Job Order Contracting (JOC) program, designed to help DCHA with public housing modernization, construction, maintenance, and redevelopment tasks, did not add value to DCHA's procurement process as intended because the JOC program did not (1) result in projects starting faster, (2) create partnerships between DCHA and awarded contractors, and (3) result in higher quality work.

The lack of financial and program management processes, coupled with ineffective procurement processes led to DCHA's failure to use \$60.89 million in funding resources to provide rental assistance for District low-income households during FY 2020.

WHAT WE RECOMMEND

We made 23 recommendations to DCHA to improve DCHA's (1) financial management process to ensure fund resources are accurately and completely accounted for, (2) program management process to ensure the administration of certain program aspects comply with District and federal laws and regulations, and (3) procurement processes to ensure the District of Columbia's public housing conditions are rehabilitated and maintained adequately and timely.

MANAGEMENT RESPONSE

DCHA agreed with 18 recommendations and disagreed with 5 recommendations.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



October 25, 2022

Brenda Donald
Executive Director
District of Columbia Housing Authority
300 Seventh Street, S.W., 3rd Floor
Washington, D.C. 20024

Dear Executive Director Donald:

Enclosed is our final report, *DCHA Can Improve Financial Planning and Program Management Execution Processes to Ensure Housing Subsidy Programs are Administered in an Efficient and Effective Manner* (OIG Project No. 22-1-02HY). The audit was included in our *Fiscal Year 2022 Audit and Inspection Plan*. We conducted this audit in accordance with generally accepted government auditing standards (GAGAS).

We provided the District of Columbia Housing Authority (DCHA) with our draft report on September 23, 2022, and received its response on October 6, 2022. We appreciate that DCHA officials began addressing some of the findings immediately upon notification during the audit.

Our draft report included 23 recommendations to DCHA for actions we deemed necessary to correct identified deficiencies. DCHA agreed with Recommendations 1-7, 10-13, 16, 17, and 19-23. DCHA's actions taken and/or planned are responsive and meet the intent of the recommendations. Therefore, we consider these recommendations resolved but open pending evidence of stated actions.


DCHA disagreed with Recommendations 8, 9, 14, 15, and 18. We consider these recommendations open and unresolved. Therefore, we request that DCHA reconsider its position and provide additional responses to these recommendations within 30 days of the date of this final report. DCHA should consider the intent of these recommendations in the context of (a) coordinating with OCFO to retroactively report on the breakdown by category of money expended on administrative costs to comply with D.C. Code requirements; (b) providing the OIG with access to required criminal background checks "stored separately to protect applicant's privacy"; (c) determining if allowing a contractor to run the JOC program it created is in the best interest of DCHA as part of the planned action to replace the JOC program with a tiered contracting approach with three levels of contracts; (d) returning the \$20,259 excess payment DCHA received from the OCFO, and (e) providing the OIG with proof of D.C. Council approval of the three contracts awarded under Contract 0007-2019.

Executive Director Brenda Donald
DCHA Can Improve Financial and Program Management
Processes to Ensure Housing Subsidy Programs are
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During the audit, we received DCHA's views on our findings, recommendations, and conclusions in writing. We incorporated DCHA's views in our draft report if supported by sufficient and appropriate evidence. DCHA's October 6, 2022, response did not provide additional evidence to support its disagreements. Based on DCHA's response, we re-examined our facts and conclusions and determined that the draft report is fairly presented. DCHA's responses to the draft report are included in their entirety at Appendix D.

We appreciate the cooperation and courtesies extended to our staff during this audit. If you have any questions concerning this report, please contact me or Fekede Gindaba, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,


Daniel W. Lucas
Inspector General

DWL/qah

Enclosure

cc: See Distribution List

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BACKGROUND

DCHA is an independent authority that is an instrumentality of the District government, a corporate body with a separate legal existence from the District government.¹ DCHA is responsible for providing “quality affordable housing to extremely low - through moderate-income households, fosters sustainable communities, and cultivates opportunities for residents to improve their lives.”² DCHA receives oversight from the Council of the District of Columbia Committee on Housing and Executive Administration. A 13-member Board of Commissioners governs DCHA. The 13-member Board consists of District community and business leaders, including three members representing the diverse constituency of D.C. public housing and one member representing federal Housing Choice Voucher Program (HCVP) participants.³

DCHA is responsible for administering the Housing Authority Subsidy it receives from the District. The purpose of the subsidy is to provide additional funding to DCHA operations and to fund ongoing rental assistance for low-income households and DCHA’s Public Safety program as follows:

- Rental Assistance-DC Local: Tenant-based rental assistance to low-income households;
- Shallow Subsidy-Unsubsidized Seniors: Supports seniors in reducing rent burden and remaining stably housed;
- Tenant-Based Vouchers: Rental assistance for extremely low-income families and individuals;
- Permanent Supportive Housing-Individual: Intensive, wrap-around supportive services with tenant-based voucher rental assistance;
- Targeted Affordable Housing-Families: No or light touch supportive services with tenant-based voucher rental assistance;
- Targeted Affordable Housing-Individual: No or light touch supportive services with tenant-based voucher rental assistance;
- Local Rental Supplement Program-Project Base: Vouchers are provided to for-profit or non-profit developers for specific units they make available to extremely low-income households. Vouchers are tied to a specific unit through a long-term subsidy contract;
- Local Rental Supplement Program-Sponsor Base: Vouchers are awarded to a provider (landlord or non-profit group) for affordable units they make available to extremely low-income households. Vouchers are tied to the provider and can be moved to another unit run by the non-profit or landlord;
- Public Safety: Provides funding that supports DCHA’s Public Safety [police] force, which complements local law enforcement efforts by focusing on crime prevention and law enforcement in and around DCHA’s public housing communities; and
- Rehabilitation and Maintenance (R&M) program: Provides funding for the repair, alteration, modernization, rehabilitation, construction, and demolition of low rent public housing properties.

¹ D.C. Code § 6-202(a). (Lexis current through May 17, 2022).

² DCHA website, https://webserver1.dchousing.org/?page_id=277, (last visited Sept. 2, 2022).

³ DCHA website, https://webserver1.dchousing.org/?page_id=321 (last visited July 12, 2022).

The objectives of this audit were to (1) assess whether DCHA administered the programs supported by the operating and capital subsidies in accordance with District and federal laws and regulations; and (2) identify areas at risk of loss through errors, theft, or noncompliance. We conducted this audit in accordance with generally accepted government auditing standards (GAGAS).

In addition to DCHA policies and procedures, we used federal and District laws, regulations, and procedures to examine DCHA's use and management of District funds to provide affordable housing to qualified District residents. We also used the *United States Government Accountability Office (GAO) Standards for Internal Control in the Federal Government* (Green Book)⁴ to evaluate the design and implementation of DCHA's control activities to ensure its management of the District's Housing Authority Subsidy complies with applicable laws and regulations.

FINDINGS

DCHA DESIGNED CONTROLS TO ADMINISTER THE HOUSING AUTHORITY SUBSIDY

According to the Green Book:

A direct relationship exists among an entity's objectives, the ... internal control[s], and the organizational structure of an entity. Objectives are what an entity wants to achieve. The ... internal control[s] are what are required of the entity to achieve the objectives. Organizational structure encompasses the operating units, operational processes, and other structures management uses to achieve the objectives.⁵

We found that, consistent with the Green Book principles, DCHA designed and published (1) strategic goals (objectives) and (2) an organizational structure to achieve its strategic goals. Below we discuss DCHA's strategic goals, organizational structure, and control activities in detail.

DCHA Designed and Published Strategic Goals

DCHA published the following five strategic goals on its website:

- Create opportunities to improve the quality of life for DCHA residents through collaboration and partnerships.
- Increase access to quality affordable housing.

⁴ U.S. GOV'T ACCOUNTABILITY OFFICE, STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOV'T, GAO-14-704G (Sept. 2014), <https://www.gao.gov/assets/gao-14-704g.pdf> (last visited Aug. 19, 2022).

⁵ *Id.* § OV2.10 at 9-10.

- Provide livable housing to support healthy and sustainable communities.
- Foster a collaborative work environment that is outcome-driven and meets highest expectations of the affordable housing industry.
- Effectively communicate DCHA's accomplishments and advocate for its mission.⁶

DCHA Designed and Published an Organizational Structure to Achieve Its Strategic Goals

As set forth in the agency's organizational chart, DCHA is organized by function into 11 offices. Each office represents the Authority's main operational areas and services. We worked with the following offices involved in the administration of the District's subsidy:

- Office of Financial Management (OFM) is responsible for handling the management, development, and financial reporting for the expense and capital budgets of DCHA;
- Housing Choice Voucher and Eligibility and Continued Occupancy Programs (HVCP/ECOD) is responsible for application intake, waiting list management, and eligibility determination for programs that provide rental assistance to eligible low-income families;
- Office of Administrative Services (OAS) is responsible for ensuring that DCHA's purchasing actions are in full compliance with applicable federal standards, HUD regulations, and District of Columbia laws;
- Office of Capital Programs (OCP) provides construction and project management of modernization projects within DCHA public housing, including preventive maintenance services;
- Office of Public Safety/DCHA Police Department (OPS) is a fully-operational, 24-hour police force that covers fixed security stations and conducts police patrols throughout the city's public housing developments. The police department is staffed with sworn police officers who have concurrent jurisdiction with the District's Metropolitan Police Department; and
- Office of Audit and Compliance (OAC) is an independent appraisal function established to examine and evaluate DCHA's activities as a service to the agency. OAC conducts financial and performance audits, and criminal and administrative investigations.

The following sections of this report discuss our findings, recommendations, and conclusions where certain controls over financial management, program management, and procurement processes were not operating effectively.

⁶ DCHA website <https://www.dchousing.org/wordpress/about-us/> (last visited Sept. 20, 2022).

DCHA DID NOT USE DISTRICT HOUSING AUTHORITY SUBSIDY RESOURCES EFFICIENTLY AND EFFECTIVELY

We used DCHA records to compile the financial activities of the Housing Authority Subsidy received from the District during FY 2020. We calculated that DCHA received \$146 million in operational funding from the District and spent \$123 million. We note that DCHA did not receive any capital funding from the District in FY 2020.

DCHA Did Not Maintain Complete and Accurate Records for Housing Authority Subsidy Funds Received from the District

DCHA was unable to explain the financial transactions and earned interest income that were not reflected in the Housing Authority Subsidy fund balance reported on its audited financial statements⁷ for FY 2020. Table 1 below presents the calculation of the unsupported financial transactions.

Table 1. Calculation of the Financial Transactions that Were Not Reflected in the Fund Balance Reported on DCHA's Audited Financial Statements

District of Columbia Housing Authority Subsidy Statement of Net Position As of September 30, 2020			
Description	Amount (\$)	Amount (\$)	Amount (\$)
Beginning Fund Balance Per Audited Financial Statements			14,797,441
Reimbursement Received from the District for Local Rent Supplement Program	112,001,044		
Advanced Payments Received from the District For R&M Program	26,086,570		
Reimbursement Received from the District for Administrative Fees	8,214,908		
Total Funding Received from the District		146,302,522	
Actual Spending for the District's Local Rent Supplement Program	112,001,044		
Actual Spending for the District's R&M Program	2,948,160		
Actual Spending for the DCHA's Administrative Fees	8,214,908		
Total Spending		123,164,112	
Funding Received in Excess of Spending			23,138,410
Expected Ending Fund Balance			37,935,851
Fund Balance per Audited Financial Statements			34,949,920
Unsupported Financial Transactions			2,985,931

Source: OIG analysis of DCHA financial and operational records.

DCHA's failure to use a separate accounting system to track, analyze, and report financial activities contributed to an unexplained understatement in ending Housing Authority Subsidy balance. Such a system would have included maintaining a general ledger, preparing a trial

⁷ CliftonLarsonAllen LLC (CLA) conducted the audit.

balance, and producing the Housing Authority Subsidy's financial statements, consistent with generally accepted accounting principles (GAAP).⁸

Without a general ledger, DCHA cannot show the detailed activities for Housing Authority Subsidy assets, liabilities, revenues, expenditures, and ending balances. Preparing a trial balance would have allowed DCHA to identify missing transactions and helped DCHA maintain the Housing Authority Subsidy's financial statements. According to DCHA officials, "DCHA did not maintain a separate statement of net position for the District-provided Housing [Authority S]ubsidy fund nor is it audited separately from the rest of the local operating grant(s)/capital funds grant(s)[.] DCHA does not record the District-provided Housing [Authority] Subsidy received/expenditures incurred in a separate trial balance."

As a result of DCHA's failure to use an accounting system and its lack of policies and procedures for the Housing Authority Subsidy accounting, DCHA could not account for \$2.98 million in funding resources and any applicable earned interest income.

We recommend that the DCHA Executive Director:

1. Develop and implement policies and procedures to maintain a general ledger, prepare a trial balance, and produce separate financial statements, including a statement of net position for the District-provided Housing Authority Subsidy.
2. Develop and implement procedures to recognize and record interest earnings.
3. Develop and implement procedures to retroactively identify missing fund transactions, including the \$2.98 million in funding resources, and applicable earned interest income.

⁸ GAAP for governments is promulgated by the Governmental Accounting Standards Board (GASB). Statement No. 34 of the GASB (June 1999) states, "[s]eparate financial statements should be presented for the primary government's governmental and proprietary funds...", Paragraph Number 74.

DCHA Did Not Justify Significant Overspending⁹

According to the Office of the Chief Financial Officer (OCFO), “[b]udget execution is the process of monitoring, adjusting, and reporting on the current year’s budget.”¹⁰ To facilitate the monitoring process, OCFO policy requires District agencies to develop a spending plan at the start of each fiscal year and compare it to actual spending every quarter by reporting a detailed comparison of actual expenditures, obligations, and commitments to their approved spending plan, by the appropriated fund. OCFO policy also requires agencies to provide justifications and corrective actions when year-to-date expenditures, obligations, and commitments exceed the agency spending plan by more than the variance of the threshold greater than 5 percent or \$1 million.¹¹ However, DCHA did not provide OCFO with justification and corrective actions for FY 2020 overspending as illustrated in Table 2.

Table 2. Breakdown of DCHA FY 2020 Overspending by Activity

Description of Activities	Approved FY 2020 (\$000)	Actual 2020 (\$000)	Overspending (\$000)	Percent Change (%)
Rental Assistance - DC Local	7,140.0	8,631.9	(1,491.9)	21%
Tenant-Based Vouchers	51,368.0	58,973.0	(7,605.0)	15%
Targeted Affordable Housing – Individuals	5,330.0	6,672.0	(1,342.0)	25%
Total	63,838.0	74,276.9	(10,438.9)	

Source: OIG analysis of OCFO accounting records.

We attribute the overspending to a lack of policies and procedures for developing, using, and monitoring an annual spending plan to detect overspending and develop necessary corrective actions. As a result of the lack of budget execution monitoring, DCHA experienced \$10.44 million in overspending for operating subsidies without justification during FY 2020.

We recommend that the DCHA Executive Director:

4. Establish and implement procedures to develop spending plans at the start of each fiscal year and compare them to actual spending every quarter as OCFO requires.
5. Develop and implement policies and procedures to maintain the operational information needed to determine and validate the root cause of significant budget overspending.

⁹ D.C. Code § 47-355.03 (Lexis current through May 17, 2022).

¹⁰ OCFO website, <https://cfo.dc.gov/node/242222> (last visited Sept. 1, 2022).

¹¹ Letter from Glen Lee, Chief Financial Officer, D.C. Office of the Chief Financial Officer to Muriel Bowser, Mayor – District of Columbia and Phil Mendelson, Chairman – Council of the District of Columbia (Aug. 22, 2022), https://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/22-ADS3_Report%20of%20Variances%20between%20Actual%20Agency%20Expenditures%20and%20Approved%20Spending%20Plans_Posted%2082322.pdf (last visited Sept. 1, 2022).

DCHA Did Not Justify Significant Underspending

As part of the budget execution process, OCFO policy allows District agencies to make budget adjustments during the year using the budget reprogramming process.¹² However, DCHA did not request approval to reprogram budgets from low-need to higher-need activities. Table 3 shows the breakdown of certain activities for which DCHA failed to use the budget reprogramming process.

Table 3. Breakdown of DCHA’s FY 2020 Underspending Activities for Which DCHA Failed to Use the Budget Reprogramming Process

Description of Activities	Approved FY 2020 (\$000)	Actual 2020 (\$000)	Underspending (\$000)	Percent Change (%)
Shallow Subsidy - Unsubsidized Seniors	1,336.0	174.4	1,161.6	87%
DCHA Rehabilitation & Maintenance	41,205.0	2,948.0	38,257.0	93%
Permanent Supp Housing – Individual	21,179.0	12,096.0	9,083.0	43%
Targeted Affordable Housing – Families	19,764.0	13,551.0	6,213.0	31%
Homeless Services – Admin	1,283.0	542.0	741.0	58%
LRSP - Project & Sponsor Based	32,574.0	16,703.0	15,871.0	49%
Total Approved Operating Budget	117,341.0	46,014.4	71,326.6	

Source: OIG analysis of OCFO accounting records.

Unlike overspending, OCFO does not establish threshold requirements for District agencies to provide justification and corrective actions for underspending. We also attribute DCHA’s underspending to a lack of policies and procedures for developing, using, and monitoring an annual spending plan to detect underspending. As a result of the lack of budget execution monitoring, DCHA experienced \$71.33 million in underspending for operating subsidies without justification during FY 2020.

We recommend that the DCHA Executive Director:

- Develop and implement policies and procedures to maintain the operational information needed to determine and validate the root cause of significant budget underspending.

DCHA Used an Unauthorized Method for Charging Administrative Costs to Locally-Funded Rental Assistance Programs

Generally, there are two methods to charge administrative costs to programs or projects—the direct method whereby administrative expenses are tracked, analyzed, and charged to the

¹² OCFO website, *supra* note 10.

program based on actual expenditures, and the method where fixed rates are established for use. Consistent with the direct method, D.C. Code §§ 6–229.01(b)(6), 6–229.01(e)(5), and 6–229.02(b)(5) require DCHA to report the breakdown by category of money expended on administrative costs. However, DCHA used fixed rates of 8 and 7.6 percent to calculate and charge \$8.21 million in administrative costs to the locally-funded rental assistance programs.¹³ We also note that the District allocated \$1.28 million in Administrative Fees in FY 2020 for the Housing Authority Subsidy.¹⁴

We discussed the failure to follow D.C. Code requirements with DCHA officials, who stated that using fixed rates was a practice inherited from prior DCHA administrations. As a result of following past practices rather than formalizing policies and procedures to ensure that the agency tracks, analyzes, and reports administrative costs, DCHA may have overcharged the programs by \$6.93 million during FY 2020.

We recommend that the DCHA Executive Director:

7. Develop and implement policies and procedures to track, analyze, and report administrative costs, as D.C. Code §§ 6–229.01(b)(6), 6–229.01(e)(5), and 6–229.02(b)(5) require.
8. Develop and implement a method to retroactively identify and correct any over and under charges of administrative costs.

DCHA DID NOT ALWAYS COMPLY WITH DISTRICT REGULATIONS IN ADMINISTERING CERTAIN RENTAL ASSISTANCE PROGRAMS

The District provides local funding for rental assistance to qualified District residents through DCHA. However, DCHA did not always: (1) conduct required criminal background checks; (2) determine if rents paid were reasonable; (3) conduct required housing unit inspections; and (4) obtain authorization to perform income verifications. As a result, DCHA could not provide reasonable assurance that: (1) its District-funded rental assistance programs assisted qualified residents; (2) rents were reasonable; and (3) unsafe and unhealthy living conditions were identified and corrected.

We discuss below the control weaknesses that may have resulted in ineligible residents participating in the rental assistance programs, excessive rent payments, unsafe and unhealthy living conditions, and unauthorized income verifications.

¹³ D.C. Code §§ 6–229.01(b)(6), 6–229.01(e)(5), and 6–229.02(b)(5).

¹⁴ GOV'T OF THE DISTRICT OF COLUMBIA FY 2020 APPROVED BUDGET AND FINANCIAL PLAN, VOL. 2 AGENCY BUDGET CHAPTERS PART I B-203 (July 25, 2019), <https://app.box.com/shared/static/mt65zde2321e3x0tzo6xgr9v5c63rggw.pdf> (last visited Sept. 21, 2022).

DCHA Did Not Conduct Required Criminal Background Checks

According to 14 DCMR § 6109.3, DCHA will use criminal background checks to determine applicants' eligibility for certain subsidized housing. DCHA indicated on the *Applicants Checklist/Certification Form* (Form) that criminal background checks were completed and the reports were attached to the form. However, we found no criminal background reports attached to the Form as DCHA indicated.

We discussed the lack of criminal background report attachments with a DCHA official, who explained, “[a]s discussed, we [DCHA] will be providing a log of the participants who had background checks as opposed to the actual background checks. This decision was made because we were informed that [DCHA] would have to obtain written authorizations from the residents . . .” to provide the OIG access to the background check reports. The official, on several occasions, agreed to provide a “log of participants” as stated above, but to date, we have not received the log for review.

Conducting criminal background checks allows DCHA to check various aspects of an applicant's past behavior to identify red flags and determine eligibility to participate in the housing assistance programs. As a result of a lack of policies and procedures requiring the retention of evidence related to the criminal background checks conducted, DCHA did not have reasonable assurance that participants were eligible to receive housing assistance and the funds were used for authorized purposes.

We recommend that the DCHA Executive Director:

9. Develop and implement policies and procedures to perform and document required criminal background checks in accordance with 14 DCMR § 6109.3.

DCHA Did Not Consistently Make the Required Determination of Rent Reasonableness

According to 14 DCMR § 8301.2(a), DCHA is required to make a determination of rent reasonableness before signing the initial lease. DCHA's practice was to make rent reasonableness determinations using two comparisons. First, DCHA compared the proposed rent for the housing unit to rents for similar units in the marketplace. Second, DCHA compared the proposed rent to rents for similar units on the premises. We found that DCHA did not make the required rent reasonableness determinations for 3 of the 40 participants we reviewed. According to the U.S. Department of Housing and Urban Development (HUD):

Ensuring rent reasonableness is very important for effective program operations. If [DCHA] approves rents that are too high, government funds are wasted, limited housing subsidies are squandered, and speculators may exploit the program to outbid potential homeowners. If rents are approved at levels lower than comparable units in the private market, the better owners do not participate in the

program, or they participate only with their lowest-cost and lowest-quality units.¹⁵

A lack of rent reasonableness determinations occurred because DCHA failed to establish policies and procedures to ensure compliance with the DCMR. According to the Green Book, policies and procedures are important for achieving efficiency and consistency when making the required determination of rent reasonableness.¹⁶ As a result, DCHA did not always have reasonable assurance that the approved rents were not too high and government funds were not wasted.

We recommend that the DCHA Executive Director:

10. Develop and implement policies and procedures to consistently make the required determinations of rent reasonableness as required by 14 DCMR § 8301.2(a).

DCHA Did Not Consistently Conduct Required Inspections of Housing Units

According to 14 DCMR § 5325.1, “[u]nits that do not meet the criteria for biennial Housing Quality Standard [HQS] inspections as set forth in § 5325.5 shall be subject to annual HQS inspections.” Our review of DCHA’s inspection records for 40 housing units indicated that DCHA did not inspect 15 housing units for adherence to HQS.¹⁷ According to HUD:

[t]he goal of the Housing Choice Voucher (HCV) program is to provide “decent, safe and sanitary” housing at an affordable cost to low-income families. Housing Quality Standards help HUD and ... [DCHA] accomplish that goal by defining “standard housing” and establishing the minimum quality criteria necessary for the health and safety of program participants. All HCV housing units must meet these housing quality standards in order to participate in the HCV program.¹⁸

HUD established 13 key aspects of housing quality, performance requirements, and acceptability criteria to meet HQS as follows:

- | | |
|----------------------------------------|----------------------------------|
| - Sanitary facilities | - Structure and materials |
| - Food preparation and refuse disposal | - Interior air quality |
| - Lead-based paint | - Water supply |
| - Space and security | - Access |
| - Thermal environment | - Site and neighborhood |
| - Illumination and electricity | - Sanitary condition |
| | - Smoke Detectors. ¹⁹ |

¹⁵ HUD website, https://www.hud.gov/sites/documents/DOC_35619.PDF (last visited July 12, 2022).

¹⁶ “[M]anagement is responsible for designing the policies and procedures to fit an entity’s circumstances and building them in as an integral part of the entity’s operations.” U.S. GOV’T ACCOUNTABILITY OFFICE, *supra* note 4, § OV2.02.

¹⁷ Standard housing and minimum health and safety criteria for housing units as determined by U.S. Department of Housing and Urban Development.

¹⁸ HUD website, https://www.hud.gov/sites/documents/DOC_9143.PDF (last visited July 12, 2022).

¹⁹ *Id.*

The lack of formal policies and procedures for conducting regular housing unit inspections, as well as the lack of planning and monitoring over the housing unit inspection process contributed to DCHA's inconsistent practices. DCHA should have considered developing a plan that included listing all units subject to periodic inspections, a timetable to conduct each inspection, an assessment of resource needs, and key performance indicators to measure performance against the plan. The plan could also have helped DCHA to proactively identify constraints and allocate additional resources to ensure all housing units were inspected as required. As a result of a lack of planning and monitoring over the housing unit inspection process for those units that were not properly inspected, DCHA does not have assurance that tenants have not been exposed to unsafe or unhealthy living conditions.

We recommend that the DCHA Executive Director:

11. Develop and implement policies and procedures to consistently conduct and document required housing unit inspections in accordance with 14 DCMR § 5325.1.
12. Develop a plan that includes listing all units subject to annual inspections, a timetable to conduct each inspection, an assessment of resource needs, and key performance indicators to measure performance against the plan.

DCHA Did Not Consistently Obtain Written Authorizations from Applicants Before Conducting Required Income Verifications

According to 14 DCMR § 5401.1, “[a]ll adult applicant Family members shall sign HUD Form-9886, *Authorization for Release of Information*. The purpose of HUD Form-9886 is to facilitate automated data collection and computer matching from specific sources and provides [sic] the Family’s consent only for the specific purposes listed on the form.”

DCHA did not ensure that 2 of the 40 applicants we reviewed signed the required HUD Form-9886. We attribute this condition to a lack of written policies and procedures to ensure DCMR requirements are followed. DCHA should have denied the applicant’s recertification due to failure to return the signed form that 14 DCMR § 5401.3 required. As a result of DCHA’s failure to follow the DCMR, DCHA may have collected applicants’ data without applicants’ consent.

We recommend that the DCHA Executive Director:

13. Develop and implement policies and procedures to obtain written authorizations from applicants before conducting required income verifications as 14 DCMR § 5401.1 requires.

DCHA’S REHABILITATION AND MAINTENANCE FUND DID NOT ACHIEVE ITS INTENDED OUTCOMES

In 1996, a contractor created the Job Order Contracting (JOC) program to help DCHA with modernization, construction, maintenance, and redevelopment tasks. To run the program, the

contractor developed an Indefinite Delivery/Indefinite Quantity (IDIQ) construction delivery method designed to complete projects through a competitively awarded contract.

The contractor indicated to DCHA that value would be created for DCHA as the IDIQ construction delivery method results in projects starting faster, creating partnerships between DCHA and awarded contractors, and resulting in higher quality work. According to JOC standard contract provisions section IV(A):

A JOC is a competitively bid, lump sum, firm-fixed-price indefinite-quantity contract. It includes a collection of detailed repair and construction tasks and specifications with established unit prices. JOC is used for the repair, alteration, modernization, rehabilitation, construction, demolition, etc., of infrastructure, buildings, structures, or other real property. Ordering is accomplished by means of issuance of a Job Order or series of Job Orders against the Contract.

Under the JOC concept, the contractor furnishes all management, labor, materials, equipment, and engineering/architectural support needed to perform the work. DCHA develops and issues job orders to a specific contractor for work on a project.

Below we discuss the weaknesses in using the JOC procurement method for the rehabilitation and maintenance program, lack of competitive bids, and unrealized intended benefits from the program.

DCHA Allowed a Contractor to Run the JOC Program

Following the program's creation, DCHA has engaged the same contractor who created the program to run the program since 1996. The contractor was required to assist DCHA staff in developing job orders for maintenance, repair, and rehabilitation projects to effectively manage the project's schedule, cost, and scope. DCHA did not consider a methodology to determine if allowing a contractor to run its JOC program was in the best interest of the agency.

On December 11, 2017, DCHA issued a request for proposal (RFP) to recompute management of the JOC program. On January 12, 2018, DCHA received one response from the incumbent contractor and made an award on May 2, 2018. The OIG asked why DCHA did not make additional attempts to attract more vendors, given there was sufficient time to solicit additional proposals. In response, DCHA explained, "JOC Program Management Professional Consulting & Software is a 'niche' market with few sources that provide JOC Program consulting services, program management, and software." According to 27 DCMR § 1700.1, the contracting officer may award a contract through a sole source procurement when there is only one (1) source for the required goods or services. DCHA could have used a less time consuming sole source procurement method based on its determination that management of the JOC program was a "niche" market. DCHA's use of a more time consuming RFP process may have wasted government resources.

As part of the payment terms, DCHA agreed to pay the Contractor 2.05 percent of the value of a job order or \$50,000, whichever is lower. In addition, DCHA agreed that the subcontracting

vendors would pay the prime contractor 1 percent of the value of a job order or \$25,000, whichever is lower. We found two instances where the prime contractor exceeded the maximum amount allowable per job order. We calculated improper payments of \$20,259 in excess of the agreed price that DCHA requested from OCFO for the prime contractor. We confirmed that DCHA received the overpayment from OCFO, but DCHA did not pay the funds to the prime contractor. The money should be returned to the District treasury.

We recommend that the DCHA Executive Director:

14. Develop and implement a methodology to determine if allowing a contractor to run the JOC program it created is in the best interest of DCHA.
15. Return the \$20,259 excess payment to OCFO for deposit in the appropriate District fund.

The JOC Program Did Not Result in Projects Starting Faster as Intended

Our review of DCHA's records indicated that DCHA did not start projects faster and effectively utilize \$26 million the District paid DCHA to support the JOC program in FY 2020. DCHA spent only \$2.95 million of the allocated \$26 million, indicating significant unused resources due to delays in starting projects. We discussed the delays and ineffective use of JOC program resources with DCHA officials, who stated that DCHA is considering replacing the JOC program with the HUD-approved procurement approach, which allows DCHA to regain control over management of the activities currently performed under the JOC program. DCHA failed to use \$23.05 million or 88.7 percent of available funding in FY 2020 to maintain, repair, and rehabilitate housing units to ensure safe and secure living conditions for District residents.

We recommend that the DCHA Executive Director:

16. Consider developing and implementing a plan to replace the JOC program with an alternative procurement approach to increase the efficient and effective use of resources.

JOC Program Did Not Use Partnerships Between DCHA and Awarded Contractors as Intended

On April 14, 2019, DCHA issued solicitation No. 0007-2019 to procure general contractors responsible for repairing, modernizing, maintaining, rehabilitating, and performing other construction work on public housing facilities. On August 29, 2019, DCHA competitively selected three contractors (A, B, and C) under the solicitation and created partnerships with these vendors as IDIQ contract holders. Our review of DCHA records of job orders issued during FY 2020, under contract 0007-2019, indicated that one contractor received 98 percent of R&M funds as shown in Table 4.

Table 4. Breakdown of R&M Funds by JOC IDIQ Contract 0007-2019 Awardee in FY 2020

0007-2019 Contractor	Amount (\$)	Percentage (%)
Contractor A	12,088,801	98%
Contractor B	301,258	2%
Contractor C	-	-
Total	12,390,059	100%

Source: DCHA Reimbursement Requests to OCFO.

We discussed a lack of competition among contract 0007-2019's three contract holders with DCHA officials, who provided the following written explanation:

JOC contractors are assigned [job] orders based on the portfolios needs and requirements. Each contractor is awarded contract work at various sites and sometimes, depending on need and requirements, some sites have multiple project requirements, and those requirements are combined, the pending [job] orders are assigned to one contractor. [DCHA] monitors the volume each contractor is assigned and issues the next set of projects to the contractor(s).

The lack of a formalized process contributed to DCHA's failure to monitor the volume each contractor was assigned to compete individual job orders among the three contractors awarded contract 0007-2019. As a result of DCHA's failure to compete job orders, contractor A received almost 100 percent of the business during FY 2020.

Finally, we noted that the D.C. Council did not review and approve contract 0007-2019 valued at \$30 million per year, as D.C. Code § 2-352.02(d) required.²⁰ DCHA indicated that the D.C. Council did not review the contract before the award but approved the subsequent job orders issued to fund identified projects valued at over \$1 million. Without the D.C. Council's approval of contract 0007-2019 before award, DCHA did not have the legal authority to establish the IDIQ construction delivery method described above.

We recommend that the DCHA Executive Director:

17. Develop and implement a formalized process to compete for individual job orders among the three IDIQ contract holders.
18. Develop and implement policies and procedures to ensure all contracts valued over \$1 million receive D.C. Council approval before award as D.C. Code § 2-352.02(d) requires.

²⁰ D.C. Code § 2-352.02(d) states, "[n]o proposed multiyear contract and no proposed contract in excess of \$1 million for a 12-month period shall be awarded until after the Council has reviewed and approved the proposed contract as provided in this section."

DCHA Did Not Have a Systemic Process for Selecting Projects

According to DCHA officials, DCHA used the FY 2020 5-year capital plan and DCHA's Lead Action Plan to select projects for funding based on the level of need, equipment age, level of essential service, recent maintenance, failure record, and critical health and safety needs. However, DCHA could not provide the FY 2020 5-year capital plan and DCHA's Lead Action Plan for our review. We attribute the lack of process for selecting projects to DCHA's failure to develop and implement policies and procedures to ensure the rationale for prioritizing funding projects are consistently documented. As a result of DCHA's inability to provide its capital plan, DCHA did not have reasonable assurance that low rent public housing properties in poor condition were prioritized for rehabilitation and maintenance.

We recommend that the DCHA Executive Director:

19. Develop and implement policies and procedures to prioritize projects based on the level of need, equipment age, level of essential service, recent maintenance, failure record, and critical health and safety needs.

JOC Program Did Not Use the Required Construction Task Catalog to Ensure a Fair and Reasonable Price

According to JOC standard contract provisions section IV(A):

The JOC Contract includes a Construction Task Catalog® (CTC). The CTC was developed for the Authority and is based on the use of experienced labor and high quality materials. All of the unit prices incorporate the Metropolitan Washington DC area cost data. The labor prices are based on prevailing wages in the District of Columbia area. The CTC also incorporates local activity, climate and geographic features.

DCHA could not provide evidence of using the CTC to approve contractors' job order cost proposals. JOC standard contract provisions section IV(A) further provides:

As Job Order Contract requirements are identified, the contractor will be issued a request for Job Order proposal and will be required to develop an estimate for the work required. The contractor will submit its proposal to the Authority. This Proposal will be compared with an independent government estimate. If the contractor's proposal is found reasonable, a Job Order may be issued at the agreed upon price. The price is achieved by selecting various pre-priced construction tasks from the CTC and multiplying those pre-established prices by the appropriate quantities and then by the Contractor's Adjustment Factor. The sum of all included tasks will establish a lump sum, firm fixed price for the Job Order.

We requested DCHA's comparison of the contractor proposals to the Independent Government Estimates (IGE) to determine cost and price reasonableness, but DCHA could not provide it.

DCHA officials stated they could not explain why an IGE was not used because the decisions were made by former leadership and the policies and procedures were not formalized. Due to a lack of policies and procedures, DCHA did not have reasonable assurance that it obtained a fair and reasonable price for the \$26 million it contracted under the JOC program during FY 2020.

We recommend that the DCHA Executive Director:

20. Develop and implement policies and procedures to ensure the various pre-priced construction tasks stated in the JOC proposals are correctly matched to the CTC, and that all component prices are accurate.
21. Develop and implement policies and procedures to compare and evaluate JOC proposals with independent government estimates.

Repair, Rehabilitation and Maintenance Work was Behind Schedule Without Justification

According to JOC standard contract provisions section VIII(F)(2):

The contractor shall furnish information in regard to his proposed effort to overcome any incurred delay. This information shall be in a form acceptable to the Authority, its instrumentality or affiliate. In the event that the contractor falls behind schedule, the Authority, its instrumentality or affiliate shall receive written notice from the contractor within five (5) days of the commencement of such delay, including a description of the reasons for the delay and the steps the contractor is taking or will take to recover the effects of the delay.

DCHA's records indicated that the contractors did not provide required written notifications to DCHA within five (5) days of falling behind schedule. On average, contractors were 71 days behind schedule for five of the six job orders we reviewed.²¹ According to DCHA officials, completion dates were monitored closely, but were subject to change/revision based on several factors, such as delays in the approval process and/or material supply chain issues. A lack of policies and procedures to track, evaluate, and document progress contributed to construction delays. Without ensuring the contractor completes the work as specified in the Job Order within the specified completion time, housing units were not available for District residents on time. Further, DCHA might incur additional construction costs and may not properly assess liquidated damages.

We recommend that the DCHA Executive Director:

22. Develop and implement policies and procedures to track, evaluate, and document construction delays in determining when liquidated damages should be assessed or no-cost contract modifications should be issued.

²¹ We selected 6 of 20 job orders executed during FY 2020 for review.

Required Work Completion Inspections Were Not Performed

According to JOC standard contract provisions section I(A) on page H-6:

“Final Completion of the Job Order” means the last date on which all of the following events have occurred: the Authority has determined that all Punch List Work and any other remaining Work has been completed in accordance with the Contract Documents; final inspections and all operations systems and equipment testing have been completed; the issuance of final occupancy certifications (if any); all deliverables have been provided to the Authority and all contractual requirements for final payment have been completed and Final Acceptance Form has been signed by all required Authority personnel (i.e. Regional Manager, Project Manager, Inspector). This term may also be used interchangeably with "Final Acceptance" [.]

Our review of DCHA's records indicated that DCHA did not maintain evidence of inspections performed before acceptance of completed task jobs. A lack of policies and procedures to ensure that the DCHA project manager receives daily work in progress reports describing work completed that day and any deficiencies or requested corrections contributed to incomplete work inspections. As a result, DCHA accepted and paid for work that may not have been fully completed.

We recommend that the DCHA Executive Director:

23. Develop and implement policies and procedures to perform and maintain evidence of inspections prior to acceptance and final payments of job orders.

CONCLUSION

The District provided additional funding to DCHA to subsidize its operations and to fund ongoing rental assistance for low-income households. DCHA did not use District housing subsidy resources efficiently and effectively. Specifically, DCHA failed to use \$60.89 million in available funding resources to (1) provide rental assistance for the District's low-income households during FY 2020, which was the core mission of the subsidy, and (2) to ensure the District of Columbia's public housing conditions are rehabilitated and maintained adequately and timely.

To ensure housing subsidy resources are efficiently and effectively used, DCHA should consider developing and implementing policies and procedures to (1) adopt OCFO's financial management process to maintain a general ledger, prepare a trial balance, and produce the subsidy's financial statements to account for District resources accurately and completely; (2) follow the OCFO's budget formulation and execution process to ensure approved budgets are uploaded to DCHA's internal accounting system following the same budget line items as the District, periodically monitor over- and under-budget spending, and justify changes in operational needs or spending pressures occurring during the year; and (3) replace the JOC

program with a HUD-approved procurement approach, which allows DCHA to regain control over the management of the activities currently performed under the JOC program.

AGENCY RESPONSE AND OFFICE OF THE INSPECTOR GENERAL COMMENTS

We provided the District of Columbia Housing Authority (DCHA) with our draft report on September 23, 2022 and received its response on October 6, 2022. We appreciate that DCHA officials began addressing some of the findings immediately upon notification during the audit.

Our draft report included 23 recommendations to DCHA for actions we deemed necessary to correct identified deficiencies. DCHA agreed with Recommendations 1-7, 10-13, 16-17, and 19-23. DCHA's actions taken and/or planned are responsive and meet the intent of the recommendations. Therefore, we consider these recommendations resolved but open pending evidence of stated actions.

DCHA disagreed with Recommendations 8, 9, 14, 15, and 18. We consider these recommendations open and unresolved. DCHA should consider the intent of these recommendations in the context of (a) coordinating with OCFO to retroactively report on the breakdown by category of money expended on administrative costs to comply with D.C. Code requirements, (b) providing the OIG access to required criminal background checks "stored separately to protect applicant's privacy", (c) determining if allowing a contractor to run the JOC program it created is in the best interest of DCHA as part of the planned action to replace JOC program with a tiered contracting approached with three levels of contracts, (d) returning the \$20,259 excess payment DCHA received from the OCFO, and (e) providing the OIG proof of D.C. Council approval of the three contracts awarded under Contract 0007-2019.

ACTIONS REQUIRED

We request that DCHA reconsider its position and provide additional responses to Recommendations 8, 9, 14, 15, and 18 within 30 days of the date of this final report.

Appendix A. Objectives, Scope, and Methodology

We conducted this performance audit from November 2021 to August 2022 in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this audit were to (1) assess whether DCHA administered the programs supported by the operating and capital subsidies in accordance with District and federal laws and regulations and (2) identify areas at risk of loss through errors, theft, or noncompliance. The audit was included in the D.C. Office of the Inspector General's (OIG) *Fiscal Year 2022 Audit and Inspection Plan*. The OIG issued the engagement letter on November 9, 2021, and the scope of the audit was FY 2020.

We used federal and District laws, and regulations pertaining to DCHA's subsidy programs and expenditures as specified in D.C. Code and D.C. Municipal Regulations (DCMR). We examined DCHA policies and procedures to assess DCHA's use and management of District funds to provide affordable housing to qualified District residents during FY 2020. We also obtained an understanding of DCHA's housing assistance processes, R&M program, public safety department, financial management functions, and controls by conducting interviews with DCHA officials. In addition, we utilized District systems such as the System of Accounting and Reporting (SOAR) and CFO\$olve to analyze the DCHA subsidy. We obtained access and training for the Accountmate/Wizard accounting and business management systems and Yardi property management software, and used these systems to examine housing assistance payment and vendor payment data for attribute testing. We examined relevant DCHA policies and procedures, and the administrative plan to gain an understanding of the existing internal controls and other related criteria for testing the eligibility of rental assistance programs and the R&M fund.

We conducted walkthroughs of DCHA's internal controls for housing assistance applications and payments to landlords and contractors along with the regulations that govern them; identified the population of all District funded assistance programs for FY 2020; designed test attributes, and selected a random statistical sample of rental assistance invoice data transactions for attribute testing, and tested samples and associated electronic files from various programs to test relevant aspects of the program and draw conclusions on the eligibility of the recipients.

We reviewed R&M funding requests, contracts files and R&M expenditure transactions; selected and tested statistical samples of R&M expense transaction data; obtained, reviewed, and analyzed documents related to R&M job orders, D.C. Council and DCHA Board of Commissioners oversight, JOC IDIQ contracts, and financial and conflict of interest disclosures.

We assessed the validity and reliability of computer-processed data and performed limited existence and completeness tests to verify the accuracy of the data. We determined that the data were sufficiently reliable for this report.

Appendix B. Acronyms and Abbreviations

COVID-19	Coronavirus 2019
CTC	Construction Task Catalog
D&F	Determination and Findings
D.C.	District of Columbia
DCHA	District of Columbia Housing Authority
DCMR	District of Columbia Municipal Regulations
ECOD	Eligibility and Continued Occupancy Division (DCHA)
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAGAS	Generally Accepted Government Auditing Standards
GASB	Governmental Accounting Standards Board
GAO	United States Government Accountability Office
Green Book	GAO Standards for Internal Control in the Federal Government
HCVP	Housing Choice Voucher Program
HUD	United States Department of Housing and Urban Development
IDIQ	Indefinite Delivery/Indefinite Quantity
JOC	Job Order Contracting
LRSP	Local Rent Supplement Program
OAC	Office of Audit and Compliance (DCHA)
OAS	Office of Administrative Services (DCHA)
OCFO	Office of the Chief Financial Officer
OCP	Office of Capital Programs (DCHA)

OFM	Office of Financial Management (DCHA)
OIG	Office of the Inspector General
OPS	Office of Public Safety (DCHA)
R&M	Rehabilitation and Maintenance
RFP	Request for Proposal

Appendix C. Table of Recommendations

Responsible Agency	Recommendations	Potential Monetary Benefits	Agency Response
DCHA	1. Develop and implement policies and procedures to maintain a general ledger, prepare trial balance, and produce separate financial statements, including a statement of net position for the District-provided Housing Authority Subsidy.		Agreed
DCHA	2. Develop and implement procedures to recognize and record interest earnings.		Agreed
DCHA	3. Develop and implement procedures to retroactively identify missing fund transactions, including the \$2.98°million in funding resources, and applicable earned interest income.	\$2.98 million	Agreed
DCHA	4. Establish and implement procedures to develop spending plans at the start of each fiscal year and compare them to actual spending every quarter as OCFO requires.		Agreed
DCHA	5. Develop and implement policies and procedures to maintain the operational information needed to determine and validate the root cause of significant budget overspending.	\$10.44 million	Agreed
DCHA	6. Develop and implement policies and procedures to maintain the operational information needed to determine and validate the root cause of significant budget underspending.	\$71.33 million	Agreed

Responsible Agency	Recommendations	Potential Monetary Benefits	Agency Response
DCHA	7. Develop and implement policies and procedures to track, analyze, and report administrative costs, as D.C. Code §§ 6–229.01(b)(6), 6–229.01(e)(5), and 6–229.02(b)(5) require.	\$6.93 million	Agreed
DCHA	8. Develop and implement a method to retroactively identify and correct any over and under charges of administrative costs.		Disagreed
DCHA	9. Develop and implement policies and procedures to perform and document required criminal background checks in accordance with 14 DCMR § 6109.3.		Disagreed
DCHA	10. Develop and implement policies and procedures to consistently make the required determinations of rent reasonableness as required by 14 DCMR § 8301.2(a).		Agreed
DCHA	11. Develop and implement policies and procedures to consistently conduct and document required housing unit inspections in accordance with 14 DCMR § 5325.1.		Agreed
DCHA	12. Develop a plan that includes listing all units subject to annual inspections, a timetable to conduct each inspection, an assessment of resource needs, and key performance indicators to measure performance against the plan.		Agreed

Responsible Agency	Recommendations	Potential Monetary Benefits	Agency Response
DCHA	13. Develop and implement policies and procedures to obtain written authorizations from applicants before conducting required income verifications as 14 DCMR § 5401.1 requires.		Agreed
DCHA	14. Develop and implement a methodology to determine if allowing a contractor to run the JOC program it created is in the best interest of DCHA.		Disagreed
DCHA	15. Return the \$20,259 excess payment to the OCFO for deposit in the appropriate District fund.	\$0.02 million	Disagreed
DCHA	16. Consider developing and implementing a plan to replace the JOC program with an alternative procurement approach to increase the efficient and effective use of resources.		Agreed
DCHA	17. Develop and implement a formalized process to compete for individual job orders among the three IDIQ contract holders.		Agreed
DCHA	18. Develop and implement policies and procedures to ensure all contracts valued over \$1 million receive D.C. Council approval before award as D.C. Code § 2-352.02(d) requires.		Disagreed
DCHA	19. Develop and implement policies and procedures to prioritize projects based on the level of need, equipment age, level of essential service, recent maintenance, failure record, and critical health and safety needs.		Agreed

Responsible Agency	Recommendations	Potential Monetary Benefits	Agency Response
DCHA	20. Develop and implement policies and procedures to ensure the various pre-priced construction tasks stated in the JOC proposals are correctly matched to the CTC, and that all component prices are accurate.		Agreed
DCHA	21. Develop and implement policies and procedures to compare and evaluate JOC proposals with independent government estimates.		Agreed
DCHA	22. Develop and implement policies and procedures to track, evaluate, and document construction delays in determining when liquidated damages should be assessed or no-cost contract modifications should be issued.		Agreed
DCHA	23. Develop and implement policies and procedures to perform and maintain evidence of inspections prior to acceptance and final payments of job orders.		Agreed

Appendix D. DCHA Response to the Draft Report



District of Columbia Housing Authority

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(202) 535-1000 | dchousing.org

Brenda Donald, Executive Director

October 6, 2022

Daniel W. Lucas
Inspector General
Government of the District of Columbia Office of the Inspector General
717 14th Street, N.W., 5th Floor
Washington DC 20005.

Re: OIG Project No. 22-1-02HY
Audit of Financial Planning and Program Management Execution Processes

Enclosed are our responses to your draft audit report of the District of Columbia Housing Authority's (DCHA) *Improve Financial Planning and Program Management Execution Processes to Ensure Housing Subsidy Programs are Administered in an Efficient and Effective Manner*. We are appreciative of your efforts in conducting this audit in accordance with generally accepted government auditing standards (GAGAS) and adhering to the audit objectives to: (1) assess whether DCHA administered the programs were supported by the operating and capital subsidies in accordance with District and federal laws and regulations and to (2) identify areas at risk of loss through errors, theft, or noncompliance.

In our responses we provided information that addresses your recommendations and we would like to thank your staff for their professional demeanor and the courtesies extended throughout the audit process.

Please contact us should you need further clarification as you finalize this audit process.

Respectfully submitted.

A handwritten signature in blue ink, appearing to read "Brenda Donald".

Brenda Donald
Executive Director

DCHA is committed to providing equal access to this event for all participants & residents with disabilities. If you need a reasonable accommodation or sign language interpreter service, please contact our ADA/504/Language Department at 202-535-2737 or ADA504@dchousing.org with your complete request. Please allow at least 3 business days to make the necessary arrangements. If you need a foreign language translator, please contact our ADA/504/Language Department at 202-535-2737 or email LA@dchousing.org. Please allow at least 5 business days to make the necessary arrangements.

DCHA Responses to OIG Recommendations

Recommendation 1: Develop and implement policies and procedures to maintain a general ledger, prepare trial balance, and produce separate financial statements, including a statement of net position for the District-provided Housing Authority Subsidy.

DCHA/OFM Response 1: DCHA agrees with this recommendation. The agency is currently implementing Enterprise Resource Planning (ERP) software which is the best in class to improve efficiency and incorporate the recommendations outlined by this report, we expect the software implementation to take full effect at the beginning of FY24.

Recommendation 2: Develop and implement procedures to recognize and record interest earnings.

DCHA/OFM Response 2: DCHA agrees with this recommendation. In conjunction with the new ERP implementation, DCHA is updating its existing SOPs (standard operating procedures) in addition to creating new SOPs to accommodate the new requirements, we anticipate these new and updated SOPs to be in full effect at the beginning of FY24.

Recommendation 3: Develop and implement procedures to retroactively identify missing fund transactions, including the \$2.98°million in funding resources, and applicable earned interest income.

DCHA/OFM Response 3: DCHA agrees with this recommendation. DCHA reconciles with the District regularly and has an annual external audit per federal and local regulations. We believe that any perceived missing transactions are due to the differences between the District's budget book BLIs (Budget Line Items) and DCHA's actual BLIs.

Recommendation 4: Establish and implement procedures to develop spending plans at the start of each fiscal year and compare them to actual spending every quarter as OCFO requires.

DCHA/HCVP Response 4: DCHA agrees with this recommendation. The HCVP team is in contact with OCFO to ensure that DCHA develops a spending plan that aligns with OCFO requirements and will compare quarterly with actual spending.

Recommendation 5: Develop and implement policies and procedures to maintain the operational information needed to determine and validate the root cause of significant budget overspending.

DCHA/HCVP Response 5: DCHA agrees with this recommendation. DCHA is working with the OCFO to reconcile records for each year's allocation so that there is a more accurate account of allocation vs. expenditure. DCHA shall coordinate with OCFO to complete reprogramming requests as needed to adjust.



District of Columbia Housing Authority

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Brenda Donald, Executive Director

Recommendation 6: Develop and implement policies and procedures to maintain the operational information needed to determine and validate the root cause of significant budget underspending.

DCHA/HCVF Response 6: DCHA agrees with this recommendation and is in collaboration with OCFO to develop procedures to maintain operational information needed to determine and validate the root causes of budget underspending. Further, the HCVF shall continue to monitor all aspects of the process to update projections on expenditures so that there may be adjustments made accordingly.

Recommendation 7: Develop and implement policies and procedures to track, analyze, and report administrative costs, as D.C. Code §§ 6-229.01(b)(6), 6-229.01(e)(5), and 6-229.02(b)(5) require.

DCHA/OFM Response 7: DCHA agrees with this recommendation. The planned implementation of the ERP software as well as changes in SOPs will result in building the ability within DCHA to create such reports to track and analyze administrative costs.

Recommendation 8: Develop and implement a method to retroactively identify and correct any over and under charges of administrative costs.

DCHA/OFM Response 8: DCHA disagrees with this finding and recommendation. DCHA receives administrative fees as a percentage of the total HAP expense regardless of the actual administrative costs; therefore, OIG's finding that DCHA used an unauthorized method for charging administrative costs to locally-funded rental assistance programs is unmeritorious.

Recommendation 9: Develop and implement policies and procedures to perform and document required criminal background checks in accordance with 14 DCMR § 6109.3.

DCHA/HCVF Response 9: DCHA disagrees with this finding and recommendation. DCHA does conduct background checks in accordance with the applicable regulation; however, while background checks are conducted for all households as part of eligibility determination, the details of the screening must be stored separately to protect applicant's privacy. Therefore, the OIG's finding that DCHA did not conduct required criminal background checks is unmeritorious.

Reference: Federal - (24 CFR § 5.905(c)(1)(i) and (ii); § 5.903(g)(1) and (2)).

Recommendation 10: Develop and implement policies and procedures to consistently make the required determinations of rent reasonableness as required by 14 DCMR § 8301.2(a).

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DCHA/HCVP Response 10: DCHA agrees with this recommendation and will continue to review and monitor implementation of the policies and procedures.

Recommendation 11: Develop and implement policies and procedures to consistently conduct and document required housing unit inspections in accordance with 14 DCMR §5325.1.

DCHA/HCVP Response 11: DCHA agrees with this recommendation. DCHA will continue to review and monitor the implementation of these policies and procedures to ensure consistency and compliance with the appropriate regulations.

Recommendation 12: Develop a plan that includes listing all units subject to annual inspections, a timetable to conduct each inspection, an assessment of resource needs, and key performance indicators to measure performance against the plan.

DCHA/HCVP Response 12: DCHA agrees with this recommendation. DCHA implements timetables for inspections on an annual basis. Due to a data system change, which occurred in 2019, some of the tools and timetables required recalibration; however, DCHA is on track to have a listing of all units subject to inspections along with a timetable for completion for each fiscal year moving forward.

Recommendation 13: Develop and implement policies and procedures to obtain written authorizations from applicants before conducting required income verifications as 14 DCMR § 5401.1 requires.

DCHA/HCVP Response 13: DCHA agrees with this recommendation and will continue to monitor files to ensure compliance with relevant policies and procedures.

Recommendation 14: Develop and implement a methodology to determine if allowing a contractor to run the JOC program it created is in the best interest of DCHA.

DCHA/OCP Response 14: DCHA disagrees with this recommendation. DCHA has HR evidence that there is designated staff managing and coordinating the JOC program which is currently run by DCHA's JOC Coordinator, [REDACTED] under the Associate VP of Construction. The role of the JOC Consultant is to support the OCP through their company software that DCHA purchased along with their assistance in the execution of the JOC Program by using experienced, on site project managers and support staff to periodically assist the OCP PM's in the development of work orders. Therefore, OIG's finding that DCHA allowed a contractor to run the JOC program is unmeritorious.

Recommendation 15: Return the \$20,259 excess payment to the OCFO for deposit in the appropriate District fund.

DCHA/OCP Response 15: DCHA disagrees with this recommendation. Gordian submitted an original invoice in the amount of \$58,759.14. This invoice was corrected via a credit memo


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invoice to the amount of \$50k. Attached you will find the copy of the original invoice, the corrected invoice and the backup that shows the payment from DCHA in the amount of \$50k. Further, you will find the information received on the Gordian side per the invoice #. Therefore, the OIG's finding of a \$20,259 in excess payment is unmeritorious. DCHA further requests that the OIG consider either removing this finding or acknowledging that DCHA's disagreement was substantiated. *See attached supporting documents.*

Recommendation 16: Consider developing and implementing a plan to replace the JOC program with an alternative procurement approach to increase the efficient and effective use of resources.

DCHA/OCP Response 16: DCHA agrees with this recommendation. DCHA is developing a tiered contacting approach with three levels of contracts. This will substantially reduce the agency's reliance on the JOC program to carry out construction projects. Once this is in place that JOC program will be used for less complex projects under \$1M that need to be completed quickly; an IDIQ contract for contracts up to \$10M; this will allow for competitive bidding per project; NOTE: IDIQ RFP is completed and will be issued in <30 days; and a CM at Risk w/ negotiated GMP will be used for projects above \$10M.

Recommendation 17: Develop and implement a formalized process to compete for individual job orders among the three IDIQ contract holders.

DCHA/OCP Response 17: DCHA agrees with this recommendation. The OCP leadership has designated a new standard operating procedure that dictates the responsibilities of day to day operations of all projects, to include the JOC program to ensure that the JOC Coordinator, designated Project Managers, and COTR have uniform as well as timely project administrative and financial management of Projects. The new process is intended to give the Department guidance on how to properly award, manage, and closeout DCHA Projects both financially, and operationally.

Recommendation 18: Develop and implement policies and procedures to ensure all contracts valued over \$1 million receive D.C. Council approval before award as D.C. Code § 2- 352.02(d) requires.

DCHA/OAS Response 18: DCHA disagrees with this recommendation. All District funded contracts of \$1 million are presented to the D.C. Council for approval prior to and as a condition of Contract awards. Therefore, the OIG's finding that DCHA did not obtain D.C. council approval for contracts valued over \$1 million is unmeritorious.

Recommendation 19: Develop and implement policies and procedures to prioritize projects based on the level of need, equipment age, level of essential service, recent maintenance, failure record, and critical health and safety needs.

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DCHA OCP Response 19: DCHA agrees with this recommendation. In FY 21/21 DCHA hired a capital planner to work on prioritizing and planning projects moving forward based on the level of need at each housing development.

Recommendation 20: Develop and implement policies and procedures to ensure the various pre-priced construction tasks stated in the JOC proposals are correctly matched to the CTC, and that all component prices are accurate.

DCHA/OCP Response 20: DCHA agrees with this recommendation. Over the past several months, DCHA developed a standard operating procedure for the processing of our contract to ensure the JOC proposal go through a rigorous review process to ensure that proposals are in line with the CTC. This operating procedure will be made available by the next OIG scheduled audit.

Recommendation 21: Develop and implement policies and procedures to compare and evaluate JOC proposals with independent government estimates.

DCHA/OCP Response 21: DCHA agrees with this recommendation. DCHA has procured the services of an estimating firm to ensure we have the ability to create market estimates on our more complex projects.

Recommendation 22: Develop and implement policies and procedures to track, evaluate, and document construction delays in determining when liquidated damages should be assessed or no-cost contract modifications should be issued.

DCHA/OCP Response 22: DCHA agrees with this recommendation. The JOC program has implemented a new standard operating procedure that tracks and evaluates the JOC general contractor performance. The JOC program is a performance based contract. Under the new standard operating procedure the general contractors will be tracked on a job order basis during the following phases of active projects: Preconstruction, Construction, and Construction Closeout.

- Preconstruction Evaluation: DCHA-OCP PM/ JOC account AM will evaluate the contractors on their performance during the joint scope, scope development and proposal development phase.
- Construction Evaluation: DCHA-OCP PM will evaluate the contractors monthly during active construction of a project.
- Construction Closeout: DCHA-OCP PM will evaluate the contractors on their performance regarding contract closeout deliverables.

The OCP Project Manager will provide Contractor Evaluation form to be approved by OCP AVP of Construction and/or JOC Coordinator. The contractor evaluation will note areas of strengths for grades above 90% and areas of improvement or project challenges for grades below 40%. If the JOC Contractor receives an evaluation of 40% or less, the JOC Coordinator, JOC Account Manager, and OCP Project must address the project challenges/issues so the JOC Contractor can correct going forward and for it to be noted on the JOC Contractor Performance evaluations. If



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the contractor does not improve on their performance, project assignments and option years will not be issued/renewed until improvement and further assessment by DCHA.

Recommendation 23: Develop and implement policies and procedures to perform and maintain evidence of inspections prior to acceptance and final payments of job orders.

DCHA/OCP Response 23

The DCHA agrees with this recommendation. In furtherance:

- DCHA is currently procuring a project manager information system (PMIS). This system will act as the software of record for all information flowing in and out of the agency connected with our capital projects.
- DCHA has also implemented new standard and procedure connected with the documentation needed by our inspectors and project managers.
- During construction, the DCHA-OCP Project Manager will conduct periodic site visits to monitor the JOC Contractor's work in progress, manage the JOC Contractor's compliance with the scope of work and approved safety plan;
- During construction, the DCHA-OCP Construction Inspector will conduct daily visits to the project sites. The Construction Inspector will provide daily reports and applicable incident reports in the JOC software. The Inspector will also provide visual documentation of the project that shows before, during and after progress photos.

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