



Chicago Housing Authority
Office of the Inspector General

Audit of Rent Collection at CHA's Public Housing Units in Mixed-Income/Mixed-Finance Properties

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ACRONYMS

- CHA: Chicago Housing Authority
- HUD: United States Department of Housing and Urban Development
- IMS/PIC: Inventory Management/Public Housing Information (HUD)
- MF: Mixed Finance
- MTW: Moving to Work
- OIG: Office of the Inspector General
- PAM: Property and Asset Management Department
- PHA: Public Housing Authority
- PPM: Private Property Management
- PBV: Project Based Voucher
- RAD: Rental Assistance Demonstration
- RO: Regulatory and Operating Agreement
- TAR: Tenant Account Receivable
- 24 CFR: Code of Federal Regulations Title 24

DEFINITIONS

Development: Any or all undertakings necessary for planning, land acquisition, demolition, construction, or equipment in connection with a public housing project.

Management Agent: Shall mean the "Management Agent acting under the Management Agreement in effect from time to time."

Management Plan: shall mean the comprehensive and detailed written description of the policies and procedures to be followed in the management of the Development, including the PHA-Assisted Units, prepared by the Management Agent and approved in writing by the Owner, the Authority and HUD prior to its implementation, and which shall thereafter be revised only with the prior written approval of the Owner, the Authority and, if required, HUD, as described in Section 3(e) hereof.

Mixed-Finance Development: The development (through new construction or acquisition, with or without rehabilitation) or modernization of public housing, using public housing, nonpublic housing, or a combination of public housing and nonpublic housing funds, where the public housing units are owned in whole or in part by an entity other than the PHA. A mixed-finance development may include 100 percent public housing (if there is an Owner Entity other than the PHA) or a mixture of public housing and nonpublic housing units.

MTW: The development (through new construction or acquisition, with or without rehabilitation) or modernization of public housing, using public housing, nonpublic housing, or a combination of public housing and nonpublic housing funds, where the public housing units are owned in whole or in part by an entity other than the PHA. A mixed-finance development may include 100 percent public housing (if there is an Owner Entity other than the PHA) or a mixture of public housing and nonpublic housing units.

Operating Funds: Assistance provided under 24 CFR part 990 pursuant to section 9(e) of the U.S. Housing Act of 1937 (42 U.S.C. 1437g(e)) for the purpose of operation and management of public housing.

Operating Subsidy or Operating Subsidies: the amounts payable by the Authority [to the Owner/Developer] for operating the PHA-Assisted units in accordance with all applicable PH requirements in accordance with [the specific amount and terms described in] Section 4(d) of the Regulatory and Operating (RO) Agreement.

Owner Entity: An entity that owns public housing units. In mixed-finance developments, the Owner Entity may be the PHA or may be an entity in which the PHA owns a partial interest or may be an entity in which the PHA has no ownership interest.

PHA Instrumentality: An instrumentality is an entity related to the PHA whose assets, operations, and management are legally and effectively controlled by the PHA, and through which PHA functions or policies are implemented, and which utilizes public housing funds or public housing assets for the purpose of carrying out public housing development functions of the PHA. An instrumentality assumes the role of the PHA, and is the PHA under the Public Housing Requirements, for purposes of implementing public housing development activities and programs and must abide by the Public Housing Requirements. Instrumentalities must be authorized to act for and to assume such responsibilities. For purposes of development, ownership of public housing units by an instrumentality would be considered mixed-finance development.

Public Housing Project: The term "public housing" means low-income housing, and all necessary appurtenances thereto, assisted under the 1937 Act, other than assistance under 42 U.S.C. 1437f of the 1937 Act (section 8). The term "public housing" includes dwelling units in a mixed-finance project that are assisted by a public housing agency with public housing capital assistance or Operating Fund assistance. When used in reference to public housing, the term "project" means housing developed, acquired, or assisted by a PHA under the 1937 Act, and the improvement of any such housing.

Definition Sources

HUD Regulations, "The Public Housing Capital Program - Definitions," 24 CFR § 905.108 and "Mixed-Finance Development," 24 CFR § 905.604

CHA Regulatory and Operating Agreements with MF properties: Section 1 "Definitions"
HUD website, Moving to Work Demonstration Program

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Executive Summary

Summary Findings

The CHA OIG conducted an audit of the rent collection at CHA’s public housing units located in mixed-finance (MF) properties. The audit identified several significant deficiencies in the owners’ practices in recording CHA tenant rent receipts and the corresponding rent deposits to CHA’s tenant rent reserve bank accounts. The OIG identified at least **\$289,720** in rent collected, during the audit scope period, but not deposited into CHA’s Tenant Rent Reserve bank account from MF properties. The significant discrepancies between MF rent records as reflected in Yardi, owner ledgers, and the CHA bank deposits, make it impossible to verify actual rent balances for CHA tenants at many of these properties. The management agents working for the owners—referred to herein as private property managers (PPMs), are subject to the terms of CHA’s Regulatory and Operating (RO) agreement with each property owner. Findings one through four below represent violations of the RO agreements.

1. Mixed-Finance PPMs Did Not Accurately Record Tenant Rent Payments in Yardi
2. Mixed-Finance PPMs Did Not Deposit All Tenant Rents into the CHA’s Tenant Rent Reserve Account
3. Mixed-Finance Tenant Balances and Credits Were Not Consistently Transferred with Tenants to New Units
4. Mixed-Finance PPM Staff Made Excessive Material Adjustments to Tenant Accounts Without Prior Authorization
5. CHA Did Not Report Delinquent Past-Tenant Accounts Receivable (TAR) Balances from its Mixed- Finance Properties to HUD

Summary Recommendations

The OIG recommends that CHA take the following actions:

1. CHA staff should conduct regular reconciliations of tenant ledgers in Yardi, PPM ledgers, and the Tenant Rent Reserve Accounts (TRRAs) to ensure accuracy in mixed-finance tenant accounts.
2. Should such reconciliations reveal material discrepancies, CHA Finance and PAM departments should engage the CHA Office of General Counsel to enforce the terms of the Regulatory and Operating agreements.
3. CHA should monitor mixed-finance properties for compliance with the CHA's RO agreements, including the recording of tenant payments in CHA's Yardi and the timely deposit of tenant funds to the CHA's TRRA bank account.
4. CHA PAM staff should closely monitor PPM transitions at Mixed-finance properties to ensure all CHA tenant rents are received, recorded, and deposited prior to the property's transfer to a new PPM. PAM staff should confirm that all PPMs have appropriate access to CHA's Yardi system prior to assuming responsibility for CHA units.
5. CHA should direct Mixed-finance owners to ensure their PPM personnel know how to transfer tenant balances in CHA's Yardi system when a tenant moves to a new unit.
6. CHA should identify all current tenants with an outstanding rent balance or credit attached to a prior tenant ID, review for accuracy, and adjust the accounts or return any monies owed.
7. CHA should direct mixed-finance owners to ensure their PPM personnel obtain approval from the CHA PAM department prior to applying resident rent charge credits, and provide CHA with supporting documentation for any such tenant ledger adjustments.
8. The PAM department should work with the Finance Department's Property Accounting staff to evaluate the accuracy of bad debt records.
9. CHA should ensure that, any bad-debt records deemed sufficiently accurate, are submitted to HUD through the EIV system.

Authority and Role

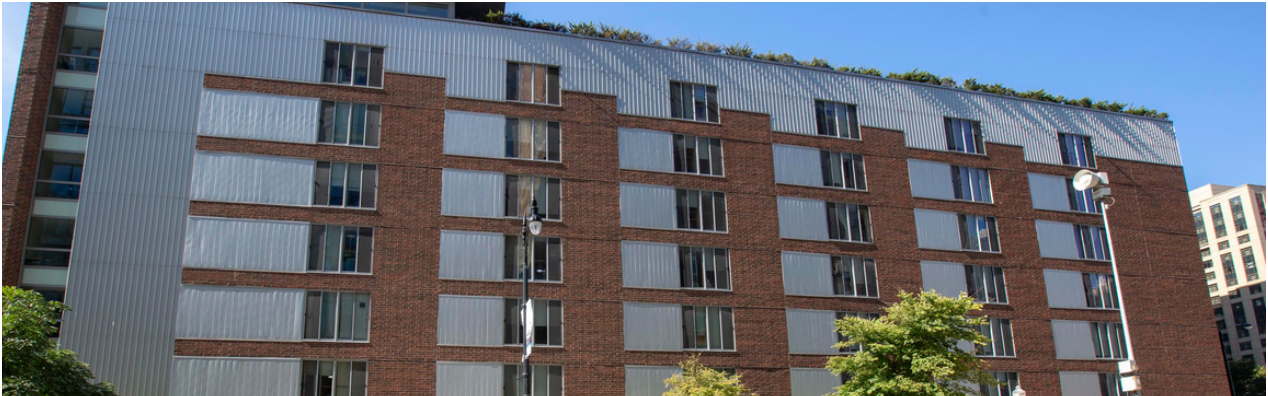
The authority to perform this audit is pursuant to the CHA Board of Commissioners approved Inspector General Charter, which states that the OIG has the authority and duty to review CHA programs. The OIG is tasked with identifying any inefficiencies, waste, and potential for misconduct therein; and recommending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

Standards

The OIG conducted this performance audit in accordance with generally accepted government auditing standards. See the U.S. Government Accountability Office, Comptroller General of the U.S. (2018), Government Auditing Standards (The Yellow Book), Washington, DC. 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.

Independence

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



Audit Objectives

Analyze and assess accounts receivable recording processes related to rent collection for public housing participants residing at CHA mixed-finance properties to determine whether:

1. Mixed-Finance PPMs perform timely and accurate CHA tenant rent collection activities, including entry of corresponding receipt and deposit transactions into Yardi.
2. Mixed-Finance PPMs update participant "Resident Ledgers" within Yardi timely and accurately and include adequate documentation for any manual adjustments.
3. CHA has adequate controls to ensure mixed-finance PPMs are appropriately collecting mixed-income tenant rents.
4. Mixed-Finance PPMs accurately report their rent reserve balances.

Scope

The OIG reviewed a sample selection of 22 Mixed-finance developments' rent collection/accounts receivable activities, which occurred for CHA participants between January 1, 2021, and December 31, 2021.

Sample Selection

For this audit the OIG used a stratified sampling method. The sample was extracted from Yardi report, "PHAS18S SUMMARY UNCOLLECTED RENT 05-04-2022 (2)." This report provides rent payment data per property. The total population was 62 MF properties. The sample was selected using Team-Mate Analytics.

1. The OIG selected all properties with rent collection rates below 80% (11 were in this category). $\text{Collection Rate \%} = \frac{\text{Rent Payments Received}}{(\text{Beginning Balance} + \text{Rent Charges} + \text{Other Charges} + \text{Rent Adjustments})} * 100$.
2. The OIG selected all properties with rent adjustments greater than 25% of the outstanding rent balance. A rent adjustment is an entry made to a tenant rent account to reduce the balance owed or to zero it out. (12 were in this category).
3. One property, Jazz on the Boulevard, fell into both categories. Therefore, the total sample selected was 22 properties or 35% of the population.

Methodology

The OIG performed this audit by conducting interviews, reviewing documentation, analyzing relevant CHA data, fieldwork inspections, and testing. Testing and analysis were performed on a sample population of 22 of 62 mixed finance properties. OIG audit staff interviewed employees in the CHA Finance Department and Property Asset Management (PAM) Department responsible for tenant rent accounts receivable (TAR) and oversight and management of mixed income units. Audit staff also interviewed representatives from Private Property Management (PPM) companies in charge of the day-to-day operation of mixed-finance developments.

The OIG met with PAM and Finance management and/or key personnel to discuss OIG's observations and recommendations. The OIG provided CHA Senior Management with a draft report with observations and allowed management time to submit a written response. CHA management submitted written responses, which are incorporated in this report. The OIG presented this final report, including management response, to the CHA Board of Commissioners Finance and Audit Committee.

The OIG reviewed the following relevant documents:

1. Regulatory and Operating Agreements between CHA and Owners Entities
2. OMB No. 2577-0266: HUD Form 52675. Debts Owed to Public Housing Agencies and Terminations
3. HOPE VI Guidance (March 2021) - Mixed-Finance Public Housing Development
4. 24 CFR § 905.108, HUD Regulations, The Public Housing Capital Program, Definitions
5. 24 CFR § 905.200, The Public Housing Capital Fund Program, Eligible Activities
6. 24 CFR § 905.604, Mixed-Finance Development
7. CHA Private Managers Financial Procedures Manual (August 1, 2020)

The OIG believes the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives to identify conditions and/or an environment that results in, or could result in, waste, fraud, abuse, misconduct, or mismanagement.

Background

To address issues presented by the geographical concentration of low-income housing tenants, HUD encouraged public housing authorities to engage in public/private partnership initiatives for the development of mixed-income housing. As defined in the Code of Federal Regulations (CFR), Title 24, Housing and Urban Development, Part 905.604 Mixed-finance development, "Mixed-finance" is the development (through new construction or acquisition, with or without rehabilitation) or modernization of public housing, using public housing, nonpublic housing, or a combination of public housing and nonpublic housing funds, where the public housing units are owned in whole or in part by an entity other than the PHA. A mixed-finance development may include 100 percent public housing (if there is an Owner Entity other than the PHA) or a mixture of public housing and nonpublic housing units."

As of February 2022, CHA had 3,123 public housing units located at 62 separate mixed-finance developments. Mixed-Finance units represented approximately 13% of the total CHA public housing units.

CHA has a contract with each mixed-finance development owner, called a Regulatory and Operating (RO) agreement. While the exact terms of each RO agreement vary, particularly in terms of the CHA operating subsidy and the amount CHA contributes toward the project's initial development, many of the general terms are the same. Specifically, all RO agreements require mixed-finance development owners to retain a management agent [PPM] to manage the property and the public housing units, in accordance with all applicable public housing requirements. The owner is required to obtain CHA's approval of the management agent selected for the development.

Management agents working on behalf of the owners are required to manage the tenant selection and recertification process, and record all tenant rent transactions in CHA's system of record, Yardi. Per the RO agreements, the owner shall ensure that all CHA tenant rents are collected and deposited into the CHA's Tenant Rent Reserve Account (TRRA). The rent collected must be deposited to the TRRA no later than the fifth business day of the following month.

CHA, in turn, provides the owners an operating subsidy for each public housing unit. The subsidy is a flat, per unit amount that varies from development to development, with annual increases. Should the owner leave a CHA unit vacant for more than 60 days, the subsidy for that unit is withheld.

Annual operating costs of the public housing units are intended to equal the annual income from the units (tenant rent, operating subsidy, and any other funds taken from reserves). Owners provide the CHA with quarterly financial statements and an annual audited financial statement to show the income and expenses attributable to the CHA units. Any excess income must be promptly returned to CHA and deposited into a subsidy carryover reserve account. Conversely, if an owner's financial statements show the expenses of operating the CHA units exceeded the unit income, the CHA must reimburse the owner from the subsidy carryover reserve account, and the TRRA, in that order of priority.

As noted in the RO agreements, CHA remains legally responsible to HUD for ensuring that the owner, or the management agent acting on behalf of the owner develops, operates, and maintains the CHA's units in accordance with laws and requirements for public housing. CHA is therefore required to monitor the owners' performance under the RO agreements, which set out bases for default and applicable remedies. Any material violation of the terms of the RO agreement, applicable public housing requirements, project loan agreement, restrictive covenants, or the management agreement, constitutes a default. Any act or omission of the management agent that constitutes a default is attributable to the owner.

Upon an owner default, the CHA shall notify HUD, the owner, the first mortgage lender, the City, and the investor of (i) the nature of the default, (ii) the actions required to cure the default, and (iii) the time to respond with a showing that all required actions have been taken. If the owner fails to respond or take corrective action, the CHA may exercise any remedy available, including litigation seeking specific performance, injunctive relief, the termination of operating subsidies, or the appointment of a receiver to take over and operate the public housing units.

In 2020 the OIG performed an audit of public housing rent collection processes and investigated several complaints related specifically to MF Management Agents' rent collection processes. As a result, the OIG identified several exceptions related to the timeliness, accuracy of rent charge generation, and rent collection. In one instance, an OIG investigation found significant embezzlement by an employee of an MF Management Agent, who manipulated tenant accounts to steal thousands of dollars in rent. The employee was indicted and later pleaded guilty to Theft of Government Funds in the amount of \$83,103.59, a Class 1 felony. See *People v. Spruill*, 22-CR-0228801 (Cook Cty. Cir. Ct.); OIG #2020-02-00030, summarized in the OIG 2022 Annual Report, p. 13, available at [2022 OIG Annual Report](#).

Findings and Recommendations

1. Mixed-Finance PPMs Did Not Accurately Record Tenant Rent Payments in Yardi

Mixed-Finance Private Property Managers' (PPMs) internal tenant ledgers for CHA public housing units did not agree with the PPMs' entries in the CHA's system of record, Yardi, in 55% of the 22 selected mixed-finance developments. The OIG obtained and reviewed mixed-finance PPM tenant ledgers and sought to verify tenants' ledger balances recorded CHA's Yardi system with the PPM records. The records show that 12 of the 22 selected sites were not consistently recording tenant rent in the CHA's Yardi system, and 3 were not consistently depositing rents to CHA's tenant rent reserve accounts (TRRAs). Nine PPMs did not record the tenant rent payments in the CHA Yardi in a timely manner, and one PPM did not record the tenant rent payments in CHA's Yardi at all. As a result, CHA's Yardi tenant ledgers were not up to date, and some of CHA's tenant records showed large outstanding rent balances, while others showed credit balances.

Given the discrepancies between Yardi and the PPMs' records, it is difficult to determine the actual rent balances for CHA's mixed-finance tenants. Additionally, these discrepancies limit the CHA's ability to verify tenant accounts receivable (TAR) balances in the MF properties.

Section 3(e) of the standard contract language found in the Regulatory and Operating (RO) agreement between the CHA and the mixed-finance developers states that, the owner shall require the management agent to perform all the duties and responsibilities normally associated with management of public housing including, but not limited to tenant accounting, accounts payable, general ledger, and bank reconciliation.

During the scope period, several properties changed management agents (PPMs). Five PPMs that were new to CHA did not gain access to CHA's Yardi system for several months, while one PPM simply failed to enter tenant rent payments. After gaining access to Yardi, PPMs entered tenant rent payments into CHA's Yardi but often did so several months after the rent had been paid.

The OIG also documented instances during these PPM transitions, in which the previous PPM did not always supply the new PPM with the most up-to-date tenant documentation. In some cases, the new PPM did not have access to tenant balances, which made it impossible to ensure accuracy.

At one development, the previous PPM had not deposited the final tenant rent checks it received and did not leave the checks for the new PPM to deposit. There was no proof of the tenants paying their rent at the development, so the new property manager asked tenants to bring receipts and bank statements to show they had paid.

Appendix A provides 48 individual examples of differences in tenant rent balances at 9 mixed-finance properties.

Risk

- Loss of revenue
- Inaccurate tenant records
- Inefficient administration of the program

Recommendations

1. CHA should monitor mixed-finance properties for compliance with the CHA’s RO agreements, including the recording of tenant payments in CHA’s Yardi and the deposit of tenant funds to the CHA’s TRRA bank account.
2. CHA staff should conduct regular reconciliations of tenant ledgers in Yardi, PPM ledgers, and the Tenant Rent Reserve Accounts to ensure accuracy in mixed-finance tenant accounts.
3. Should such reconciliations reveal material discrepancies, CHA Finance and PAM departments should work with the CHA Office of General Counsel to enforce the terms of the RO agreements.
4. CHA PAM staff should closely monitor PPM transitions at mixed-finance properties to ensure all tenant rents are received, recorded, and deposited prior to the property’s transfer to a new PPM. PAM staff should ensure all mixed-finance PPMs have appropriate access to CHA’s Yardi system prior to assuming responsibility for CHA units.

Management Response:		
<input type="checkbox"/> Concur with findings and recommendation	<input checked="" type="checkbox"/> Do not concur with findings and recommendation	<input type="checkbox"/> Concur with part of the findings and recommendation
CHA had already identified historical activity and data that suggested the need for drastic changes to the handling of TRR accounts by the PPM firms (including those five with standalone ownership by the private owner/developer). As a result, CHA will not seek joint ownership of the bank accounts. Instead, CHA will require that tenant rents are posted in the PPM firms’ system of record, deposited immediately into the TRR, and for reports to be provided so that CHA can reconcile what is posted against what is deposited.		
Custodian:	Leonard Langston	
Implementation Timeline:	End of Q1, 2024	

2. Mixed-Finance PPMs Did Not Deposit All Tenant Rents into the CHA's Tenant Rent Reserve Account

The rents recorded by the mixed-finance PPMs in CHA's Yardi tenant ledgers did not match amounts the PPMs deposited to the CHA's Tenant Rent Reserve Accounts. At one property, no rent payments were recorded for CHA tenants in Yardi for 18 months. After several requests for explanation, the PPM provided the OIG bank statements showing the PPM had deposited the rents into its own operating account and never transferred the funds to the TRR account.

The Regulatory and Operating (ROs) agreements between the CHA and the various mixed-finance development owners state all tenant rents shall be collected by the owner and promptly deposited into the CHA's Tenant Rent Reserve Account. In exchange, the CHA provides the owners an operating subsidy for each public housing unit. Management Agents working on behalf of the owners are required to record all tenant rent transactions in CHA's Yardi system. The ROs further require owners to provide the CHA with quarterly itemized statements of income and expenses, prepared on an accrual basis, based on the owner's general accounting records, including the receipt of any reserve funds made available by the Authority. While most TRRAs are jointly owned by the MF owners and CHA, current agreements allow five MF properties to deposit rents to accounts not accessed by the CHA. For these five properties, CHA's Finance department is unable to independently view account deposits or balances.

The following provides examples at four properties where the OIG found rents recorded as received in Yardi but not deposited to the CHA's TRRA:

- **Hansberry Square** has 83 PHA units. In 2021, the PPM for Hansberry Square failed to deposit **\$31,749** in payments received from CHA's tenants into the CHA TRRA. The Hansberry Square PPM's Midwest Regional Accounting Manager could not explain the discrepancy, writing. "I'm not sure what the disconnect could be going back to 2020-21. On my end, at the end of each month I download the rents collected as reported in Yardi and upload them into our system at which time an ACH is delivered to the individual TRR accounts for each site. There's no reconciliation process (at least on my end) that's done each month."

- **Jazz On the Boulevard** has 30 PHA units. There were no rent payments recorded in CHA's Yardi for the site's tenants from September 2020 to March 2022. The Receipt Register provided by the PPM, shows that tenants paid rent totaling **\$153,837**, for the same period. On April 12, 2023, the PPM provided the OIG with a bank statement for a Jazz Limited Partnership general operating account, where the PPM had been depositing tenant rent payments for both CHA units and non-CHA units.
- **Old Town Village** has 66 PHA units. From December 1, 2020, to January 30, 2022, Old Town Village recorded rent payments totaling \$194,026.50 in the CHA's Yardi Tenant Ledger. For the same period, however, Old Town Village rent payments deposited in the CHA's bank totaled \$156,754.34, which was **\$37,272.16 less** than recorded in Yardi.

OIG further noted that the current PPM, which assumed management of the site in January 2021, did not have access to the CHA's Yardi system until September 2021. However, even after the PPM gained access to Yardi, from October 1, 2021, to January 30, 2022, rent payments recorded in CHA's Yardi totaling **\$17,756.97** were not reflected in the TRRA bank statements as having been deposited.

- **Renaissance North** has 18 PHA units. The rent payments recorded in CHA's Yardi tenant ledger from January 1, 2021, to December 31, 2021, is \$61,816. The rent amount deposited is **\$61,606 more** than the amount recorded in CHA's Yardi. Further analysis revealed that the excess amount is a portion of \$70,099 in rent collected during fiscal year 2020 that was not deposited until April 2021.
- Similarly, at Casa Queretaro the aggregate bank statement balance from January to December 2021 was **\$14,132 more** than the amount recorded in CHA Yardi records.

Appendix B illustrates the difference between total rent deposited per CHA Yardi and total rent deposited per CHA bank statements for fiscal year 2021.

Risk

- Loss of revenue
- Inaccurate tenant records
- Inefficient administration of the program

Recommendations

1. CHA should regularly review mixed-finance properties for compliance with the CHA’s RO agreements, including the timely deposit of tenant funds to the CHA’s TRRA bank account. An owner’s failure to deposit tenant rents to CHA’s accounts should be escalated to the CHA’s Office of General Counsel for enforcement of the RO agreement.
2. CHA should seek to obtain joint ownership of the TRRAs at the remaining five MF properties, either now or in future ROs, to ensure adequate oversight of CHA tenant rent receipts.

Management Response:		
<input type="checkbox"/> Concur with findings and recommendation	<input checked="" type="checkbox"/> Do not concur with findings and recommendation	<input type="checkbox"/> Concur with part of the findings and recommendation
<p>CHA had already identified historical activity and data that suggested the need for drastic changes to the handling of TRR accounts by the PPM firms (including those five with standalone ownership by the private owner/developer). As a result, CHA will not seek joint ownership of the bank accounts. Instead, CHA will require that tenant rents are posted in the PPM firms’ system of record, deposited immediately into the TRR, and for reports to be provided so that CHA can reconcile what is posted against what is deposited.</p>		
Custodian:	Leonard Langston	
Implementation Timeline:	End of Q1, 2024	

3. Mixed-Finance Tenant Balances and Credits Were Not Transferred with Tenants to New Units

The OIG identified instances where current mixed-finance tenants were transferred to different units without transferring their outstanding rent balances to the new unit ledgers. In other instances, tenants with a credit balance at the end of participating in the housing program did not receive a refund. The credit balances were ignored or left to be written off.

The PM Finance Procedures Manual, which applies to PPMs contracted directly with CHA to manage public housing properties, provides the following instructions regarding tenant transfers:

A) CHA initiates the transfer and tenant owes a balance to CHA.

1. The **PM where the resident is moving from (Outgoing PM)** will **communicate with CHA Property Accounting (via Asset Management)** to request assistance transferring the resident's balance. The **Outgoing PM** must communicate with the **receiving PM** in writing, the correct AR balance being transferred. If the balance is a debit (amount owed), the **Outgoing PM** will adjust the tenant's ledger by creating a negative charge - using **"rent"** charge code then apply a 'zero receipt' to merge all charges to zero.
2. After the adjustment, the **receiving PM** will move the tenant into the new development. The PM must charge the balance owed from the previous development and the new security deposit.

B) If the tenant initiated the Transferer and owes a balance to CHA.

1. Tenant will be processed as move-out from the development he/she is moving from.
2. Tenant should pay any balances owed to existing property before he/she can be moved into a new development. As well as any security deposit will be applied against the balance owed. 3. If not paid, CHA's Property Accounting department will Transferer the balance due from the tenant's old ledger to the tenant's new ledger, upon notification.

During the audit, the OIG observed that mixed-finance PPMs did not consistently follow these procedures and did not maintain the client code or client/tenant ID during the transfer process. Some tenants were transferred from one development to another and/or from one unit to another within a development without transferring the balance owed by the tenant from previous units or developments. Maintaining the client/tenant ID codes allows CHA to access a tenant's history in one record as opposed to scattered across multiple ID codes.

Per the CHA's Admissions and Continued Occupancy Policy, absent specific mandatory circumstances, public housing tenants must be in good standing and in compliance with the CHA Residential Lease Agreement before transferring to a new unit. While rare, in the case of mandatory transfers from one MF property to another MF property, CHA does not currently have a method of collecting and/or transferring existing balances from one MF owner to another.

Similarly, in several instances the prior tenant IDs were associated with tenants living in a property that had been converted from public housing to Rental Assistance Demonstration (RAD) funding.

In RAD conversions, the tenant ID necessarily changes due to the change in program funding. Tenants in RAD properties are required to be in good standing and start from a zero balance, however, the OIG identified a number of RAD property tenants with prior IDs that continue to show a balance.

The following table illustrates notable instances of MF tenant balances not transferred:

Property Code	Property	Last Transaction	Tenant Ledger Balance	Last Action
a020000	QUINCY	8/1/2021	\$ 39,148.00	Admin Transferred 11/2022
a105000	LAKE PARK CRESCENT	6/1/2022	\$ 25,126.94	Transferred to RAD
a105000	LAKE PARK CRESCENT	6/1/2022	\$ 17,728.93	Transferred to RAD
a020000	QUINCY	8/1/2022	\$ 14,837.00	Admin transferred 5/2022
a148000	WEST END PHASE 2	3/1/2023	\$ 13,571.00	Admin transferred 03/2023
a148000	WEST END PHASE 2	3/1/2023	\$ 12,904.00	Moved to HVC 03/2023
a105000	LAKE PARK CRESCENT	6/1/2022	\$ 10,830.92	Transferred to RAD

The OIG also found CHA tenants with credit balances, tenants with overpayments, and/or security deposits that were not refunded nor transferred or reported. The following table illustrates notable instances of tenants with credit balances.

Property Code	Property	Last Transaction Date	Balance	New Tenant ID	Last Actions
a105000	LAKE PARK CRESCENT	4/12/2022	\$(7,193.40)	Yes	Transferred to RAD
a099000	HILLIARD FAMILY - HOLSTEN P1	2/1/2022	\$(5,385.04)		Elective Move
a146000	SAVOY SQUARE	8/1/2017	\$(4,788.74)		Abandoned / Vacated
a168000	CITY GARDENS	1/1/2020	\$(4,342.25)	Yes	Admin Transferred
a105000	LAKE PARK CRESCENT	6/1/2022	\$(4,132.02)	Yes	Transferred to RAD
a105000	LAKE PARK CRESCENT	6/1/2022	\$(2,693.02)	Yes	Transferred to RAD
a135000	HILLIARD SENIOR - HOLSTEN P1	11/1/2021	\$(2,578.39)		Elective Move
a149000	PARK DOUGLAS	8/29/2022	\$(2,491.66)		Voluntary Withdrawal
s0355	W MAYPOLE AV	2/27/2008	\$(2,090.00)		Admin Transferred
a168000	CITY GARDENS	11/1/2020	\$(1,838.00)		Voluntary Withdrawal
a168000	CITY GARDENS	2/11/2022	\$(1,778.00)	Yes	Admin Transferred
a132000	WESTHAVEN PARK PHASE IIB	6/15/2022	\$(1,409.99)		Voluntary Withdrawal
a139000	COLEMAN PLACE	1/1/2023	\$(1,328.91)		Moved Out

Risk

- Loss of revenue
- Inaccurate tenant records
- Inefficient administration of the program

Recommendations

1. CHA should direct mixed-finance owners to ensure their PPM personnel are administering the tenant transfer process in accordance with CHA policies and know how to properly transfer tenant balances when a tenant moves to a new unit in CHA's Yardi system.
2. CHA should work to identify all CHA tenants with a rent balance or credit attached to a prior tenant ID, review the accounts for accuracy, and where appropriate, notify the tenants and adjust their past and current accounts or return any monies owed.

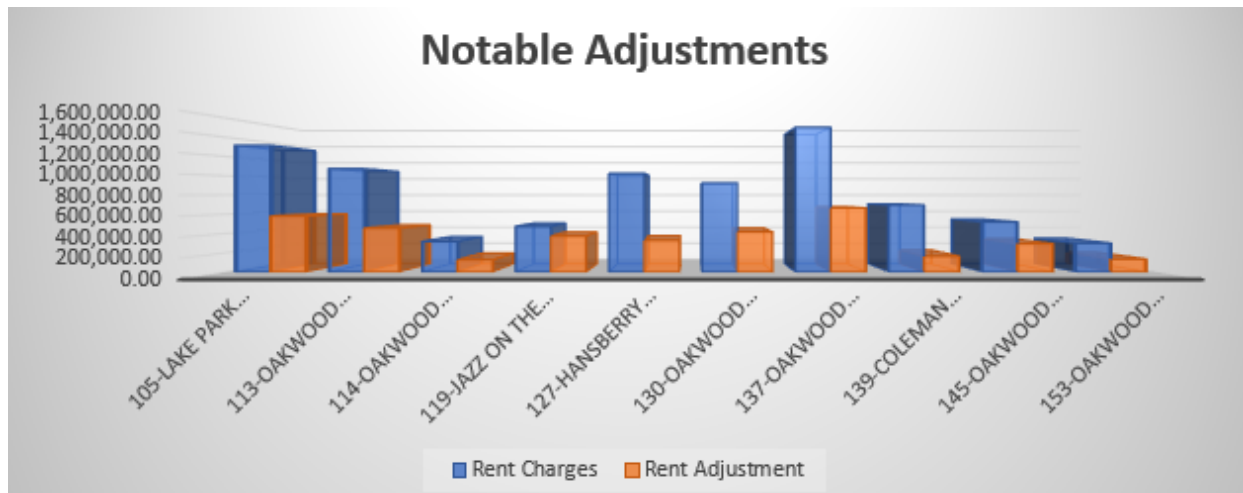
Management Response:		
<input checked="" type="checkbox"/> Concur with findings and recommendation	<input type="checkbox"/> Do not concur with findings and recommendation	<input type="checkbox"/> Concur with part of the findings and recommendation
<p>CHA had already identified historical activity and data that suggested the need for drastic changes to the handling of TRR accounts by the PPM firms. Part of the initiative and associated analysis aimed at ensuring that all funds paid by CHA residents can be accounted for within a reasonable timeframe—including cleanup/reconciliation of monies owed to CHA, monies owed to residents (current or former), and charges/balances that cannot be reconciled. CHA will provide PPM's a recommendation to resolve balances that cannot be reconciled.</p> <p>Further, preliminary reviews highlighted a lack of knowledge at the PPM level on how to perform complex adjustments in the Yardi system. PPM firms were directed to stop making efforts to correct records, and to reach out to CHA Finance teams for assistance. CHA will send out an official advisory to all Mixed Income PPM firms to reinforce this directive.</p>		
Custodian:	Leonard Langston	
Implementation Timeline:	End of Q2, 2024	

4. Mixed-Finance PPM Staff Made Excessive Material Adjustments to Tenant Accounts Without Prior Authorization

The OIG identified that in 2022, adjustments to tenant accounts increased by as much as 56% for the total rent charged for the year in some mixed-finance developments. Tenant account adjustments occur when the PPM manually changes the amount that is automatically charged by Yardi. (The adjustment percentage of total rent charged is calculated by dividing the adjusted rent amount by the beginning rent balance plus rent charged for the period). For example, Jazz on the Boulevard and Oakwood Shores P2B1 had 56% and 49% rent adjustments in 2022, respectively.

According to the PM Financial Procedures Manual, "If the A/R Clerk needs to make manual adjustment charges, prior authorization should be given by the Property Manager." The following table illustrates notable instances of ledger adjustments by property:

Appropriate uses of adjustments include crediting a resident's account for a misapplied payment, rent adjustments for interim or late recertifications, or security deposit refunds. However, the significant amount of rent adjustments found at several MF properties suggest the adjustments are being used in lieu of standard Yardi receipt processing. The OIG's review of Yardi records further suggests that there has not been prior authorization of rent adjustments.



Excessive and frequent adjustments of tenant accounts may present a risk of fraud. CHA saw an example of this in 2018 at two mixed-finance developments, where a property management employee falsified tenant records and misappropriated tenants' rent payment money orders through multiple adjustments of tenant accounts. In that instance the manager falsely reduced the amount owed without informing the tenant, and kept the difference.

Risk

- Loss of revenue
- Inefficient administration of the program

Recommendations

1. CHA should direct all mixed-finance owners to ensure their PPM personnel obtain approval from the CHA PAM department prior to applying resident rent charge credits, and provide CHA supporting documentation for any such adjustments.

This recommendation is consistent with both the PM Financial Procedures Manual (for traditional CHA-owned public housing properties) and OIG Advisory No. 18: "Mixed-Finance Management Agents' Rent Collection Processes."

Management Response:		
<input checked="" type="checkbox"/> Concur with findings and recommendation	<input type="checkbox"/> Do not concur with findings and recommendation	<input type="checkbox"/> Concur with part of the findings and recommendation
<p>Preliminary reviews highlighted a lack of knowledge at the PPM level on how to perform complex adjustments in the Yardi system. PPM firms were directed to stop making efforts to correct records, and to reach out to CHA Finance teams for assistance. CHA will send out an official advisory to all Mixed Income PPM firms to reinforce this directive and will exercise any remedies allowed under the Regulatory & Operating agreements.</p>		
Custodian:	Leonard Langston	
Implementation Timeline:	End of Q1, 2024	

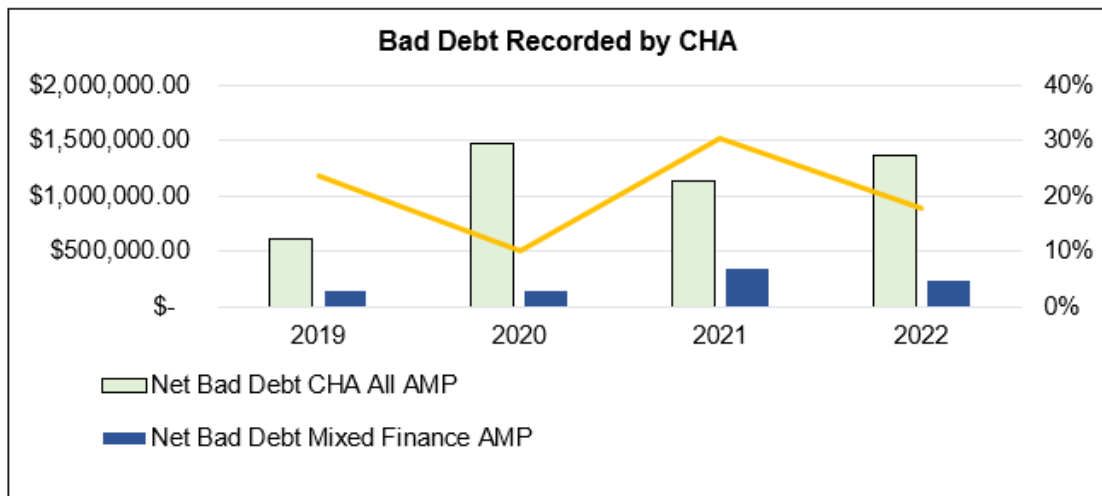


5. CHA Did Not Report Delinquent Past-Tenant Accounts Receivable (TAR) Balances from its Mixed-Finance Properties to HUD

During the audit the OIG found TAR balances totaling \$882,984.15 from January 1, 2019, to December 31, 2022, across all mixed-finance properties. CHA did not report this TAR to HUD as required.

The following table represents the mixed-finance properties "bad debts" (uncollectible rents or rent balances owed that are no longer recoverable) reported in CHA's Lawson general ledger for 2019 through 2022.

Table 4 Bad Debt Recorded in Lawson				
	2019	2020	2021	2022
Net Bad Debt Mixed-Finance AMP	\$145,460.86	\$149,629.40	\$346,143.77	\$241,750.12
Net Bad Debt All CHA AMPs	\$613,021.28	\$1,478,407.95	\$1,139,802.22	\$1,367,896.80
Mixed-Finance Bad Debt as % of All CHA AMPs	24%	10%	30%	18%



OMB No. 2577-0266 (expires 06/30/2026); Form HUD-52675 and 24 CFR §5.233 mandates the use of HUD’s Enterprise Income Verification (EIV) System:

HUD requires PHAs to report certain information at the conclusion of your participation in a HUD rental assistance program.

1. *Amount of any balance you owe the PHA or Section 8 landlord (up to \$500,000) and explanation for balance owed (i.e., unpaid rent, retroactive rent (due to unreported income and/ or change in family composition) or other charges such as damages, utility charges, etc.); and*
2. *Whether or not you have entered into a repayment agreement for the amount that you owe the PHA; and*
3. *Whether or not you have defaulted on a repayment agreement; and*
4. *Whether or not the PHA has obtained a judgment against you; and*
5. *Whether or not you have filed for bankruptcy; and*
6. *The negative reason(s) for your end of participation or any negative status (i.e., abandoned unit, fraud, lease violations, criminal activity, etc.) as of the end of participation date.*

Penalties for noncompliance. *Failure to use the EIV system in its entirety may result in the imposition of sanctions and/or the assessment of disallowed costs associated with any resulting incorrect subsidy or tenant rent calculations, or both.*

Risk

- Regulatory non-compliance
- Inefficient administration of the program

Recommendations

1. The PAM department should work with the Finance department’s Property Accounting staff to evaluate the accuracy of the bad debt records.
2. CHA should ensure that any bad-debt records deemed sufficiently accurate are submitted to HUD through the EIV system.

Management Response:		
<input checked="" type="checkbox"/> Concur with findings and recommendation	<input type="checkbox"/> Do not concur with findings and recommendation	<input type="checkbox"/> Concur with part of the findings and recommendation
CHA is currently developing a process to verify the total amount of bad debt. Once this is done, the accurate amount will be reported to HUD’s EIV system.		
Custodian:	Leonard Langston	
Implementation Timeline:	End of Q2, 2024	

APPENDIX A: EXAMPLES OF DIFFERENCES IN TENANT RENT BALANCES IN PPM LEDGERS VS. CHA YARDI LEDGERS GREATER THAN ABSOLUTE VALUE OF \$2,000 AS OF AUGUST 2022

Tenant ID	PPM	CHA Yardi	Difference
JACKSON SQUARE AT WEST END			
t00001	\$ (933.00)	\$ 4,418.00	(\$5,351.00)
t00002	\$ 1,243.37	\$ 6,995.74	(\$5,752.37)
t00003	\$ 1,350.00	\$ 6,050.00	(\$4,700.00)
t00004	\$ 18,472.94	\$ 689.00	\$17,783.94
t00005	\$ (590.04)	\$ 8,850.24	(\$9,440.28)
t00006	\$ (78.28)	\$ 5,893.00	(\$5,971.28)
t00007	\$ 6,184.80	\$ 2,300.00	\$3,884.80
t00008	\$ 1,557.54	\$ 7,508.00	(\$5,950.46)
JAZZ ON THE BOULEVARD			
t00001	\$ 3,168.00	\$ -	\$3,168.00
t00002	\$ 2,055.00	\$ -	\$2,055.00
t00003	\$ 20,080.00	\$ -	\$20,080.00
t00004	\$ 4,539.00	\$ 656.50	\$3,882.50
t00005	\$ 9,472.00	\$ -	\$9,472.00
WEST END PHASE 2			
t00001	\$ (240.07)	\$ 12,076.35	(\$12,316.42)
t00002	\$ 15,477.00	\$ 888.00	\$14,589.00
t00003	\$ 2,007.89	\$ 2,687.00	(\$679.11)
t00004	\$ (75.00)	\$ 3,845.00	(\$3,920.00)
t00005	\$ 6,478.93	\$ 470.00	\$6,008.93
QUINCY			
t00001	\$ 2,118.00	\$ 2,568.00	(\$450.00)
t00002	\$ 8,862.00	\$ 17,250.00	(\$8,388.00)
t00003	\$ 7,557.00	\$ 6,571.00	\$986.00
t00004	\$ -	\$ 779.00	(\$779.00)
RENAISSANCE NORTH			
t00001	\$ 5,284.95	\$ (1,312.25)	\$6,597.20
t00002	\$ 8,576.86	\$ 3,060.96	\$5,515.90
t00003	\$ 18,547.18	\$ 6,976.60	\$11,570.58
t00004	\$ 6,756.66	\$ 2,878.79	\$3,877.87
t00005	\$ 3,177.67	\$ (2,251.00)	\$5,428.67
t00006	\$ 4,799.08	\$ 2,227.00	\$2,572.08
t00007	\$ 4,880.28	\$ 10,619.10	(\$5,738.82)
OAKWOOD SHORES P2D			
t00001	\$ 2,879.00	\$ 4,679.00	(\$1,800.00)
t00002	\$ (88.00)	\$ 2,558.00	(\$2,646.00)
t00003	\$ 6,125.90	\$ 4,519.90	\$1,606.00
t00004	\$ 624.15	\$ 6,276.30	(\$5,652.15)

OAKWOOD SHORES 1A			
t00001	\$ 292.00	\$ 2,283.00	(\$1,991.00)
t00001	\$ -	\$ 5,293.46	(\$5,293.46)
t00002	\$ 1,777.75	\$ 2,583.75	(\$806.00)
t00003	\$ 10,060.00	\$ 6,039.00	\$4,021.00
t00004	\$ 1,129.00	\$ 1,732.00	(\$603.00)
GWENDOLYN PLACE			
t00001	\$ 1,217.43	\$ 4,435.00	(\$3,217.57)
t00002	\$ 4,114.24	\$ 1,076.00	\$3,038.24
t00003	\$ 1,859.06	\$ 1,367.00	\$492.06
t00004	\$ 719.17	\$ 1,213.23	(\$494.06)
t00005	\$ 1,448.89	\$ 2,627.76	(\$1,178.87)
COLEMAN PLACE			
t00001	\$ 5,682.53	\$ 3,718.36	\$1,964.17
t00002	\$ 10,099.61	\$ 7,785.75	\$2,313.86
t00003	\$ (6,880.21)	\$ 112.94	(\$6,993.15)
t00004	\$ 324.76	\$ 1,627.00	(\$1,302.24)
t00005	\$ (488.60)	\$ 1,627.50	(\$2,116.10)



APPENDIX B: TOTAL RENT DEPOSITED PER CHA YARDI AND TOTAL RENT DEPOSITED PER CHA BANK STATEMENTS FOR FISCAL YEAR 2021

Property Number	Property Name	Units Posted	2021 Deposit Register Available	Monthly Contract Rent as of 02/2022	Total Yardi Deposit Register 2021	Total Bank Deposit 2021	Difference Yardi Dep Register and BK Deposit
a098000	RENAISSANCE NORTH	18	Yes/Partial	\$7,212.00	\$61,816.60	\$123,422.60	\$61,606.00
a104000	OLD TOWN VILLAGE WEST	66	Yes/Partial	\$18,269.00	\$166,384.47	\$80,609.67	-\$85,774.80
a105000	LAKE PARK CRESCENT	60	Yes	\$25,490.00	\$221,961.04	\$224,053.87	\$2,092.83
a108000	ST. EDMUNDS MEADOWS	14	Yes	\$4,512.00	\$53,544.10	\$55,672.10	\$2,128.00
a113000	OAKWOOD SHORES 1A	63	Yes	\$22,459.00	\$222,679.85	\$236,040.96	\$13,361.11
a114000	OAKWOOD SHORES P2D	22	Yes	\$6,880.00	\$67,891.88	\$75,426.19	\$7,534.31
a119000	JAZZ ON THE BOULEVARD	30	No	\$11,316.00	\$0.00	\$0.00	\$0.00
a120000	JACKSON SQUARE AT WEST END	57	Yes	\$14,315.00	\$118,949.00	\$124,670.30	\$5,721.30
a124000	FOUNTAIN VIEW	14	Yes	\$2,998.00	\$25,074.00	\$28,237.00	\$3,163.00
a127000	HANSBERRY SQUARE	83	Yes	\$25,534.00	\$300,438.97	\$271,273.69	-\$29,165.28
a130000	OAKWOOD SHORES 1B	61	Yes	\$18,904.00	\$220,879.89	\$227,479.53	\$6,599.64
a137000	OAKWOOD SHORES 2A	78	Yes	\$30,507.00	\$311,060.30	\$329,200.04	\$18,139.74
a145000	OAKWOOD SHORES 2B	29	Yes	\$9,394.00	\$88,564.24	\$98,241.24	\$9,677.00
a148000	WEST END PHASE 2	59	Yes	\$22,060.00	\$147,971.00	\$152,520.00	\$4,549.00
a153000	Oakwood Shores P2 C Mercy	19	Yes	\$6,238.00	\$78,390.95	\$83,613.95	\$5,223.00
a164000	PARKSIDE 2B	36	Yes	\$13,467.00	\$144,448.00	\$141,546.36	-\$2,901.64
a165000	CASA QUERETARO	15	Yes/Partial	\$2,181.00	\$26,248.00	\$40,380.42	\$14,132.42
Total				\$241,736.00	\$2,256,302.29	\$2,292,387.92	

*Bank deposit and register are the same month.

APPENDIX C: NOTABLE ADJUSTMENTS AT SELECTED PROPERTIES

Agency Name	Appendix E Notable Adjustments						Adj Collection Rate %	Adj %
	Beginning Balance	Rent Charges	Rent Other Charges	Rent Payment Received	Rent Adjustment	Collection Rate %		
105-Lake Park Crescent	\$68,183.71	\$1,313,491.05	\$2,414.00	\$734,775.76	\$(582,848.07)	91.70	92.29	-42%
113-Oakwood Shores 1A	\$92,186.36	\$1,072,747.00	\$31,796.32	\$722,086.40	\$(455,122.52)	97.37	98.04	-39%
114-Oakwood Shores Ter P2D	\$31,475.35	\$318,299.81	\$24,282.44	\$229,952.97	\$(127,409.33)	93.23	94.13	-36%
119-Jazz On the Boulevard	\$190,445.45	\$474,659.00	\$ -	\$48,110.50	\$(373,281.74)	16.49	16.49	-56%
127-Hansberry Square	\$106,867.11	\$1,023,698.25	\$7,450.87	\$818,773.86	\$(329,716.20)	101.30	103.81	-29%
130-Oakwood Shores 1B	\$112,865.33	\$925,721.00	\$36,075.20	\$624,721.47	\$(418,047.65)	95.14	96.41	-40%
137-Oakwood Shores 2A	\$160,747.59	\$1,500,887.03	\$33,811.32	\$952,939.54	\$(665,154.54)	92.49	93.48	-40%
139-Coleman Place	\$18,933.14	\$696,884.00	\$ -	\$433,274.57	\$(163,996.00)	78.52	80.30	-23%
145-Oakwood Shores P2 B1	\$76,091.84	\$521,434.00	\$8,274.30	\$285,465.98	\$(294,052.21)	91.57	92.27	-49%
153-Oakwood Shores P2 C Mercy	\$59,436.57	\$300,537.00	\$2,792.66	\$220,242.90	\$(136,371.69)	97.28	97.50	-38%

APPENDIX D: TENANT BAD DEBT BALANCE AT THE SELECTED PROPERTIES AS OF AUGUST 2022

Tenant Bad Debt Balance at Selected Properties as of August 2022	
Property	Balance Owed
a124000 - FOUNTAIN VIEW	\$76,394.63
a104000 - OLD TOWN VILLAGE WEST	\$69,961.71
a117000 - MAHALIA PLACE	\$60,249.25
a163000 - GWENDOLYN PLACE	\$46,100.62
a020000 - QUINCY	\$41,558.00
a105000 - LAKE PARK CRESCENT	\$38,875.20
137000 - Oakwood Shores 2A	\$37,062.33
a148000 - WEST END PHASE 2	\$37,037.98
153000 - Oakwood Shores P2 C Mercy	\$22,202.20
a113000-Oakwood Shores 1A	\$21,439.53
a164000 - PARKSIDE 2B	\$19,012.11
a139000 - COLEMAN PLACE	\$14,000.06
a120000 - JACKSON SQUARE AT WEST END	\$13,198.26
145000 - Oakwood Shores P2 B1	\$13,122.00
a021000 - LANGSTON	\$13,085.00
a098000 - RENAISSANCE NORTH	\$7,078.59
a127000 - HANSBERRY SQUARE	\$4,983.99
a165000 - CASA QUERETARO	\$2,969.70
Total	\$538,331.16