



New Horizons, Kansas City, MO

Section 8 Housing Assistance Payments Program

**Office of Audit, Region 7
Kansas City, KS**

**Audit Report Number: 2017-KC-1002
March 3, 2017**





To: Edward Manning, Director, Kansas City Asset Management Division,
7AHMLAS

//signed//

From: Ronald J. Hosking, Regional Inspector General for Audit, 7AGA

Subject: New Horizons, Kansas City, MO, Received Improper Section 8 Housing
Assistance Payments

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of New Horizons' Section 8 housing assistance payments program.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 913-551-5870.



Audit Report Number: 2017-KC-1002

Date: March 3, 2017

New Horizons, Kansas City, MO, Received Improper Section 8 Housing Assistance Payments

Highlights

What We Audited and Why

We audited New Horizons' Section 8 housing assistance payments program because we noted significant deficiencies during our audit of the project's identity-of-interest management agent, Majestic Management, LLC, report 2017-KC-1001. Our objective was to determine whether New Horizons properly verified tenants' eligibility, requested assistance only for tenants living in the units, retained tenant files for the required period, and properly collected and deposited tenant rents.

What We Found

New Horizons' management agent, Majestic Management, did not properly verify tenant eligibility, requested subsidies for ineligible tenants and tenants not living in units, did not retain tenant files, did not properly collect and deposit rents, and had unreported tenants living in the units. As a result, it received \$144,556 in ineligible and \$726,399 in unsupported housing assistance payments and could not account for at least \$16,687 in project rents owed by tenants.

What We Recommend

We recommend that HUD require New Horizons to (1) repay \$144,556 in housing assistance for tenants who were not eligible for assistance or not living in units, (2) support or repay \$726,399 in housing assistance payments based on missing or incomplete tenant files, (3) support that \$16,687 in tenant rents was collected and deposited or repay the project, (4) obtain independent management, and (5) conduct a review to determine who currently lives in the units and verify their eligibility. In addition, HUD should monitor New Horizons to ensure that it properly maintains its tenant files, completes the required annual recertifications, and properly supports disability exemptions.

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Background and Objective

Agape Properties, LLC, a nonprofit corporation located in St. Louis, MO, is the owner of five multifamily scattered properties in Kansas City, MO. These five multifamily properties are known as New Horizons (see photos below). Agape Properties purchased these properties in 2009 and assumed the existing Section 8 housing assistance payments contract with the U.S. Department of Housing and Urban Development (HUD) from the previous owner.



1844 Benton



2643 Garfield



3920 East Linwood



2804 Benton



1715 East Linwood

The housing assistance payments contract described the New Horizons project as five group homes with a total of 30 units for developmentally disabled people. In 1996, HUD approved mixing chronically mentally ill and developmentally disabled tenants at the project. HUD made housing assistance payments to Agape Properties under a Section 8 housing assistance payments contract that covered all 30 units. Following a contract rent adjustment in May 2016, each bedroom at the New Horizons project rented for \$1,200 per month. From June 2013 through July 2016, HUD paid Agape Properties more than \$881,000 in Section 8 housing assistance.

Property address	Units	Assistance payments
2643 Garfield	6	\$194,692
3920 East Linwood	6	175,994
1844 Benton	6	155,829
1715 East Linwood	6	173,156
2804 Benton	6	181,723
Total	30	881,394

To purchase the New Horizons project, Agape Properties obtained a HUD-insured loan for almost \$1.2 million under Section 207 of the National Housing Act, based on Section 223(f), and an additional \$274,400 loan under Section 241(a) of the National Housing Act. To participate in the program, Agape Properties was required to execute a regulatory agreement with HUD. The agreement, signed in 2009, required Agape Properties to deposit all rents and other receipts of the project into a financial institution and restricted the use of those funds. Majestic Management, LLC, a related company, served as the management agent. We audited Majestic Management’s expenditures of multifamily project funds in audit report number 2017-KC-1001.

The project-based Section 8 housing assistance payments program provides rental assistance to low-income individuals, enabling them to live in affordable, decent, safe, and sanitary housing. HUD makes the assistance payment to the owner of an assisted unit on behalf of an eligible individual or family. At move-in and at least once annually, the owner or management agent collects appropriate documentation and calculates the amount of the assistance payment, which is the difference between the contract rent and the family’s share of the rent.

Under the Section 8 housing assistance payments contract, the owner submits monthly applications for housing assistance payments, in which it certifies that

1. Each tenant’s eligibility and assistance payment is properly computed;
2. All required inspections are completed;
3. The units are decent, safe, sanitary, and occupied or available for occupancy;
4. No amount included has been previously billed or paid;
5. All facts and data on which this request for payment is based are true and correct; and
6. The owner has not received and will not receive any payments or other consideration from the tenant or any public or private source for the unit beyond that authorized in the assistance contract or the lease, except as permitted by HUD.

Our audit objective was to determine whether New Horizons properly verified tenant eligibility, requested assistance only for tenants living in the units, retained tenant files for the required period, and properly collected and deposited tenant rents.

Results of Audit

Finding: New Horizons' Management Agent Mismanaged Its Section 8 Housing Assistance Payments Program

Majestic Management did not properly verify tenant eligibility, requested subsidies for ineligible tenants and tenants not living in units, did not retain tenant files, did not properly collect and deposit rents, and had unreported tenants living in the units. This condition occurred because the owner and identity-of-interest management agent did not implement adequate controls over its housing assistance payments program. As a result, it received \$144,556 in ineligible and \$726,399 in unsupported housing assistance payments and could not account for at least \$16,687 in project rents owed by tenants.

Section 8 Housing Assistance Payments Program Mismanaged

Of the 87 tenants for whom New Horizons received housing assistance payments, Majestic Management did not properly verify eligibility for 18 tenants, requested subsidies for 16 ineligible tenants, did not retain 62 tenant files as required, and did not properly collect and deposit tenant rents. These numbers cannot be added together, as some files had more than one deficiency. Appendixes D and E contain details on these deficiencies. In addition, New Horizons had at least 11 unreported tenants living in its units for whom it did not receive housing assistance payments.

Improperly Verified Tenants

Of the 25 tenant files reviewed, Majestic Management did not properly verify the eligibility of 18 tenants by verifying the tenants' identity or disability.

Majestic Management did not properly verify the identity of 13 tenants. The tenant files did not include documents verifying the tenants' identity, such as the original Social Security card or a driver's license or government-issued document containing the Social Security number. HUD requires tenants to provide this documentation to verify the tenant's Social Security number before tenants are admitted to a unit.

Majestic Management did not adequately verify that 12 tenants met the disability requirements to live at the property. New Horizons is designated as a property for disabled tenants; however, the owner used it as housing for people struggling with drug and alcohol addiction. Regulations at 24 CFR (Code of Federal Regulations) 5.403 state that for purposes of qualifying for low-income housing, a person with disabilities does not include a person whose disability is based solely on drug or alcohol dependence. Three files contained contradictory information on whether the person's disability was related to alcohol or drug addiction. Majestic Management used a certification of disability form to document a tenant's disability. In five files, we were not able to verify that the doctor or licensed social worker who certified the disability existed as we could not locate the social workers who signed the forms in State licensing databases. There were also instances in which tenants told us that the doctor who signed the form was not their doctor, that

the tenant filled out and signed the verification of disability form himself, and that the disability form was left blank. One tenant claimed that he was disabled, but he was employed as a construction worker performing hard physical labor.

Improperly verified tenants	Count
Unverified identity	13
Unverified disability	12
Total*	25

*These 25 deficiencies relate to 18 individual tenants.

Ineligible Tenants

Of the 25 tenant files reviewed, Majestic Management requested subsidies for 16 ineligible tenants.

Majestic Management improperly requested subsidies for three house managers. The housing assistance payments contract did not cover the house managers' units. The New Horizons owner and board members stated that the house manager assigned to each unit did not pay rent and they were not supposed to receive housing assistance payments for their units. In addition, the house manager was an unpaid position given to a tenant who had lived in the home the longest. However, three of the five house managers were included on the housing assistance payment vouchers and were charged rent according to leases in the files and the rent roll.

Majestic Management admitted seven nondisabled tenants. New Horizons is designated as a property for disabled tenants. However, of the 10 tenants on the rent roll interviewed, 5 stated that they were not disabled. We also found two disability forms stating that the tenants were not disabled, but the tenants were admitted to the units.

New Horizons received housing assistance payments for eight tenants who did not live at the property. According to tenants interviewed, at least eight tenants listed on the most current rent roll and housing assistance vouchers at the time of our review moved in later than the date claimed or no longer lived in their units. One tenant had moved out as much as 6 months earlier, but New Horizons continued receiving housing assistance for him, while another moved in as much as 12 months after the project started collecting the housing assistance payments for her.

Ineligible tenants	Count
House managers	3
Not disabled tenants	7
Tenants not living in units	8
Total*	18

*These 18 deficiencies relate to 16 individual tenants as two of the house managers were also not disabled.

Missing Tenant Files

Majestic Management did not retain 62 of 87 tenant files as required. HUD requirements state that tenant files must be maintained for 3 years after a tenant vacates a unit. Majestic Management did not maintain tenant files for any of its prior tenants. It maintained tenant files for only 25 of its 26 tenants for whom it received housing assistance payments in July 2016. It did not maintain files for an additional 61 prior tenants and 1 current tenant during our audit period, June 2013 through July 2016.

Improper Rent Collection and Deposits

Majestic Management did not properly collect and deposit tenant rents. Tenants submitted their rent each month to their respective house manager, who would then submit the rent to Majestic Management to deposit into the New Horizons bank account. There were no receipts issued to tenants for rent paid. For 8 of 31 months of bank statements reviewed, there were no deposits of tenant rent. For the 23 months of bank statements that showed deposits, management provided insufficient records showing what was included in each deposit to allow verification of whether all rents were collected and deposited.

Unreported Tenants

New Horizons had at least 11 unreported tenants living in its units. During interviews with current tenants in July and August 2016, we determined that at least 11 people lived in the project units in July who were not reported on the housing assistance payment voucher or rent roll for that month. Majestic Management did not report any of these tenants on its July 2016 application for housing assistance payments, instead reporting that 26 units were occupied by different tenants and 4 were vacant. Majestic Management certified to HUD that all facts and data on which the request was based were true and accurate.

Inadequate Controls

The owner and identity-of-interest management agent did not implement adequate controls over the housing assistance payments program. It did not have adequate oversight of its program or the property, and it did not have adequate policies or procedures to ensure compliance with requirements.

The owner and identity-of-interest management agent did not establish adequate oversight of its program or the property. The property had one house manager for each of its five group homes. However, the house manager was an unpaid position given to a tenant who had lived in the home the longest. The house manager was responsible for collecting tenant rent and serving as a communication point between the other residents and the management agent. It did not maintain a local manager to oversee its properties. The property manager lived in St. Louis, MO, and traveled to New Horizons several times per month to address the tenants' complaints, fulfill any maintenance requests, and collect tenants' rent from the house managers and bring the payments to the St. Louis management office for deposit. This hands-off approach to property management resulted in the management agent being unaware of when tenants moved in or out of the property and having a general lack of knowledge regarding the tenants. For example, when we asked the property manager to identify the tenants living in each home, she was unable to do so because she did not know their official names in the tenant files and on the rent roll. She stated that she knew only their nicknames. In addition, another employee located in St. Louis,

who was both a board member of New Horizons and a director at Majestic Management, would submit the tenants' housing assistance payments, requesting funds from HUD. This employee reported that she was also in charge of the tenant files beginning in January 2016, but in August 2016, she was still trying to determine who lived there. She was unable to verify tenant names because she did not work with the tenants regularly.

The owner and identity-of-interest management agent did not have adequate policies or procedures to ensure compliance with requirements. The project's only written policies and procedures guidance was a manual called the Residential Management Manual. This manual was issued in 2006 by Majestic Management, but its employees stated that it was no longer in use. Adequate policies and procedures, including those for verification of tenants' eligibility and occupancy, tenant file retention, and collecting and depositing tenants' rent, are necessary to ensure compliance with the program requirements.

Ineligible and Unsupported Housing Assistance Payments

New Horizons received \$144,556 in ineligible and \$726,399 in unsupported housing assistance payments and could not account for at least \$16,687 in project rents owed by tenants.

Deficiency	Amount
Ineligible tenants	\$144,556
Improperly verified tenants	129,790
Missing tenant files	596,609
Total	870,955

HUD made more than \$100,000 in housing assistance payments for tenants who were not disabled or who were the house managers of the units. HUD also overpaid more than \$40,000 for tenants who had moved out or who had not yet moved into their units (appendix D). These housing assistance payments were ineligible.

HUD made nearly \$130,000 in housing assistance payments on behalf of tenants whose identities or their disabilities were not verified. In addition, since the project housed unreported tenants, the units may not have been available to house eligible tenants, and the project may not have received rents for these units. New Horizons also received from HUD nearly \$600,000 in housing assistance for tenants whose files were no longer available. Without the required tenant files for these tenants, all of the assistance based on these tenants was unsupported. Appendix E includes a table showing how much assistance New Horizons received for each of these 62 tenants during our audit period.

Finally, Majestic Management could not account for at least \$16,687 in projects rents owed by tenants. During 8 months, Majestic Management did not make deposits of tenants rent, and management was not able to provide documentation to explain the lack of deposits or where the

tenant rents totaling \$16,687 would have gone. The amount deposited in the other months varied significantly, and additional rents from tenants may have been unaccounted for in these months.

Conclusion

New Horizons, through its identity-of-interest management agent Majestic Management, did not properly verify tenant eligibility, requested subsidies for ineligible tenants and tenants not living in units, did not retain tenant files, did not properly collect and deposit rents, and allowed unreported tenants to live in the units. New Horizons received \$144,556 in ineligible and \$726,399 in unsupported housing assistance payments and could not account for at least \$16,687 in project rents owed by tenants because it did not implement adequate controls over its housing assistance payments program.

Recommendations

We recommend that the Director of the Kansas City Office of Multifamily Housing Programs

- 1A. Require New Horizons to repay HUD from project funds if available (otherwise, from nonproject funds) \$144,556 in housing assistance payments for tenants who were not eligible for assistance or not living in units.
- 1B. Require New Horizons to provide support for the \$726,399 in housing assistance payments based on missing or incomplete tenant files or repay the assistance from project funds if available (otherwise, from nonproject funds) to HUD.
- 1C. Require New Horizons to support that \$16,687 in tenant rents was collected and deposited as required or repay the project from nonproject funds.
- 1D. Require New Horizons to obtain independent management.
- 1E. Require New Horizons to conduct a review to determine who currently lives in the units and verify their eligibility.
- 1F. Monitor New Horizons to ensure that it properly maintains tenant files, completes required annual recertifications, and supports disability exemptions in accordance with HUD requirements.

Scope and Methodology

We performed our audit work between February and December 2016. We performed our onsite work at Majestic Management's central office located at 2815 Olive Road, Saint Louis, MO, as well as at the New Horizons project at 1844 Benton, 2804 Benton, 1715 East Linwood, 3920 East Linwood, and 2643 Garfield in Kansas City, MO. Our audit period was June 1, 2013, through July 31, 2016.

To accomplish our objective, we reviewed

- Applicable regulations and HUD guidance.
- New Horizons' housing owner's certification and application for housing assistance payments reports and voucher reports.
- The project's bank statements.
- The project's regulatory and use agreements.
- The project's tenant files.

In addition, we interviewed employees of Majestic Management, tenants of the project, property managers and owners, and HUD staff.

Based on our review of housing assistance payment voucher reports and applications, we identified 87 tenants who lived at New Horizons and received housing assistance between June 2013 and July 2016. This is our audit universe. We selected all 87 tenants for review due to the small size of the universe. The total housing assistance payment amount received for the 87 tenants between June 2013 and July 2016 was \$881,394. We requested the tenant files to determine whether New Horizons' identity-of-interest management agent, Majestic Management, properly verified tenant eligibility and requested assistance only for eligible tenants.

We did not rely on computer-processed data to support our audit conclusions. All audit conclusions were based on the review of source documentation.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Internal Controls

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objective:

- Policies and procedures to ensure compliance with HUD's housing assistance payments program requirements.
- Internal control structures to provide adequate oversight of the program or property.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

Significant Deficiencies

Based on our review, we believe that the following items are significant deficiencies:

- New Horizons did not have adequate controls to ensure compliance with HUD's requirements (finding).

Appendixes

Appendix A

Schedule of Questioned Costs

Recommendation number	Ineligible 1/	Unsupported 2/
1A	\$144,556	
1B		\$726,399
1C		16,687
Totals	144,556	743,086

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.
- 2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.

Appendix B

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments



February 1, 2017

Ms. Carrie Gray
Assistant Regional Inspector General for Audit
Office of Audit (Region 7)
400 State Avenue Suite 501
Kansas City, KS 66101

Dear Ms. Gray:

Majestic Management would like to take this opportunity to thank you for allowing our company the opportunity to respond to the discussion draft audit report submitted by your office. We have taken the time to thoroughly read through OIG's findings and detailed items presented in this report and respectively disagree with some of the findings indicated throughout the report. Consequently, in view of this report, Majestic Management is in the process of reviewing its entire operation policies, manuals, and reporting procedures to fully comply with ALL HUD regulations. Majestic Management recognizes that better oversight should be done over ALL operations of its management entity and fully accepts the responsibility to do so. Currently, Majestic Management would like to clarify certain discrepancies listed in the initial audit report and submit the following as its comments and response.

Comment 1

Majestic Management in its entirety takes this matter very seriously. We had no intent at any time to deceive or defraud the federal government in any way. Mrs. [REDACTED] and Ms. [REDACTED] began a long term working relationship when Mrs. [REDACTED] sought out the use of a Director of Housing position to help aid in the growth of Majestic Management. Mrs. [REDACTED] was referred to [REDACTED] who worked at the Sansone Group, a large property management and development company in the city of St. Louis. [REDACTED] came highly recommended as she performed these same duties for Sansone Group in the capacity of Director of Senior and Residential Housing. After working together for many years, [REDACTED] met with Mrs. [REDACTED] President, in May 2015, and explained that she was tired of the rigorous work of managing HUD properties and determined that the multifamily properties that were in inventory at that time were not thriving and continued to struggle each month. She further explained that she had become "burnt out" and would like to resign from her position as Director of Residential Housing for Majestic Management. After further discussion, Mrs. [REDACTED] accepted Ms. [REDACTED] resignation and asked that she provide the property

Comment 2



Comment 3

owners a 90-day notice, per the management contract, that they would be terminating management services on September 30, 2015. Mrs. [REDACTED] also instructed Ms. [REDACTED] to get ALL the remaining documentation such as files, and accounting documentation back to the properties and/or the new management agent that property selected. After September 30, 2015, Mrs. [REDACTED] informed Mrs. [REDACTED] that she would assist in packing up documentation at the management office and leave items that would be needed for the fiscal year audits in the file room and the remaining items that were no longer needed, would be boxed up in our storage area in the basement of the management office. In December 2015, [REDACTED] [REDACTED] became privy to suspected activity when she was contacted by an owner, that she was unaware of and whose property was not included in the Majestic Management portfolio, reached out to inquire about missing payments for his property managed by [REDACTED] [REDACTED] and if Mrs. [REDACTED] knew of her whereabouts. Mrs. [REDACTED] agreed to meet with the owner to discuss his concerns, and attempted to get Ms. [REDACTED] involved in this process, as she had no knowledge of this owner or the accusations he was alleging. At the initial meeting with this owner, he explained that he had been working with Ms. [REDACTED] as she managed several of his market rate, single family homes under her company DMK Management and Consulting. He stated that he had been having issues collecting his rents from Ms. [REDACTED] for a while, but in the last 6 months, he had not received the amounts that he was scheduled to collect to most of the time, not receiving any funds at all. Mrs. [REDACTED] informed him that she was unaware of him and his properties; however, she would continue to contact Ms. [REDACTED] and inform her of his concerns and assist with trying to set up a meeting for the two of them to discuss the concerns present. Mrs. [REDACTED] diligently attempted to secure a meeting with both Ms. [REDACTED] and the owner however, Ms. [REDACTED] avoided a formal meeting only agreeing to talk via text/email and telephone. In her correspondence with the owner, she did agree that she owed the owner \$36,000 in rents and other fees that she had collected but never deposited into his account. This prompted Mrs. [REDACTED] to instruct her accountant to go back through the properties that were still in inventory for Majestic to review deposits and charges and report back any discrepancies for her review. At that time, it was found that there was activity that occurred that were unknown and were not authorized by Mrs. [REDACTED] for disbursement. This prompted Mrs. [REDACTED] to lock Ms. [REDACTED] out of ALL property management software, changing ALL passwords/access to other various management components, securing her office computer, changing the locks on the management office and changing the alarm code on the office building as well. Mrs. [REDACTED] also contacted ALL the remaining owners and informed them of the activity that she had discovered and encouraged each to take the necessary measures to secure their properties to ensure no further activity could take place. Mrs. [REDACTED] attempted to meet with Ms. [REDACTED] to discuss her findings however upon on presentation of what was found, Ms. [REDACTED] exploded to defend herself and left when Mrs. [REDACTED] stated that she no longer needed any of her services and that she would have report the activity to the authorities.

**Ref to OIG
Evaluation**

Auditee Comments

Comment 4

Mrs. [REDACTED] contacted her attorney for guidance on how to proceed with the findings and her attorney instructed her to contact the local authorities and since HUD funds were involved she needed to notify the local HUD office to disclose what was found. Mrs. [REDACTED] was also advised to have her accountant to go back through all properties that she had in inventory in the last year to determine if this was an issue that had been ongoing. Mrs. [REDACTED] instructed her accountant to complete the ALL property audit and notified HUD and the local authorities as instructed by her attorney.

Comment 5

In February 2016, Mrs. [REDACTED] was contacted by the local OIG office for Housing and Urban Development to discuss, what she initially thought was to discuss the events that led up to this meeting. However, at the end of the meeting Mrs. [REDACTED] was presented with a subpoena to audit ALL the activity of Majestic Management for the last five years. Prior to this meeting, Mrs. [REDACTED] was not notified of the intent of the meeting and therefore did not have her attorney present to advise on signing the documents presented. However, Ms. [REDACTED] and Ms. [REDACTED] OIG representatives that were present insisted that they were there to help aid Majestic and HUD to find out if Ms. [REDACTED] reach went further that what was already discovered. Thus, Mrs. [REDACTED] signed the document and informed the OIG team that the Majestic office would be available for use to research the documentation requested. During the investigation, Mrs. [REDACTED] and her attorneys expressed concern with the length of time the subpoena covered and direction in which the investigation appeared to be going. The Majestic team and the OIG team met to discuss the concerns to amend the subpoena to only include documentation that was for a period of three years and expedite the findings and have the report concluded by September/October of 2016. Majestic Management was notified via email by Ms. [REDACTED] on October 13, 2016 of the initial findings and further explained that full draft would be available for comment and would be forwarded for review upon its completion. She also informed us at that time that further discrepancies were found on New Horizons, a property that was owned and managed by Mrs. [REDACTED]. The DRAFT documentation was forwarded on January 20, 2016 for review and the extension of comments and exit interview would be authorized in response to the audit draft. The following is the response of Majestic Management to the findings included in the initial report.

Comment 6

**Please note: Any reference to signatures of Mrs. [REDACTED] [REDACTED] actual or implied, to the best part of our knowledge, are more than likely an unauthorized use of a signature stamp. A copy of the alleged signed documents was not provided to Majestic Management for review or verification. Mrs. [REDACTED] did have a signature stamp and this stamp was kept and maintained in a locked safe in the accounting office within the Majestic Management office. Ms. [REDACTED] had access to this office and safe to perform the necessary functions of her position. **

Comment 7

In 2007, New Horizons, a HUD 202 project located in Kansas City, MO was being oversaw by the St. Louis Multifamily Housing Office. At that time, the project was in the process of the ownership dissolving their board of directors, and was essentially giving the property back to HUD due to losing their long-term contract with the State of Missouri to house severely mental disabled persons. Our Multifamily project manager at the time inquired if we would be interested in taking on the management of this project since we were already traveling to projects that we managed out of the St. Louis area. After, discussing the particulars of the agreement, we decided to manage the project while the property was in transition and until new ownership could be put in place. Upon taking on the management of the project, Majestic Management staff went up to assess the project and begin the process of working with HUD on placing eligible tenants back in to the facility. Also, at that time, the use agreement on the project was being treated as a HUD 202. In an effort to broaden the scope of perspective tenants, the St. Louis HUD office changed the use agreement to a HUD 811 which allowed Majestic Management to more readily house disabled individuals.

At our initial walkthrough of the homes, we found them to be fully furnished, as if they were occupied only there were no residents or staff present at any of the locations. It was also noted at the initial inspection that there were signs of an attempted break-in at all of the locations and as a result, Majestic Management contacted a board up company in Kansas City, MO to secure the property from further vandalism. Majestic Management returned back to Kansas City the following week and discovered that three of the homes had been severely vandalized and needed a considerable amount of repair. Majestic Management took pictures, secured the facilities again and immediately provided this information to the St. Louis HUD office. Under supervision of this office, Majestic Management procured and oversaw the completion of the work it took to get the houses back online. During that time, Majestic Management had networked with the homeless coordinator of the VA hospital in Kansas City, MO and was able to begin housing homeless veterans in the homes. Majestic Management was able to bring the project back up to HUD standards and had each of the five group homes completely filled in 6 months and also had a healthy waiting list as well.

After working with several groups in attempt to try and purchase the project, the St. Louis office was unable to secure new ownership for the project. In an effort to try and save the project, the director of the Multifamily office met with both members of the board and Majestic Management. At that time, it was conveyed that their office had worked with a number of potential buyers to purchase the project and remove the debt burden from the board. However, the office had been unsuccessful in their efforts to do so. At that time, the director suggested a TPA (Transfer of Physical Assets) of the project to the New Horizons board and the existing management company in order to eliminate the boards financial responsibility to HUD for the project and HUD would be able to take the asset off of their books and do what it was designed to which is to provide housing a housing need to potential residents. Both parties agreed and entered into and a contractual agreement to complete the process. In 2009, the process was complete and the new ownership became Agape Properties. Since the initial management of New Horizons in 2007, Majestic Management has had overwhelming success with the

Ref to OIG
Evaluation

Auditee Comments

Comment 8

management and development of this project. In fact, every management review, REAC score, and Annual Audit provided prior to year 2016 was satisfactory and/or above average.

Comment 9

The daily project oversight of Agape Properties was completed by [REDACTED] an owner in Agape Properties and *employee* of Majestic Management as *a property manager*. This oversight continued through early 2012 when the day-to-day management was assigned to another property manager, under the direct supervision of [REDACTED] Director of Residential Housing for Majestic Management. This transition took place as a result of Mrs. [REDACTED] facilitating the start-up of a new entity separate from Majestic Management. At the transition of management, Mrs. [REDACTED] provided all tenant files and all ledgers that supported the files and its residents to Ms. [REDACTED] and the new manager. In the old version as well as the current version of policies and procedures of Majestic Management, it is required that each staff member be thoroughly trained on HUD polices and procedures in accordance with the HUD 4350 Handbook and implement those practices on each property that is under their direct oversight. This was a direct responsibility of the Director of Residential Housing, [REDACTED] to ensure these practices were being completed and follow-up was monitored. Majestic Management provided and continues to provide annual training to each staff member working HUD properties, Public Housing, as well as Market Rate properties. Those trainings included, but limited to; Fair Housing Training, and Property Management Software Training. Majestic Management also provided quarterly in house trainings to its employees that provided updates on new HUD policies, TRACS Reporting, amended forms and documentation that were required for files and tracking purposes. Also, at all times, each staff member had direct access to the Director of Residential Housing, [REDACTED] for any day-to-day questions or concerns that might come up on a property. As previously noted, In December 2015 when it was found that Ms. [REDACTED] had stolen funds from properties that Majestic currently, and previously managed, Majestic Management notified HUD, property owners, and our attorney immediately and began an investigation to attempt to discover any other activity that had taken place without our knowledge. This included Mrs. [REDACTED] taking back the direct management of New Horizons/Agape Properties and trying to get a handle on the property and getting the property out of a troubled status with HUD. Upon reviewing the files initially, there were missing items from files, that have since been included and files being updated. To further ensure that we were in compliance and up-to-date on ALL matters involving this property, Majestic Management hired [REDACTED] of Sue Streck Enterprises, a management consultant, and contracted with her to review ALL tenant files, update ALL paperwork regarding tenant files and the use of HUD most current forms, provide and certify EIV training and TRACS reporting, correct and update polices and procedures for the operations of Majestic Management. (Please see ATTACHMENT A)

Comment 10

Comment 11

Comment 1

Comment 12

On Friday, July 19, 2016, a resident manager for New Horizon/Agape properties contacted the property staff to inform that there were three HUD investigators at the front door asking questions about the management staff and the tenancy of each resident. [REDACTED] an OIG auditor assigned to investigate Majestic Management, presented her badge and business card for

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identification and informed the resident manager that they had spoken with the Majestic Management staff and informed the tenants that permission was given by to them by us to talk with them. She was asking several questions regarding the Majestic Management staff, its residents, and asked her personal questions all of which made the resident manager very uncomfortable. She indicated that she had just got home from work and that now was not a good time to talk. She then stated that Ms. [REDACTED] informed her that if she did not cooperate with her she could face further legal matters. The resident manager then told her to do what she needed to do and she was not going to be threatened by anyone especially when she had not done anything wrong. She closed the door and left and stated that Ms. [REDACTED] and the two-other gentleman with her proceeded to go back to their car and sat there for a period of time before leaving the property. Management received an additional call from another resident manager that stated that he got up to walk out of his bedroom to go into the kitchen and Ms. [REDACTED] and the two gentlemen that were with her at the prior location, were standing in the living area. The resident manager proceeded to ask them who they were and how did they get into the house. Ms. [REDACTED] showed her badge and issued a business card and informed the resident manager that they knocked and the door was unlocked so they came in so see if anyone was home. He stated that Ms. [REDACTED] then proceeded to grill him on the Majestic staff informing him that Majestic was currently under investigation for misappropriation of funds and she was led to believe that this was the case with this property as well. Ms. [REDACTED] proceeded asking him about the tenants who lived there and the resident manager stopped her and informed Ms. [REDACTED] that she needed to talk with Mrs. [REDACTED] or Mrs. [REDACTED]. He informed her that it was not his job to provide that information and he was not going to give her any of information. He also stated at that time that it was not right for her and her team to just walk in their house without notice and further stated that anytime management comes or sends someone to the house they always call or send a written notice. The resident manager asked the team of three to leave and stated that when Management provided him with notice that they were aware of the visit he would then assist in anyway he could. Upon hearing this information, [REDACTED] immediately sent an email to [REDACTED] the Assistant Regional Inspector General, and informed her of the actions of her staff members and expressed major concern about the way the audit process was going and that there were several inconsistencies in what Majestic was being told and what was actually occurring. Mrs. [REDACTED] informed Ms. [REDACTED] of the items the resident managers were conveying and how they were being treated at the time of the visit. She also conveyed that Ms. [REDACTED] was not being truthful to her in the matter of which she was addressing the residents and the dialogue that was occurring. Mrs. [REDACTED] also expressed major concerns about truthful information being presented from this office due to the nature in which Ms. [REDACTED] was conducting herself and the investigation and as a result, Mrs. [REDACTED] requested a meeting to discuss the concerns in person. Ms. [REDACTED] responded very directly and instead of a response stating that she would look into the matter, she immediately defended her staff and stated that Ms. [REDACTED] was not telling the residents anything but that Majestic Management was being audited and trying to gain additional information to support the investigation. She addressed other issues raised by Mrs. [REDACTED] and went on to confirm the date and time for the meeting. In reply, back to Ms. [REDACTED] Mrs. [REDACTED] informed her that there may be a disconnect with what she was being told and what was actually being said.

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Comment 13

Mrs. [REDACTED] went on to explain that the resident manager had called Mrs. [REDACTED] management for property maintenance, and that Mrs. [REDACTED] heard the entire conversation between Ms. [REDACTED] and the resident manager. She expressed that was not in anyway trying to be confrontational, only attempting to get an understanding of their process and for all to be on the same page going forward. Ms. [REDACTED] then responded back to Mrs. [REDACTED] again stating that regardless of what [REDACTED] thought she heard, Ms. [REDACTED] did not lie to her. She went on to further defend the actions of Ms. [REDACTED] and concluded that she nor her staff had to explain their auditing procedures to Majestic. In an effort to stop the emails from going any further, Mrs. [REDACTED] conformed the meeting time and thanked Ms. [REDACTED] for her time. (Please see ATTACHMENT B)

Comment 14

After, the initial visit to Kansas City, Ms. [REDACTED] and her team went on to conduct an additional inspection on August 23, 2016 at New Horizons/Agape Properties in Kansas City, Missouri again, without the knowledge of the management staff and not providing the residents a 24-hour notice which under HUD regulations, you are required to do so. On this particular visit, she showed up with a number of police officers dressed in bullet proof vest and informed several tenants at the homes that if they did not speak with them and provide the information that they needed, that they could be arrested for failure to cooperate. One of the residents took pictures and forwarded to the management staff. (Please see ATTACHMENT C) As a result of this visit, a number of residents expressed major concern about their safety and how they were being addressed when they had noting to do with the audit that Majestic Management was going through. As a result of this visit, management received a number of intent to vacate notices from residents, affecting the properties ability to sustain itself and meet its obligations. Again, Mrs. [REDACTED] forwarded an email to Ms. [REDACTED] and Ms. [REDACTED] and conveyed what this activity was doing to the residents as well as providing a negative financial outlook for the property.

Comment 15

Mrs. [REDACTED] again informed the Ms. [REDACTED] and Mrs. [REDACTED] that Majestic Management was more than willing to cooperate with their process, however it might be easier to get the information that they were attempting to try and get if they scheduled a time and notices could be mailed to the residents for better participation. (Please see ATTACHMENT D) On August 24, 2016, Ms. [REDACTED] forwarded an email to Mrs. [REDACTED] asking her to schedule times on August 30, 2016 and August 31, 2016 to talk with the residents. Mrs. [REDACTED] informed her at that time that Management would be present on the sites preparing for a management review and inquired if this would interfere with her agenda. Ms. [REDACTED] replied that it would not. (Please see ATTACHMENT E) On August 30, 2016, Ms. [REDACTED] met Majestic staff and went to two homes to speak with residents that were home. Management and residents both indicated that she asked questions about management, tenancy of the residents, and inquired about the disabilities of the tenants which is a direct violation of the Fair Housing Act. This again, made residents uncomfortable as some of them didn't feel the need to express any information regarding their disability and did not feel the need to disclose this information to her. In fact, Ms. [REDACTED] questioned a particular resident so extensively that he shouted at her noting several times throughout the brief conversation that he had just got out of the hospital and was not up to talking even though she continued to press asking why he was in the hospital and asking if she could verify his hospital stay. On August 31, 2016, Ms. [REDACTED] emailed Mrs. [REDACTED] that she and her team would be running and hour late to meet with the remaining residents. Ms.

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Comment 17

██████ and her staff did not show up to the site until after 1:00 pm at which time several residents left to attend to other matters. Ms. ██████ nor her staff, did not complete interviews on this day and was unable to meet with several tenants. As a result of the constant harassment and undue stress this process caused the residents of this property that was facilitated by Ms. ██████ and her team, several residents wanted to convey their experiences and voice their own concern about how they were treated. Management has included their statements in as support to the above-mentioned statements. (Please see ATTACHMENT F)

Comment 18

Finding: New Horizons' Management Agent Mismanaged Its Section 8 Housing Assistance Payments Program.

Improperly Verified Tenants

It is the position of Majestic Management to execute ALL policies and procedures. This includes, but in no way limited to, verifying tenant eligibility to ensure that each potential resident, meets the requirements set forth by the use agreement of that said property and any and all HUD policies and procedures as well. With that being said, Majestic Management, under the oversight of Mrs. ██████ was aware improperly verified tenants. Since then, all tenant files have been corrected and the necessary documentation to support verifications are included in tenant files.

Comment 19

FAIR HOUSING RIGHTS OF PERSONS WITH DISABILITIES

Title VIII of the Civil Rights Act of 1968 together with the Fair Housing Amendments Act of 1988, is called the Fair Housing Act. The Fair Housing Act was initially created to protect citizens from discrimination against; race, color, religion, sex, familial status, and/or national origin. This was later amended to include persons with disabilities. The term "physical or mental impairment" includes, but is not limited to, such diseases and conditions as orthopedic, visual, speech and hearing impairments, cerebral palsy, autism, epilepsy, muscular dystrophy, multiple sclerosis, cancer, heart disease, diabetes, Human Immunodeficiency Virus (HIV) infection, mental retardation, emotional illness, drug addiction (other than addiction caused by current, illegal use of a controlled substance) and alcoholism. **The Fair Housing Act also makes it unlawful to make an inquiry to determine whether an applicant for a dwelling (or a person intending to reside in that dwelling after it is sold, rented, or made available or any person associated with that person) has a handicap. Furthermore, you cannot make an inquiry as to the nature or severity of a handicap of such a person. Fair Housing Acts prohibit the landlord from asking whether the applicant or a person intending to live in the rental has a disability or about the severity of the impairment. Landlords also cannot ask to read medical records. A landlord must treat disabled applicants and tenants in the same way as those without a disability. Thus, housing providers cannot ask certain questions during the application process.** For example, housing providers cannot ask whether a disabled person is capable of living independently, what treatments or medications he/she requires, or whether he/she has ever seen a psychiatrist.

This draft report indicates and that management did not verify disabilities as the use agreement required the property to do so. Again, while there were some file discrepancies, with the help of the property management consultant, ALL files have been updated to provide the correct content as required. Majestic Management will at no time violate the Fair Housing Act and "ask" any tenant the nature of their disability. If a household works in construction, it is not up to us to verify what capacity he/she can work in, as there is a vast array of job functions in construction. Persons with disabilities are permitted to work, and work without others imposing what they feel their limitations can and should be.

Comment 20

Ineligible Tenants

Majestic Management did not request subsidies for three house managers. Majestic Management does not request subsidy on the manager's unit. Those 5 units are not eligible and are not apart of the unit count. A resident may be a point of contact in transition of one house manager to the next but that resident does not live in the manager's unit and therefore is eligible for subsidy. House managers have a specific criterion that they need to meet. Therefore, ALL House managers are interviewed and screened to ensure that criteria are being met as set forth by guidelines. As previously stated, ALL files have been updated to provide correct content as required.

Comment 21

New Horizons/Agape Properties is an INDEPENDENT LIVING ENVIRONMENT in a group home setting. Any persons living on this property are entering into a binding lease that permits the rental of one room and shared common space. Management, at no time, provides any referrals for community programs, provide any social service components, or provide any living. Therefore, when an applicant provides the necessary documentation that is required by HUD and the property, management can not do additional probing in terms of the disability of that resident. It is also not the responsibility of the management to "check in" on that tenant each month to ensure the tenant is still there. If a tenant does not provide a 30-day notice, does not turn in keys, is not behind on rent, and still have personal belongings in the unit, we are to assume the unit is occupied. HUD policies and procedures for this property does not require us to follow-up each month with tenants. It is required at move-in, 90 day certifications for EIV, and annual recertification's. All tenants that were present on the rent roll had a signed 12-month lease, and were occupying the units leased.

Comment 22

Missing Tenant Files

Majestic management is unaware of missing tenant files. 26 files were requested and 26 files were sent over for review by the audit team. At the time of the initial audit, as previously stated, the main office for Majestic Management was not in operations as all staff moved to service the public housing contract. Majestic Management had closed its St. Louis office in October 2015 and ALL items were packed away and stored. At the initial request of the auditors, Majestic informed the team that we would have to look for the tenant files prior to 2016. Majestic Management also noted that All move out files that were completed since Mrs. [REDACTED]

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Comment 23

took over in 2016 were accounted for and readily accessible. The audit team made no further inquiry.

Improper Rent Collection and Deposits

Majestic Management processes rent and makes monthly rental deposits in accordance with policies and procedures. The resident manager does collect tenant rents and management picks up the rents at each location. Management makes copies of ALL rental checks received and keeps them to properly log into the management software. Management will issue receipts upon request, however, management encourages residents to keep copies of money orders receipts, image copies of checks and cashiers checks as the property does not accept cash. ALL bank statements were issued to the audit team at their request. In some cases, items were sent more than once due to the audit team stating that items were not being received. In order to ensure that items were being received, Majestic Management requested that the audit team respond in writing when documentation was forwarded to confirm receipt. Majestic Management is unsure how the auditors can determine how rent was received for 23 months that showed deposits, but no images, but then state that 8 of the 31 months of bank statements show no tenant deposits. Majestic is uncertain as to how you can determine if rents were or were not collected if the audit team is stating essentially that they could not decipher what was what. Auditors did not request images of the deposits which could have easily been issued by the bank for verification.

Comment 24

Unreported tenants

The draft indicates that Majestic Management had 11 unreported tenants living in its units. This is not a true statement. Upon approval of an application, management does notify the house manager that there will be a new tenant moving into that location. In some cases, approved residents do not move-in right away. However, it does not negate the fact that the room has been "allocated" to the new move-in especially when a security deposit has been received to secure their spot. Majestic Management is unsure if the auditors were informed of "potential residents" as "actual residents", but this appears to be the case as some of the house managers did indicate that there would be new tenants moving in.

Comment 25

Inadequate controls

The draft indicated that Majestic Management does not have control over this site. Inferring that because the property management staff does not live in the same city, the property is not receiving the attention that it should be rendered. That is definitely not the case. Management has daily contact with the property maintenance management and each house manager. Each resident has personal access to the property manager during and after business hours. Nowhere in HUD rules or regulations does it state that a management agent can not manage a property out of the geographical area of its main facilities. 75% of the Majestic Management portfolio, prior to terminating contracts in June of 2015, was in fact not in the St. Louis geographical area. The factor alone does not determine that the property is not receiving the attention that it needs. Again, prior to January 2016, the current Management can not provide insight as [REDACTED] former Director of Residential Housing, was direct oversight for the property. The property manager, [REDACTED] [REDACTED] was never asked about names of individuals at the

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Comment 26

property. The property manager also never indicated in August of 2016 she was trying to decipher who lived on the property. That is a false statement. The auditors apparently had some confusion on their end as they thought the property maintenance was property management or vice versa. Again, the duties were never asked by the audit team to either party, it was a provided assumption like many other items listed in the draft report. The owner and management agent did have the necessary policies and procedures in place for the management of its projects. At no time, did any agent of Majestic Management tell any of the auditors that the Management manual was no longer in use. It was conveyed that ALL polices and procedures of Majestic Management were in the process of being revised and updated.

Recommendations

1A. Require New Horizons to repay HUD from project funds if available (otherwise from non-project funds) \$144,566 in housing assistance payments for tenants who were not eligible for assistance or not living in units.

Comment 27

Reply: Majestic Management understands that this number was concluded after a review of the 26 files that were reviewed and have all been corrected to provide that correct data as required. It was a lack of understanding on both property management on what was required, thus the hiring of the property management consultant to facilitate the property correcting issues and re-gain compliance.

Comment 28

1B. Require New Horizons to provide support for the \$726,399 in housing assistance payments based on missing or incomplete tenant files or repay the assistance from project funds if available (otherwise from non-project funds)

Reply: Again, as previously stated, Majestic Management has corrected issues and therefore, the inflated number stated does not apply.

Comment 23

1C. Require New Horizons to support that \$16,687 in tenant rents was collected and deposited as required or repay the project from non-project funds.

Reply: All tenant rents are collected and deposited as required. Bank statements support deposits being made and tenant ledgers support payments issued as well. As, previously stated, Management is unsure how this number was achieved as the auditors stated in the draft they could not decipher what were deposits and what was not.

Comment 29

1D. Require New Horizons to obtain independent management

Reply: Majestic Management has taken the necessary steps to hire a property management consultant to to facilitate the property correcting issues and re-gain compliance. Majestic Management has corrected and updated forms polices and procedures and all methods pertaining to the day-to-day management of the property. The property has corrected issues and has worked diligently to ensure the properties future success.

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Comment 30

1E. Require New Horizons to conduct a review to determine who currently lives in the units and verify their eligibility.

Reply: ALL tenant files are accurate with current data.

1F. Monitor New Horizons to ensure that it properly maintains tenant files, completes required annual recertification's, and supports disability exemptions in accordance with HUD requirements.

Reply: Majestic Management does not argue the position of HUD monitoring the property to ensure compliance.

UFCOT
2/10/2017

OIG Evaluation of Auditee Comments

- Comment 1 Majestic Management's response included numerous exhibits which due to volume are not printed in our report. The exhibits are available upon request.
- Comment 2 These comments relate to management agent activities at other projects, which were discussed in our audit report 2017-KC-1001, issued December 16, 2016.
- Comment 3 This situation involves a non-HUD project so we did not review this information during our audit.
- Comment 4 Majestic Management expressed dissatisfaction with the way we notified them of our audit. We contacted the president on February 19, 2016, and explained to her that we would be conducting an audit of Majestic Management and set up the entrance conference for three days later. At this meeting, we told the president the reason for scheduling the audit, the audit objective and the scope and also allowed time for any questions to be asked. Because of the short turnaround between scheduling and the meeting, we delivered the audit notification letter to the auditee at the meeting. It is not a standard auditing practice of ours to ask for an attorney to be present when a subpoena is signed.
- Comment 5 As Majestic Management stated in their comments, we met with them and their attorney and agreed to reduce the scope of our subpoenaed records from five years to three, based on Majestic Management's request for less documents to produce and because we were focusing on more current issues in the audit report. We informed Majestic Management of our decision to issue two reports from this audit: one on Majestic's expenditures of project funds for all HUD-insured projects that it managed and one on Majestic's receipt of income for New Horizons. While we estimated that we might have the draft report ready by September or October of 2016 depending on the availability of audit documentation, we actually provided the draft of the first report on November 1, 2016.
- Comment 6 Majestic Management discussed the use of the president's signature stamp. These comments relate to activities discussed in the first report, audit report number 2017-KC-1001, issued December 16, 2016.
- Comment 7 Majestic Management provided information relating to the history of how they came to acquire and manage the New Horizons project. Our audit scope did not cover this as we audited activities occurring after June 2013.
- Comment 8 Majestic Management's response indicated that every management review prior to 2016 was satisfactory or above average. However, HUD conducted a Management and Occupancy Review on July 30, 2015 that resulted in Below Average owner rating. HUD issued a Notice of Violation (NOV) based on a variety of findings. In particular, it reported that the ownership and the identity of

interest management agent had continued to violate HUD business agreements, specifically the Regulatory Agreement and Section 8 Housing Assistance Payment Contract ("HAP") dated July 1, 2009.

- Comment 9 Majestic Management identified the employees involved in the daily project oversight at the New Horizons project. However, the president of Majestic Management is ultimately responsible for the actions of the company and its employees. Proper oversight of the business and its employees is needed to ensure the company is performing in accordance with all HUD rules and regulations.
- Comment 10 Majestic Management's response indicated that the employee, who was both a board member of New Horizons and a director at Majestic Management, stopped performing the day-to-day operations of the project in early 2012 and didn't resume this task until December 2016. However, the tenant files have her signature on all documents from 2013 to current. The tenant files do not bear the signature of the other Majestic Management employee.
- Comment 11 Majestic Management's response discussed hiring a third party to review its files. This 100 percent third party review of the tenant files was mandated by HUD as a result of a HUD tenant file review conducted on May 24, 2016. The review determined that the project's tenant files were non-compliant with occupancy requirements of subsidized multifamily programs, as described in HUD Handbook 4350.3 and non-compliant with the Enterprise Income Verification notice H2013-06.
- Comment 12 Majestic Management expressed concerns with us visiting New Horizons to conduct interviews with tenants. There appears to be some confusion on the part of the auditee as they were not present during the interviews. Majestic claimed there were 3 investigators at New Horizons on Friday, July 19th; however, there were 2 auditors onsite on Friday, July 15th. We went onsite to perform confirmations as one of our auditing procedures. This is a procedure in which we confirm the information in the tenant files directly with the tenants without the involvement of management. We introduced ourselves to the residents, informed them that we had been performing an audit of Majestic Management, and asked them questions to confirm the information in the tenant files. Majestic Management's response includes a number of misstatements. We did not threaten the tenants, misinform the tenants about what Majestic knew about our audit procedures, open a door and let ourselves in, or state that Majestic was under investigation for misappropriation of funds. Also, numerous times throughout the response our audit is referred to as an investigation which is also incorrect as we were performing an audit, not an investigation.
- Comment 13 Majestic Management's response discussed how we came back to Kansas City to perform more inspections without their knowledge and without giving the tenants 24-hour notice. We did come back to Kansas City to try to talk to additional tenants since we were unable to complete all interviews during our first visit. In

this case, we were not required to give 24-hour notice as we were not conducting inspections of units and were not asking tenants to allow us into their units. We preferred to conduct our interviews outside and this is where most of the interviews took place. We did not go into any tenants' units and only went into the common area when invited by tenants or house managers. The HUD OIG law enforcement officers who accompanied us were dressed in plain clothes and identified themselves accordingly. The officers only told one tenant she could be arrested. When that tenant lied about her identity, the officer told her she could be arrested if she lied to a federal law enforcement officer.

- Comment 14 Majestic Management's response indicated that as a result of our interviews, tenants gave notice to vacate the property, which resulted in financial difficulties for the project. We cannot comment on whether any tenants decided to vacate the project as a direct result of our visit. On August 29, 2016, Majestic told us they had received four notices to vacate, and provided us an updated rent roll. We analyzed the information and identified five tenants who had appeared on the July rent roll who were no longer on the August roll or were noted as pending move out. We had not been able to interview any of these five tenants during our onsite visits. We do not have further documentation on when they vacated or for what reason.
- Comment 15 Majestic Management's response stated that we returned to the property to conduct additional interviews which we did because we had not been able to interview many of the tenants during the previous two visits. We provided a sign-up sheet to management with half hour time slots for each tenant at each of the homes, but we did not receive a response showing who was scheduled for which time slots. We again did not get full tenant participation even after having management give tenants notice and were only able to talk to some tenants on August 31, 2016. We did not ask tenants about their particular disability or hospital stays. We presented the tenants with documents from their tenant files and asked them to confirm that it was their information and that the information provided to HUD was accurate.
- Comment 16 Majestic Management's response again dealt with us coming back to the property to conduct interviews. The auditee is again confused on the dates, times and details of the interviews as they were not present during the interviews. We emailed management on August 30, 2016, rather than August 31, 2016, letting them know we were running late but were still coming to the property. When we arrived we were not able to conduct interviews because no tenants were available. We conducted additional interviews on August 31, 2016.
- Comment 17 Majestic Management's response stated that they have provided as Attachment F letters from tenants who wanted to voice their concerns about how they were treated. However, the letters do not accurately reflect the nature of the interviews we performed. One of the letters was from a house manager we never spoke to

during any of our trips to New Horizons. Another was from a house manager who we did speak to. The two emails from the house managers have many identical statements and were dated within a day of the date Majestic's comments for this report were due, which was about 6 months after we last spoke to the one house manager. The last two letters, presumably written by the same tenant, said the tenant was harassed by HUD people. However, our interview with that tenant was cordial and we provided assistance to that tenant by answering questions he had about federal housing. Also, the tenant's name on the one letter is misspelled, and he did not sign the other letter but we presume it was from him since he was the only tenant ever interviewed at the listed address.

- Comment 18 Majestic Management stated that they have corrected all tenant files and the files now include the verification forms. However, we were not provided with this corrected tenant file information or verification forms. The corrected files can be provided to HUD during the audit resolution process for HUD to determine whether the corrections adequately resolve the issue.
- Comment 19 Majestic Management's response indicated that we violated the Fair Housing Act and that we are asking them to do so as well. We did not violate the Fair Housing Act and we are not asking Majestic Management to do so either. Majestic Management must follow applicable HUD Handbooks. Shown in appendix C to this audit report, HUD Handbook 4350.3 - Occupancy Requirements of Subsidized Multifamily Housing Programs, Section 3-28, states that an owner may verify disability to determine whether a family or person meets the definition of disability used to determine eligibility for a project, preferences, or an allowance, or to identify applicant needs for features of accessible units or reasonable accommodations. The owner may not specifically ask for or verify the nature and extent of the disability. There are ways to verify disability status without obtaining detailed information or information that must not be collected. The form Majestic used to verify disability should have been a third-party verification of disability in which the form is sent by the owner to an appropriate source of information, including but not limited to a physician, psychologist, clinical social worker, other licensed health care provider, or the Veterans Administration. It further states that if a third-party form is used, it must be signed by the applicant authorizing the release of such information to the owner. The forms provided in the tenant file did not indicate that they were third party verifications as they did not show mailing addresses, fax numbers or other information indicating that they were sent by the owner to a third party. In some cases, the tenants themselves filled out the third party verification form.
- Comment 20 Majestic Management claimed it did not request subsidies for three house managers, and it indicated there were specific criterion to become a house manager. However, according to the housing assistance payment vouchers, Majestic Management did request subsidies for three individuals that they identified as house managers. We were able to talk to two of these three house

managers, both of whom confirmed that they were house managers and therefore did not pay rent. We were never provided with the specific criterion that house managers need to meet. When we asked this of Majestic Management they confirmed that it was just the tenant that lived in the home the longest. Again, we have not been provided with all files that have been updated.

Comment 21 Majestic Management's response stated they are not responsible for checking in on their tenants on a monthly basis. However, management must certify to HUD monthly that all facts and data on which the request for housing assistance payments was based were true and accurate. If management requests housing assistance payments for different tenants than those actually occupying the units, they are providing a false certification to HUD for tenants no longer living in units.

Comment 22 Majestic Management's response stated that they are unaware of missing tenant files. We initially requested the tenant files for all of Majestic Management's HUD properties for the time period January 1, 2011 through January 31, 2016 with our subpoena back in February 2016. However, we were not provided the tenant files until July 2016. At that time, we notified management that we had received 25 files and asked if there were 5 vacancies since New Horizons was a 30 unit project. Management replied back that there should have been 26 files as there are 4 vacancies. We informed management of the file we were missing and were told it had fallen out in an employee's trunk and we would be provided with it, but we never were. Therefore, we were only provided with 25 of the 26 current tenant files for review. Since the subpoena asked for tenant files covering several years, that meant we needed all files, not just files for current tenants. We again requested these tenant files via email on August 11, 2016, and asked Majestic's attorney for them during our meeting on August 15, 2016, at which time he told us that they did not have these files. He requested that we send him a request in writing for those files and he would respond, so we would have it in writing that they do not have these tenant files. We sent an email on August 16, 2016, to the attorney and management, but never received a response.

Comment 23 Majestic Management's response questioned how we could conclude there were missing tenant rents since we had stated we did not receive enough detail on the deposits, and they indicated that they process rent and make monthly rent deposits as required by HUD. However, according to the project bank statements, there were no deposits that could have potentially been for tenant rent during 8 of the months we reviewed.

Comment 24 Majestic Management's response stated that our draft report includes the following false statement: Majestic Management had 11 unreported tenants living in its units. However, based on the interviews we conducted with current tenants and house managers in July and August 2016, we identified 11 individuals who lived in the project units in July but were not reported on the housing assistance

payment voucher or rent roll for that month. On its July 2016 application for housing assistance payments, Majestic Management reported that 26 units were occupied by tenants other than the 11 we identified through our interviews and 4 were vacant. Majestic Management certified to HUD that all facts and data on which the housing assistance payments request was based were true and accurate.

- Comment 25 Majestic Management asserted that New Horizons received the attention that it should despite staff living out of town. However, we found that management's lack of knowledge of who was living at the property was due in part to the owner and identity-of-interest management agent not establishing adequate oversight. Further, in the Notice of Violation issued by HUD in July 2015, HUD stated that Majestic is in violation of HUD requirements by providing inadequate onsite supervision for elderly or disabled residents at the project. Majestic Management's comments also stated that it was not true that the board member of New Horizons and director at Majestic Management (who they referred to as the property manager in their comments) indicated she was still trying to decipher who lived in the property. During an interview in August 2016 with this employee, she told us she was still trying to determine who lived in the units. Majestic Management's comments further stated that we were confused about who was property manager versus who was property maintenance. We asked all the Majestic Management employees their duties during interviews in 2016. The property manager explained her role as the property manager and stated she had been the property manager for four years. We asked this property manager to identify the tenants living in each home and she was unable to do so because she did not know their official names in the tenant files and on the rent roll. She stated that she knew only their nicknames. We also asked the president what the property manager's role was and the president confirmed that the employee was the property manager at New Horizons. Now, Majestic Management is calling the property manager property maintenance.
- Comment 26 Majestic Management's response stated that they never told us the Majestic manual was no longer used. However, we were told by the office manager who provided the Majestic manual that they were outdated and not used.
- Comment 27 Majestic Management replied to our recommendation 1A by stating that the reported number was based on our review of 26 tenant files. We received and reviewed 25 tenant files, not 26 as noted in Majestic Management's comments. We were not provided with the updated tenant files. As part of the audit resolution process, HUD will determine whether any information that has been added to the files is appropriate and whether it has any impact on the amounts we calculated as being ineligible.
- Comment 28 Majestic Management's response stated that our figure in recommendation 1B was inflated. However, we have not been provided with any documentation to support the \$726,399 in housing assistance payments we reported as unsupported

because Majestic Management had missing or incomplete tenant files. This number is mostly for past tenants for which Majestic Management did not have tenant files.

Comment 29 Majestic Management's response addressed our recommendation 1D stating that they have hired a property management consultant to address the issues identified in the audit report. We have not reviewed or received any of the updated forms, policies and procedures, or methods as referenced in Majestic Management's response. However, based on this audit report and the last audit report, we believe that New Horizons should hire independent management of its property, not just a one-time consultant.

Comment 30 Majestic Management's response addressed our recommendation 1E stating that all tenant files are accurate with current data. The updated tenant files and other information indicated in the response can be provided to HUD during the audit resolution process for HUD to determine if the updates are enough to close this recommendation.

Appendix C

Criteria

Provisions From the Regulatory Agreement Entered Into by Agape Properties in August 2009

Owners shall not, without the prior written approval of the [HUD] Secretary, permit the use of the dwelling accommodations or nursing facilities of the project for any purpose except the use which was originally intended.

The mortgaged property, equipment, buildings, plans, offices, apparatus, devices, books, contracts, records, documents, and other papers relating thereto shall at all times be maintained in reasonable condition for proper audit and subject to examination and inspection at any reasonable time by the Secretary or his duly authorized agents.

All rents and other receipts of the project shall be deposited in the name of the project in a financial institution, whose deposits are insured by an agency of the Federal Government. Such funds shall be withdrawn only in accordance with the provisions of this Agreement for expenses of the project or for distributions of surplus cash as permitted by paragraph 6(e) above. Any Owner receiving funds of the project other than by such distribution of surplus cash shall immediately deposit such funds in the project bank account and failing so to do in violation of this Agreement shall hold such funds in trust.

Until September 1, 2022, the maturity date of the original 202 direct loan associated with this project, in the case of a conflict between a provision in this Regulatory Agreement and a provision in the Use Agreement between the Owners and the Secretary dated as August 25, 2006, the provision in the Use Agreement will control.

Provisions From the Use Agreement – Dated August 2006

The Owner, for itself, its successors and assigns, covenants with HUD that the Owner will continue to operate the Project on terms at least as advantageous to existing and future tenants as the terms required by the original Section 202 loan agreement or any Section 8 rental assistance payments contract or any other rental housing assistance contract and all applicable Federal regulations for not less than the remaining term of the original Section 202 direct loan.

The Owner agrees to maintain the Project solely as rental housing for very-low income elderly or disabled persons (or low income elderly or disabled person as approved by HUD or moderate income elderly or disabled persons in the case of non-subsidized Section 202 projects) for the life of the Use Agreement.

The Project will continue to operate until the maturity date of the original Section 202 Loan in a manner that will provide rental housing for the elderly and persons with disabilities on terms at least as advantageous to existing and future tenants as the terms required by the original loan.

Provision From the Housing Assistance Payments Basic Renewal Contract, Dated May 2012

Housing assistance payments shall only be paid to the Owner for contract units occupied by eligible families leasing decent, safe and sanitary units from the Owner in accordance with statutory requirements, and with all HUD regulations and other requirements.

Housing Owner's Certification and Application for Housing Assistance Payments, Form HUD-52670

Part V – Owner's Certification

I certify that:

- (1) Each tenant's eligibility and assistance payment was computed in accordance with HUD's regulations, administrative procedures, and the Contract, and are payable under the Contract;
- (2) all required inspections have been completed;
- (3) the units for which assistance is billed are decent, safe, sanitary, and occupied or available for occupancy;
- (4) no amount included on this bill has been previously billed or paid;
- (5) all the facts and data on which this request for payment is based are true and correct; and
- (6) I have not received and will not receive any payments or other consideration from the tenant or any public or private source for the unit beyond that authorized in the assistance contract or the lease, except as permitted by HUD.

Upon request by the Department of Housing and Urban Development, its duly authorized representative, or the Comptroller General of the United States, I will make available for audit all books, records and documents related to tenants' eligibility for, and the amount of, assistance payments. Warning: HUD will prosecute false claims & statements. Conviction may result in criminal and/or civil penalties (18 U.S.C. Sections 1001, 1010, 1012; 31 U.S.C. [United States Code] Sections 3729, 3802).

24 CFR 5.403

Person with disabilities:

- (1) Means a person who:
 - (i) Has a disability, as defined in 42 U.S.C. 423;
 - (ii) Is determined, pursuant to HUD regulations, to have a physical, mental, or emotional impairment that:
 - (A) Is expected to be of long-continued and indefinite duration;
 - (B) Substantially impedes his or her ability to live independently, and
 - (C) Is of such a nature that the ability to live independently could be improved by more suitable housing conditions; or
 - (iii) Has a developmental disability as defined in 42 U.S.C. 6001.
- (2) Does not exclude persons who have the disease of acquired immunodeficiency syndrome or any conditions arising from the etiologic agent for acquired immunodeficiency syndrome;
- (3) For purposes of qualifying for low-income housing, does not include a person whose disability is based solely on any drug or alcohol dependence; and

(4) Means “individual with handicaps”, as defined in §8.3 of this title, for purposes of reasonable accommodation and program accessibility for persons with disabilities.

24 CFR 891.505

Handicapped person or individual means:

- (1) Any adult having a physical, mental, or emotional impairment that is expected to be of long-continued and indefinite duration, substantially impedes his or her ability to live independently, and is of a nature that such ability could be improved by more suitable housing conditions.
- (2) A person with a developmental disability, as defined in section 102(7) of the Developmental Disabilities Assistance and Bill of Rights Act (42 U.S.C. 6001(5), i.e., a person with a severe chronic disability that:
 - (i) Is attributable to a mental or physical impairment or combination of mental and physical impairments;
 - (ii) Is manifested before the person attains age twenty-two;
 - (iii) Is likely to continue indefinitely;
 - (iv) Results in substantial functional limitation in three or more of the following areas of major life activity:
 - (A) Self-care;
 - (B) Receptive and expressive language;
 - (C) Learning;
 - (D) Mobility;
 - (E) Self-direction;
 - (F) Capacity for independent living;
 - (G) Economic self-sufficiency; and
 - (v) Reflects the person’s need for a combination and sequence of special, interdisciplinary, or generic care, treatment, or other services that are of lifelong or extended duration and are individually planned and coordinated.
- (3) A person with a chronic mental illness, i.e., if he or she has a severe and persistent mental or emotional impairment that seriously limits his or her ability to live independently, and whose impairment could be improved by more suitable housing conditions.
- (4) Persons infected with the human acquired immunodeficiency virus (HIV) who are disabled as a result of infection with the HIV are eligible for occupancy in section 202 projects designed for the physically disabled, developmentally disabled, or chronically mentally ill depending upon the nature of the person’s disability. A person whose sole impairment is alcoholism or drug addiction (i.e., who does not have a developmental disability, chronic mental illness, or physical disability that is the disabling condition required for eligibility in a particular project) will not be considered to be disabled for the purposes of the section 202 program.

HUD Handbook 4350.3 - Occupancy Requirements of Subsidized Multifamily Housing Programs

3-4 Eligibility Determinations – General

Owners are required to determine whether applicants are eligible to occupy the subsidized property and receive housing assistance. Eligibility is determined by federal statute and HUD regulation. For HUD programs, eligibility is only determined at move-in or at initial certification, (e.g. when a Section 236 tenant starts receiving Section 8 assistance) except as discussed in paragraphs 3-13, Determining Eligibility of Students for Assistance and 3-16, Determining the Eligibility of a Remaining Member of a Tenant Family. HUD's general eligibility requirements are found in HUD's regulations at 24 CFR, part 5.

3-9 Disclosure of Social Security Numbers

C. Provisions for Applicants Disclosure and/or Documentation of Social Security Numbers

An applicant may not be admitted until SSNs [Social Security numbers] for all household members have been disclosed and verification provided.

1. If all household members have not disclosed and/or provided verification of their SSNs at the time a unit becomes available, the next eligible applicant must be offered the available unit.
2. The applicant who has not disclosed and provided verification of SSNs for all household members must disclose and provide verification of SSNs for all household members to the owner within 90 days from the date they are first offered an available unit.
3. If the owner has determined that the applicant is otherwise eligible for admission into the property, and the only outstanding verification is that of disclosing and providing verification of the SSN, the applicant may retain his or her place on the waiting list for the 90-day period during which the applicant is trying to obtain documentation.
4. After 90 days, if the applicant has been unable to supply the required SSN and verification documentation, the applicant should be determined ineligible and removed from the waiting list (see paragraph 4-20 A).

3-14 Key Regulations

This paragraph identifies key regulatory citations pertaining to Section 2: Project Eligibility. The citations and their titles (or topics) are listed below.

A. Eligibility for Admission to Section 8 Projects

- 24 CFR part 5, subpart D (Definitions for Section 8)

B. Eligibility for Admission to Individual Section 202, Section 202/8, Section 202/162 PAC [project assistance contract], Section 202 PRAC [project rental assistance contract], and Section 811 PRAC Projects

- 24 CFR part 891, subparts A, B, C, and D (Section 202 PRAC and Section 811 PRAC projects)
- 24 CFR part 891, subpart E (Section 202/8 and Section 202 PAC projects)

3-28 Verification of Family Type and Individual Status

A. Overview

Eligibility for certain projects (as identified in Section 2 of this chapter), certain income deductions, and preferences are based upon whether the family is identified as elderly or

disabled, or whether a family has any individual members who are elderly or disabled. Therefore, verifications of age and disability status are very important issues in determining eligibility and rent.

B. Disability

An owner may verify disability to determine whether a family or person meets the definition of disability used to determine eligibility for a project, preferences, or an allowance, or to identify applicant needs for features of accessible units or reasonable accommodations. The owner may not specifically ask for or verify the nature and extent of the disability. There are ways to verify disability status without obtaining detailed information or information that must not be collected. Verification of disability may be obtained through the following methods:

1. A third-party verification form may be sent by the owner to an appropriate source of information, including but not limited to a physician, psychologist, clinical social worker, other licensed health care, or the Veterans Administration.
 - a. If a third-party form is used, it must be signed by the applicant authorizing the release of such information to the owner.
 - b. The form should provide the definitions of disability used to determine eligibility and rent and should request that the source completing the form identify whether the applicant meets the definition. In this way the owner is not required to make any judgments about whether a condition is considered a disability, and will not have prohibited information.
2. Receipt of social security disability payments is adequate verification of an individual's disability status for programs listed in Figure 3-5 that use definition E for person with disabilities. Such information is obtained through verification of the social security disability payments. See the discussion in Chapter 5, Section 3.

NOTE: Applicants who meet the Social Security's definition of disabled are eligible even if they do not receive social security benefits. The Section 202 and Section 811 programs do not use this definition of disability, therefore, this note does not apply to applicants for units in Section 202 or 811 projects. Because the Disability Status in EIV [the Enterprise Income Verification system] is not always accurate, owners must not use this status for determining an applicant's or tenant's eligibility as disabled for a HUD program or for receiving the elderly/disabled household allowance. Owners must obtain current tenant-provided documentation, or verification directly from the Social Security office to determine whether an applicant or tenant meets their definition as disabled for programs listed in Figure 3-5 that use definition E for person with disabilities.

3. Receipt of a veteran's disability benefits does not automatically qualify a person as disabled, because the Veteran's Administration and Social Security Administration define disabled differently.

4-22 Record-Keeping

- (A) The owner must retain current applications as long as their status on the waiting list is active.

- (B) Once the applicant is taken off the waiting list, the owner must retain the application, form HUD-92006 completed by the applicant, initial rejection notice, applicant reply, copy of the owner's final response, and all documentation supporting the reason for removal from the list for three years.
- (C) When an applicant moves in and begins to receive assistance, the application and form HUD-92006 completed by the applicant must be maintained in the tenant file for the duration of the tenancy and for three years after the tenant leaves the property.
- (D) All files must be kept secure so that personal information remains confidential.
- (E) The applicant's or tenant's file should be available for review by the applicant or tenant upon request or by a third party who provides signed authorization for access from the applicant or tenant. EIV income data found in the tenant's file has additional disclosure requirements (see paragraph 9-18).

5-12 – Verification Requirements

B. Timeframe for Conducting Verifications

Owners conduct verifications at the following three times.

1. Owners must verify income, assets, expenses, and deductions and all eligibility requirements prior to move-in.
2. Owners must verify each family's income, assets, expenses, and deductions as part of the annual recertification process. Refer to Chapter 7, Section 1 for information on annual recertifications.
3. Owners must verify changes in income, allowances, or family characteristics reported between annual recertifications. Refer to Chapter 7, Section 2 for information on interim recertifications.

5-23 – Record-Keeping Procedures

A. Owners must keep the following documents in the tenant's file at the project site:

1. All original, signed forms HUD 9887 and HUD 9887-A;
2. A copy of signed individual consent forms; and
3. Third-party verifications.

B. Owners must maintain documentation of all verification efforts throughout the term of each tenancy and for at least three years after the tenant moves out.

C. The tenant's file should be available for review by the tenant upon request or by a third party who provides signed authorization for access from the tenant.

7-4 – Key Requirements

A. To ensure that assisted tenants pay rents commensurate with their ability to pay, HUD requires the following:

1. Owners must conduct a recertification of family income and composition at least annually. Owners must then recompute the tenants' rents and assistance payments, if applicable, based on the information gathered.

9-7 - Data Collection and Processing Procedures

E. Record-Keeping Requirements for HUD-50059, HUD-50059-A and Vouchers

1. Owners must keep the signed HUD-50059(s) and copies of the HUD-50059-A(s) for tenants from the time of move-in to move-out and for a minimum of three years

thereafter. Owners may move older records offsite when files get large, however, upon request, the files must be made available for review by HUD or the Contract Administrator.

Appendix 3: Acceptable Forms of Verification

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	ACCEPTABLE SOURCES					Verification Tips
	Third Party ^a			*Provided by Applicant	Self-Declaration	
	Written ^{b,2002}	*Provided by Applicant ^c	Oral ^d			
<ul style="list-style-type: none"> Disability status. *(Paragraph 3-28.B)*	<ul style="list-style-type: none"> Verification from *appropriate source of information* stating that individual qualifies under the definition of disability. 	<ul style="list-style-type: none"> Not appropriate. 	<ul style="list-style-type: none"> Telephone or in-person contact with medical professional verifying qualification under the federal disability definition and documentation in the file of the conversation. 	<ul style="list-style-type: none"> Not appropriate. 	<ul style="list-style-type: none"> Not appropriate. 	<ul style="list-style-type: none"> If a person receives Social Security Disability solely due to a drug or alcohol problem, the person is not considered disabled under housing law. A person that does not receive Social Security Disability may still qualify under the definition of a person with disabilities. Owners must not seek to verify information about a person's specific disability other than obtaining a professional's opinion of qualification under the definition of a person with disabilities.

Appendix 3

4350.3 REV-1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	ACCEPTABLE SOURCES					Verification Tips
	Third Party ^a			*Provided by Applicant	Self-Declaration	
	Written ^{b,2002}	*Provided by Applicant ^c	Oral ^d			
<ul style="list-style-type: none"> Social security number. *(See Chapter 3, Paragraph 3-31)*	<ul style="list-style-type: none"> None required. 		<ul style="list-style-type: none"> None Required 	<ul style="list-style-type: none"> Original Social Security card *Original document issued by a federal or state government agency which contains the name, SSN, and other identifying information of the individual* Driver's license with SSN Identification card issued by a medical insurance provider, or by an employer or trade union. Earnings statements on payroll stubs Bank statement Form 1099 Benefit award letter Retirement benefit letter Life insurance policy Court records 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Individuals who have applied for legalization under the Immigration Reform and Control Act of 1986 will be able to disclose their social security numbers but unable to supply cards for documentation. Social security numbers are assigned to these persons when they apply for amnesty. The cards go to DHS until the persons are granted temporary lawful resident status. Until that time, their acceptable documentation is a letter from the DHS indicating that social security numbers have been assigned.

Appendix D

Tenant Deficiencies

Tenant	Identity not verified	Disability not supported	Not disabled	Does not live in unit	House manager	Total housing assistance payment	Supported	Unsupported	Ineligible
1		X				\$34,078		\$34,078	
2				X		2,873			\$2,873
3	X		X			6,925			6,925
4	X	X				3,335		3,335	
5	X			X		2,970		990	1,980
6		X				2,904		2,904	
7		X				10,449		10,449	
8	X	X				15,245		15,245	
9		X				9,168		9,168	
10				X		7,815	\$4,908		2,907
11	X			X		7,383			7,383
12	X	X			X	10,449		6,924	3,525
13				X		13,353	2,721		10,632
14	X	X		X		3,069		907	\$2,162
15	X		X			14,953			14,953
16			X		X	37,224			37,224
17			X			2,361			2,361
18	X	X				29,645		29,645	
19	X	X		X		8,141		2,308	5,833
20	X		X		X	16,577			16,577
21	X		X			11,785			11,785
22						2,810	2,810		
23			X			10,449			10,449
24	X	X		X		8,067		1,080	6,987
25		X				12,757		12,757	
Total	13	12	7	8	3	284,785	10,439	129,790	144,556

The following table shows details regarding assistance paid for the eight tenants not living in units.

Assistance for Tenants Not Living in Units

Tenant	Move-in	Assistance start	Move-out	Assistance end	Overpaid assistance
2	May 2016	May 2016	May 2016	Continues*	\$2,873
5	May 2016	May 2016	June 2016	Continues*	1,980
10	Mar. 2016	Dec. 2015	Current tenant	Continues*	2,907
11	Jan. 2016	Jan. 2016	Jan. 2016	Continues*	7,383
13	May 2016	May 2015	Current tenant	Continues*	10,632
14	May 2016	May 2016	June 2016	Continues*	2,162
19	Jan. 2016	Jan. 2016	Mar. 2016	Continues*	5,833
24	Jan. 2016	Jan. 2016	Feb. 2016	Continues*	6,913
Total					40,683

*New Horizons continued to receive assistance for these tenants as of July 2016, which was the last month for which we obtained housing assistance payment vouchers.

Appendix E

Missing Tenant Files

Tenant*	HAP begin	HAP end	Total HAP
1	Oct. 2013	May 2014	\$6,906
2	June 2013	Sept. 2013	3,780
3	June 2013	Sept. 2013	4,476
4	June 2013	July 2013	1,661
5	Mar. 2015	Jan. 2016	8,755
6	Dec. 2013	Nov. 2014	13,428
7	June 2013	Sept. 2013	4,476
8	May 2015	Aug. 2015	4,579
9	June 2013	Dec. 2013	6,944
10	July 2015	Apr. 2016	11,354
11	June 2013	Sept. 2013	4,476
12	May 2015	Oct. 2015	6,924
13	May 2015	Jan. 2016	9,344
14	June 2013	July 2013	1,191
15	June 2013	June 2015	28,045
16	June 2013	Dec. 2013	6,750
17	Oct. 2013	Feb. 2014	4,210
18	June 2013	Feb. 2015	19,155
19	July 2015	July 2016	14,953
20	Oct. 2013	May 2015	21,838
21	July 2013	July 2013	108
22	Jan. 2014	Dec. 2014	13,392
23	Feb. 2014	Jan. 2015	13,312
24	Jan. 2015	Oct. 2015	8,968
25	June 2013	Dec. 2015	28,583
26	June 2013	Sept. 2013	4,476
27	Oct. 2013	Oct. 2015	19,135
28	June 2013	Jan. 2014	6,491
29	Nov. 2015	Apr. 2016	6,924
30	Oct. 2013	July 2015	23,681
31	June 2013	July 2013	1,155
32	June 2013	July 2015	22,786
33	July 2015	Oct. 2015	4,430
34	May 2015	Dec. 2015	9,083
35	June 2013	July 2013	1,336

Tenant	HAP Begin	HAP End	Total HAP
36	Sept. 2013	Aug. 2014	13,428
37	June 2013	Nov. 2013	4,408
38	June 2013	Nov. 2013	5,113
39	June 2013	Sept. 2013	3,880
40	Nov. 2015	Apr. 2016	6,924
41	June 2013	June 2013	992
42	June 2013	Aug. 2014	16,785
43	Feb. 2014	May 2015	17,788
44	Oct. 2013	Sept. 2014	13,428
45	Jan. 2016	Apr. 2016	3,814
46	Feb. 2015	May 2016	13,769
47	June 2013	Aug. 2013	2,419
48	June 2015	Apr. 2016	11,848
49	Aug. 2014	July 2015	8,089
50	June 2013	Sept. 2013	4,024
51	Nov. 2015	Apr. 2016	6,924
52	June 2013	Aug. 2013	2,451
53	June 2013	Sept. 2013	3,236
54	June 2013	Jan. 2016	33,858
55	Sept. 2013	Apr. 2016	36,300
56	June 2013	Jan. 2014	6,971
57	June 2013	July 2013	1,336
58	Oct. 2013	Sept. 2014	9,672
59	July 2015	Apr. 2016	11,540
60	June 2015	Oct. 2015	4,890
61	June 2013	July 2013	1,336
62	Jan. 2016	Apr. 2016	4,281
Total			596,609

*The tenant numbers listed here do not agree with the tenant numbers in appendix D.