



## **SUMMARY OF PROGRESS ON HCV CORRECTIVE ACTION PLANS –November 2024 update**

The Housing Authority of the City of Milwaukee (HACM) remains deeply focused on implementing the federal corrective action plans under the strict oversight of the U.S. Department of Housing and Urban Development (HUD).

Extensive time and resources are being dedicated to executing these corrective actions, which are aimed at stabilizing the agency's operations and enhancing service delivery. These plans are HACM's best path forward to strengthen the agency, improve how we serve those in our programs, and provide affordable housing options for future generations. HACM continues to work collaboratively with local, regional, and federal HUD officials and greatly appreciates their partnership and oversight. We will continue to rely on HUD's deep expertise to guide us.

### **I. 2022 Housing Choice Voucher Monitoring Corrective Action Plan**

*Reviews conducted by HUD's Milwaukee Field Office from September 19, 2022 to November 18, 2022 with report issued in late December 2022*

The HUD Milwaukee Field Office in their December 2022 report identified 109 corrective action items. Of those, HACM has completed 52. Another 54 are duplicative action items that overlap with the HUD Quality Assurance Division corrective action plan. The HUD Quality Assurance Division will continue monitoring the status of these action items. Three action items were not completed and will be carried over into the 2023 Section Eight Management Assessment Program Corrective Action Plan. This CAP is currently closed out, and any remaining items are in the QAD or SEMAP CAPs.

### **II. 2023 HUD Quality Assurance Division (QAD) Corrective Action Plan**

*Review conducted by HUD QAD office in December 2022 with initial reports issued April/June 2023 for a Financial Management Review (FMR), Management & Operations Review (MOR) and review of the Family Self Sufficiency program (FSS)*

HUD's QAD office in December 2022 performed an FMR/MOR/FSS review of the voucher program and they issued reports with a corrective action plan in April and June 2023. In all, the QAD corrective action plan (CAP) has 12 corrective actions in the Financial Management Review; 8 corrective actions in the Management & Operations Review; and 19 corrective actions in the FSS review. Of these, 2 have been closed and a third has been tentatively closed, and one of the 12 FMR corrective actions was replaced by the 19 more detailed corrective actions for the FSS program. HACM is submitting a monthly report to QAD to update them on progress, beginning with the May 1, 2024 CAP update report.



The majority of the corrective actions that are required are connected to five major corrective actions required:

1. **100% forensic audit/financial transaction review for five years:** HUD required HACM to engage a financial management consultant/auditor to perform a forensic audit—a 100% review of all financial transactions for the five years from 2017 through 2022 related to the voucher program; ensure correction of any errors found; identify any items towards possible misuse of funds; and any variances must be researched, reconciled, corrected and prior period adjustments prepared for correction of the unrestricted net position (UNP) and/or restricted net position (RNP) balances.

Note that HACM engaged CliftonLarsonAllen LLP (CLA, CPAs) to perform the financial records reconstruction/forensic audit. The firm assigned staff to perform the review to ensure timely completion. The work started in October 28, 2023 starting with the review of 2017 transactions and CLA has been continuing to work on the other four years of transactions. **The reports are currently being finalized by CLA.** In addition, once the 100% participant file review is completed, there may be additional impacts upon the UNP and RNP depending on corrections needed.

2. **Full implementation of YARDI as the financial software:** YARDI had been implemented as HACM's housing software since August 2019 and as the financial/accounting software for the Housing Choice Voucher financial transactions since 1/1/2023. However, the use of a separate software system for accounting (Multiview) created potential for errors or unreconciled differences. One of the corrective actions from QAD is that HACM work with YARDI to replace Multiview and to use YARDI as the financial accounting software enterprise-wide for HACM.

This has been in process during 2024 with the goal to perform setup of the system and train staff, so that HACM can use YARDI as the financial software enterprise-wide by January 1, 2025. **The implementation continues on schedule for a January 1<sup>st</sup> go-live date for the financials in general, with two modules having a delayed go-live date. Fixed Assets is currently estimated at March 2025 and Inventory by April 2025..**

3. **100% Participant File Review:** QAD required HACM to hire an independent third party contractor to perform a 100% participant file review for all participants in the voucher program, ensuring that the participant files are complete and correct; that the income, rent and other calculations are correct; that FSS updates related to the 50058 are correct; and that all corrections that are needed to Yardi or to the 50058 record are made by the contractor and track the necessary corrections to the record so that any needed changes are made in HUD's PIC and VMS systems.



QAD also clarified in the final corrective action plan that the 100% file review should be completed concurrently with the contracting out of the HCV program administration/operation and be performed by the same contractor. On 10/30/24, the Board of Commissioners approved award of a contract to CVR Associates, Inc. to perform both the 100% participant file review as well as the management and operation of the entire HCV program, with transition work occurring during November and December and a January 2025 start on operations.

4. **100% review of Family Self Sufficiency (FSS) participant transactions:** HACM is not properly tracking Family Self-Sufficiency (FSS) escrow amounts and balances. This appears to be related to errors that occurred as part of the conversion from VisualHomes software to YARDI software in August 2019. These conversion errors have resulted in inaccurate escrow calculations and balances for participants that need to be corrected. HUD has required that each participant's data be corrected in the HUD PIC software through the HUD 50058 submission process. After extensive discussion with YARDI, the only way to accomplish that is to void each older 50058 back to prior to the original FSS enrollment date, and to re-enter each 50058. This process has been tested on participants in YARDI and while time-intensive, it did appear to work. It is still in the early stages of being implemented and whatever has not been completed will be implemented as part of the 100% Participant File Review process.
5. **Request for Proposal (RFP) for the Management and Operation of the Housing Choice Voucher Program:** As another corrective action, QAD required HACM to develop an RFP to contract out the management and operation of the entire Housing Choice Voucher program to an experienced contractor.

On 10/30/24, the Board of Commissioners approved award of a contract to CVR Associates, Inc. to perform both the 100% participant file review as well as the management and operation of the entire HCV program, with transition work occurring during November and December and a January 2025 start on operations.

### III. 2023 Section Eight Management Assessment Program (SEMAP) Corrective Action Plan

*Review conducted by HUD-Milwaukee September 2023 to November 2023 for fiscal year end 2022*

There were 26 findings and corrective actions, many of which are a continuation of those identified in 2022 by the HUD's Milwaukee Field Office. As a result, this corrective action plan contains outstanding corrective actions remaining from the onsite monitoring review HUD's Milwaukee Field Office completed in 2022.



Beginning June 1, 2024, monthly update reports on the SEMAP Corrective Action Plan have been submitted to the HUD Field Office.

The SEMAP corrective actions fall into four broad categories:

- **Administrative Plan:** 5 of the 26 corrective actions require changes/corrections to the Administrative Plan. HACM has included corrections to the Administrative Plan as part of the Annual PHA Plan process. These changes to the Administrative Plan were approved by the Board of Commissioners on 10/9/2024 and were forwarded to HUD. All five corrective actions in this category are now shown by HUD as completed.
- **Standard Operating Procedures (SOPs):** 10 of the 26 corrective actions require HACM to create Standard Operating Procedures regarding a number of processes in the SEMAP indicators identified by HUD. For many of these, draft SOPs were submitted to HUD in August 2024. HACM had been preparing final versions of the SOPs. However, given the recent contract award for management and operation of the program, HUD has requested HACM to clarify the duties and responsibilities as well as process over quality control (QC) testing by both the new management contractor (CVR Associates, Inc., as well as oversight QC to be performed by HACM).
- **Quality Control Testing Logs:** 6 of the 26 corrective actions require HACM to develop a standard quality control process with regular (monthly) testing for the indicators required by HUD. Quality control testing is performed in the following areas:
  - SEMAP Indicator 1 Waiting List
  - SEMAP Indicator 2 Rent Reasonableness
  - SEMAP Indicator 3 Adjusted Income
  - SEMAP Indicator 5 HQS Inspections
  - SEMAP Indicator 6 HQS Inspection Enforcement

HACM is completing quality control testing in each of these areas and is submitting them on a monthly basis to HUD for review.

However, given the recent contract award for management and operation of the program, HUD has requested HACM to clarify the duties and responsibilities as well as process over quality control (QC) testing by both the new management contractor (CVR Associates, Inc.) as well as oversight QC to be performed by HACM.

- **Miscellaneous Other:** 5 of the 26 corrective actions are miscellaneous other items, including consistent use of updated HUD form; updates to voucher briefing packet; ensuring documentation of waiting list pulls are appropriately saved; establishing a new waiting list for the HCV program once the Administrative Plan has been updated; and review of utility allowance schedule annually with submission to HUD. In November 2024, HACM submitted for HUD's review an updated utility allowance (UA) schedule based on a utility update analysis done by the contractor, NELROD. To date, one action (use of updated HUD form) has been completed in this category.



Monthly SEMAP Corrective Action Plan reports will continue to be submitted to HUD until all corrective actions have been completed and until HUD has determined that HACM has recovered from SEMAP Troubled status. HACM estimates this will be completed by the end of 2025.