



Performance Audit of the Orange County Housing Authority

Final Report (#141502)

September 30, 2014

Office of the Performance Audit Director

County of Orange, California

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Office of the Performance Audit Director

333 W. Santa Ana Blvd., Santa Ana, CA 92701

September 30, 2014

Honorable Board of Supervisors:

Transmitted herewith is the performance audit of the Orange County Housing Authority (OCHA). The main objective of this audit was to evaluate the operational performance of OCHA to determine whether management and staff are effective and efficient in accomplishing their business objectives.

Amy Abeling, the lead auditor of this project, has spent several months reviewing policies and procedures, interviewing staff, analyzing data, as well as benchmarking and researching best practices to identify improvement opportunities for OCHA.

Our overall conclusion is that OCHA is performing well, particularly in light of recent federal sequestration, during which OCHA had to stretch already scarce resources. This audit report contains 18 audit recommendations which will enable OCHA to increase its operational efficiency and effectiveness by utilizing technology, restructuring its organization, and establishing performance metrics; and to improve its ability to provide housing assistance to those in need by enhancing program integrity and more effectively helping assisted households make the transition to economic independence.

We would like to acknowledge and thank OCHA management and staff for their cooperation and assistance during this audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Philip Cheng".

Philip Cheng
Performance Audit Director

cc: Michael B. Giancola, County Executive Officer
Mark Denny, Chief Operating Officer
Steve Franks, Director of OC Community Resources
Karen Roper, Director of OC Community Services/OCHA Executive Director
John Hambuch, OCHA Housing Assistance Manager

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Table of Contents

- I. Executive Summary 1
- II. Introduction 2
 - A. Audit Objectives 2
 - B. Scope of Work 2
 - C. Audit Methodology..... 2
- III. Background 3
 - A. Housing Choice Voucher Program..... 3
 - B. Organization, Staffing, and Expenditures 8
 - C. Benchmarking Study 11
- IV. Audit Results..... 11
 - A. Organizational Structure and Responsibilities..... 11
 - 1. Administration..... 11
 - 2. Program Integrity..... 12
 - 3. Field Representatives 13
 - B. Staffing 16
 - 1. Job Classifications..... 16
 - 2. Workload..... 18
 - C. Special Housing Programs 20
 - 1. Family Self-Sufficiency Program 20
 - 2. Project-Based Voucher Program..... 23
 - D. Waiting List 25

E.	Annual Reexaminations	26
F.	Online Assistance Portal	27
G.	Payment Standards	30
1.	Deconcentration.....	31
2.	Rental Submarkets.....	32
3.	Potential Savings.....	34
H.	Direct Deposit.....	34
I.	Inspections	36
J.	Program Integrity	37
1.	Background Checks.....	37
2.	Fraud Investigations.....	39
K.	Case Files.....	41
L.	Key Performance Indicators.....	41
V.	Conclusion	43
VI.	Recommendations & Management Response.....	44
VII.	Appendices	52
A.	Glossary of Terms	52
B.	Overview of Special Housing Programs	55

I. Executive Summary

The Office of the Performance Audit Director has completed an audit of the Orange County Housing Authority (OCHA), which was part of the Work Plan approved by the Board of Supervisors. The main objective of this audit was to evaluate the operational performance of OCHA to determine whether management and staff are effective and efficient in accomplishing their business objectives.

The audit team conducted a detailed review and analysis of OCHA's operations, performing the following audit procedures:

- Reviewed OCHA policies, procedures, and plans;
- Interviewed OCHA staff, supervisors, and managers;
- Conducted a survey of OCHA line staff;
- Observed tenant briefings, eligibility interviews, and case management interviews;
- Researched HUD regulations and requirements;
- Interviewed other Public Housing Agencies (PHAs) to benchmark OCHA's operations; and
- Analyzed tenant data.

The overall conclusion of this audit is that OCHA is performing well. Not only has OCHA been rated a "High Performing" PHA by the U.S. Department of Housing and Urban Development (HUD) for the past seven years, it has done so in recent years with limited resources due to federal sequestration. OCHA is also an organization that looks internally for improvements. For example, over the past six months, OCHA developed and is in the process of implementing an action plan with policy and process recommendations that will improve internal communications, improve training, enhance program integrity, and increase its level of customer service.

This audit report contains 18 recommendations that will further enhance OCHA's operational effectiveness and efficiency, primarily through greater use of available technology, organizational restructuring, augmenting program integrity activities, and focusing more resources on programs that can help households on housing assistance make the transition to economic independence. These recommendations include:

- Creating a new Administration & Program Integrity organizational section;
- Transitioning to one Housing Specialist job classification for all program staff;
- Assigning Occupancy cases based on monthly workload rather than by city;
- Directing more resources to the Family Self-Sufficiency program;
- Implementing annual reexaminations by mail;
- Purchasing and implementing an online assistance portal;
- Creating multiple rental submarkets and setting payment standards for each; and

- Contracting with a third-party vendor for initial and periodic background checks.

The complete list of audit recommendations, as well as management responses, can be found on pages 44-51.

The audit team would like to thank OCHA management and staff for their cooperation throughout this process.

II. Introduction

A. Audit Objectives

This performance audit of the Orange County Housing Authority (OCHA) was part of the Office of the Performance Audit Director's Work Plan approved by the Board of Supervisors.

The main objective of this audit was to evaluate the operational performance of OCHA to determine whether management and staff are effective and efficient in accomplishing their business objectives.

B. Scope of Work

The scope of this audit included the key activities of OCHA, which is the public housing agency (PHA) that provides federally funded Section 8 rental assistance, primarily through the Housing Choice Voucher (HCV) Program, to qualified tenants in privately owned rental housing within the 31 cities and unincorporated areas that comprise its jurisdiction¹.

C. Audit Methodology

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that auditors plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. The audit team believes the evidence obtained in this audit provides a reasonable basis for its findings and conclusions.

To achieve the audit objectives, the audit team performed the following audit procedures:

¹ Aliso Viejo, Brea, Buena Park, Costa Mesa, Cypress, Dana Point, Fountain Valley, Fullerton, Huntington Beach, Irvine, La Habra, La Palma, Ladera Ranch, Laguna Beach, Laguna Hills, Laguna Niguel, Laguna Woods, Lake Forest, Los Alamitos, Midway City, Mission Viejo, Newport Beach, Orange, Placentia, Rancho Santa Margarita, San Clemente, San Juan Capistrano, Seal Beach, Stanton, Trabuco Canyon, Tustin, Villa Park, Westminster, and Yorba Linda.

- Reviewed OCHA policies, procedures, and plans;
- Interviewed OCHA staff, supervisors, and managers;
- Conducted a survey of OCHA line staff;
- Observed tenant briefings, eligibility interviews, and case management interviews;
- Researched HUD regulations and requirements;
- Interviewed other PHAs to benchmark OCHA's operations; and
- Analyzed tenant data.

III. Background

A. Housing Choice Voucher Program

The Orange County Housing Authority (OCHA) is a division within Orange County Community Services that provides monthly rental assistance to qualified low-income households through the U.S. Department of Housing and Urban Development (HUD) Housing Choice Voucher (Section 8) program. Under the Housing Choice Voucher (HCV) program, participating households are free to choose any housing that meets the requirements of the program—including single-family homes, townhouses, and apartments—and is not limited to units located in subsidized housing projects. The HCV program is administered locally by public housing agencies (PHAs) such as OCHA. PHAs receive federal funds from HUD to administer the program.

Once a household is deemed eligible and is issued a voucher, the household is responsible for finding a suitable housing unit of the household's choice where the owner/landlord agrees to rent under the program. Rental units must meet minimum standards of health and safety, as determined by OCHA.

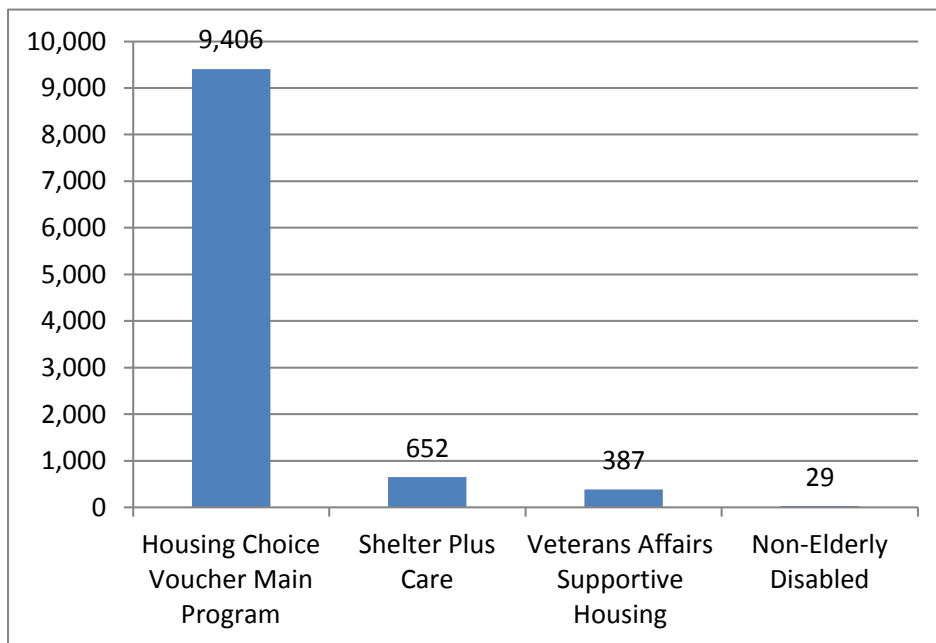
Once OCHA approves an eligible household's housing unit, the household and the owner/landlord sign a lease and, at the same time, the owner/landlord and the PHA sign a housing assistance payments contract that runs for the same term as the lease, which stipulates that the unit must pass the program's housing quality standards and be maintained up to those standards as long as the owner receives housing assistance payments. This means that all three parties—household (tenant), owner/landlord, and the PHA—have obligations and responsibilities under the voucher program.

A housing subsidy, the Housing Assistance Payment (HAP), is paid to the owner/landlord directly by the PHA on behalf of the participating household. The household then pays the owner/landlord the difference between the actual rent charged by the owner/landlord and the amount subsidized by the program. This difference (i.e., the portion of rent for which the household is responsible) is based on the household's income and the payment standards set by the PHA. In general, households pay 30%-40% of their income for rent, and there is no limit to the amount of time that households

are on housing assistance, as long as they continue to qualify. HAPs and payment standards will be discussed in greater detail later in this report.

OCHA administers over 10,000 vouchers, serving approximately 25,000 individuals across 31 cities. While the majority of these vouchers are for the main HCV program, some of these vouchers are for special housing programs², including Non-Elderly Disabled (NED) and Veterans Affairs Supportive Housing (VASH), along with Shelter Plus Care (S+C) certificates. The following chart illustrates the number of active households by program type.

Active Households by Program Type



Source: Orange County Housing Authority
 Note: Includes only active households

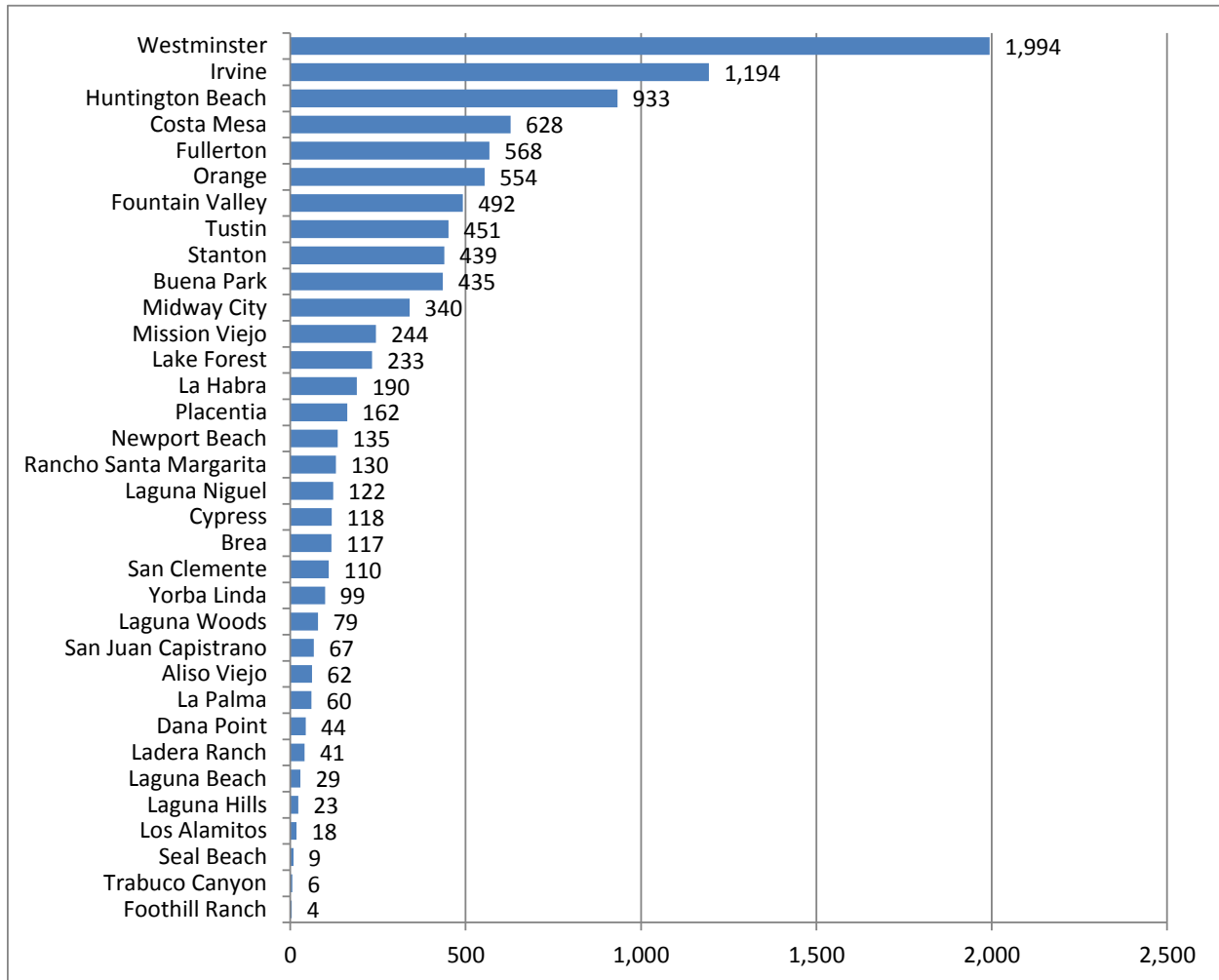
Also, because the program allows households to take their vouchers and move anywhere in the country, as long as the unit is within the jurisdiction of a PHA, OCHA has both households that have “ported out” (i.e., households that have an OCHA-issued voucher living outside OCHA’s jurisdiction) and households that have “ported in” (i.e., households that have vouchers issued by other PHAs and are living within OCHA’s jurisdiction). For households that have ported into OCHA’s jurisdiction, OCHA conducts all activities for that household and receives a reimbursement from the originating PHA for the household’s housing assistance and administrative costs.

OCHA’s jurisdiction includes all the cities and unincorporated areas within Orange County, with the exception of the cities of Anaheim, Garden Grove, and Santa Ana, which have their own PHAs. The

² A brief overview of each of OCHA’s major special housing programs can be found in Appendix B.

following chart shows the number of households receiving assistance by city/area within OCHA’s jurisdiction.

Households by City/Area



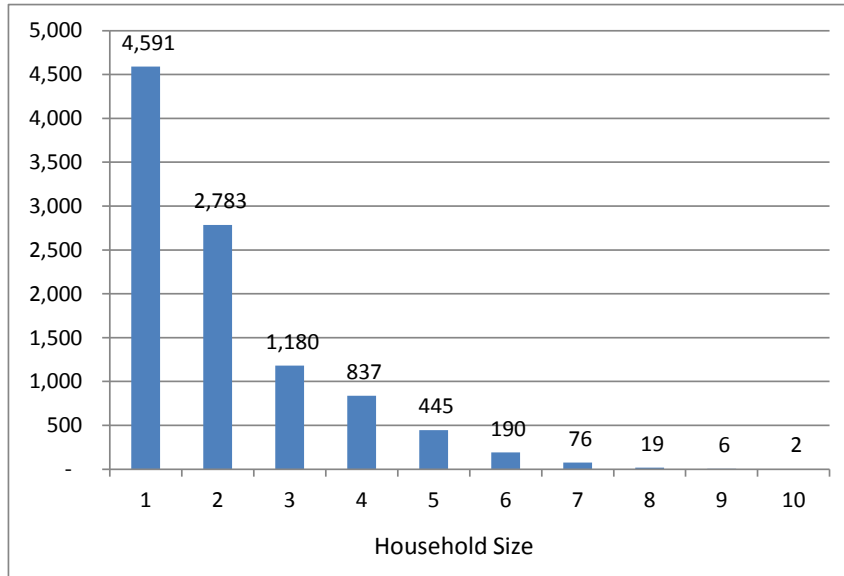
Source: Orange County Housing Authority

Note: Includes only active voucher households; does not include households in the Shelter Plus Care Program and households residing outside OCHA’s jurisdiction

As shown above, the city with the highest number of households receiving housing assistance is Westminster. Together, Westminster and Irvine represent approximately 30% of OCHA’s households.

The following chart shows the number of households by household size (i.e., the number of people that comprise the household), with 45% of all households having only one person and another 27% having only two people.

Households by Size

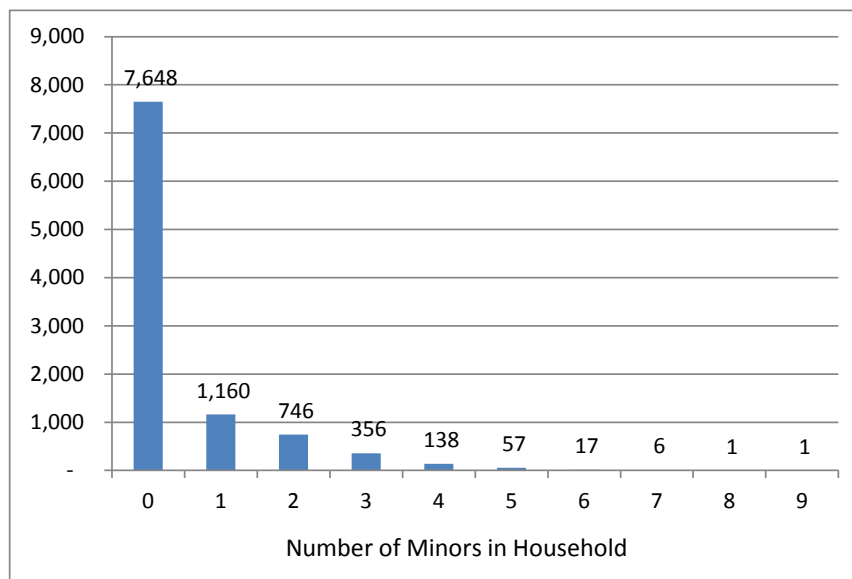


Source: Orange County Housing Authority

Note: Includes only active voucher households; does not include households in the Shelter Plus Care Program and households residing outside OCHA's jurisdiction

The chart below shows the number of households by number of minors, with 75% of all households having no minors.

Households by Number of Minors

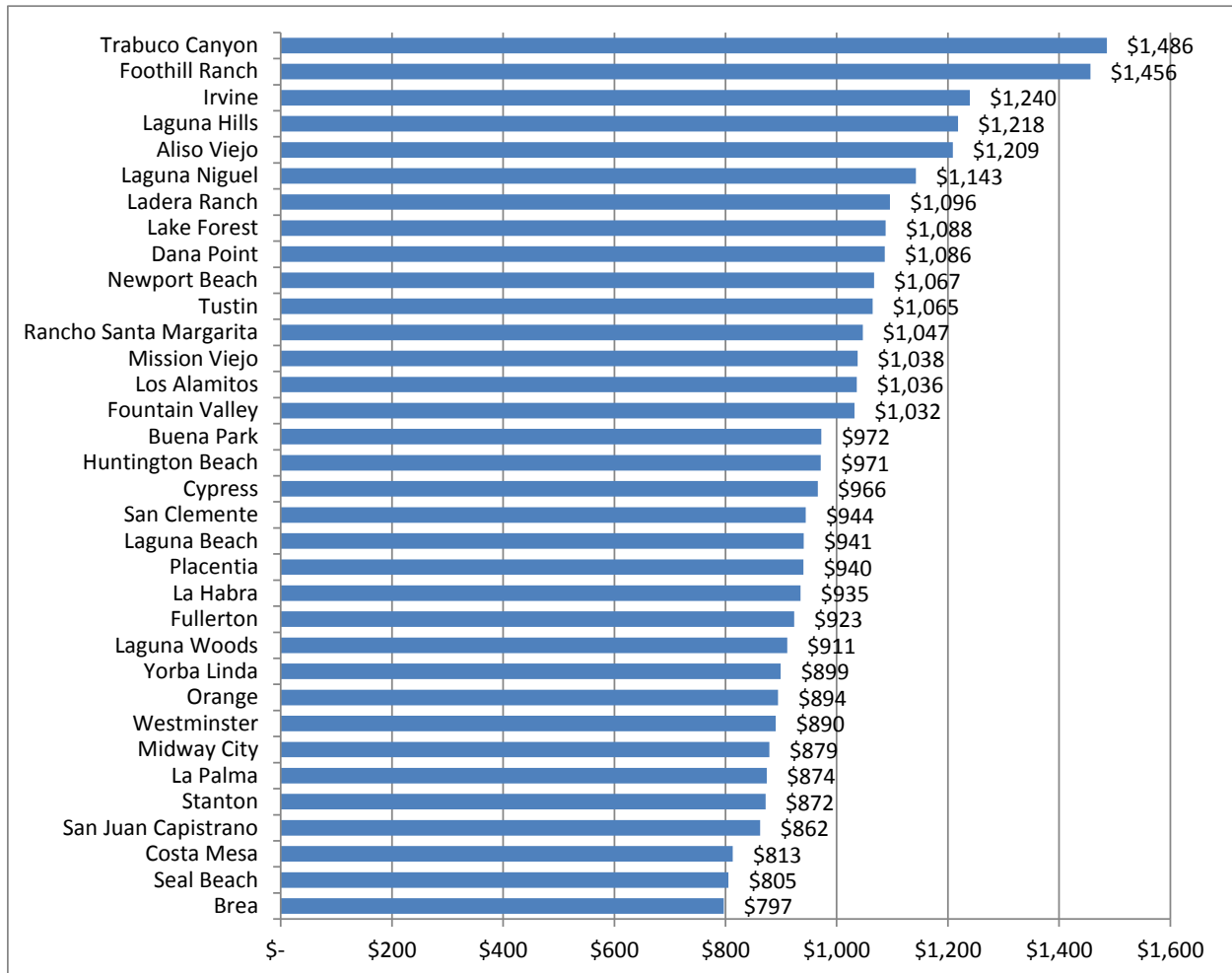


Source: Orange County Housing Authority

Note: Includes only voucher active households; does not include households in the Shelter Plus Care Program and households residing outside OCHA's jurisdiction

The chart below shows the average HAP by city/area.

Average Monthly Housing Assistance Payment (HAP) by City/Area



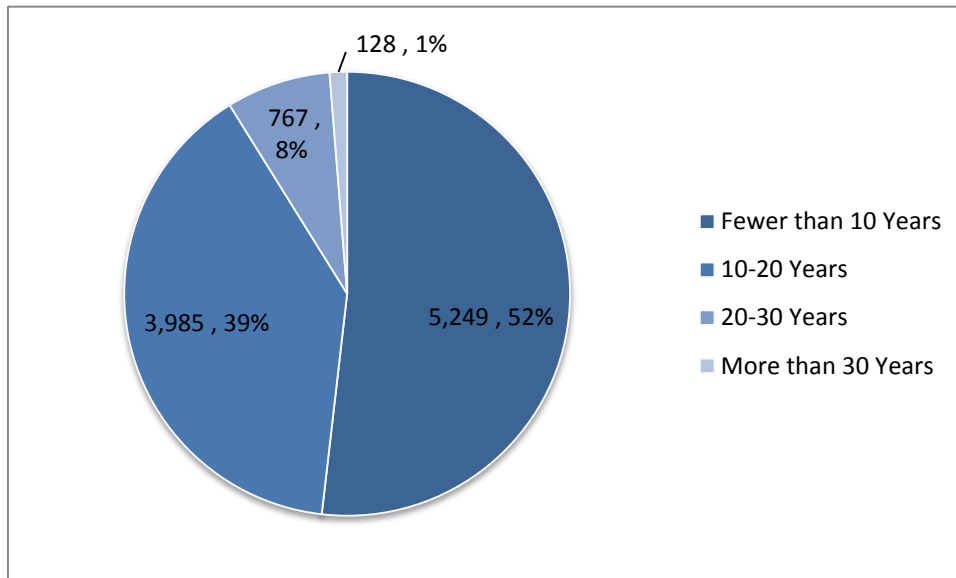
Source: Orange County Housing Authority

Note: Includes only active voucher households; averages do not include households in the Shelter Plus Care Program and households residing outside OCHA's jurisdiction

As shown above, the city with the highest average HAP (Trabuco Canyon) is 86% higher than the city with the lowest (Brea).

The number of years that active households have been on housing assistance can be as high as 30+ years, as shown in the following chart. While the majority of these households have been on housing assistance for fewer than 10 years, nearly half (48%) have been on assistance for 10 or more years.

Years on Housing Assistance



Source: Orange County Housing Authority

Note: Includes only active voucher households; does not include households in the Shelter Plus Care Program and households residing outside OCHA’s jurisdiction

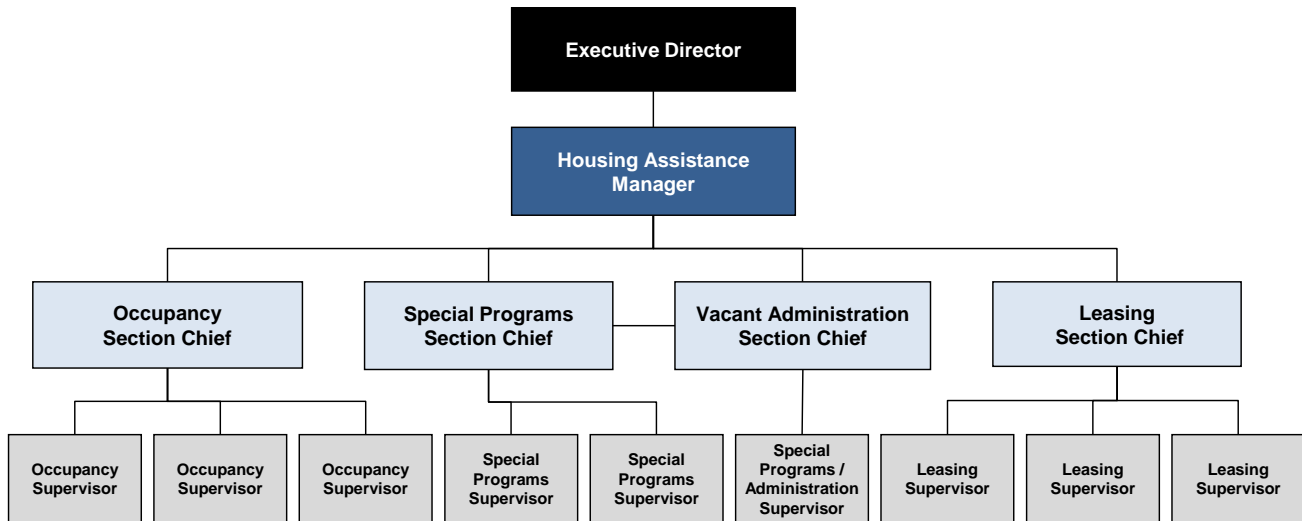
B. Organization, Staffing, and Expenditures

As a public housing agency, OCHA is responsible for determining households’ eligibility, calculating and periodically re-determining households’ rental payments, inspecting housing units, ensuring that rents are reasonable, making subsidy payments to owners/landlords, establishing and maintaining a waiting list, processing tenant moves, conducting owner/landlord and tenant outreach, and reporting to HUD. OCHA completes these activities with 102 employees (not including 10 vacancies) and an annual budget of approximately \$180 million³.

Staff is allocated to three primary sections: Occupancy, which conducts eligibility exams and income certifications; Leasing, which negotiates rents and conducts inspections; and Special Programs. A fourth section, not yet formally established, is responsible for the administrative functions for OCHA. The following is OCHA’s current organizational chart⁴:

³ FY 13-14

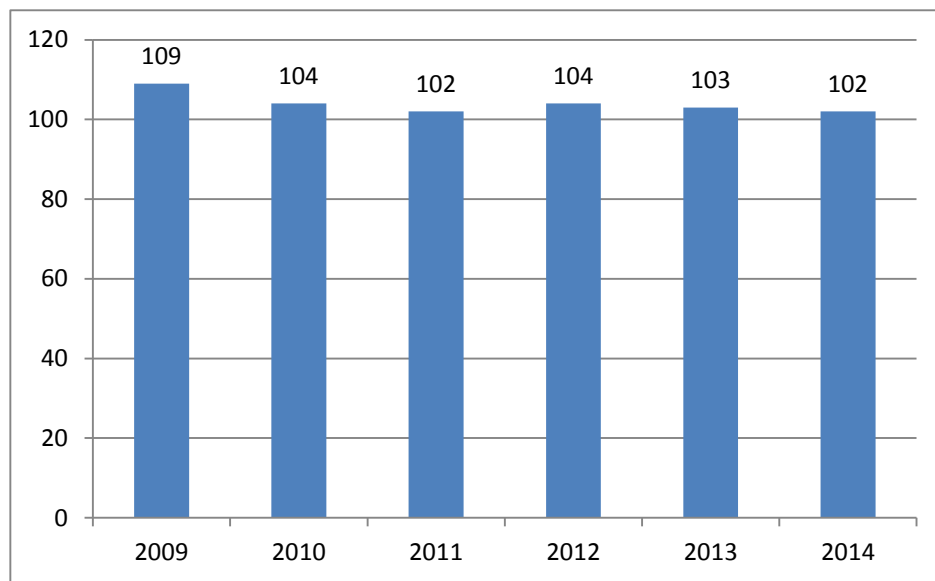
⁴ As of June 2014



OCHA also works with the Auditor-Controller (A-C) for accounting support, OC Community Resources (OCCR) for Information Technology support, and the OC District Attorney (OCDA) for fraud investigations and background checks.

Over the past six years, staffing levels have been relatively stable, with some fluctuations that can be attributed to unfilled vacancies, as shown in the following chart.

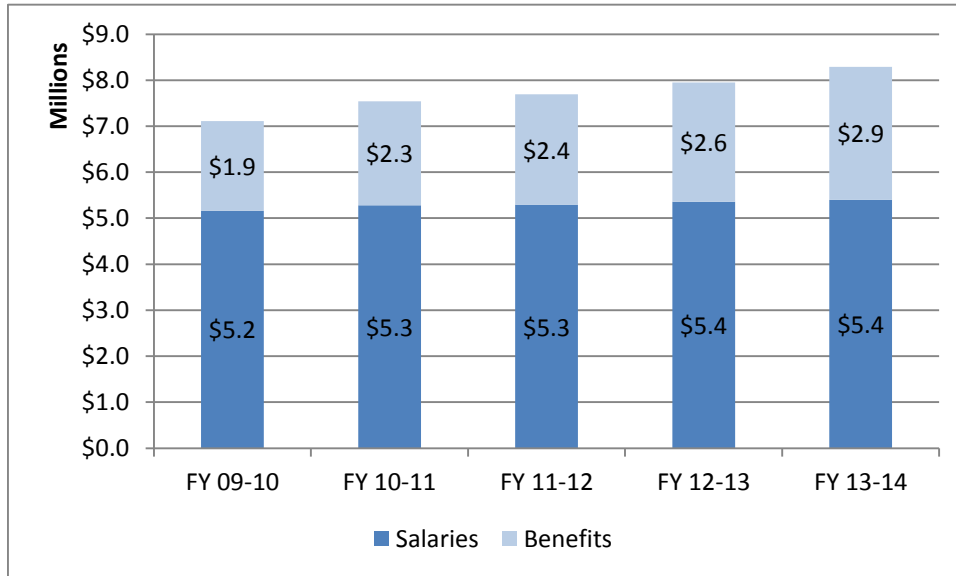
Number of Employees



Source: Orange County Housing Authority

Similarly, Salary & Employee Benefits (S&EB) costs have been relatively stable, with some increase primarily attributed to higher benefits costs.

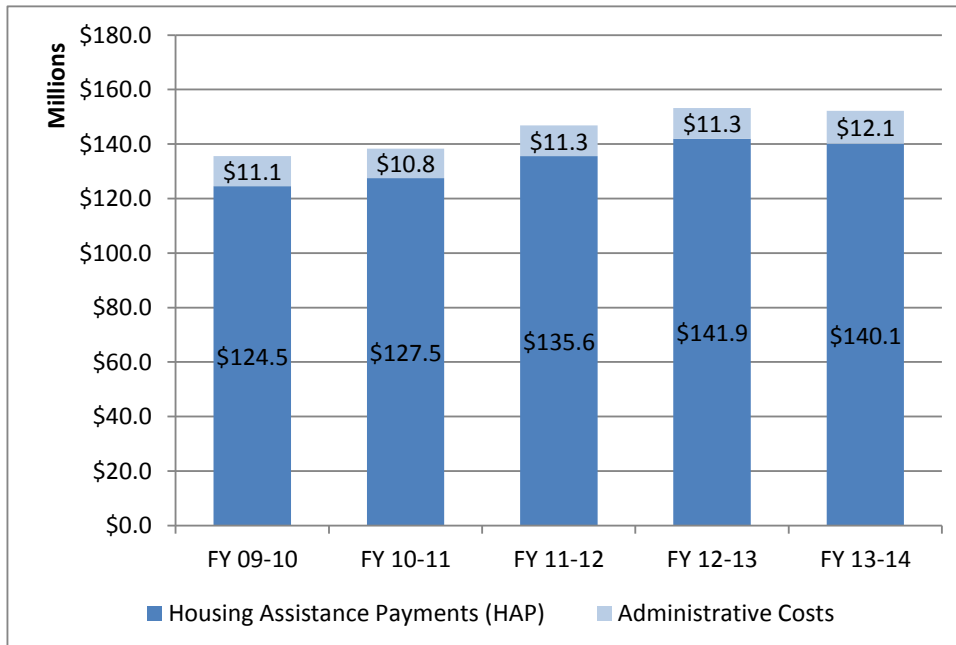
Salary and Employee Benefits



Source: Orange County Housing Authority

HUD provides the funding for HAPs, as well as for OCHA's operations (i.e., administrative costs). The following chart shows OCHA's HAP and administrative expenditures from FY 09-10 through FY 13-14.

Annual Expenditures



Source: Orange County Housing Authority

C. Benchmarking Study

As part of this audit, the audit team conducted a benchmarking study that included seven local PHAs. The following chart provides an overview of the PHAs included in the study.

Public Housing Agency	Population Served (million)	No. Vouchers	No. Public and Authority-Owned Housing Units	HUD Rating
City of San Diego (San Diego Housing Commission)	1.4	15,254	1,800	High Performing
County of San Diego (San Diego Department of Housing and Community Development)	1.8	11,195	121	High Performing
County of Orange (Orange County Housing Authority)	2.2	10,467	0	High Performing
County of San Bernardino (Housing Authority of the County of San Bernardino)	2.1	9,021	2,425	High Performing
County of Riverside (Housing Authority of the County of Riverside)	2.3	8,627	500	High Performing
City of Anaheim (Anaheim Housing Authority)	0.34	6,358	0	High Performing
City of Santa Ana (Santa Ana Housing Authority)	0.33	2,699	0	High Performing
City of Garden Grove (Garden Grove Housing Authority)	0.17	2,337	0	High Performing

Note: Population Served is from the US Census Bureau

IV. Audit Results

A. Organizational Structure and Responsibilities

1. Administration

OCHA's administrative responsibilities are currently allocated to program staff and supervisors in various units across the Special Programs (SP) section. For example, one SP unit is responsible for Reception, the Mail Room, and the File Room but is also responsible for the Shelter Plus Care

(S+C) and Project-Based Voucher (PBV) programs. Another unit in the SP section oversees Grants, Annual Reporting requirements, Informal Hearings, Litigation, Records Requests, and Memoranda of Understanding but is also responsible for the FSS, FUP, and Homeownership programs, as well as Mobility households. Having administrative duties in addition to housing program duties hinders staff's ability to run programs as efficiently and effectively as possible.

To allow for enhanced focus and efficiency, administrative duties such as Grants, Agenda Staff Reports, Reporting, development of Administrative and Annual Plans, Reception, Mail and File Rooms, and administrative duties related to Mobility and Portability should be assigned to an Administration unit under an "Administration & Program Integrity" section.

2. Program Integrity

OCHA recently established a Fraud Referral Committee to review all internal referrals, in an effort to increase consistency and provide clear criteria for internal fraud referrals. Previously, when potential fraud or abuse was identified internally, the decision whether to refer these potential fraud/abuse cases to the Orange County District Attorney (OCDA) for investigation was inconsistent, leading to some frustration among staff looking for action to be taken on their referrals.

This Committee is an effective way to periodically develop policy, set criteria, provide governance, and incorporate the input of staff. However, using the Committee to review all fraud referrals prior to forwarding to OCDA is inefficient because committee members are pulled from their regular duties on a fairly frequent basis. In FY 12-13, for example, OCHA received 207 fraud referrals, ranging from six to 24 per month. Convening a committee to review referrals on a weekly or even monthly basis consumes a significant amount of resources.

One approach offered by HUD for handling claims of fraud is to create a unit that investigates fraud. For OCHA, such a unit could complement the Fraud Referral Committee and would be responsible for conducting desk investigations of claims, making determinations regarding the nature and seriousness of the abuse, identifying appropriate courses of action, participating as a member of the Fraud Referral Committee, coordinating with law enforcement, managing background check requests and results, overseeing informal hearings and litigation, coordinating with accounting staff on repayments, and establishing policies and procedures related to fraud prevention and detection.

The formation of a Program Integrity unit would allow staff assigned to this unit to develop specialized expertise in fraud and prevention of program abuse. It would also enable proactive identification of potential fraud that program staff may have missed. For example, Program Integrity staff could conduct a signature review on a sample of cases to look for potential fraud. The unit could also be responsible for reviewing the files of deceased tenants to ensure that payments

are not being continued to be made.⁵ Finally, having dedicated Program Integrity staff would allow program staff that is currently responsible for program integrity activities to focus on administering housing programs.

Recommendation 1: OCHA management should create a new Administration & Program Integrity section composed of an Administration unit and a Program Integrity unit.

3. Field Representatives

OCHA’s 16 Field Representatives⁶ are assigned to one of three units within the Leasing section of the organization, or the Special Programs section, and have differing responsibilities:

- The Field Representatives in one unit of the Leasing section conduct only annual and Mobility⁷ inspections for the main HCV program; these Field Representatives do not handle rent negotiations, rent reasonableness, leases, and rent increases.
- In the remaining two units within the Leasing section, Field Representatives have responsibilities for rent negotiations, leases, rent reasonableness, and rent increases and initial inspections for the main HCV program.
- Within the Special Programs section, three Field Representatives handle rent negotiations, leases, rent reasonableness, and rent increases and both annual and initial inspections for the S+C, VASH, Non-Elderly Disabled (NED), FUP, and Portability programs.

The following table summarizes these responsibilities.

	Leasing Unit 1	Leasing Units 2 and 3	Special Programs
Initial Inspections		✓	✓
Annual Inspections	✓		✓
Rent Negotiations		✓	✓
Rent Reasonableness		✓	✓
Lease Agreements		✓	✓
Rent Increases		✓	✓

⁵ This activity is currently assigned to an Occupancy Unit Supervisor.

⁶ This does not include two vacant Field Representative positions.

⁷ Mobility inspections are annual inspections conducted on behalf of Garden Grove Housing Authority and Anaheim Housing Authority through a mutual agreement with those PHAs.

As a result of this division of responsibilities, assigned inspection territories overlap among Field Representatives. For example, it is possible for three Field Representatives to be present at a particular housing complex at the same time: one conducting an Annual inspection, one conducting an Initial inspection, and one conducting a Special Housing Program inspection.

According to OCHA, the decision to split Field Representative responsibilities in this way was in part based on a need to ensure that annual inspections of units are conducted within HUD-required timeframes (i.e., within 12 months of the previous Annual inspection). Historically, there was a period of time during the late 1990s/early 2000s that OCHA was allocated an additional approximately 2,000 vouchers and found itself behind on annual inspections. In order to catch up, OCHA outsourced annual inspections for a period of about 18 months. When a cost analysis showed that using internal staff for inspections was more cost effective, OCHA brought annual inspections in-house but segregated annual inspections into one unit. The rationale for having separate Field Representatives conduct leasing and inspection activities for Special Programs is the concern that high-priority inspections, such as those that must be conducted within a day, would not receive priority should the Leasing section take over responsibility for these types of inspections. For example, an Initial inspection for a household porting into OCHA's jurisdiction is often time-sensitive because the household may not currently be residing locally and must quickly organize its move.

A recent change in HUD requirements will alleviate some of the time pressure associated with meeting HUD inspection deadlines for annual inspections. Effective July 1, 2014, HUD began allowing PHAs to conduct biennial rather than annual inspections. In addition, although a legitimate concern, prioritizing certain types of inspections such as those for households porting into OCHA's jurisdiction should be addressed by supervisors (i.e., it should be the responsibility of supervisors to ensure that high-priority inspections are conducted within a pre-determined standard and that all Annual inspections are conducted on time).

Recommendation 2: OCHA management should move Field Representatives that are currently in the Special Programs section to the Leasing section of the organization.

In addition to consolidating all Field Representatives into the Leasing section, Field Representatives should become leasing and inspection "generalists," conducting every type of inspection (i.e., Initial, Annual, Portability, Mobility, Reasonable Accommodation, NED, VASH, Family Reunification Program, and S+C) and conducting rent negotiations, performing rent reasonableness reviews, entering into lease agreements, and processing rent increases. Reasons for this include the following:

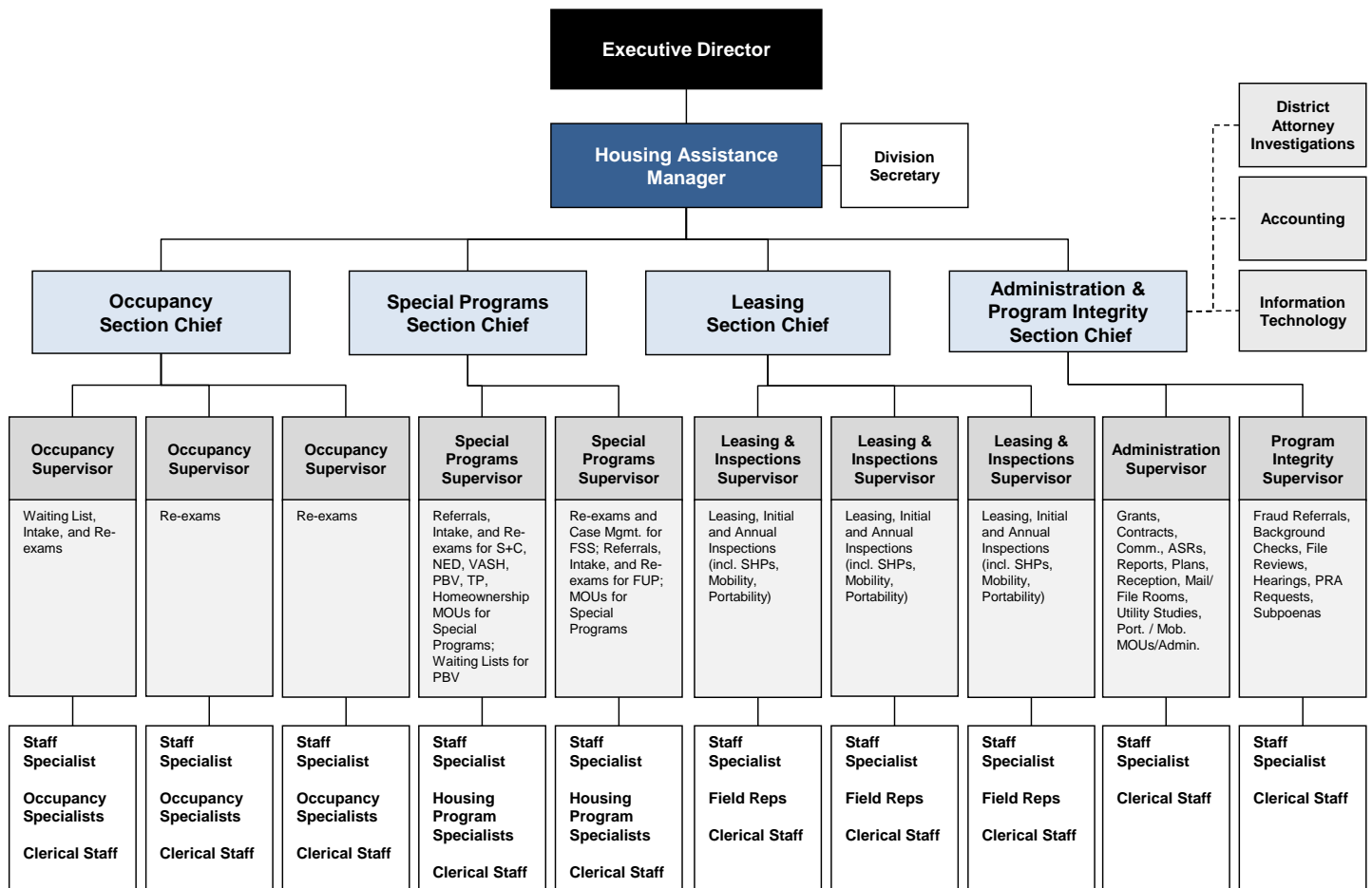
- Only one Field Representative would need to be assigned to a particular geographic territory, preventing territory overlap and creating smaller-sized territories so that Field Representatives will drive shorter distances from one inspection to another;

- There would be greater equality among Field Representatives. Among Field Representatives, those that conduct only annual and Mobility inspections and do not handle rent negotiations, rent reasonableness, leases, and rent increases are viewed as having easier jobs than Field Representatives conducting initial inspections, Special Housing Program inspections, and handling rent negotiations, rent reasonableness, leases, and rent increases. A staff survey conducted by the audit team revealed that Field Representatives, when asked to what extent they agreed with the statement “Workload is fairly distributed,” rated this statement a 3.7 on a scale of 1 to 10, with 1 being Strongly Disagree and 10 being Strongly Agree;⁸ and
- Field Representatives who are currently conducting only Annual and Mobility inspections do not have experience conducting other Leasing activities, and therefore, cannot easily backfill Field Representatives in the other units, if needed.

Recommendation 3: OCHA management should reassign responsibilities so that each Field Representative conducts all types of inspections (e.g., Initial, Annual, Portability, Mobility, Reasonable Accommodation, NED, VASH, FUP, and Shelter Plus Care inspections) and performs leasing activities (e.g., calculate and negotiate rent, assess rent reasonableness, develop and execute leases, and process rent increases).

The following is a high-level organizational chart for OCHA that reflects the recommendations in this section of the report:

⁸ In contrast, when asked the same question, Occupancy Specialists and Housing Program Specialists rated this statement a 6.5 and 5.0, respectively.



B. Staffing

1. Job Classifications

Approximately 57% of OCHA’s current staff is in one of three job classifications: Occupancy Specialist (I and II), Field Representative, or Housing Program Specialist II.

- Occupancy Specialists conduct initial eligibility (intake) and ongoing eligibility (annual and interim reexaminations⁹).
- Field Representatives conduct inspections of housing units and coordinate with owners/landlords to calculate rent portions and execute agreements.

⁹ A reexamination, also known as a recertification, is the process of updating and verifying household information, such as income and composition. HUD requires most PHAs to conduct annual reexaminations. In addition to annual reexaminations, OCHA conducts an interim reexamination when households report changes mid-year.

- Housing Program Specialists, whose primary responsibility is to conduct initial and ongoing eligibility for households on special housing programs (e.g., S+C, VASH, and FSS).

The following chart shows the differences in pay among the three job classifications:

	Hourly Min	Hourly Max
Occupancy Specialist II	\$17.12	\$22.96
Field Representative	\$18.02	\$24.20
Housing Program Specialist II	\$18.55	\$24.86

These differences in job classification and pay, as well as high workload demands and disparities in responsibilities within a classification, contribute to the dissatisfaction experienced by some OCHA staff. For example, there is a perception that Field Representatives receive higher pay despite a lower workload than Occupancy Specialists.

For at least the past 15 years¹⁰, there has not been an update made to Occupancy Specialist or the Housing Program Specialist job classification specifications; and for the past 27 years, there has not been an update to the Field Representative job classification specification. Over the years, job duties of these job classifications have evolved. For example, Occupancy Specialists must understand increasingly complex rules and regulations, use federal databases such as the Enterprise Income Verification (EIV) System in their day-to-day operations, as well as use an increasing level of judgment in determining eligibility.

Like the majority¹¹ of PHAs included in the audit’s benchmarking study, OCHA operates using a specialized functions model. OCHA’s primary specialized functions are Occupancy (intake/initial eligibility and reexaminations/ongoing eligibility) and Leasing (rent negotiations, rent calculations, leases, agreements/contracts, rent increases, and inspections).

However, a key difference between OCHA and these PHAs is that OCHA operates its main HCV program with two different job classifications, while all other PHAs included in the audit’s benchmarking study utilize one job classification for occupancy, leasing, and special programs

¹⁰ About 15 years ago, OCHA transitioned to primarily one Occupancy Specialist classification (Occupancy Specialist II) rather than two (Occupancy Specialist I and Occupancy Specialist II).

¹¹ The exception is Santa Ana Housing Authority (SAHA), which utilizes “generalist” housing staff who perform the full span of duties, including intake, reexaminations, leasing, and inspections; however, SAHA recently assigned two housing staff to focus on inspections, which is a move toward a specialized functions model.

activities¹². Having staff of varying job classifications and pay grades leads to challenges in allocating workload and reassigning duties based on business needs. For example, currently, OCHA reassigned two Field Representatives to the Occupancy section to help alleviate the high workload. However, because of the higher classification of Field Representatives, OCHA management had to give the two Field Representatives additional job duties to justify the higher classification. With only one job classification, workload could be reassigned more easily.

Given these challenges and the overall evolution of duties, OCHA management should work with County Human Resource Services (HRS) to plan and implement the transition to one job classification.

Recommendation 4. OCHA management should request that Human Resource Services (HRS) establish— and support OCHA in the transition to— one Housing Specialist job classification to replace the current Occupancy Specialist, Housing Program Specialist, and Field Representative classifications.

2. Workload

OCHA is required to reexamine the income and composition of HCV households at least annually. The annual reexamination determines the continued eligibility of the household and establishes the HAP to be made on behalf of the household. The timing of an annual reexamination is based on the household's anniversary date¹³. On an annual basis, each Occupancy Specialist carries a caseload of approximately 430, and cases are assigned primarily by city.¹⁴ One reason OCHA assigns cases by city is to help tenants and reception staff identify a tenant's caseworker (i.e., Occupancy Specialist). Because OCHA's reexamination caseloads are currently allocated on an annual basis and assigned by city, the number of cases can vary each month, with some Occupancy Specialists carrying a low caseload in any particular month while other Occupancy Specialists carry high caseloads that same month.

A review of annual reexaminations¹⁵ slated for each month for the period August 2014 through June 2015, shows that for the month of September, the Occupancy Specialist assigned to the cities of

¹² The Housing Authority of the County of Riverside uses the same job classification for occupancy and leasing activities but a lower classification for inspections; the Housing Authority of the County of San Bernardino outsources its inspections.

¹³ The reexamination anniversary date, as defined in OCHA's Administrative Plan, is defined as 12 months from the effective date of the household's last annual reexamination or, during a household's first year in the program, from the effective date of the household's initial admission.

¹⁴ For cities with a high number of assisted households, cases assignments are then made based on last name. There may also be case assignment adjustments made based on language.

¹⁵ Annual reexamination caseload is the primary factor in determining workload for an Occupancy Specialist.

Aliso Viejo and Irvine (Last Names A-G) has a caseload of 24 reexaminations, while the Occupancy Specialist assigned to the cities of Costa Mesa and Dana Point has a caseload of 53 reexaminations. The following chart illustrates a hypothetical example of how two Occupancy Specialists can have the same annual caseload but on a monthly basis have very different workloads.

	Occupancy Specialist A (City A)	Occupancy Specialist B (City B)
January	60	10
February	65	20
March	35	20
April	30	35
May	35	45
June	45	70
July	20	65
August	20	65
September	10	50
October	35	30
November	50	30
December	55	10
Total Annual	450	450

Due to the current method of assigning cases (i.e., assigning cases by city and looking at caseload on an annual basis), supervisors must adjust workloads for the Occupancy Specialists in their units each month in an effort to make workloads reasonable and equitable. Not only is this a burden for supervisors from a workload standpoint, this monthly reassignment of cases is detrimental to the “customer experience” (i.e., the tenant’s/household’s experience). For example, typically, the assigned Occupancy Specialist conducts all annual and interim reexaminations for a household and, as the household’s designated “caseworker,” handles any Occupancy-related issues for that household. However, if that particular Occupancy Specialist has an unusually high workload during the month of this household’s annual reexamination, a supervisor may reassign the reexamination to another caseworker/Occupancy Specialist for the annual reexamination only. If the household has issues or changes later in the year, the household would still contact its regular Occupancy Specialist.

Assigning cases by city makes sense for Field Representatives who benefit from familiarity with a particular rental market and efficiencies gained from having defined territories, but there is not a

similar logic for Occupancy Specialists. Furthermore, unlike inspections,¹⁶ a household's reexamination date is based on its anniversary date, and therefore does not generally change every year. Also, using an available database, reception staff can easily query a database to identify a household's assigned Occupancy Specialist rather than relying on a list by city. Furthermore, should OCHA invest in Assistance Check, which will be discussed later in this report, households may be able to look up their assigned Occupancy Specialists on their own and always have updated Occupancy Specialists assignment information.

Recommendation 5. OCHA management should assign Occupancy cases based on monthly workload and other factors such as anticipated case complexity.

C. Special Housing Programs

1. Family Self-Sufficiency Program

OCHA's mission states that the organization is "to provide safe, decent, and sanitary housing conditions for low-income, very low-income, and extremely low-income households and to manage resources efficiently" and that it "promotes personal, economic and social upward mobility to provide households the opportunity to make the transition from subsidized to non-subsidized housing." Despite this mission, OCHA's ability to affect a transition from subsidized to non-subsidized housing for its program households is limited to its Family Self-Sufficiency program (FSS).

The FSS program is the main federal program for increasing employment and earnings and reducing reliance on government subsidies among recipients of housing subsidies. Created by HUD in 1990, the program supports assisted households by helping them obtain the skills necessary to achieve self-sufficiency. Under this program, HCV households primarily receive support in the form of 1) case management through meetings with FSS Coordinators, 2) referrals to services through local partnerships with employers, nonprofit organizations, and other providers in the community, and 3) reimbursements for qualified expenses related to education, transportation (e.g., bus passes and car repairs), and child care.

As part of the program, OCHA's FSS participants are required to sign a five-year Contract of Participation, develop an Individual Training and Services Plan that identifies the participant's

¹⁶ For inspections, HUD requires that annual inspections are conducted within 12 months of the last inspection, not within 12 months of the effective date of the household's last reexamination (note: as of July 1, 2014, this requirement was changed to 24 months).

goals to accomplish by the end of the five-year contract duration and attend bi-annual¹⁷ case management reviews with an FSS Coordinator. OCHA also requires that participants attend three mandatory workshops and select two additional workshops to attend. Currently, the three mandatory workshops¹⁸ are related to finances: “Homebuyer Education,” “Understanding Credit Reports & Scores,” and “Balancing Personal Finances.” There are no required job readiness workshops (e.g., resume writing, interviewing skills).

An additional benefit to households that participate in the program is the establishment of an “escrow” account for the household. This interest-bearing account is credited when a household’s earned income increases; essentially, as a household’s income increases due to job skills training and attainment of education/certifications, for example, the amount that OCHA “saves” in reduced HAP¹⁹ for the household is deposited into the escrow account²⁰. Once participants “graduate” from the FSS program (i.e., participants achieve their agreed upon goals), participants will receive a check for the balance in their escrow accounts, tax-free. It is important to note that “graduating” from the FSS Program does not mean that the household has reached a level of income that allows them to transition from housing assistance (i.e., “self-sufficient”). Rather, graduating means that the household has met its previously established goal, be it attainment of higher education or securing a job, for example.

Of the 85 participants that entered the program between FY 08-09 and April 2010 (i.e., those who entered the program approximately five years ago), only six (7.1%), have “graduated.” In sum, the amount of escrow savings that the six participants received is approximately \$67,500, with a low of approximately \$3,500 and a high of approximately \$26,400.

Despite the low number of FSS program graduates, OCHA has been able to exceed its “mandatory slots.” OCHA received additional HCV program vouchers in exchange for its commitment to HUD to enroll an equal number of households in the FSS program. The number of mandatory slots decreases as FSS participants exit the program. The chart below illustrates FSS enrollment from FY 08-09 through FY 12-13.

¹⁷ HUD requires PHAs to conduct case management reviews for FSS participants at least annually; OCHA’s policy is to conduct these reviews every six months or more frequently depending upon the household’s level of need.

¹⁸ Consumer Credit Counseling Service of Orange County Summer Workshops.

¹⁹ The Housing Assistance Payment (HAP) is the portion of a tenant’s rent that OCHA pays directly to owners/landlords on behalf of the tenant.

²⁰ The actual amount credited to a household’s escrow account is based on HUD-mandated formula references in HUD Form 52652.

	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13
No. of Mandatory FSS Slots	250	250	229	215	201
No. of FSS Households Enrolled	269	269	250	254	218
% Mandatory Slots Filled	107.6%	107.6%	109.2%	118.1%	108.5%

Currently, there are approximately 250 households in OCHA's FSS program. Recently, OCHA began participating in a national evaluation of the effectiveness of a variety of FSS programs in a diverse set of cities and local contexts. This HUD study requires OCHA to enroll 100 new FSS participants, and therefore, promotion of the program has been elevated.

HUD provides funding for the salary of FSS Coordinators (i.e., Housing Program Specialist II positions that are dedicated to the FSS program), but other services related to the program are not specifically funded by HUD. Reimbursements for qualified expenses are funded through administrative cost reserves, and other activities such as OCHA's annual FSS participant holiday party are made possible through OCHA staff's own fundraising efforts (e.g., bake sales, rummage sales). With regard to fundraising, the Housing Authority of the County of Riverside not only conducts fundraising events such as bowl-a-thons but also seeks and obtains private donations so that it can provide added benefits to the FSS program such as scholarships and loans.

As the primary means for OCHA to help households transition to economic independence, and with no limit to the number of households that can participate in the FSS program, OCHA should direct more resources to the FSS program. Based on observations, interviews, and benchmarking study, the audit team has identified the following opportunities to augment the current FSS program:

- Provide at least 10 hours of case management training for each FSS Coordinator. Currently, there are no requirements for FSS Coordinators to either have a background or training in case management,²¹ despite responsibilities that are very similar to the County's Social Worker job classification (e.g., counsel clients and use motivational techniques to encourage clients to pursue employment and retain employment, assist clients in analyzing their strengths to plan problem resolution and formulate individualized and mutually agreed upon employment plans that comply with regulations, and monitor and evaluate client progress in achieving employment plan goals; assist client in redefining and altering the plan as needed). In the past, OCHA has sent staff to Family Self-Sufficiency program training

²¹ OCHA has three FSS²¹ Coordinator positions which are of the Housing program Specialist II job classification, and the job duties listed in the current specification describes a position that is responsible for the administration of housing programs – not a position that conducts case management.

organized by Nan McKay and Associates, Inc., but the curriculum for the 3-day training typically has limited coverage of case management²².

- Revise the current list of required workshops to include at least three job readiness workshops. OCHA should work with local non-profits to identify job readiness workshops such as interviewing and resume writing to augment the current list of finance-focused required workshops.
- Establish an annual 4-hour FSS participant meeting/workshop. An annual workshop would be an opportunity for OCHA to foster a sense of community and pride among participating households. The meeting could feature motivational speakers, spotlight presentations by former FSS participants who have transition to economic independence, and include participation from local non-profit organizations and educational institutions.
- Seek private donations, with a target of raising \$5,000 in its first year. There may be an opportunity to increase financial support for participants by seeking private donations for scholarships and loans, or for financial support of program events.
- Apply for the maximum funding, for which OCHA qualifies, through future Notices of Funding Availability (NOFAs) for Family Self-Sufficiency Program Coordinators. As OCHA increases the number of FSS participants, it will need additional FSS staff resources. During the most recent NOFA, OCHA applied for only one additional FSS Coordinator, despite qualifying for more.²³

Recommendation 6. OCHA management should direct more resources to the Family Self-Sufficiency (FSS) program to achieve higher outcomes by: a) providing at least 10 hours of case management training for each FSS Coordinator, b) revising the current list of required participant workshops to include at least three job readiness workshops, c) establishing an annual 4-hour FSS participant meeting/workshop, d) seeking private donations, with a target of at least \$5,000 in its first year of fundraising, and e) applying for the maximum number of FSS Coordinators for future FSS Notices of Funding Availability.

2. Project-Based Voucher Program

The Project-based Voucher (PBV) Program is a discretionary component of the HCV program. The key difference between the regular HCV Program (i.e., a tenant-based program) and the PBV Program is that Project-Based Vouchers are allocated to the unit rather than the tenant. The PBV program is challenging for OCHA to administer because vouchers often have very specific tenant

²² The 2014 Agenda has 1.5 hours dedicated to case management.

²³ PHAs typically qualify for two full-time coordinators for the first 25 participants; then one full-time coordinator for every 50 participants. OCHA currently has 230 participants and three coordinators. With the HUD FSS Study, the number of participants will increase to approximately 380.

requirements, especially those that have special needs requirements. For example, OCHA's third project, Cotton's Point, which is currently in the process of leasing up, requires that applicants must either be 1) elderly, Mental Health Services Act eligible, and homeless or have At Risk of Homelessness status; or 2) elderly and receiving or in need of 20 hours or more of weekly personal care under In-Home Supportive Services.

The amount of resources required to administer PBVs can be high. To lease up units for past Project-Based Vouchers, OCHA first searched the current tenant-based waiting list for potentially qualified applicants and mailed outreach letters, including to those who had indicated interest in PBVs. Because the application does not, and cannot, ask for specific details such as mental illness, the initial population of potentially qualified applicants was large. For example, for one PBV project, OCHA mailed approximately 2,000 outreach letters; for a second project, OCHA mailed approximately 4,000 outreach letters. Interested households were required to complete an interest/application form and submit it either via fax or email; responses were then screened and processed by staff²⁴. For its third, Cotton's Point, OCHA opened a separate waiting list after outreach to the existing list of 50,000 applicants did not result in enough qualified tenants. Moreover, the lease-up of PBV Program units often requires partnering with the County's Health Care Agency (HCA), which must certify that potential tenants qualify from a health standpoint.

HUD requires that all applicants currently on the PHA's regular HCV (i.e., tenant-based) waiting list must be provided with the option to have their names placed on any and all open waiting lists, including Project-Based waiting lists, that the PHA maintains for assisted housing.²⁵ However, PHAs do not have to notify applicants on the tenant-based waiting list by individual notice. A PHA can notify these applicants by the same means it would use in opening its tenant-based waiting list, which includes advertising through local and minority newspapers, its website, and local postings at post offices, libraries, and community centers. Including postage, staff time required to search the tenant-based waiting list, create/print the outreach letters, and process outgoing and incoming mail, the administrative cost of OCHA's outreach for its first two PBV opportunities—not including—was approximately \$4,500²⁶, a cost that can be avoided in the future.

²⁴ For the first PBV project, responses were received by HCA directly; for the second, OCHA received responses before passing them on to HCA for certification.

²⁵ 24 CFR 983.251.

²⁶ Assuming 6,000 outreach letters, postage rate of \$0.46 per letter, printing cost of \$0.02 per letter, 50 hours of clerical staff time, S&EB cost of \$53,441.78 per clerical staff person (based on average S&EB of current Office Technicians positions), and 1,664 productive hours per year.

Recommendation 7. OCHA management should cease sending individual outreach letters for future Project-Based Voucher opportunities, and instead, advertise the Project-Based Voucher waiting lists via the Orange County Housing Authority website and other locations (e.g., websites of and postings at OCHA's community partners), as appropriate.

D. Waiting List

Prior to the opening of the waiting list in 2012, the last time OCHA accepted applications for housing assistance was in 2005. The 2005 waiting list included approximately 18,000 applicants. Following outreach efforts in partnership with various community organizations, the 2012 waiting list resulted in almost three times the number of 2005 applicants - approximately 50,000. About half of the 2012 waiting list are "non-members" (i.e., applicants outside of OCHA's jurisdiction), a high proportion compared to the 2005 waiting list. And, for the first time, the percentage of applicants applying online far exceeded the percentage of hard copy applications received.

For the 2012 waiting list, OCHA elected not to require applicants to apply online, concerned that some applicants did not have computer access. As the population of households seeking housing assistance becomes more familiar with use of the Internet and technology, OCHA should consider eliminating paper applications completely, which would eliminate the administrative cost of hiring Extra Help (approximately \$14,000 for the 2012 waiting list) to manually key information from paper applications into the online system. Doing so can also result in data entry errors. An online-only application process would also be more conducive to having the application available in different languages, and OCHA could make certain questions mandatory so that it does not receive any incomplete applications (and consequently need to expend resources to collect missing information).

The Santa Ana Housing Authority (SAHA) plans on opening its waiting list this year and will only be accepting online applications, and for its continuously open waiting list, the County of San Diego's Department of Housing and Community Development only mails paper applications when requested by applicants.

To address concerns about computer access and literacy, OCHA can work with community partners to make computers available for public use and consider purchasing a kiosk for the OCHA office reception area that can be used by the public to submit an application.

Recommendation 8. For future Housing Choice Voucher waiting lists, OCHA management should require applicants to complete online applications.

E. Annual Reexaminations

As discussed previously, OCHA is required to reexamine each household's income and composition at least annually and to make any required adjustments to the household's level of assistance. For annual reexaminations, OCHA requires households to attend an in-person reexamination interview but, at its discretion, may allow households to participate in the annual reexamination process via phone or by mail. Such accommodations were made only for elderly and/or disabled households by request, but recently, in an effort to address issues related to heavy staff workloads, OCHA made the decision to conduct mail-in reexaminations for its approximately 3,000 elderly and/or disabled households.

A key difference between OCHA and the PHAs included in the audit's benchmarking study that are most comparable to OCHA in number of vouchers is that these PHAs conduct their annual reexaminations primarily by mail, whereas OCHA conducts mostly in-person reexaminations. The following chart compares OCHA and these PHAs.

Public Housing Agency	No. Vouchers	Type of Annual Reexamination
City of San Diego (San Diego Housing Commission)	15,254	Mail
County of San Diego (San Diego Department of Housing and Community Development)	11,195	Mail
County of Orange (Orange County Housing Authority)	10,467	In-Person
County of San Bernardino (Housing Authority of the County of San Bernardino)	9,021	Mail
County of Riverside (Housing Authority of the County of Riverside)	8,627	Mail

As shown above, among the largest PHAs (based on number of vouchers), OCHA is the only PHA that primarily conducts in-person annual reexaminations.

Conducting reexaminations in person does allow PHAs to have a dialogue with households and help connect households to supportive services; and, it can help discourage program abuse. However, mail reexaminations are generally more convenient for households, allow for increased operational efficiency, and are less of a workload burden for staff. For example, for an in-person reexamination, an Occupancy Specialist spends approximately 30 minutes conducting an interview with a household, which does not include staff time needed to schedule appointments, check in households arriving for their appointments, contact the assigned Occupancy Specialist, escort households to Occupancy Specialists' offices for the interview and back to reception following the

interview, and handle no-shows. During the interview itself, the Occupancy Specialist primarily obtains paperwork and signatures from the household. Following the interview, the Occupancy Specialist spends time reviewing documents, conducting verifications, and entering data into its housing software system (Housing Pro). Conservatively, if an annual mail reexamination reduces an Occupancy Specialist's time spent on a reexamination by 20 minutes in comparison to an in-person reexamination, this would save OCHA an estimated \$89,000 in staff time per year.²⁷ This administrative cost savings can be reallocated to other duties such as program integrity or the Family Self-Sufficiency program.

For OCHA, another factor that should be considered is its current facility. OCHA's office located at 1770 Broadway is not "public-friendly" due to the lack of sufficient parking. Furthermore, conducting in-person reexaminations requires adequate space to conduct the reexamination interviews, and according to OCHA management, they are at capacity within the building and will have trouble increasing the number of staff if needed in the future.

Recommendation 9. OCHA management should implement annual reexaminations by mail.

F. Online Assistance Portal

An online assistance portal would allow OCHA to enhance the mail reexamination process. The online assistance portal offered by HAPPY Software, Inc., whose housing system, Housing Pro, is utilized by OCHA, is called AssistanceCheck. AssistanceCheck automates much of the reexamination process by enabling households to complete required forms such as the Tenant Information Form online. This increases process efficiency in that Occupancy Specialists do not have to enter this same household data into the Housing Pro system. If using AssistanceCheck for annual reexaminations decreases the time Occupancy Specialists spend on data entry by 20 minutes, OCHA would save an estimated \$89,000 in staff time annually.²⁸ Use of AssistanceCheck would also decrease OCHA's and households' spend on postage.

In addition to annual reexaminations, OCHA conducts interim reexaminations. Interim reexaminations are not required by HUD but allow OCHA to adjust households' level of assistance to better reflect actual circumstances (e.g., when there are income changes, household composition changes). For example, OCHA's policy states that households "must inform OCHA of the birth, adoption or court-awarded custody of a child within 15 calendar days." When such a change to

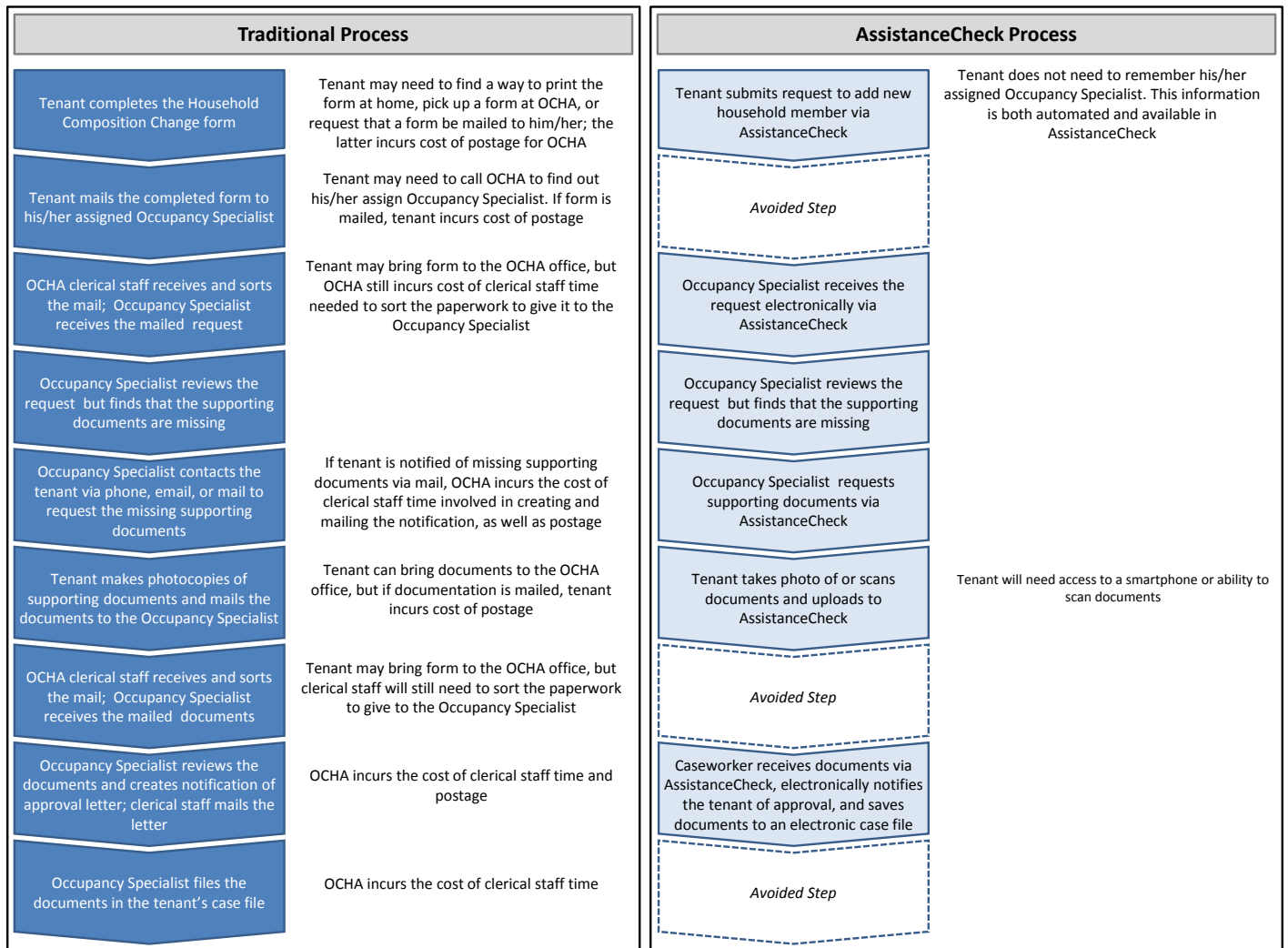
²⁷ Assumptions: 6,500 Housing Choice Vouchers (main program, non-elderly/disabled/fixed income) requiring annual reexaminations, annual average Occupancy Specialist Salary & Employee Benefits cost of \$68,182.93, 1,664 productive hours per year.

²⁸ Assumptions: 6,500 Housing Choice Vouchers (main program, non-elderly/disabled/fixed income) requiring annual reexaminations, annual average Occupancy Specialist Salary & Employee Benefits cost of \$68,182.93, 1,664 productive hours per year.

household composition occurs, OCHA conducts an interim reexamination to determine any changes to the household's level of assistance.

Currently, OCHA is heavily reliant on mail for the reporting and verification of household changes (e.g., for interim reexaminations). Tenants submit forms via mail, and OCHA sends various request and notifications to households via mail. The use of mail to process such changes can be costly in several ways. Mail is more difficult to track (i.e., staff may lose paperwork), incurs the cost of clerical staff time to sort and create, and incurs the cost of postage for OCHA and sometimes the household.

AssistanceCheck allows tenants to electronically report income and household status changes, eliminating steps from the interim reexamination process, lessening staff workload. The following diagram depicts a scenario in which a tenant is requesting the addition of a new baby to the household. The traditional process is shown on the left; the process which utilizes AssistanceCheck is shown on the right.



As shown above, utilizing technology such as AssistanceCheck increases process efficiency due to a decreased need for clerical processing of mail and filing of documents. With an average clerical staff salary & employee benefits (S&EB) cost of approximately \$53,000²⁹, OCHA would increase process efficiency by \$53,000 for each full-time equivalent. Staff that is currently processing mail could be reassigned to higher value activities such as the imaging of documents for electronic case files (electronic case files will be discussed later in this report).

In addition to process efficiency, the use of AssistanceCheck will also enable OCHA to process income increases in a timelier manner. When staff receives notification from a tenant that the tenant's income has increased but does not enter the increase in rent in a timely manner, OCHA continues to pay the higher, now incorrect, amount of assistance. With AssistanceCheck, all reported income changes are automatically date/time stamped and processing increases is timelier.

It is important to emphasize that in order to attain the benefits of utilizing technology such as AssistanceCheck, OCHA will need to partner with community organizations that can support tenants in their access and use of computers. And, as mentioned previously, OCHA may want to consider purchasing a kiosk for the OCHA office reception area that can be used by tenants.

In addition to facilitating reexaminations, AssistanceCheck can also improve the process of scheduling appointments for initial eligibility appointments or when OCHA requires households to attend other types of interviews. Currently, OCHA does not request a confirmation from the household that it plans on attending the interview or being present for the inspection or even an acknowledgment that the appointment letter was received. Having a number of "no-shows" is a waste of resources.

When OCHA schedules an appointment in AssistanceCheck, an email will be automatically generated for the household, indicating that the household's status has changed. When the household logs on to Assistance Check to view this status change, the household will see that an appointment has been scheduled. OCHA can use AssistanceCheck to request that households confirm their attendance.

In addition to enhanced ease of communication, use of AssistanceCheck for appointment scheduling avoids the cost of postage for inspection appointment letters. With approximately 10,000 vouchers, the cost of appointment letters for annual inspections alone is an estimated \$7,400 per year³⁰, conservatively.

²⁹ Based on S&EB of the Office Technician positions

³⁰ Cost estimate assumptions: \$0.46 for postage per appointment letter, \$0.02 for printing per appointment letter, 10,000 inspection appointment letters per year, and 80 hours of clerical staff time, S&EB cost of \$53,441.78 per clerical staff person (based on average S&EB of current Office Technicians positions), and 1,664 productive hours per year.

Historically, in total, OCHA spends over \$100,000 per year on postage. The following chart shows the total cost of postage incurred by OCHA from FY 09-10 to FY 12-13.

FY 09-10	FY 10-11	FY 11-12	FY 12-13
\$144,190	\$163,146	\$160,356	\$121,371

In contrast, the one-time cost for implementation of the AssistanceCheck Online Assistance Portal is approximately \$24,000, with an ongoing cost of \$10,000 per year for support, web hosting, and licensing.

Recommendation 10. OCHA management should purchase and implement an online assistance portal.

G. Payment Standards

PHAs determine a payment standard that is the amount generally needed to rent a moderately-priced dwelling unit in the local housing market. Payment standards are used to calculate the HAP that a PHA pays to an owner/landlord on behalf of the tenant leasing the unit. In general, the amount of housing assistance that a PHA pays on behalf of a tenant is the difference between 1) the lesser of the gross rent (i.e., the amount of rent that an owner/landlord charges a tenant plus a OCHA-established utility allowance) and the established payment standard, and 2) the tenant’s portion of rent (i.e., the amount of rent a tenant must pay based on the tenant’s income).

A voucher-holder can select a unit with a rent that is either below or above the payment standard. The housing voucher household generally must pay 30%-40% of its monthly adjusted gross income for rent and utilities, and if the unit rent is greater than the payment standard, the household is required to pay the additional amount. Unless there is a rent increase in a household’s current unit, the household may not pay more than 40% of its adjusted monthly income for rent. The following table illustrates a simple, hypothetical example for a 2 bedroom unit:

Payment Standard	\$2,000
Gross Rent	\$2,100
Household Income	\$1000
Household’s Portion of Rent	\$400
Housing Assistance Payment (HAP) Amount	\$1,700

In this example, the gross rent is higher than the payment standard set by the PHA

\$300 (based on 30% of Household Income) plus \$100 for the amount of rent above the payment standard. Note that \$400 is 40% of Household Income.

Each PHA has latitude in establishing its schedule of payment standard amounts by bedroom size (e.g., studio, one-bedroom unit, two-bedroom unit). Payment standard amounts are based on the fair market rent³¹ (FMR) schedule published annually by HUD. HUD allows PHAs to set its payment standard amounts from 90% to 110% of the published FMRs, but may set them higher or lower with HUD approval. This allows PHAs to adjust their payment standards to address potential market issues. For example, if a payment standard is too low, households may have a hard time finding acceptable units or units in more desirable areas. If the payment standard amount is set too high, owners may be encouraged to ask for higher than reasonable rents, requiring OCHA to pay a higher than necessary level of assistance.

1. Deconcentration

As part of HUD’s Section 8 Management Assessment Program (SEMAP), which measures the performance of PHAs that administer the HCV program, PHAs can receive a “deconcentration bonus” when there is an increase in the number of households with children living in low poverty census tracts. Through this, HUD is encouraging the use of tenant-based housing vouchers for households to locate in neighborhoods that will improve the life opportunities of household members. To meet that objective and to support households wishing to move to areas with lower concentrations of poor and minority households, a PHA may establish higher payment standard schedules for certain areas within its jurisdiction so that program households can rent units in more desirable areas. The following chart shows the percentage of households with children receiving housing assistance in OCHA’s jurisdiction living in areas of low poverty for each fiscal year from FY 08-09 to FY 12-13.

	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13
No. of Households in Low Poverty Areas	1,498	1,577	1,227	1,686	1,183
No. of Households with Children	2,997	3,134	2,441	3,135	2,246
% in Low Poverty Areas	50%	50%	50%	54%	53%

In each of the last seven years,³² OCHA has received the deconcentration bonus, indicating that the payment standards set by OCHA foster the movement of households from areas of higher poverty to lower poverty.

³¹ FMRs are based on either the 40th or 50th percentile of rents charged for standard rental housing in the FMR area.

³² FY 06-07 through FY 12-13; OCHA is expected to receive the bonus again for FY 13-14.

2. Rental Submarkets

To establish its payment standard amounts, OCHA management conducts regular rent burden analyses to understand the percentage of income HCV households use to pay rent. If rent burdens exceed 30 percent of income due to the fact that gross rent levels are above OCHA’s payment standard amounts, OCHA can elect to increase its payment standard amounts. As a result of such analyses, OCHA established two Payment Standards schedules, shown below: one for cities/areas designated as “High Rent Areas” and one for the rest of Orange County under OCHA’s jurisdiction (i.e., areas not including Santa Ana, Garden Grove, and Anaheim).³³

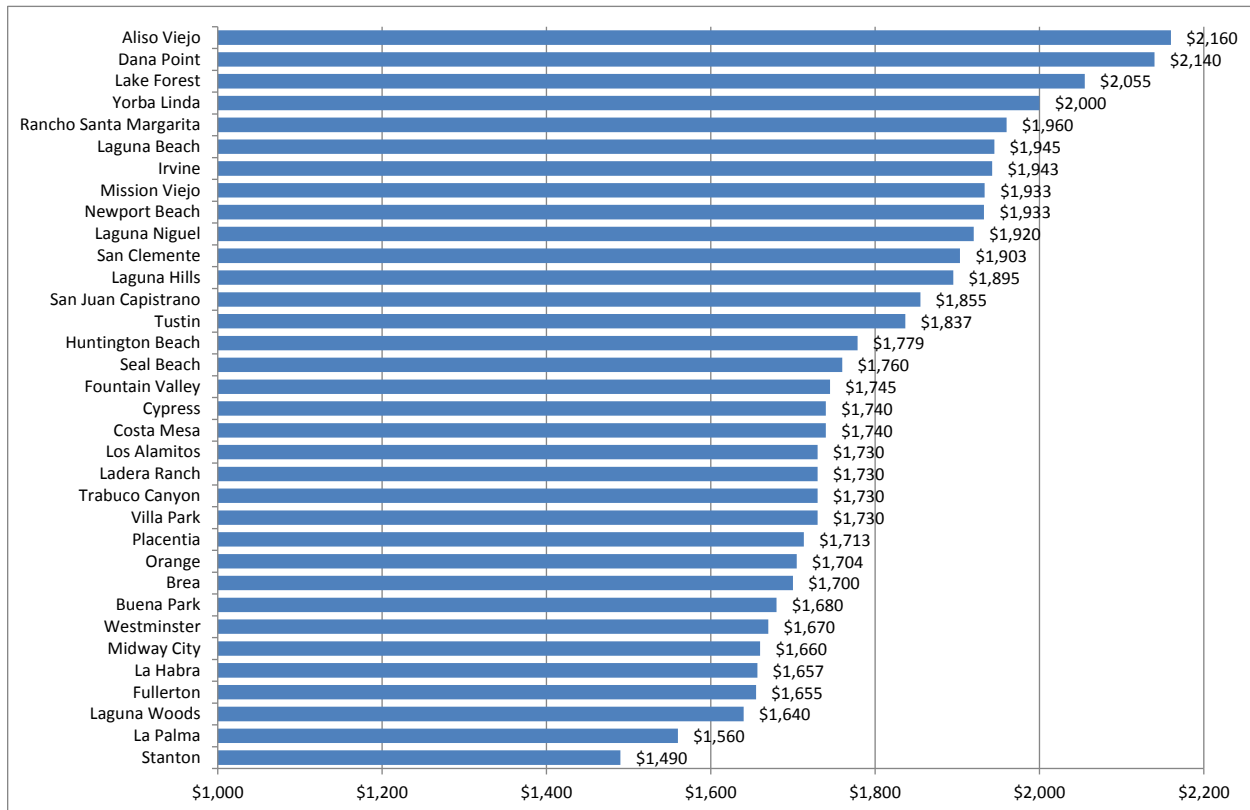
	0 Bedroom Unit	1 Bedroom Unit	2 Bedroom Unit	3 Bedroom Unit	4 Bedroom Unit
High Rent Areas	\$1,119	\$1,423	\$1,726	\$2,415	\$2,509
Other Areas	\$1,119	\$1,312	\$1,610	\$2,254	\$2,509
% Difference	0%	8.5%	7.2%	7.1%	0%

As shown in the chart above, the current payment standard for a 2 Bedroom unit in a High Rent Area is 7.2% higher than the payment standard in Other Areas. However, a look at FMR by city within OCHA’s jurisdiction reveals that there is much greater diversity in rental markets among the 31 cities and areas comprising OCHA’s jurisdiction, with a 31% difference between the highest FMR city (Aliso Viejo) and the lowest (Stanton) for a 2 Bedroom unit³⁴ (as shown in the following chart).

³³ OCHA has designated the following as “high rent areas”: Aliso Viejo, Dana Point, Irvine, Laguna Beach, Laguna Hills, Laguna Niguel, Lake Forest, Mission Viejo, Newport Beach, Rancho Santa Margarita, San Juan Capistrano, San Clemente, Tustin, and unincorporated areas south of the 55 freeway.

³⁴ FMR by city is the calculated average of FMRs by zip code.

Fair Market Rent by City/Area (2 Bedroom Units)



Source: U.S. Department of Housing and Urban Development, FY2014 Hypothetical Small Area FMRs for Orange County.

Note: Foothill Ranch is included in Lake Forest, Corona Del Mar is included in Newport Beach, and Capistrano Beach is included in Dana Point.

Dividing its jurisdiction into only two rental submarkets may result in payment standards being too high or too low within a submarket. Of the 31 cities and unincorporated areas in its jurisdiction, based on an average of the FMRs by zip code for each city, there are two cities where the current payment standard is higher than the FMR; at the 90% of FMR level, the lower bound of HUD's 90-110% guidance, the payment standard exceeds the FMR for 22 cities/areas.

Although it is operationally impractical to set a payment standard for each of the 104 zip codes within its jurisdiction, in order to develop a more accurate representation of the local rental markets, OCHA should use FMR by zip code data to further divide its jurisdiction into additional submarkets, each with its own payment standard schedule. This will help ensure that OCHA is not paying unnecessarily high HAP amounts in areas that have a FMR below the current payment standard, and it can decide to set payment standards higher in certain areas to encourage households to move to areas with better schools, for example.

HUD actually encourages a more granular view of FMRs, stating that "using ZIP codes as the basis for FMRs provides tenants with greater ability to move into 'Opportunity Neighborhoods' with jobs,

public transportation, and good schools. They also provide for multiple payment standards within a metropolitan area, and they are likely to reduce need for extensive market area rent reasonableness studies. Lastly, HUD hopes that setting FMRs for each ZIP code will reduce overpayment in lower-rent areas.”³⁵

3. Potential Savings

Based on the Housing Authority of the County of San Bernardino’s (HACSB) experience, establishing payment standards that are more accurate reflections of local market conditions can result in HAP savings that can be used to assist a greater number of households that need housing assistance. In a February 2014 overview of its program, HACSB—which is comparable to OCHA in its number of vouchers—reported that implementation of its nine rental submarkets have resulted in a reduction in per unit costs from \$730 to \$679, with a projected annual cost savings of \$5.6 million, which enables HACSB to house 600 additional households and/or mitigate funding cuts. By setting more representative rental submarkets, HACSB has also enabled households in its jurisdiction to move to areas with better schools, access to transportation and/or job opportunities that may have been previously inaccessible.³⁶

An analysis conducted by the audit team shows that dividing OCHA’s jurisdiction into five hypothetical rental submarkets, where payment standards are set at 90% of average³⁷ FMR for each submarket, OCHA could potentially save \$1.8 million annually³⁸. Although a more thorough analysis would need to be conducted, there is the potential for OCHA to create a number of rental submarkets with corresponding payment standards that can enable OCHA to provide assistance to more households, empower households to move to more desirable areas, ensure that owners/landlords are not asking for higher than reasonable rents, and ensure that households are choosing modest, decent, safe, and sanitary housing.

Recommendation 11. OCHA management should create more than two submarkets within its jurisdiction and set appropriate payment standards for each submarket.

H. Direct Deposit

As discussed previously, the HAP is the portion of a tenant’s rent that OCHA pays directly to owners/landlords. Traditionally, one check per property is printed for the total amount of rental assistance received by the tenants residing in that property and mailed to the owner/landlord.

³⁵ huduser.org, FY2014 Hypothetical Small Area FMRs for Orange County, CA

³⁶ HACSB Fact Sheet, Moving to Work Overview, February 2014

³⁷ Average of the FMRs for each zip code

³⁸ Analysis does not include Portability, Mobility, or Special Programs households.

Starting in December 2013, OCHA began asking that all of the approximately 4,500 owners/landlords participating in the Housing Choice Voucher Program to enroll in Direct Deposit. In addition to enhanced payment security and timeliness, Direct Deposit reduces the costs to OCHA of processing and mailing paper checks. The benefits of Direct Deposit are widely supported. For example, a 2004 study sponsored by the U.S. Treasury's Financial Management Service estimated that converting from paper checks to Direct Deposit would save the U.S. Treasury \$100 million per year. The Social Security Administration estimated that savings to the Social Security Trust Funds based on direct deposit participation in 2000 was about \$133 million and that the Department of the Treasury's Financial Management Service estimated that a check costs the government approximately 45 cents to process and mail, while a direct deposit payment costs 4 cents to process. According to OCHA accounting, a previous study of the cost of mailing checks to owners/landlords determined that it costs OCHA approximately \$1 for each check mailed.

As of May 2014, 3,664 owners/landlords (representing 3,817 properties), or 81% of the 4,500 current owners/landlords, have enrolled in Direct Deposit. OCHA reported that as of July 2014, this percentage has reached 91%. One concern that OCHA has regarding owners/landlords who have resisted enrollment is that the threat that they will no longer rent to program tenants if forced to participate.

As part of the audit's benchmarking exercise, the audit team surveyed seven local PHAs to compare OCHA's use of Direct Deposit. Of the seven, four (Riverside County, San Bernardino County, Anaheim, and Santa Ana) have followed through on their mandate, with all or virtually all their owners/landlords receiving HAPs via Direct Deposit³⁹. To achieve their results, these PHAs tasked specific staff with leading the effort to ensure enrollment in Direct Deposit, sent notices and allowed courtesy extensions, made checks available at their offices rather than mailing them, and even withheld checks. One PHA lost a couple owners/landlords from the program, but others reported that while owners/landlords threatened to drop out of the program and stop renting to voucher-holders, in the end, these owners/landlords did not.

With approximately 350 owners/landlords continuing to receive their HAP checks in the mail, OCHA is expending an unnecessary approximately \$350⁴⁰ per month in postage, printing, and staff resources, which equates to \$4,200 in annual administrative costs that could be avoided.

Although OCHA is continuing to conduct outreach to achieve a higher percentage of owners enrolled in Direct Deposit, OCHA should change its policies to further encourage the more resistant owners/landlords to enroll in Direct Deposit. For example, OCHA could continue to send courtesy notices but clearly articulate that enrollment by December 2014, which is one year from the date

³⁹ Santa Ana has a couple owners/landlords still not enrolled; San Bernardino County has about 1% of owners/landlords who were exempted due to hardship or special circumstances.

⁴⁰ Based on OCHA estimated cost of \$1 per check

that OCHA first notified owners/landlords about Direct Deposit, is required and that following that time, OCHA will no longer mail checks but, instead, will make HAP checks available at the OCHA office for pick up.

Recommendation 12. OCHA management should develop a plan to require all owners/landlords to enroll in Direct Deposit by December 2014.

I. Inspections

Annual Inspections were previously required by HUD to be conducted within 12 months of the last inspection (and up to 13 months with no penalties). To ensure that OCHA met these requirement, Annual Inspections were generally scheduled and conducted two to three months in advance of the 12 month requirement, and possibly even earlier. According to OCHA, scheduling inspections early is necessary at times in order to gain efficiencies in scheduling (e.g., efficiencies are gained when a Field Representative can schedule multiple inspections at one housing complex) and is particularly important for inspections that are due in the summer months, since this is typically a peak period of units being leased up. The farther in advance that inspections are scheduled, the greater number of inspections conducted over the term of a household's assistance. For example, Annual inspections conducted for the 12-month period from May 1, 2013 to April 30, 2014 for a sample of 50 households results in an average of 9.9 months between Annual inspections, with a low of 9.1 and a high of 10.7. Extrapolating this information over a 10 year period results in 12.1 inspections conducted per household. This equates to about \$46,297 in unnecessary inspections per year.⁴¹ Some households have expressed to OCHA their frustration when inspections are conducted less than a year from the previous inspection.

Effective July 1, 2014⁴², PHAs will be allowed to inspect assisted units during the term of the housing assistance payment (HAP) contract at least biennially instead of annually. The change to biennial inspections is effective for any unit under a HAP contract where the PHA has conducted a housing quality standards (HQS) inspection within the 12 months preceding the notice's July 1 effective date. Given this change in requirements, OCHA should transition to biennial inspections as soon as possible and begin "smoothing" out inspection schedules to ease workload seasonality and increase routing efficiency, just as San Diego Housing Commission has done. This will also help mitigate the risk of not meeting HUD deadlines for inspections and decrease the number of unnecessary inspections, as discussed previously. Also, with fewer inspections required, Field Representatives will have greater ability to process the many rent increases that OCHA receives.

⁴¹ Assuming 10,000 households to be inspected, each inspection takes 30 minutes (including transport time), 1,664 productive hours per year, and an S&EB cost for a Field Representative of \$73,104.67 (average of S&EB of current Field Representatives), each inspection costs \$21.97, which does not include gas and mileage costs.

⁴² Section 8(o)(8) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)(8)) is amended

Recommendation 13. With the change in requirements from annual inspections to biennial inspections, OCHA management should develop a plan to “smooth out” inspection workloads.

Although inspections are paperless (i.e., Field Representatives use iPads in the field), Field Representatives must return to the office in order to upload inspection data to Housing Pro and download the next day’s schedule. OCHA does not currently allow data to be uploaded to Housing Pro remotely, citing security and cost issues.

By enabling Field Representatives to have remote access to Housing Pro through the use of a secure Virtual Private Network (VPN), they can complete a greater number of inspections per day and also reduce costs. For example, inspections in the County’s farthest cities (e.g., San Clemente, San Juan Capistrano, and Ladera Ranch) are approximately 20-30 miles from the OCHA office. By scheduling a full day of inspections in those cities rather than two separate days, one Field Representative can save \$43.93 in driving time⁴³ and \$28 in mileage⁴⁴.

Recommendation 14. OCHA management should take steps to enable Field Representatives to remotely upload inspection data.

J. Program Integrity

1. Background Checks

OCHA currently has a Memorandum of Understanding with the Orange County District Attorney (OCDA) to conduct fraud investigations and background checks. For FY 14-15, the agreement with the DA is for three full-time investigators, a part-time (0.5 FTE) supervisor, and a part-time (0.5 FTE) clerical staff person. The total annual cost to OCHA, which includes the Salaries & Benefits, Services & Supplies, and Indirect Costs for the investigators is \$678,488.

In addition to investigating program abuse, investigators conduct background checks for OCHA. OCDA does not charge OCHA per background check conducted; however, based on the approximate number of checks conducted and the estimated time expended, the cost of a background check conducted by OCDA is approximately \$43.53.⁴⁵ From a time standpoint, the approximately 100

⁴³ Assuming the driving time to these cities are approximately 30 minutes each way, 1,664 productive hours per year, and an S&EB cost for a Field Representative of \$73,104.67 (average of S&EB of current Field Representatives).

⁴⁴ Assuming a mileage rate of \$0.56 per mile and a 25 minute drive.

⁴⁵ Assuming an S&EB cost per investigator of \$144,874, 1,664 productive hours per year, 30 minutes per background check (including time to write reports).

background checks per month that OCDA reports that it conducts would be equivalent to 50 hours of an investigator's time per month.

One advantage of having OCDA conduct background checks is that OCDA Investigators are sworn staff who typically have many years of law enforcement experience and have the skills and knowledge to interpret the results of background checks. OCDA also has access to many law enforcement databases such as COPLINK and Parole LEADS, as well as various court management systems.

However, the cost of having OCDA conduct background checks for OCHA is high compared to background checks conducted by third-party vendors. In its benchmarking research, the audit team found that all seven PHAs use third-party vendors for background checks at a lower per check cost. For example:

- The Housing Authority of the County of San Bernardino (HACSB) contracts with Contemporary Information Corp (CIC), with a cost per check ranging from \$8 to \$18;
- Anaheim Housing Authority (AHA) has a contract with National Credit Reporting (NCR) for a cost per check of \$22; and
- San Diego Housing Commission also contracts with NCR, with costs ranging from \$15 to \$20.⁴⁶

In addition to the higher cost of using an OCDA investigator to conduct a background check, there is also a current backlog of approximately 200 fraud referrals to be investigated, and by transferring the more routine background checks (i.e., initial eligibility and periodic background checks; not background checks tied to a fraud investigation), OCDA investigators will be able to focus on fraud investigations, best leveraging DA Investigators' experience and skills.

Assuming that OCHA refers approximately 100 applicants for an initial background check per month, and that the cost of a background check with a third-party vendor is \$20, the annual administrative cost savings from contracting with a third-party vendor for just initial background checks is approximately \$28K.

Recommendation 15. OCHA management should coordinate with the Orange County District Attorney to contract with a third-party vendor for initial and periodic background checks.

⁴⁶ \$15 rate includes a nationwide credit report, eviction report, county criminal report, Social Security Number verification, and fraud detection; \$20 rate includes all these, plus a nationwide criminal report (including terrorist database and lifetime sex offender search).

2. Fraud Investigations

HUD does not delineate how PHAs should handle claims of potential fraud/program abuse. It does, however, require that “adequate staffing and resources must be dedicated to these activities.” PHAs can take a number of approaches to ensure that sufficient staff and dollar resources are dedicated to preventing errors and controlling fraud and abuse, including contracting with other agencies. All expenditures from handling complaints, program errors, and program abuse must be paid out of the PHA’s ongoing administrative fee.

Suggested approaches to handling claims of fraud include:

- Establishing a complaint hotline;
- Creating a fraud or investigations unit; and
- Hiring an ombudsman

PHAs’ approaches to fraud and program integrity vary. For example:

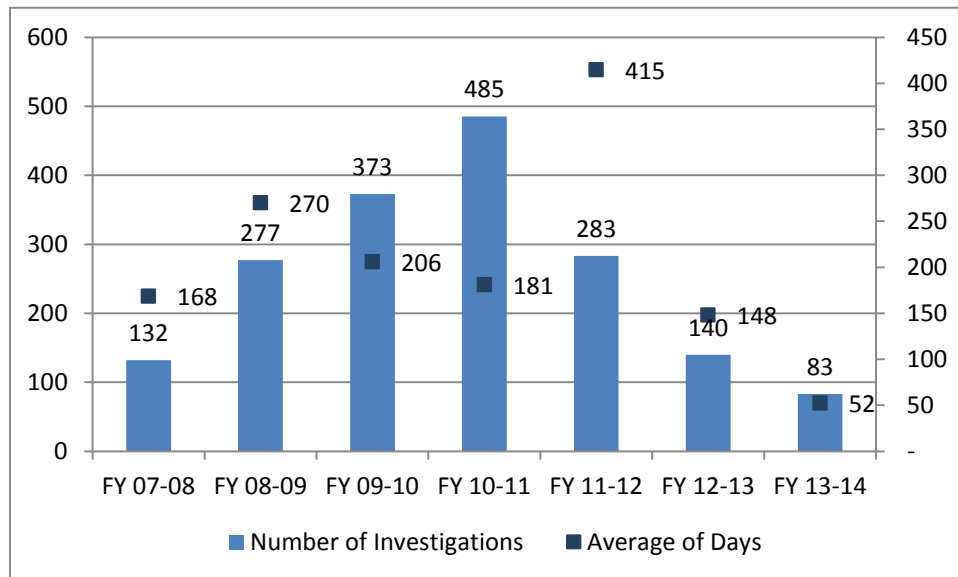
- The Housing Authority of the County of San Bernardino (HACSB) has a Program Integrity unit that consists of five staff, including a Program Integrity Inspector who conducts investigations when fraud or program abuse is suspected and a Program Integrity Officer who represents HACSB at hearings and civil court and is the liaison for law enforcement.
- The County of San Diego’s Department of Housing and Community Development (HCD) has a two-person Program Review unit within its Administration Division that conducts investigations, including field investigations.
- The San Diego Housing Commission has three staff dedicated to program integrity within a Quality Assurance unit who conducts primarily desk investigations (i.e., postal verifications, DMV records, welfare records, reviews files, makes calls); Anaheim Housing Authority has one staff and the Housing Authority of the County of Riverside has two staff that have similar responsibilities.

As discussed previously, OCHA has a Memorandum of Understanding (MOU) with the Orange County District Attorney (OCDA) to conduct criminal background screening of applicants, conduct investigations of fraud referrals, and provide fraud detection training for OCHA employees. In addition, the agreement includes recovery of housing assistance funds from households that commit fraud. One advantage of having OCDA conduct investigations is that because investigators are sworn staff, they are able to voice record interactions with tenants during their field work, which provides OCHA with evidence should tenants request informal hearings.

OCDA currently tracks fraud referrals and background check requests from OCHA using a Microsoft Excel log. The log includes the date the referral was received, the type of request, whether referrals for potential fraud were founded or unfounded, and the result of hearings, if the tenant requests a hearing. The chart below illustrates the number of investigations conducted each year, from FY 08-

09 to April FY 13-14, as well as the average of duration between receiving a referral and the closing of a case, based on this data.

Fraud Investigations



Source: Orange County District Attorney

Although OCDA provides data on background checks and fraud investigations to OCHA, OCDA does not currently track the number of hours spent per case and neither OCHA nor OCDA tracks the estimated HAP savings from action against households that commit fraud⁴⁷. Without this information, OCHA cannot evaluate cost recovery on its use of OCDA for fraud investigations. Also, while the type of referral (e.g., household composition, unreported income, suspected drug use) and source for each referral is documented on hard copy request forms, they are not tracked in a log or other database, and therefore, OCHA cannot easily analyze fraud referral data to understand the most common types of program abuse, average time to investigate certain types of referrals, etc. Finally, with a backlog of over 200 referrals to investigate, going back as far as March 2012, improving data tracking will enable OCHA to determine how to prioritize referrals and understand the types of referrals that are worth pursuing.

OCHA should coordinate with OCDA to improve data tracking, and establish and report fraud-related performance indicators such as cost recovery. By measuring cost recovery, OCHA can

⁴⁷ OCHA does track funds recovered through repayment agreements, which are established when households are permitted by OCHA to repay assistance that they were not entitled to receive; however, instances that lead to repayment agreements that are the result of OCDA investigations are not tracked, nor is there an estimate of funds “saved” by terminating households that are found to have committed fraud.

substantiate its rationale for using OCDA for investigations rather than utilizing other approaches (e.g., conducting primarily desk investigations using internal staff).

Recommendation 16. OCHA management should update its Memorandum of Understanding with the District Attorney to include tracking and reporting of investigation activities.

K. Case Files

OCHA is currently reliant on paper case files for maintaining documents. There are 3 full-time positions (with one position vacant) dedicated to pulling files for staff and retrieving files from an offsite location (offsite files are retrieved twice a week by two staff each time). Furthermore, staff is required to print the numerous email correspondences it receives from tenants to include in paper case files.

Of the PHAs included in the audit's benchmarking study, the San Diego Housing Commission (City of San Diego), Housing Authority of the County of San Bernardino, the Housing Authority of the County of Riverside, and the Anaheim Housing Authority have all transitioned or are in the process of transitioning to electronic case files. The San Diego Housing Commission, which has been imaging their documents for many years, has a policy that all hardcopy documents are maintained for 60 days and then destroyed and has put in place audit measures to ensure that documents are properly maintained.

OCHA has convened a scanning project workgroup but is currently on hold because the assigned IT staff person recently retired. Given the costs and process inefficiencies associated with paper files, OCHA should prioritize this project.

The staff cost associated with maintaining and pulling hard copy case files is approximately \$160,000 per year (i.e., the cost of three file room positions)⁴⁸; these staff can be reallocated to supporting document imaging.

Recommendation 17. OCHA management should prioritize its document imaging project and implement electronic case files.

L. Key Performance Indicators

OCHA has been considered a "High Performing" PHA by HUD for the past seven years, achieving high scores along 14 indicators (as part of the Section Eight Management Assessment Program, or

⁴⁸ Assuming cost of \$53,441.78 per staff person (based on average S&EB of current Office Technicians positions)

SEMAP). These 14 indicators of program performance show whether PHAs help eligible households to afford decent rental units at a reasonable subsidy cost as intended by Federal housing legislation. The indicators include:

1. Proper selection of applicants from the housing choice voucher waiting list
2. Sound determination of reasonable rent for each unit leased
3. Establishment of payment standards within the required range of the HUD fair market rent
4. Accurate verification of household income
5. Timely annual reexaminations of household income
6. Correct calculation of the tenant share of the rent and the housing assistance payment
7. Maintenance of a current schedule of allowances for tenant utility costs
8. Ensure units comply with the housing quality standards before households enter into leases and PHAs enter into housing assistance contracts
9. Timely annual housing quality inspections
10. Performing of quality control inspections to ensure housing quality
11. Ensure that owners/landlords and tenants promptly correct housing quality deficiencies
12. Ensure that all available housing choice vouchers are used
13. Expand housing choice outside areas of poverty or minority concentration
14. Enroll families in the FSS program as required and help FSS households achieve increases in employment income

Apart from HUD's SEMAP indicators, OCHA currently reports via the OC Community Resources business plan/balanced scorecard and to the Housing & Community Development Commission key performance indicators (KPIs) such as Lease-Up rate, Total Participating Tenants by Program, the number of households participating in FSS, the number of clients earning escrow accounts, and the number of participants who have graduated from the FSS program.

Apart from the SEMAP indicators, there is an opportunity for OCHA to fine-tune existing KPIs and to identify, track, and report additional ones. For example, rather than reporting the number of households that graduated from the FSS program, OCHA should report the percentage of households that graduated within the five year program time frame; rather than reporting the number of FSS participants earning escrow accounts, OCHA should report the percentage of FSS participants earning escrow accounts.

OCHA's existing KPIs are also largely program-related or workload-related (e.g., number of reexaminations completed). Operational KPIs that OCHA should track, monitor, and report include:

- Days from Request for Tenancy Approval (RFTA) Received to Inspection
- Inspection Average Days in Advance
- Operating Cost Per Voucher
- Staff Per Voucher
- Percentage Error-Free File Reviews

- Percentage Informal Hearings Unfounded

Recommendation 18. OCHA management should establish, track, monitor, and report operational performance indicators.

V. Conclusion

Our overall conclusion is that OCHA is performing well. The audit report's 18 recommendations will enable OCHA to enhance its operational effectiveness and efficiency, primarily through greater use of technology, organizational restructuring, augmenting program integrity activities, and focusing more resources on programs that can help households make the transition to economic independence.

Through discussions with the audit team during the course of the audit, OCHA management has already taken steps to begin implementing a number of the audit recommendations.

VI. Recommendations & Management Response

Rec. No.	Recommendation	Management Response (Concur/Partially Concur/Do Not Concur)	Management Action Plan	Target Completion Date
1	OCHA management should create a new Administration & Program Integrity section composed of an Administration unit and a Program Integrity unit.	Concur	A manager was hired on August 8, 2014 to begin the transitioning of staff and responsibilities to the new unit. The unit should be fully functional prior to December, 2014.	December 2014
2	OCHA management should move Field Representatives that are currently in the Special Programs section to the Leasing section of the organization.	Concur	Management will review current workloads, projects and staffing circumstances to determine the optimum timing for this change. A new Manager will be in charge of the Leasing Section beginning August 22, 2014. It is anticipated that Special Program Field Representatives will be reassigned to the Leasing Section by the December 2014 target completion date.	March 2015
3	OCHA management should reassign responsibilities so that each Field Representative conducts all types of inspections (e.g., Initial, Annual, Portability, Mobility, Reasonable Accommodation, NED, VASH, FUP, and Shelter Plus Care inspections) and performs leasing activities (e.g., calculate and negotiate rent, assess rent reasonableness, develop and execute leases, and process rent increases).	Concur	A plan was enacted to begin cross-training Field Representatives within the Leasing Section in July. Such cross-training will be expanded as Special Program Field Representatives join the Leasing Section by January 2015. This training should be completed and staff should be competent to perform leasing and inspections for all programs by March 2015.	March 2015
4	OCHA management should request that Human Resource Services (HRS) establishes— and supports OCHA in the transition to— one	Concur	By December 2014, OCHA will request that Human Resource Services (HRS) perform a reclassification study to support this	June 2016

Rec. No.	Recommendation	Management Response (Concur/Partially Concur/Do Not Concur)	Management Action Plan	Target Completion Date
	Housing Specialist job classification to replace the current Occupancy Specialist, Housing Program Specialist, and Field Representative classifications.		recommendation.	
5	OCHA management should assign Occupancy cases based on monthly workload and other factors such as anticipated case complexity.	Concur	Management will review options and test alternatives to assigning monthly workloads on a basis other than city of residence. The new Occupancy Manager, who will be hired by September 2014, will assume the responsibility for testing, finalizing and implementing a plan prior to June 2015.	June 2015
6	OCHA management should direct more resources to the Family Self-Sufficiency (FSS) program to achieve higher outcomes by: a) providing at least 10 hours of case management training for each FSS Coordinator, b) revising the current list of required participant workshops to include at least three job readiness workshops, c) establishing an annual 4-hour FSS participant meeting/workshop, d) seeking private donations, with a target of at least \$5,000 in its first year of fundraising, and e) applying for the maximum number of FSS Coordinators for future FSS Notices of Funding Availability.	Concur	To enhance outcomes in the FSS program, Management will: a) Secure at least 10 hours of additional case-management training for FSS Case coordinators by March 2015, b) Work with the Community Investment Division and other partners to expand the current list of required participant workshops to prioritize three or more job readiness workshops by December 2014, c) Coordinate with FSS partner agencies to establish a mandatory annual 4-hour FSS participant meeting/workshop by March 2015, d) Seek donations of at least \$5,000 in its first year of fundraising by June 2015, and e) Apply for the maximum number of FSS Coordinators for future FSS	June 2015

Rec. No.	Recommendation	Management Response (Concur/Partially Concur/Do Not Concur)	Management Action Plan	Target Completion Date
			Notices of Funding Availability.	
7	OCHA management should cease sending individual outreach letters for future Project-Based Voucher opportunities, and instead, advertise the Project-Based Voucher waiting lists via the Orange County Housing Authority website and other locations (e.g., websites of and postings at OCHA’s community partners), as appropriate.	Concur	<p>Management has sent individual outreach letters for Project-Based Voucher (PBV) opportunities to all disabled applicants on the waiting list, who indicated a willingness to move to a PBV property on their application, in an effort to match applicants with special needs to compatible projects. Future outreach can now be done on the OCHA website and other notifications as required by HUD beginning immediately, prior to the September 2014 target date.</p> <p>There will be one exception for a PBV project, “Tower on 19th” (for elderly residents) that does not target special needs occupants. For this project, OCHA will continue to send notifications to elderly applicants on the waiting list. This will be done to quickly fill vacant units resulting from a steady monthly turnover at the property and to avoid costs of frequent public notices that would otherwise be required to open and close applications for this project.</p>	September 2014
8	For future Housing Choice Voucher waiting lists, OCHA management should require applicants to complete online applications.	Concur	In February 2012, 88% of applications for housing assistance were received online. OCHA also accepted paper and fax applications to accommodate special needs or other potential applicants who might	September 2014

Rec. No.	Recommendation	Management Response (Concur/Partially Concur/Do Not Concur)	Management Action Plan	Target Completion Date
			have had barriers to submitting an electronic application or accessing one of many community partners for such assistance. OCHA will require online applications when opening the waiting list for applications in the future and solicit help from community partners to assist those who need assistance to submit an online application.	
9	OCHA management should implement annual reexaminations by mail.	Concur	In March 2014, OCHA performed annual reexaminations by mail for about 6,000 elderly and disabled households with fixed incomes. Management will refine processes to expand this method for all participants by June 2015. This change will need to be documented in an updated Administrative Plan, which requires a public notification and approval from the OCHA Board of Commissioners/Board of Supervisors.	June 2015
10	OCHA management should purchase and implement an online assistance portal.	Concur	OCHA's goal is to purchase and implement this technology as early as September 2015, when the current maintenance and support contract is renewed. This change will need to be documented in an update of OCHA's Administrative Plan that will require a public notification and approval from the OCHA Board of Commissioners/Board of Supervisors.	June 2016

Rec. No.	Recommendation	Management Response (Concur/Partially Concur/Do Not Concur)	Management Action Plan	Target Completion Date
11	OCHA management should create more than two submarkets within its jurisdiction and set appropriate payment standards for each submarket.	Concur	OCHA management will analyze the rental markets within its 31-city jurisdiction and expand the number of Payment Standard schedules to more appropriately address the rent variances. Although the mandated "Rent Reasonableness" testing ensures that OCHA does not approve rents that are higher than comparable market rents in all areas, establishing additional Payment Standards will more clearly define submarkets. This can save staff time in helping tenants understand the standards as target rents reflective of the areas. The Payment Standards will also be designed to keep rent burdens of assisted tenants at reasonable levels and optimize housing choices. This change will need to be documented in an update of OCHA's Administrative Plan that will require a public notification and approval from the OCHA Board of Commissioners/Board of Supervisors.	September 2015
12	OCHA management should develop a plan to require all owners/landlords to enroll in Direct Deposit by December 2014.	Concur	Over 90% of owners currently participate in direct deposit and OCHA Management will continue efforts to enroll all owners/landlords in Direct Deposit and impose greater requirements by December 2014. This supports OCHA's goal to use technology to streamline operations.	December 2014

Rec. No.	Recommendation	Management Response (Concur/Partially Concur/Do Not Concur)	Management Action Plan	Target Completion Date
13	With the change in requirements from annual inspections to biennial inspections, OCHA management should develop a plan to “smooth out” inspection workloads.	Concur	In April and July 2014, OCHA Management consulted with other housing agencies that had the ability to perform biennial inspections under Moving To Work Programs. OCHA will initiate changes to use this flexibility by December 2014 for enhanced scheduling productivity to “smooth out” workloads and driving time and trips. Changes will be documented in the Administrative Plan and a full procedure will be enacted by March 2015.	March 2015
14	OCHA management should take steps to enable Field Representatives to remotely upload inspection data.	Concur	OCHA management will consult with OCCR IT and County IT staff in the CEO office to explore options for securely uploading inspection information from remote locations during 2014. As determined by compliance with County security protocols, actions will be initiated to test and implement such technology, as permissible, by June 2015.	June 2015
15	OCHA management should coordinate with the Orange County District Attorney to contract with a third-party vendor for initial and periodic background checks.	Concur	OCHA management will request the Orange County District Attorney to explore contracting with a third-party vendor for initial and periodic background checks. Cost-saving alternatives will be initiated by the start of January 2015.	March 2015
16	OCHA management should update its Memorandum of Understanding with the District Attorney to include tracking and reporting of investigation activities.	Concur	OCHA management will update the Memorandum of Understanding with the District Attorney to include tracking and reporting of investigation activities. A tracking spreadsheet was developed in July	December 2014

Rec. No.	Recommendation	Management Response (Concur/Partially Concur/Do Not Concur)	Management Action Plan	Target Completion Date
			2014 and staff will update this document and modify it as needed to serve as a tracking tool for both the District Attorney and program managers.	
17	OCHA management should prioritize its document imaging project and implement electronic case files.	Concur	With the hiring of the fourth manager and creation of the Administration Section, OCHA management can now provide dedicated oversight and staff assigned to prioritize and advance its document imaging project. The new Section Chief will work closely with the other three units to identify and implement scanning of documents on a progressive schedule by the end of 2014. A timeline will be established with a goal to scan over 50% of incoming documents to transition to electronic case files by December 2015.	December 2015
18	OCHA management should establish, track, monitor, and report operational performance indicators.	Concur	Although OCHA management typically tracks numerous operational performance indicators, these will be enhanced with staff input to measure outcomes in addition to production such as: Percentage of error-free files, timely PIC submissions and error rates, number of vouchers/tenants assisted vs. number of staff, operating cost per Voucher, average number of days between receipt and processing of both rent increases and new lease requests, the percentage of FSS households	March 2015

Rec. No.	Recommendation	Management Response (Concur/Partially Concur/Do Not Concur)	Management Action Plan	Target Completion Date
			<p>graduating within their five-year program period and percentage of FSS families with escrow accounts. These reports will be monitored and updated on a monthly, quarterly or semiannual basis, depending on the usefulness of the data to evaluate short term or longer term trends and factors that impact workloads or budgets. Staff will have input to these indicators and potential adjustment of the measures. Outcomes will be reported to the H&CD Commission. These performance indicator reports will be in place prior to March 2015.</p>	

VII. Appendices

A. Glossary of Terms

APPLICANT: A family that has applied for admission to a program, but is not yet a participant in the program.

EXTREMELY LOW-INCOME HOUSEHOLDS: Those with incomes below 30 percent of area median income. Department of Housing and Urban Development (HUD) programs use “area median incomes” calculated on the basis of local family incomes, with adjustments for household size.

FAIR MARKET RENT (FMR): Primarily used to determine payment standard amounts for the Housing Choice Voucher program, to determine initial renewal rents for some expiring project-based Section 8 contracts, to determine initial rents for housing assistance payment contracts in the Moderate Rehabilitation Single Room Occupancy program, and to serve as a rent ceiling in the HOME rental assistance program.

FAMILY: All persons living in the same household who are related by birth, marriage or adoption.

FAMILY INCOME: Reported income from all sources for the householder and other household members related to the householder.

HOUSEHOLD: All the people who occupy a housing unit. A household includes the related family members and all the unrelated people, if any, such as lodgers, foster children, wards, or employees who share the housing unit. A person living alone in a housing unit, or a group of unrelated people sharing a housing unit such as partners or roomers, is also counted as a household.

HOUSING ASSISTANCE PAYMENT (HAP): The HAP is the monthly assistance payment by a PHA. The total assistance payment consists of: A payment to the owner for rent to owner under the family's lease, and an additional payment to the family if the total assistance payment exceeds the rent to owner. The additional payment is called a "utility assistance" payment.

HOUSING CHOICE VOUCHER (HCV) PROGRAM: The HCV Program is the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market.

JURISDICTION: The area in which the PHA has authority under State and local law to administer the program.

LANDLORD: This term means either the owner of the property or his/her representative or the managing agent or his/her representative, as shall be designated by the owner.

LEASE: A written agreement between an owner and a tenant for the leasing of a dwelling unit to the tenant. The lease establishes the conditions for occupancy of the dwelling unit by a family with housing assistance payments under a HAP contract between the owner and the PHA. In cooperative housing, there is a written agreement between a cooperative and a member of the cooperative. The agreement establishes the conditions for occupancy of the member's family with housing assistance payments to the cooperative under a HAP contract between the cooperative and the PHA.

LOW-INCOME FAMILY: families whose [combined] income does not exceed 80 percent of the median family income for the area.

MINOR: A member of the family household (excluding foster children) other than the family head or spouse who is under 18 years of age.

NOFA: Notice of Funding Availability, published in the Federal Register to announce available funds and application requirements.

OWNER: Any private person or entity, including a cooperative, an agency of the federal government, or a public housing agency, having the legal right to lease or sublease dwelling units.

PARTICIPANT: A family that has been admitted to the PHA's program and is currently assisted in the program. The family becomes a participant on the effective date of the first HAP contract executed by the PHA for the family (First day of initial lease term).

PAYMENT STANDARD: The maximum monthly assistance payment for a family assisted in the voucher program (before deducting the total tenant payment by the family).

PORTABILITY: Renting a dwelling unit with Section 8 tenant-based assistance outside the jurisdiction of the initial PHA.

PUBLIC HOUSING: Housing assisted under the provisions of the U.S. Housing Act of 1937 or under a state or local program having the same general purposes as the federal program. Distinguished from privately financed housing, regardless of whether federal subsidies or mortgage insurance are features of such housing development.

PUBLIC HOUSING AGENCY (PHA): Any state, county, municipality, or other governmental entity or public body, or agency or instrumentality of these entities that is authorized to engage or assist in the development or operation of low-income housing under the U.S. Housing Act of 1937.

REASONABLE RENT: A rent to owner that is not more than rent charged for comparable units in the private unassisted market, and not more than the rent charged for comparable unassisted units in the premises.

REEXAMINATION: Sometimes called recertification. The process of securing documentation of total family income used to determine the rent the tenant will pay for the next 12 months if there are no additional changes to be reported. There are annual, triennial, and interim reexaminations.

RENT TO OWNER: The total monthly rent payable to the owner under the lease for the unit. Rent to owner covers payment for any housing services, maintenance and utilities that the owner is required to provide and pay for.

TENANT: The person or persons (other than a live-in aide) who executes the lease as lessee of the dwelling unit.

UNIT: Residential space for the private use of a family.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD): Established in 1965, HUD's mission is to increase homeownership, support community development, and increase access to affordable housing free from discrimination. To fulfill this mission, HUD will embrace high standards of ethics, management and accountability and forge new partnerships — particularly with faith-based and community organizations — that leverage resources and improve HUD's ability to be effective on the community level.

VERY LOW-INCOME: Households whose incomes do not exceed 50 percent of the median area income for the area, as determined by HUD, with adjustments for smaller and larger families and for areas with unusually high or low incomes or where needed because of facility, college, or other training facility; prevailing levels of construction costs; or fair market rents.

VOUCHER: A document issued by a PHA to a family selected for admission to the voucher program. This document describes the program and the procedures for PHA approval of a unit selected by the family. The voucher also states the obligations of the family under the program.

WAITING LIST: A list of families organized according to HUD regulations and PHA policy who are waiting for subsidy to become available.

B. Overview of Special Housing Programs

FAMILY SELF-SUFFICIENCY (FSS) PROGRAM: was established by Section 554 of the Cranston-Gonzalez National Affordable Housing Act of 1990 to help residents of public housing and participants in the Housing Choice Voucher program become self-sufficient through education, training, case management, and other supportive services.

FAMILY UNIFICATION PROGRAM (FUP): [A] program under which Housing Choice Vouchers (HCVs) are provided to families for whom the lack of adequate housing is a primary factor in the imminent placement of the family's child or children in out-of-home care or the delay in the discharge of the child or children to the family from out-of-home care.

NON-ELDERLY DISABLED (NED) VOUCHERS: NED HCVs enable non-elderly disabled families to lease affordable private housing of their choice. NED vouchers also assist persons with disabilities who often face difficulties in locating suitable and accessible housing on the private market.

PROJECT-BASED HOUSING ASSISTANCE: In project-based assistance (as opposed to tenant-based housing assistance), the HUD rental subsidy is tied to the unit.

SECTION 8 HOMEOWNERSHIP PROGRAM: Allows low-income families who qualify for Section 8 rental assistance to use their certificates or vouchers to pay for homeownership costs under a mortgage.

SHELTER PLUS CARE PROGRAM (S+C): Authorized by title IV, subtitle F, of the Stewart B. McKinney Homeless Assistance Act (the McKinney Act) (42 U.S.C. 11403–11407b). S+C is designed to link rental assistance to supportive services for hard-to-serve homeless persons with disabilities (primarily those who are seriously mentally ill; have chronic problems with alcohol, drugs, or both; or have acquired immunodeficiency syndrome (AIDS and related diseases) and their families. The program provides grants to be used for rental assistance for permanent housing for homeless persons with disabilities. Rental assistance grants must be matched in the aggregate by supportive services that are equal in value to the amount of rental assistance and appropriate to the needs of the population to be served. Recipients are chosen on a competitive basis nationwide.

VETERANS AFFAIRS SUPPORTIVE HOUSING (VASH) PROGRAM: a joint program between HUD and the U.S. Department of Veterans Affairs (VA). HUD provides housing choice vouchers and VA provides case management and outreach. This program targets veterans who are currently homeless.