



U.S. DEPARTMENT OF  
HOUSING AND URBAN DEVELOPMENT  
OFFICE OF INSPECTOR GENERAL

November 6, 2017

**MEMORANDUM NO:**  
2018-FW-0801

*Memorandum*

TO: Milan Ozdinec,  
Deputy Assistant Secretary, Office of Public Housing and Voucher Programs, PE

FROM: //signed//  
Kilah S. White,  
Regional Inspector General for Audit, 6AGA

SUBJECT: HUD's Office of Public Housing Did Not Clearly Define or Provide Guidance for  
Public Housing Agency Certifications

**INTRODUCTION**

While working with the U.S Department of Housing and Urban Development's (HUD) Office of Program Enforcement, we noted that the Office of Public Housing did not clearly identify the certifications that public housing agencies were making in the Application for Federal Assistance, SF (standard form)-424. As a result, we reviewed the guidance concerning the Application, with an objective to determine whether the Office of Public Housing provided clear directions and whether the guidance contained specific certifications for public housing agencies. Additionally, we reviewed the certifications of other forms required by the operating subsidy program.<sup>1</sup>

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

---

<sup>1</sup> Forms HUD-52723 (Operating Fund Calculation for Operating Subsidy) and HUD-50071 (Certification of Payments to Influence Federal Transactions)

## **METHODOLOGY AND SCOPE**

We performed a limited review at our offices from May 23 through August 3, 2017. To meet our review objective, we reviewed notices and other related guidance issued by the Office of Public Housing in regard to its requirements for the Application for Federal Assistance for public housing agencies that receive operating subsidy funds. Our review scope generally included notices and other guidance issued from fiscal years 2013 through 2016. We also contacted Office of Public Housing staff.

## **BACKGROUND**

The Office of Public Housing was established to provide decent and safe rental housing for eligible low-income families, the elderly, and persons with disabilities. Public housing comes in all sizes and types, from scattered single-family houses to highrise apartments. There are approximately 1.1 million households living in public housing units managed by some 3,800 housing agencies.

The Office of Public Housing provides operating subsidies for public housing at the project level on a calendar year basis. Each year, it provides public housing agencies with instructions for the calculation of operating subsidy eligibility. According to those instructions, to determine operating subsidy eligibility under the Public Housing Operating Fund formula, public housing agencies must complete and submit

- Operating Fund Calculation of Operating Subsidy (form HUD-52723),
- Operating Fund Calculation of Utilities Expense Level (form HUD-52722),
- Application for Federal Assistance (SF-424) as part of the governmentwide e-grants management initiative, and
- Certification of Payments to Influence Federal Transactions (form HUD-50071).

## **RESULTS OF REVIEW**

The Office of Public Housing did not clearly define or provide guidance on what public housing agencies were certifying to when applying for operating subsidy funds on the Application for Federal Assistance, SF-424. Additionally, it did not require public housing agencies to physically sign the certifications listed on Operating Fund Calculation of Operating Subsidy, form HUD-52723. As a result, this created challenges for HUD to pursue civil remedies against noncompliant public housing officials.<sup>2</sup>

In the Application, the Office of Public Housing did not clearly define in its guidance what certifications the public housing agencies were making. The Application includes the following statement:

---

<sup>2</sup> Regulations at 24 CFR (Code of Federal Regulations) 28.10(b) state that a written false statement contains or is accompanied by an express certification or affirmation of the truthfulness or accuracy of the contents of the statement.

By signing this application, I certify (1) to the statements contained in the list of certifications\*\* and (2) that the statements herein are true, complete and accurate to the best of my knowledge. I also provide the required assurances\*\* and agree to comply with any resulting terms if I accept an award. I am aware that any false, fictitious, or fraudulent statements or claims may subject me to criminal, civil, or administrative penalties. (U.S. Code, Title 218, Section 1001)

\*\* The list of certifications and assurances, or an internet site where you may obtain this list, is contained in the announcement or agency specific instructions.

The Office of Public Housing generally considered the certification in the Application as supportive of certifications of other forms required by the operating subsidy program. However, the statement in the Application specifically refers to a list of certifications, and the Office of Public Housing was not able to provide a list of certifications for our review period. Although public housing agencies signed the Application certifying to a list of certifications, the agencies made no actual certifications due to the Application's wording. In July 2017, the Office of Public Housing posted a list of certifications and assurances on its Calendar Year 2017 Subsidy Processing website. Although public housing staff stated that the Office of General Counsel reviewed the list, the staff did not provide evidence that the list of certifications and assurances went through departmental clearance procedures as required.<sup>3</sup> The Office of Public Housing should send the new guidance through the agency clearance process to ensure that these directions are clear and contain certifications that will enable departmental staff to pursue appropriate civil or administrative actions against public housing agency officials.

Additionally, when we reviewed the Operating Fund Calculation of Operating Subsidy, form HUD-52723, for one housing agency, we noticed that the agency did not physically or electronically sign the certification on the form. Local Office of Public Housing staff stated that housing agencies submitted the form online and did not have to sign it. The Office of Public Housing staff in headquarters confirmed that public housing agencies were not required to sign the form and stated that by drawing down awarded funds, the public housing agency agreed to all terms and conditions associated with the program. However, without a signed and clear certification, the Office of Public Housing's ability to seek appropriate civil or administrative action against a public housing official could be compromised as the department would not be able to clearly show that an individual made a certification.

### **CONCLUSION**

The Office of Public Housing did not clearly define or provide guidance on what statements public housing agencies were certifying to when applying for operating subsidy funds. Additionally, it did not require public housing agencies to sign the certifications listed on form HUD-52723. As a result, this created challenges for HUD to pursue civil remedies against noncompliant public housing officials.

---

<sup>3</sup> HUD Handbook 000.2, REV-3, Section D, Clearance

## **RECOMMENDATIONS**

We recommend that the Deputy Assistant Secretary for Public Housing and Voucher Programs

- 1A. Follow departmental clearance procedures and issue clarification to public housing agencies to explain what is being certified to in the Application.
- 1B. Require public housing agencies to sign the certifications on form HUD-52723 or remove the certification.


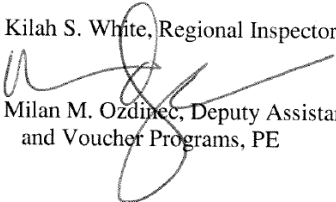
## Appendix A

# AUDITEE COMMENTS AND OIG'S EVALUATION

---

### Ref to OIG Evaluation

### Auditee Comments

 <b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b> WASHINGTON, DC 20410-5000	
OFFICE OF PUBLIC AND INDIAN HOUSING	
October 25, 2017	
MEMORANDUM FOR:	Kilah S. White, Regional Inspector General for Audit, 6AGA
FROM:	 Milan M. Ozdimec, Deputy Assistant Secretary for Public Housing and Voucher Programs, PE
SUBJECT:	Comments on Office of Inspector General Draft Audit Memorandum: <i>HUD's Office of Public Housing Did Not Clearly Define or Provide Guidance for Public Housing Agency Certifications</i>
<p>This memorandum is in follow-up to the exit teleconference held with your team on September 28, 2017. The Office of Public and Indian Housing has reviewed your Draft Audit Memorandum and submits, for your consideration, the following responses.</p> <p>During the conference call, PIH and its Office of General Counsel informed the OIG of the following points, which also serve as our comments to this Draft Audit Memorandum:</p> <ol style="list-style-type: none"><li>1. The list of certifications applying to form SF-424 for purposes of the Operating Fund was developed and posted to the HUD website in response to an email request from the OIG.</li><li>2. There is an existing form HUD-50077 that includes all of the certifications associated with the Operating Fund and negates the need for signature of form HUD-52723. This global form applies to the Operating Fund and a variety of other HUD programs.</li><li>3. Form HUD-52723 was converted to an Excel format a number of years ago, and is submitted electronically in Excel by PHAs. The signature block was erroneously retained in the Form.</li></ol> <p>We recommend that the Deputy Assistant Secretary, Office of Public Housing and Voucher Programs,</p> <p>1A. Follow departmental clearance procedures and issue clarification to public housing agencies to explain what is being certified to in the Application.</p>	
<small>www.hud.gov      espanol.hud.gov</small>	

**Comment 1**

**PIH Response to Recommendation 1A:** The Office of Public Housing and Voucher Programs will clarify the role of form SF-424 and clarify what a PHA certifies to when completing the form in a PIH Notice. This notice will be vetted through Departmental clearance prior to publication.

1B. Require public housing agencies to sign the certifications on form HUD-52723.

**Comment 2**

**PIH Response to Recommendation 1B:** The Office of Public Housing and Voucher Programs will pursue a modification of form HUD-52723's PRA to remove the certifications and signature block. Certifications in forms SF-424 and HUD-50077 provide ample support "for HUD to pursue civil remedies against noncompliant PHAs."

### **OIG Evaluation of Auditee Comments**

**Comment 1** The Office of Public Housing and Voucher Programs stated that it will clarify the role of form SF-424 and what a public housing agency certifies to when completing the form in a PIH Notice that will be vetted through Departmental clearance procedures.

We look forward to working with the Office of Public Housing and Voucher Programs during the vetting process.

**Comment 2** The Office of Public Housing and Voucher Programs will pursue a modification of form HUD-52723 to remove the certifications and signature block.

We revised the recommendation to include removing the certification and look forward to the updated form HUD-52723.