



**PUBLIC NOTICE & AGENDA**  
**BELOIT COMMUNITY DEVELOPMENT AUTHORITY**  
**City Hall Forum - 100 State Street, Beloit, WI 53511**  
**4:30 PM**  
**Wednesday, May 26, 2021**

1. CALL TO ORDER AND ROLL CALL
2. PUBLIC COMMENT
3. MINUTES
  - 3.a. Consideration of the minutes of the April 28, 2021 Community Development Authority meeting  
[Attachment](#)
4. BELOIT HOUSING AUTHORITY
  - 4.a. Presentation of the April Activity Report (Cole)  
[Attachment](#)
  - 4.b. Presentation of the March Financial Report (Cole) To be handed out at meeting.
  - 4.c. Public Hearing and Consideration of Resolution 2021-05 Approving Revisions to Beloit Housing Authority's Housing Choice Voucher Administrative Plan (Cole)  
[Attachment](#)
5. COMMUNITY AND HOUSING SERVICES
  - 5.a. Overview of the Community Development Block Grant process (Downing)  
[Attachment](#)
6. ADJOURNMENT

\*\* Please note that, upon reasonable notice, at least 24 hours in advance, efforts will be made to accommodate the needs of disabled individuals through appropriate aids and services. For additional information to request this service, please contact the City Clerk's Office at 364-6680, 100 State Street, Beloit, WI 53511.

## Minutes

### Beloit Community Development Authority

100 State Street, Beloit WI 53511

April 28, 2021

4:30 P.M.

The regular meeting of the City of Beloit Community Development Authority was held on Wednesday, April 28, 2021 in the Forum of Beloit City Hall, 100 State Street.

#### 1. **Call to Order and Roll Call**

Meeting was called to order by Chairperson Ellison at 4:33 p.m.

**Present:** Commissioners Ellison and Gorman; Councilors Forbeck and Leavy

**Absent:** Commissioner Douglas, Hartke and Roland

**Staff Present:** Julie Christensen, Clinton Cole, and Ann Purifoy

#### 2. **Public Comment**

None

#### 3. **Consideration of the Minutes of the March 24, 2021 regular meeting of the Community Development Authority.**

Motion was made by Councilor Leavy and seconded by Commissioner Ellison to approve the minutes of the March 24, 2021 regular meeting of the Community Development Authority. Motion carried unanimously.

#### 4. **Beloit Housing Authority**

##### a. Presentation of the March Activity Report

Clinton Cole, Beloit Housing Authority Director, gave a brief summary of the report.

Councilor Leavy asked if BHA is losing money by not having all vouchers issued. Clint explained that the bigger concern is to spend all of our allotted Housing Assistance Payment (HAP) money more than issuing all of our vouchers. This is a very delicate balancing act that we are working hard to achieve. HUD recommends that we increase our payment standard from 100 percent to 110 percent, effective July 1. This will help BHA spend all of the HAP monies allotted to us as well as provide voucher-holders with more rental property choices.

##### b. Presentation of the January and February Financial Reports

Clinton Cole gave a brief summary of the report.

After speaking to HUD today, they now recognize that we are not in need of the \$165,000 shortfall funding we qualified for. We will lose out on these funds, but they will go to agencies that need it much more than we do.

Through February we have collected \$6,600 thru TRIP (Tax Return Interception Program) for debts owed to BHA.

- c. Consideration of Resolution 2021-04 Approving the Second Budget Revision to the Beloit Housing Authority's 2019 Capital Fund Program (CFP) Grant  
Clinton Cole gave a brief summary of the report.

Councilor Forbeck moved and Commissioner Gorman seconded a motion to approve Resolution 2021-04. Motion carried (4-0), roll call vote.

5. **Adjournment**

Motion was made by Councilor Leavy and seconded by Commissioner Gorman to adjourn at 4:55 p.m. Motion carried unanimously.

Respectfully submitted, Ann Purifoy

# REPORTS AND PRESENTATIONS TO COMMUNITY DEVELOPMENT AUTHORITY



<b>Agenda Number:</b>	4a		
<b>Topic:</b>	April Activity Report		
<b>Date:</b>	May 26, 2021		
<b>Presenter:</b>	Clinton Cole	<b>Division:</b>	Beloit Housing Authority

## Overview/Background Information

Each month, the Housing Authority provides an activity report to the Community Development Authority. This report is for information only.

## Key Issues

**Public Housing:**  
At the end of this reporting period, there were no public housing vacancies. Six annual and 10 interim certifications were completed. 10 public housing inspections were conducted in April.

**Section 8:**  
471 vouchers were housed on April 30, 2021, with 14 newly-issued voucher holders either searching for units or waiting for passed inspections. Four portable vouchers were paid by BHA, and seven port-in vouchers were administered. The Housing Specialists completed 35 annual and 44 interim recertifications during this reporting period. 42 Housing Quality Standards (HQS) inspections were completed in April. The BHA Inspector is utilizing personal protective equipment (PPE) to ensure her safety, as well as the safety of the families occupying the units.

On April 13, 2021 the BHA received HUD's Quality Assurance Division's (QAD) Calculation of Housing Assistance Payments, Adjusted Income, and Rent Review (CHAIR) report as the result of a remote review that was conducted February 22-26, 2021. BHA staff reviewed the initial report and provided evidence which removed an initial finding that would have required BHA to repay HUD \$3,686 with non-federal dollars. On May 3, 2021 the QAD issued the attached revised CHAIR report. The BHA is preparing a Corrective Action Plan in response to the report.

On April 14, 2021 the BHA received HUD's Departmental Enforcement Center (DEC) report as a result of an on-site review that was conducted July 29-31, 2019. On May 6, 2021 the BHA submitted a Corrective Action Plan in response to the attached DEC report, both of which are attached. BHA will be required to pay back approximately \$190 to HUD for unallowable expenses incurred by the former Executive Director. She had a pizza party for public housing tenants, which is not an allowable use of HUD funds.

## Conformance with Strategic Plan

- Approval of this action would conform with the stated purpose of the following strategic goal:
- Goal #1 - Create and Sustain Safe and Healthy Neighborhoods
  - Goal #2 - Create and Sustain a High Performing Organization
  - Goal #3 - Create and Sustain Economic and Residential Growth
  - Goal #4 - Create and Sustain a High Quality of Life
  - Goal #5 - Create and Sustain High Quality Infrastructure and Connectivity
  - Goal #6 - Create and Sustain a Positive Image, Enhance Communications and Engage the Community

## Sustainability

(If applicable, briefly comment on the sustainable long term impact of this policy or program related to how it will impact both the built and natural environment. Consider whether the policy or program will reduce dependence upon fossil fuels, reduce dependence on chemicals and other manufacturing substances that accumulate in nature, reduce dependence on activities that harm life sustaining eco-systems, and/or meet the hierarchy of present and future human needs fairly and efficiently. Write N/A if not applicable) N/A

## Action Required/Recommendation

No action required. Information only.

## Fiscal Note/Budget Impact

All fiscal/budget impacts are noted in the report.

**Attachments**

April Activity Report, HUD Departmental Enforcement Center Report, HUD Quality Assurance Division CHAIR Report, BHA DEC Corrective Action Plan

**Beloit Community Development Authority  
Activity Report to Board for April 2021**

**PUBLIC HOUSING**

Total Public Housing Units	131 Units	
Occupied on 4/30/2021	131 Units	100% Occupancy
Vacancies on 4/30/2021	0 Units	0% Vacancy
Vacancies by Type		
Elderly	0 Units	100% Occupancy
Family	0 Units	100% Occupancy

**Public Housing Inspections**

Seven annual inspections, one initial inspection, and two special inspections were completed during this reporting period.

**Public Housing Activities**

Annual Recertifications	6
Interim Recertifications	10
Tenant notices to Vacate *Not due to eviction	0
New Tenants	1
Transfers	0
Lease Terminations	0
Possible Program Violations	0
Evictions	0

**Public Housing Briefings**

Number Notified	10
Number Briefed	5

**SECTION 8 PROGRAM**

Total Section 8 Vouchers	598 Vouchers	
Total Under Lease on 4/30/2021	471 Vouchers	79% Utilization
Total Portable Vouchers Paid	4 Vouchers	
Total Port Out*	4 Vouchers	
Total Port In*	7 Vouchers	
April HCV HAP Funds Received	\$237,053	
April HCV HAP Funds Expended	\$228,999.69	
Current Per Unit Cost (PUC)	\$482.06	

- \* Port Out – Not absorbed by other Housing Authorities; paid by Beloit Housing Authority
- \* Port In – Portable vouchers administered by BHA but paid by other Housing Authorities

**Section 8 Inspections**

The BHA Inspector completed 36 annual inspections and two initial inspections during this reporting period.

**Section 8 Activities**

New Participants	1
Annual Recertifications	35
Interim Recertifications	44
Abatements	4
Unit Transfers	0
Possible Program Violations	0
End of Program	0
Port outs	0

**Section 8 Briefings**

Number Notified	0
Number Briefed/Vouchers Issued	12

**APPLICATIONS ON WAITING LIST**

Public Housing East	59
Public Housing West	46
Parker Bluff	174
Section 8 Program	230

0 Applicants removed for Repayment Default  
 0 Applicants removed for unreported income  
 0 Applicants removed for unauthorized occupants  
 0 Applicants removed for debts owed  
 Some applicants are on both lists, some are not  
**Section 8 waiting list opened 4/4/11**



**U.S. Department of Housing  
and Urban Development**  
Milwaukee Field Office  
Suite W950  
310 West Wisconsin Avenue  
Milwaukee, WI 53203-2289  
<http://www.hud.gov/local/mil/>

April 9, 2021

SENT VIA EMAIL

Mr. Clinton Cole, Executive Director  
Beloit Housing Authority  
100 State Street, 3<sup>rd</sup> Floor  
Beloit, WI 53511

**SUBJECT: Transmittal of Snapshot Review Report Beloit Housing Authority**

Dear Mr. Cole:

The HUD Office of Public Housing is transmitting a report from the Department Enforcement Center (DEC). The DEC conducted an onsite snapshot review at WI064 Beloit Housing Authority (BHA). The objective of the review was to determine whether the Board and Executive Director (ED) are providing oversight and management of the BHA's programs in accordance with federal regulations and statutes, and internal policies and procedures. Our review focused on compliance with HUD and other pertinent regulations regarding governance, internal controls, procurement procedures, financial management, cost allocation, and the use of federally-funded property and personnel.

Our on-site review was conducted from July 29-31, 2019. The review covered the period from January 2015 through June 2019, included a 2018 Peer-to-Peer (P2P) analysis, and a trend analysis of the 2015 through 2018 AFS. We conducted a financial review of the BHA's Low Rent Public Housing (LRPH) and Section 8 programs, tax credit component units, and reviewed the BHA's internal control policies for compliance with federal requirements and effectiveness. We researched facts surrounding a disposition letter from HUD's Special Application Center (SAC) for nine scattered site units. We also conducted interviews with the Board Chair, Board ED, the BHA ED, the Financial Assistant, the investor member representatives for the tax credit properties, and the Fee Accountant.

The results of our review are presented in the enclosed report. The report contains five (5) findings for which a Corrective Action Plan (CAP) must be prepared and sent to [diana.l.schultz@hud.gov](mailto:diana.l.schultz@hud.gov) **within thirty (45) days of the date of this report**. BHA should note that the HUD Milwaukee Field Office has contacted the HUD Quality Assurance Division to conduct a rent reasonableness review as a follow-up to Recommendation 1 (one) on page eleven (11).

Should you or your staff have any questions, please feel free to contact Portfolio Management Specialist Diana "Dee" Schultz.

Sincerely,

A handwritten signature in blue ink that reads "Shirley Wong".

Shirley Wong, Director  
Milwaukee Office of Public Housing, 51PH

Enclosure

cc: Francesca Ellison, Board of Commissioners Chairperson, BHA





**Beloit Housing Authority (WI064)  
Beloit, Wisconsin  
Snapshot Review  
November 27, 2019**

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**Craig T. Clemmensen, Director  
Departmental Enforcement Center**

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## **I. Executive Summary**

The Office of Public and Indian Housing (PIH) referred the Beloit Housing Authority (BHA) to the Departmental Enforcement Center (DEC) to review the financial operations, internal controls, and governance of BHA. Our review covered the period from January 2015 through June 2019. We conducted an on-site review from July 29-31, 2019. Our review included but was not limited to the review of audited financial statements (AFS), internal policies, as well as comparison data from the Peer-to-Peer tool. Our review concludes that for reasons listed below the BHA Board and ED did not provide the required oversight and management of BHA programs:

- The BHA does not have a written Cost Allocation Plan (CAP) as required by 2 CFR 200, Appendix V;
- Total Housing Choice Voucher (HCV) and project-based voucher (PBV) utilization declined from 95% in January 2017 to 85% in May 2019;
- From June 1, 2013 through August 31, 2019, the BHA received \$296,941 in unsupported Section 8 subsidy payments for their PBV units because rent reasonableness reviews were not conducted by an independent party as required by 24 CFR § 983.59(b)(1) and 24 CFR § 983.301(g);
- The Section 8 Administrative Fee Account has experienced deficits in 2014, 2016, and 2017 totaling (\$79,925). Through May 2019, the Administrative Fee Account reports a deficit of (\$2,750); and
- During the period from 2015 through 2018, the BHA has written off \$99,623 in tenant rent receivables as uncollectable.

Our recommendations include:

- The BHA should work with PIH's Milwaukee Field Office (MFO) to retroactively perform rent reasonableness reviews for 2013 through 2019 and determine if any rents charged during that period were over the reasonable rent limit. Any rents determined to be over the reasonable rent limit must be repaid to the HAP account from non-federal funds;
- The BHA should consider new methods to increase the HCV utilization rate, including increasing the rent payment standard and outreach initiatives to local landlords;
- The BHA should consider methods to reduce its HCV administrative expenses in order to eliminate its Administrative Fee deficits. PIH Notice 2012-15 lists several suggestions for reducing HCV administrative expenses; and
- The BHA should base the management fee structure on net collections of tenant rent, instead of gross tenant rent to incentivize rent collections.

## **II. Objectives**

The objective of our review was to determine whether the Board and Executive Director (ED) are providing oversight and management of the BHA's programs in accordance with federal regulations and statutes, and internal policies and procedures. Our review focused on

compliance with HUD and other pertinent regulations regarding governance, internal controls, procurement procedures, financial management, cost allocation, and the use of federally-funded property and personnel.

### **III. Scope**

Our on-site review was conducted from July 29-31, 2019. The review covered the period from January 2015 through June 2019, included a 2018 Peer-to-Peer (P2P) analysis, and a trend analysis of the 2015 through 2018 AFS. We conducted a financial review of the BHA's Low Rent Public Housing (LRPH) and Section 8 programs, tax credit component units, and reviewed the BHA's internal control policies for compliance with federal requirements and effectiveness. We researched facts surrounding a disposition letter from HUD's Special Application Center (SAC) for nine scattered site units. We also conducted interviews with the Board Chair, Board ED, the BHA ED, the Financial Assistant, the investor member representatives for the tax credit properties, and the Fee Accountant.

### **IV. Background**

Located in Beloit, Wisconsin, the BHA administers a LRPB program of 131 units leased to two tax credit entities and a Section 8 program with 598 total authorized Housing Choice Vouchers (HCVs) and Project-Based Vouchers (PBVs). The BHA's fiscal year-end is December 31.

The BHA is a component of the City of Beloit Community Development Authority (CDA). The CDA has its own governing board and ED. The BHA's ED is appointed by the City of Beloit's Council and reports to the CDA ED. The CDA Board is also the governing board of the BHA.

All LRPB developments are leased for 98 years from the CDA to Beloit Apartments Redevelopment Phase 1, LLC, the lessee of Phase 1 and Beloit Apartments Redevelopment Phase 2, LLC, the lessee of Phase 2. Phase 1 consists of 65 units, while Phase 2 consists of 66 units. The CDA is the Managing Member and the BHA is the Management Agent (Agent) for both Phases.

The BHA has a staff of 11 employees, led by the ED and Financial Assistant. The LRPB staff includes a Property Operations Coordinator, a Public Housing Coordinator, and a Maintenance Specialist. The HCV program staff includes two Section 8 Housing Specialists and a Special Programs Administrator. There is also an Inspector who performs Housing Quality Standards and Uniform Physical Condition Standards Inspections. The BHA staff includes an Administrative Assistant and a Custodian.

### **V. Results of Review**

#### **A. Governance and Management**

The BHA's Board is comprised of six members. The Board, the CDA ED, and the BHA ED meet on a monthly basis to assess the BHA's activities. According to the meeting minutes, the BHA ED provides the Board with a summary of monthly financial activities by program and the

month-end financial statements, which include a consolidated year-to-date actual versus budget comparison. A copy of the July 2019 packet which was provided to the Board confirmed that the Board is receiving relevant and timely financial information.

Through interviews with the CDA ED, the Financial Assistant, and the BHA ED, and review of the LRPB operating account bank statements against the money market reserve bank statements from December 31, 2014, through July 31, 2019, we found that, without the knowledge of the Board, the former BHA ED compiled annual budget deficits for the LRPB program and used the money market reserve account to offset shortfalls, when necessary. The former BHA ED presented manipulated monthly financial reports to the Board which did not reflect the shortfalls that were covered by the reserves. After the former BHA ED resigned in November 2017, the current ED, who was acting as interim at the time, discovered the shortfalls and the funding source of these shortfalls, which resulted in the depletion of the money market reserve account. According to the September 28, 2018 meeting minutes, the BHA ED notified the CDA ED and Board. During an interview with the CDA ED, she stated that she took responsibility for the lack of oversight, and now attends all Board meetings and reviews the financial summaries presented by the BHA ED. The Board Chair, who was a board member at the time, also acknowledged responsibility and now encourages more financial oversight from the Board. The money market reserve account was created as an interest-bearing investment of LRPB program operating surpluses and is used to cover shortfalls of the LRPB program. Through review of the LRPB operating and money market reserve bank statements, we confirmed that transfers totaling \$101,606 were made from the money market reserve account to the LRPB operating account from December 31, 2014, to December 31, 2017. The balance in the money market account decreased from \$174,083 to \$72,744 during the same timeframe. Since December 2017, there has been minimal activity in the account and at July 31, 2019, the balance was \$72,591.

## **B. Internal Controls**

The BHA does not have a cost allocation plan. For most costs, the BHA uses the direct allocation method described in Office of Management and Budget (OMB) Circular A-122, which was superseded by 2 Code of Federal Regulations (CFR) 200 in 2014. The BHA's actual cost allocation methodologies, including allocating indirect costs, comply with the requirements of 2 CFR 200, Appendix V.

According to an auditor finding in 2017, personnel costs were billed directly to each program, but were based on estimates instead of actual costs. Beginning on January 1, 2018, BHA staff began completing timesheets in accordance with the actual time spent working in each program area. We requested timesheets for the BHA ED and the Financial Assistant for the period covering June 8, 2019, to July 19, 2019. Requested timesheets were provided and confirmed that the BHA ED and the Financial Assistant's time are tracked and billed directly to each program using actual costs.

The BHA adopted the City's Contracting, Purchasing, and Disbursement Manual (Manual) by resolution in 2009, and updated the Manual in August 2016. The Manual meets HUD's procurement thresholds and policies. The following terms are defined as such:

- Petty cash is below \$50;
- Micro-Purchase is below \$2,500;
- Small Purchase is above \$2,500; and
- Competitive is above \$25,000.

We requested procurement information regarding the BHA’s two most recent large-scale construction projects, gutter repairs of 20 housing sites totaling \$43,060 in May 2019 and roof repairs of 14 Phase 2 sites totaling \$88,662 in November 2018. Per our request, the BHA provided contracts, independent cost estimates (ICEs), bids, invoices, and payment information.

Packets provided for both projects included adequate ICEs, bids, clear and concise construction plans, contracts, invoices, and Capital Fund Program (CFP) payments. The projects were completed and paid in a timely manner. We found that both projects complied with the City of Beloit’s contracting, purchasing, and disbursement policies.

All other BHA policies are created by CDA and BHA staff, and then approved by the Board. Day-to-day operations, cash management, financial controls, and grant management are the responsibility of the BHA ED, and the CDA ED provides oversight.

We reviewed the following BHA Internal Control Policies:

- Collateralization Policy, dated July 2018;
- Rent Collection Policy, dated August 2009;
- Petty Cash Policy, dated July 2009;
- Operating Expenses Policy, dated April 2009;
- Investment Policy, dated May 2009; and
- Capitalization Policy dated April 2019.

We did not note any deficiencies relative to these internal control policies.

## **C. Cash Disbursements**

### **Check Disbursements**

The BHA has five checking accounts, one each for LRPH, HCV, Phase 1, Phase 2, and HAP/PBV. We judgmentally selected a sample of accounting expenses billed to LRPH, PBV, HCV, and Phases 1 & 2 between January 2016 and June 2019, with disbursements totaling \$13,154 (Cash Disbursement Analysis, Table 1), and 20 invoices for garbage and trash removal services allocated to Phase 1 and Phase 2 with disbursements totaling \$7,302 (see Appendix A, Table 2). The accounting expenses are labeled as both “accounting fees” and “contracted accounting services” on the check registers. The BHA provided invoices and payment information for all disbursements. The accounting expenses reflect accounting services provided by their fee accountant, Hawkins and Ash CPAs, LLP, and we found that all accounting expenses were directly billed to each program or Phase, were supported, adequately documented, eligible, and reasonable. Also, we found that garbage disposal expenses are billed directly to each of the two Phases, were supported, adequately documented, eligible, and reasonable.

## **Credit Card Disbursements**

The BHA uses one credit card that is held in a locked safe located in the BHA ED's office. Credit card bills are paid from the LRPH operating account and then reimbursed by the appropriate program. We judgmentally selected 17 credit card disbursements from January 2015 to December 2018, totaling \$17,366 (see Cash Disbursement Analysis, Table 3). The BHA provided receipts, credit card statements, descriptions of expenses, and reimbursements to the LRPH operating account. The credit card is used by the BHA ED for training venues, quick purchases at local stores, specialty items from Amazon, and food for resident holiday parties. There were transactions at Walmart, CVS, and two local Pizza restaurants totaling \$193, described by the Financial Assistant as food for resident holiday parties. We found that the food purchases were ineligible (See Cash Disbursement Analysis, Table 3), as they are considered entertainment expenses.<sup>1</sup> We found that all other credit card purchases totaling \$17,173 were directly billed to each program and were adequately documented, reasonable, eligible, and fully reimbursed to the LRPH program.

## **D. LRPH**

All LRPH property and units are leased to Phase 1 and Phase 2 by the CDA and the BHA is the Agent for both Phases.

The following documents have been executed for each phase relative to these leases: a Mixed Finance ACC Amendment between HUD and the BHA; a Regulatory and Operating Agreement between the CDA and each lessee; and a Management Agreement between the BHA and each lessee.

LRPH operating subsidies are paid to the BHA and are transferred to the Phases. The amount of operating subsidy transferred to the Phases is based on operating deficits, not the amount of operating subsidy received by the BHA. The Regulatory and Operating Agreements for both Phases require the BHA to transfer LRPH operating subsidy equal to any difference in project expenses less project revenue. This requirement ensures that neither Phase 1 nor Phase 2 will have operating deficiencies. During the period from 2015 through 2018, the BHA has transferred 68% of total LRPH subsidy received from HUD (\$1,202,363 of \$1,779,459) to Phases 1 and 2. The remaining LRPH operating subsidy is used by the BHA to pay their costs for managing the LRPH program. Some financial aspects of the Phases are managed, reported, and audited separately from the BHA's LRPH operating costs.

As the Agent, the BHA is responsible for resident selection and admission, rent collection, lease enforcement, maintenance (including managing capital modernization projects), utilities and services, front-line staffing, financial management (including the CFP program), record and report maintenance, and ensuring the Phases have fidelity bond and other insurance coverage. Per section 18 of both management agreements, the BHA receives a monthly fee of 5% of the gross tenant portion of rents and reimbursement for the direct costs paid by the BHA in its

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<sup>1</sup> Sections 200.420 - 200.475, Subpart E of 2 CFR 200 describe costs which are eligible for reimbursement. Catered food for social activities is considered an entertainment cost per 2 CFR 200.438.

capacity as the Agent. Section 6 (A)(6) of the Mixed Finance ACC Amendment for each Phase requires the management services to be performed in accordance with HUD Public Housing regulations and requirements pertaining to PHA's.

Payment of the management fee and reimbursement for direct operating costs are netted against the HUD operating subsidy and paid on a quarterly basis.

Since all LRPB units are leased to Phase 1 and Phase 2, the BHA does not receive an annual PHAS assessment score. However, between 2015 and 2018, occupancy rates of the Phases have been maintained between 97% and 99%, and the Phases received REAC physical inspection scores ranging from 81 to 99 in 2017, the latest year for which these scores are available.

The BHA's operation of the LRPB program had operating surpluses for 2015 and 2016, but had deficits of (\$21,755) in 2017 and (\$9,717) in 2018. This was primarily caused by revenue declining by 3%, with LRPB operating subsidies declining by 14%, \$48 per units months leased (UML), while total expenditures increased by 1%, \$11 per UML during this period.<sup>2</sup> Through May 2019, the LRPB program was operating at a deficit of (\$24,813). To cover these deficits, the BHA used LRPB cash reserves. These reserves increased by \$29,377 from 2015 through 2017, but decreased by (\$50,623) from 2017 through 2018.

### **Phase 1 and Phase 2 Financial**

Under generally accepted accounting principles (GAAP) reporting requirements, both Phase 1 and Phase 2 reported financial deficits for every year from 2015 through 2018. These deficits include accruing annual interest expenses on notes and mortgages that were executed when Phase 1 and Phase 2 were formed. Payment of the interest expense is deferred until the notes and mortgages mature.

As of December 31, 2018, Phase 1's Long-Term Debt totaled \$3,230,559 and accrued interest totaled \$960,144. A portion of the long-term debt totaling \$1,280,559 and \$107,624 of accrued interest is due in September 2040 and the remaining \$1,950,000 of long-term debt and \$852,520 of accrued interest is due in September 2051.

As of December 31, 2018, Phase 2's Long-Term Debt totaled \$2,910,854 and accrued interest totaled \$513,448. These amounts are due in October 2050.<sup>3</sup>

Deficits also include the annual depreciation expense. When both the interest and depreciation expenses are excluded, both Phase 1 and Phase 2 have surplus operating income for each year as shown below.

Phase 1 Adjusted Operating Income			
2015	2016	2017	2018
\$54,979	\$92,075	\$84,145	\$71,878

<sup>2</sup> Per trend data provided by the PIH MFO, the BHA's annual LRPB operating subsidies have decreased 26% from 2010 through 2017.

<sup>3</sup> The entire debt for both Phases is owed to the CDA.



Phase 2 Adjusted Operating Income			
2015	2016	2017	2018
\$70,515	\$35,224	\$24,392	\$32,593

The BHA is having problems collecting tenant rent from both Phases. During the period from 2015 through 2018, Phase 1 has written-off \$50,854 of bad debts (12% of its total rent revenue) and Phase 2 has written-off \$48,789 (8% of its total rent revenue). Improved rent collections would reduce the operating subsidy needed from the BHA and reduce the current LRP operating deficits cited above.

## **E. HCV and PBV**

The BHA has 598 authorized Section 8 vouchers, including nine BHA-owned PBV units, equating to 7,176-unit months available (UMA) annually. Total voucher utilization has declined from 6,832 UML (95%) in 2015 to 6,296 UML (88%) in 2018. The May 2019 Voucher Management System (VMS) summary reported only 510 UML (85%). This includes six occupied PBV units.

This reduction in UML has resulted in a corresponding decrease in ongoing administrative fees earned and has led to Administrative Fee Account deficits in 2014, 2016, and 2017 totaling (\$79,925). Through the first five months of 2019, the Administrative Fee Account reported a deficit of (\$2,750).

### **1. HCV Management and SEMAP Assessment**

The HCV waiting list had 217 families as of July 10, 2019. The waiting list is open. The BHA received 125 out of 136 points in their 2018 SEMAP rating, resulting in an overall high rating.

The BHA ED stated that because of concerns about proposed HUD budget cuts in 2017, the BHA did not issue new vouchers in that year. In 2018, the BHA began issuing vouchers again, because they received more HAP money than in 2017. The Board Chair also stated that Beloit is experiencing rapid economic growth and is facing a rental housing shortage, making it difficult to find landlords willing to accept vouchers. The latest Economic & Marketing Analysis Division (EMAD) report for Rock County, Wisconsin, which includes Beloit, reported a rental unit vacancy rate of 3.6% as of 2017, verifying the tight rental housing market.

Our analysis also discovered that at the current average per unit cost (PUC) of \$474, the BHA has enough HAP Annual Budget Authority (ABA) and HUD-Held Reserves (HHR) to fund 564 UML on a sustained basis. This would raise UML to 94% and result in an additional ongoing administrative fee earned of \$1,988 per month.

The BHA ED stated that the BHA is working with the PIH MFO to increase voucher utilization by issuing 20 new vouchers per month and is considering raising the payment standard from

100% to 110%.<sup>4</sup> The BHA ED also stated that there are no apparent issues with landlords reluctant to accept vouchers, but with the tight rental market in Beloit, many landlords believe they can charge higher rents for their units than they can get from voucher holders.

## **2. PBV**

The PBV program consists of nine units, which were previously approved for disposition by the SAC in 2011, while the LRPH units were transferred to Phase 1 and Phase 2.

The BHA ED explained that in 2011 the Beloit real estate market was not good and the BHA could not get a reasonable price for these units.<sup>5</sup> These units were originally transferred to Phase 2 as part of a redevelopment plan, but because these units were already removed from the LRPH's ACC, they were not eligible for LRPH subsidy payments. Phase 2 transferred these units back to the BHA, which then converted them to PBV units under the provisions of 24 CFR § 983.5(b) and (c).<sup>6</sup> The PIH MFO approved the conversion of these units to PBV on August 10, 2012.

Accordingly, 24 CFR § 983.59(b)(1) and 24 CFR § 983.301(g) require that PBV units owned by a PHA are required to use an independent entity approved by HUD to establish the initial contract rents and the annual redetermined rents. We found that the BHA did not use an independent entity to establish the initial contract rents and the annual redetermined rents for its PBV units. Contract rents were established by BHA staff during this timeframe. From June 1, 2013, through August 31, 2019, the BHA received \$296,941 in unsupported Section 8 subsidy payments for their PBV units.

After discussing this issue with the PIH MFO, the PIH MFO agreed to retroactively perform the rent reasonableness reviews for 2013 through 2019 and determine if any rents charged during that period were over the reasonable rent limit. This resolution is consistent with how the PIH MFO addresses this issue with other PHA's.

Currently, the BHA has requested and received approval from the SAC to dispose of these units. The SAC issued a new authorization, dated July 9, 2019, to dispose of these units and use the proceeds for capital needs for the remaining LRPH units.

The BHA has taken action to dispose of these units by vacating the occupied units as the current leases expire. As of the date of this report, five PBV units remain occupied. The sale of the first PBV unit closed on August 30, 2019, and bids are being solicited for the remaining units. As these PBV units are sold, the associated PBV vouchers revert to normal HCV vouchers.

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<sup>4</sup> The VMS report for May 2019 reported 14 vouchers issued, but not leased.

<sup>5</sup> A request to rescind the approval to dispose of these units was neither submitted by BHA nor approved by HUD as required by 24 CFR § 970.7 (b).

<sup>6</sup> 24 CFR § 983.5 (b) states that the PHA's PBV program is funded with a portion of appropriated funding (budget authority) available under the PHA's voucher ACC. 24 CFR § 983.5 (c) states that a PHA has discretion whether to operate a PBV program. HUD approval is not required, except that the PHA must notify HUD of its intent to project-base its vouchers.

### **3. HCV Financial Assessment**

#### **HAP Account**

From 2015 through 2018, HAP revenue has been sufficient to cover HAP payments with the use of BHA-held HAP reserves. HAP cash has been reduced by 49% during this period, which is consistent with HUD's requirements to keep PHA-held HAP reserves to a minimum. HAP revenue during the first five months of 2019, has exceeded HAP payments, resulting in an increase in HAP cash from \$25,600 at December 31, 2018, to \$45,222 at May 31, 2019. This cash is available to fund additional voucher leases, or to increase the rent payment standard to landlords.

#### **Administrative Fee Account**

The Administrative Fee Account had deficits in 2014, 2016, and 2017. Through the first five months of 2019, the Administrative Fee Account reported a deficit of (\$2,750).

The BHA ED explained that the BHA Family Self Sufficiency (FSS) program did not have enough participants and the BHA lost their FSS Coordinator grant. The BHA decided to retain a Special Programs Administrator, who performs the requirements of the FSS Coordinator, along with other duties. Without the funds from the FSS Coordinator grant, maintaining this position is causing the operating deficits in the Administrative Fee Account. These deficits are being covered by Administrative Fee Account reserves. Administrative Fee Account cash reserves have declined by 20% or (\$49,535), from \$253,167 to \$203,632 between 2015 and 2018.

To counter the decline in reserves, we determined that if the BHA can increase its voucher utilization rate to 94%, as discussed above, it would earn enough additional monthly administrative fees to cover the deficits. As discussed below, the PBV reserves will also be transferred to the administrative fee account once the PBV program is terminated. This should substantially increase the administrative fee account balance.

#### **PBV Account**

For every year from 2015 through 2018, the PBV Account has reported operating surpluses. Operating reserves totaled \$206,049 in unrestricted cash as of December 31, 2018, which equates to 72 months of operating reserves. Any remaining PBV unrestricted cash will revert to the HCV Administrative Fee Account after termination of the PBV program. Both revenue and expenses have decreased from 2015 through 2018 as a result of the BHA winding down its PBV program operations.

### **VI. Recommendations**

1. The BHA should work with the PIH MFO to retroactively perform the rent reasonableness reviews for 2013 through 2019 and determine if any rent charged during that period was over the reasonable rent limit. Any rents determined to be over the reasonable rent limit must be repaid to the HAP account from non-federal funds.

2. The BHA should consider new methods to increase HCV utilization, including increasing its rent payment standard and outreach initiatives to local landlords.
3. The BHA should consider methods to reduce its HCV administrative expenses in order to eliminate its Administrative Fee deficits. PIH Notice 2012-15 lists several suggestions for reducing HCV administrative expenses.
4. The BHA should repay \$193 back to the LRPH program from non-federal funds for the ineligible entertainment expenses.
5. The BHA should base the management fee structure off net collections of tenant rent, instead of gross tenant rent in order to incentivize a more effective rent collection process and reduce delinquent tenant rents.
6. For the next CDA/BHA Board vacancy, the City Council should require candidates to have a financial management background in order to provide enhanced oversight of financial reports.

## VII. Misuse of Funds Chart

<b>Program Fund Title</b>	<b>Expenditure</b>	<b>Unsupported</b>	<b>Ineligible</b>	<b>Total Reimbursement Costs</b>	<b>Description</b>
HCV		\$296,941		Determined by MFO	HAP Subsidies
LRPH	\$193	\$193	\$193	\$193	Food

## VIII. Cash Disbursements

**Table 1**

<b>Accounting Services</b>												
LRPH	2/1/2016	1396	\$1,088.00	\$1,556.00	100	Accounting Services	2/10/2016	1	Yes	Yes	Yes	Yes
	4/10/2017	1387	\$2,635.00	\$3,852.00	100	Accounting Services	4/4/2017	6	Yes	Yes	Yes	Yes
	4/9/2019	1423	\$1,292.00	\$1,610.00	100	Accounting Services	4/4/2019	5	Yes	Yes	Yes	Yes
<b>Total</b>			<b>\$5,015.00</b>									
Section 8	5/10/2016	1368	\$316.00	\$2,342.00	300	Accounting Services	5/5/2016	5	Yes	Yes	Yes	Yes
	4/10/2017	1387	\$422.00	\$3,852.00	300	Accounting Services	4/4/2017	6	Yes	Yes	Yes	Yes
	4/9/2019	1423	\$318.00	\$1,610.00	300	Accounting Services	4/4/2019	5	Yes	Yes	Yes	Yes
<b>Total</b>			<b>\$1,045.00</b>									
PH 1	2/1/2016	162	\$1,484.00	\$1,484.00	400	Accounting Services	2/10/2016	1	Yes	Yes	Yes	Yes
	4/10/2017	187	\$718.00	\$718.00	400	Accounting Services	4/4/2017	6	Yes	Yes	Yes	Yes
	2/9/2018	1924	\$763.00	\$763.00	400	Accounting Services	2/5/2018	4	Yes	Yes	Yes	Yes
<b>Total</b>			<b>\$2,965.00</b>									
PH 2	2/1/2016	1673	\$1,484.00	\$1,484.00	500	Accounting Services	2/10/2016	1	Yes	Yes	Yes	Yes
	4/10/2017	1871	\$833.00	\$833.00	500	Accounting Services	4/4/2017	6	Yes	Yes	Yes	Yes
	4/10/2018	2031	\$615.00	\$615.00	500	Accounting Services	4/5/2018	5	Yes	Yes	Yes	Yes
<b>Total</b>			<b>\$2,932.00</b>									
PBY	4/25/2016	1363	\$705.00	\$1,540.00	800	Accounting Services	4/4/2016	2	Yes	Yes	Yes	Yes
	10/10/2017	1396	\$177.00	\$1,522.00	800	Accounting Services	10/5/2017	5	Yes	Yes	Yes	Yes
	4/10/2018	1461	\$315.00	\$1,728.00	800	Accounting Services	4/5/2018	5	Yes	Yes	Yes	Yes
<b>Total</b>			<b>\$1,970.00</b>									
<b>Total</b>			<b>\$13,154.00</b>									

## Garbage and Trash Removal

	Check Date	Check #	GL Amount	Check Amount	Account	Description	Invoice Date	Days	Reasonable/ Necessary	Adequately Documented	Directly Billed	Eligible	Paid Timely
Phase 1	3/11/2016	1660	\$52.50	\$4,859.89	400	Curbside Pick Up Fees	3/9/2016	0	Yes	Yes	Yes	Yes	Yes
	3/11/2016	1660	\$40.00	\$4,859.89	400	Curbside Pick Up Fees	3/9/2016	0	Yes	Yes	Yes	Yes	Yes
	3/11/2016	1660	\$60.00	\$4,859.89	400	Curbside Pick Up Fees	3/9/2016	0	Yes	Yes	Yes	Yes	Yes
	3/11/2016	1660	\$4,667.39	\$4,859.89	400	PILOT Payment	3/11/2016	0	Yes	Yes	Yes	Yes	Yes
	2/10/2017	1793	\$395.00	\$395.00	400	Curbside Pick Up Fees	1/31/2017	10	Yes	Yes	Yes	Yes	Yes
	5/24/2017	1831	\$200.00	\$278.00	400	Curbside Pick Up Fees	5/15/2017	9	Yes	Yes	Yes	Yes	Yes
	5/24/2017	1831	\$12.00	\$278.00	400	Curbside Pick Up Fees	5/15/2017	9	Yes	Yes	Yes	Yes	Yes
	5/24/2017	1831	\$66.00	\$278.00	400	Curbside Pick Up Fees	5/15/2017	9	Yes	Yes	Yes	Yes	Yes
	1/24/2018	1917	\$5.00	\$511.00	400	Curbside Pick Up Fees	12/29/2017	27	Yes	Yes	Yes	Yes	Yes
	1/24/2018	1917	\$450.00	\$511.00	400	Curbside Pick Up Fees	12/29/2017	27	Yes	Yes	Yes	Yes	Yes
	1/24/2018	1917	\$30.50	\$511.00	400	Curbside Pick Up Fees	1/12/2018	12	Yes	Yes	Yes	Yes	Yes
	1/24/2018	1917	\$10.00	\$511.00	400	Curbside Pick Up Fees	1/16/2018	8	Yes	Yes	Yes	Yes	Yes
	1/24/2018	1917	\$16.00	\$511.00	400	Curbside Pick Up Fees	1/16/2018	8	Yes	Yes	Yes	Yes	Yes
	8/24/2018	2003	\$305.00	\$305.00	400	Curbside Pick Up Fees	8/24/2018	0	Yes	Yes	Yes	Yes	Yes
	6/24/2019	2145	\$5.00	\$297.50	400	Curbside Pick Up Fees	6/10/2019	14	Yes	Yes	Yes	Yes	Yes
	6/24/2019	2145	\$197.50	\$297.50	400	Curbside Pick Up Fees	6/10/2019	14	Yes	Yes	Yes	Yes	Yes
	6/24/2019	2145	\$95.00	\$297.50	400	Curbside Pick Up Fees	6/10/2019	14	Yes	Yes	Yes	Yes	Yes
<b>Total</b>			<b>\$6,606.89</b>										
Phase 2	1/25/2017	1837	\$395.00	\$395.00	500	Curbside Pick Up Fees	12/31/2016	26	Yes	Yes	Yes	Yes	Yes
	10/10/2017	1945	\$160.00	\$160.00	500	Curbside Pick Up Fees	7/7/2017	95	Yes	Yes	Yes	Yes	No
	10/24/2017	1952	\$140.00	\$140.00	500	Curbside Pick Up Fees	10/24/2017	0	Yes	Yes	Yes	Yes	Yes
<b>Total</b>			<b>\$695.00</b>										
<b>Total</b>			<b>\$7,301.89</b>										

Table 2

Table 3

	Transaction Date	Transaction Description	Item	Amount	Adequately Documented	Reasonable/ Necessary	Eligible	(LRPH, PHI, PHII, HCV)	Reimbursed
Travel and Food	1/29/2015	KALAHARI RESORT -	Travel to Wisconsin Dells for seminar	\$408.00	Yes	Yes	Yes	HCV	Yes
	12/21/2017	PRIME TIME PIZZA - BEL BELOIT WI	Pizza Party	\$85.75	Yes	No	No	LRPH	Yes
	4/20/2018	EMBASSY SUITES CHICA CHICAGO IL	Lodging for seminar in Chicago	\$1,088.31	Yes	Yes	Yes	CFP	Yes
	12/21/2018	DOMENICOS - BELOIT BELOIT WI	Pizza party	\$43.00	Yes	N	No	LRPH	Yes
	4/17/2019	KALAHARI RESORT	Travel to Wisconsin Dells for a seminar	\$134.68	Yes	Yes	Yes	CFP	Yes
	4/24/2019	UNITED	Flight to Little Rock for seminar	\$212.30	Yes	Yes	Yes	CFP	Yes
	5/13/2019	KALAHARI RESORT	Travel to Wisconsin Dells for seminar	\$269.36	Yes	Yes	Yes	CFP	Yes
Amazon		AMAZON MKTPLACE							
	10/29/2016	AMAZON MKTPLACE	3 Remotes - Liftmaster	\$41.25	Yes	Yes	Yes	PH2	Yes
	10/31/2016	AMAZON MKTPLACE	Sealed Non-Spillable Emergency Light Battery	\$89.85	Yes	Yes	Yes	PH2	Yes
	5/21/2018	AMAZON MKTPLACE	Toner	\$75.90	Yes	Yes	Yes	PH2	Yes
	4/3/2019	AMZN MKTTP	Multiple Panasonic Ventilation Fans	\$1,217.74	Yes	Yes	Yes	PH2	Yes
Lowe's		LOWES #02545 DELAVAN WI							
	3/2/2017	LOWES #02545 WI	Laundry Machines	\$3,843.00	Yes	Yes	Yes	CFP	Yes
	11/10/2017	LOWES #02545 WI	Laundry Machines	\$999.00	Yes	Yes	Yes	CFP	Yes
	11/10/2017	LOWES #02545 WI	Laundry Machines	\$899.00	Yes	Yes	Yes	CFP	Yes
	2/14/2018	LOWES #2545 WI	Laundry Machines and Refrigerators	\$7,850.88	Yes	Yes	Yes	CFP	Yes
Wal-Mart		WAL-MART #2532 BELOIT WI							
	12/20/2017	WAL-MART #2532 BELOIT WI	Food	\$75.51	Yes	No	No	LRPH	Yes
CVS PHARMACY		CVS/PHARMACY #08534 BELOIT WI							
	12/20/2018	CVS/PHARMACY #08534 BELOIT WI	Food for Party	\$32.52	Yes	No	No	LRPH	Yes
Total				\$17,366.05					

May 6, 2021

U.S. Department of Housing and Urban Development  
Milwaukee Field Office  
Attn: Diana Schultz, Portfolio Management Specialist  
310 West Wisconsin Avenue, Suite 950  
Milwaukee, WI 53203-2289

Re: WI064- Beloit Housing Authority  
Departmental Enforcement Center Snapshot Review Corrective Action Plan

Ms. Schultz,

The Beloit Housing Authority (BHA) has received the U.S. Department of Housing and Urban Development's (HUD) Departmental Enforcement Center's (DEC) April 9, 2021 correspondence regarding corrective actions necessary due to recommendations provided as a result of the On-Site Snapshot Review that DEC staff conducted from July 29-31, 2019. Please find the Beloit Housing Authority's responses and intended corrective actions to the recommendations listed below.

**The BHA should work with the PIH MFO to retroactively perform the rent reasonableness reviews for 2013 through 2019 and determine if any rent charged during that period was over the reasonable rent limit. Any rents determined to be over the reasonable rent limit must be repaid to the HAP account from non-federal funds.**

**Corrective Action:** The BHA will work with the HUD-Milwaukee Field Office to perform rent reasonableness reviews for Project-Based Section 8 units for the period covering 2013-2019. The BHA will repay HAP with non-federal funds if any rents are retroactively determined to be over the reasonable rent limit.

**The BHA should consider new methods to increase HCV utilization, including increasing its rent payment standard and outreach initiatives to local landlords.**

**Corrective Action:** As the result of a payment standard study conducted with the HUD-Milwaukee Field Office, the BHA is increasing its HCV payment standards to 110% of the local MSA Fair Market Rents effective July 1, 2021.



**The BHA should consider methods to reduce its HCV administrative expenses in order to eliminate its Administrative Fee deficits. PIH Notice 2012-15 lists several suggestions for reducing HCV administrative expenses.**

**Corrective Action:** The BHA has reviewed PIH Notice 2012-15 and currently utilizes methods to reduce HCV administrative expenses. These methods include the use of upfront income verification tools (UIV), conducting group briefing sessions, absorbing incoming portable vouchers, limiting moves within the PHA jurisdiction, and streamlining the reexamination process. In addition, the BHA reviews the allocation of program expenses, and has partnered with the City of Beloit to utilize the Wisconsin State Debt Collection System (SDC) in order to maximize fraud recovery. In FY 2019 the HCV Administrative Fee account had a surplus of \$10,467.72. In FY 2020 HCV Administrative Fee account had a surplus of \$175,147.64. The FY 2020 surplus was due in part to the CARES Act Administrative Fees that were allocated to BHA.

**The BHA should repay \$193 back to the LRPH program from non-federal funds for the ineligible entertainment expenses.**

**Corrective Action:** The BHA will repay \$193 to the LRPH program with non-federal funds provided by the City of Beloit.

**The BHA should base the management fee structure off net collections of tenant rent, instead of gross tenant rent in order to incentivize a more effective rent collection process and reduce delinquent tenant rents.**

**Corrective Action:** According to the Beloit Apartments Redevelopment-Phase 1 and Phase 2 Management Agreements, “As compensation for all services rendered under this Agreement, the Agent shall receive a monthly fee equal to five percent (5%) of the gross tenant portion of rents.” The Management Agreement also states “The Management Plan must be approved by the Owner and the Authority before its implementation and shall not be amended without the prior written approval of the Owner and the Authority.” We do not anticipate that the Owner and Authority would agree to amend the Management Agreement as recommended. Additionally, if the BHA based the management fee structure of net collections of tenant rent, rather than gross collections, the agency would earn less management fees than it does under the current Management Agreement. In 2019, the BHA ceased writing off bad debt and partnered with the City of Beloit to utilize the Wisconsin State Debt Collection System (SDC) in order to maximize fraud recovery. This more aggressive form of debt recovery allowed the BHA to collect \$22,572.25 in FY 2019 and \$14,181.70 in FY 2020. We believe that this is the better solution to utilize than basing the management fee on the net collections of tenant rent.

**For the next CDA/BHA Board vacancy, the City Council should require candidates to have a financial management background in order to provide enhanced oversight of financial reports.**

**Corrective Action:** Although the City's ordinances could be amended to require candidates to have financial management background, this would likely result in vacancies on the Board. We don't often have candidates for the CDA with financial management experience.

If you have any questions, or require any additional information, please feel free to contact me at [Colec@beloitwi.gov](mailto:Colec@beloitwi.gov) or 608-364-8753.

Sincerely,



Clinton J. Cole  
Director  
Beloit Housing Authority

Cc: Julie Christensen, Beloit Community Development Authority Director  
Fransaesca Ellison, Chairperson, Beloit Community Development Authority Board of Commissioners



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-5000  
OFFICE OF PUBLIC AND INDIAN HOUSING  
Quality Assurance Division

**CORRECTED REPORT-May 3, 2021**

April 13, 2021

Mr. Clinton Cole, Executive Director  
Beloit Housing Authority  
100 State Street, 3<sup>rd</sup> Floor  
Beloit, WI 53511

**SUBJECT: Transmittal of Calculation of Housing Assistance Payments (HAP), Adjusted Income, and Rent Review (CHAIR) Report No. QAD-CHAIR-2021-WI064 – Beloit Housing Authority**

Dear Mr. Cole:

The Quality Assurance Division (QAD) staff conducted a remote CHAIR review at the Beloit Housing Authority (BHA, WI064). The primary goal of our visit was to ensure that the BHA is properly calculating HAP and participant rent.

We reviewed fifteen (15) files, randomly sampled from the BHA's Public Housing Information Center (PIC) submissions. Our review encompassed the latest form HUD-50058 submitted to PIC. In addition, we reviewed sections of the BHA's HCV Administrative Plan, Payment and Occupancy Standards, and Utility Allowance Schedules. We also interviewed BHA staff regarding its operational processes.

The results of our review are presented in the enclosed report. The report contains three (3) findings for which a Corrective Action Plan (CAP) must be prepared and sent to Dena Hunt at [dena.l.hunt@hud.gov](mailto:dena.l.hunt@hud.gov) with a copy furnished to Shirley Wong at [shirley.wong@hud.gov](mailto:shirley.wong@hud.gov) **within thirty (30) days of the date of this report.** We appreciate the cooperation extended to the QAD staff during our visit. Should you or your staff have any questions, please feel free to contact myself or Dena Hunt.

Sincerely,

Caleb G. Kopczyk  
Supervisory Program Analyst  
Quality Assurance Division

Enclosure

cc: Shirley Wong, Director of Public Housing, Milwaukee Field Office  
Francesca Ellison, Board of Commissioners Chairperson, BHA  
Nicole R. Jackson, Quality Assurance Specialist OHVP DCRA Team

## Background

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The Beloit Housing Authority (BHA, WI064) was selected for an Office of Public Housing Voucher Programs (OHVP) Quality Assurance Division (QAD) Calculation of Housing Assistance Payments (HAP), Adjusted Income, and Rent (CHAIR) Review based upon our annual risk assessment of all Housing Choice Voucher (HCV) Programs that received funding from the U.S. Department of Housing and Urban Development (HUD).

Accordingly, we conducted a CHAIR review remotely of BHA, which included a recalculation and comparison of participant family HAP, rent, and utility reimbursement amounts. We also reviewed the BHA's HCV Administrative Plan, Payment and Occupancy Standards, and Utility Allowance Schedules. Finally, we interviewed BHA staff regarding operational processes.

Our CHAIR Review revealed three (3) findings for which a corrective action plan (CAP) must be prepared and submitted to Dena Hunt at [dena.l.hunt@hud.gov](mailto:dena.l.hunt@hud.gov) with a copy furnished to Shirley Wong at [Shirley.wong@hud.gov](mailto:Shirley.wong@hud.gov). The CAP must be completed on the template provided and must comprehensively and completely address all of the Findings and Concerns. **The CAP must be provided no more than thirty (30) days from the date of this report.** Should the BHA fail to provide an acceptable CAP, the BHA will be determined to be in non-compliance and may be subject to administrative sanctions or a determination of default.

## Findings

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### **Finding No. 2021-01: The BHA Administrative Plan is not in accordance with HUD regulations, inconsistencies exist within the BHA Administrative Plan.**

**Condition:** The BHA Administrative Plan is not in accordance with HUD regulation and requirements. Inconsistencies exist within the Administrative Plan, specific to minimum rent and minimum rent financial hardship waiver.

**Criteria:** In accordance with 24 CFR §982.54, the Administrative Plan must comply with HUD regulations and requirements. This provision further requires the Housing Authority to administer its programs in accordance with their Administrative Plan.

**Cause:** The Housing Authority's Administrative Plan states on page 6-49 that "*The minimum rent for this locality is \$50*". Review of files indicates that this minimum rent is in practice. Page 6-51 of the Administrative plan states that "*The financial hardship rules described below do not apply in this jurisdiction because the PHA has established a minimum rent of \$0*".

**Effect:** When the Administrative Plan does not properly state HUD requirements and PHA discretionary policies, the Housing Authority risks being in noncompliance with regulations and improperly administering the HCV program. This can result in the over and/or under payment of HCV subsidy.

**Corrective Action No. 2021-02:** The Housing Authority must correct these deficiencies in the Administrative Plan and ensure these revisions are adopted by the Board of Commissioners.

BHA must provide copies of these Administrative Plan corrections and the associated Board of Commissioners resolutions adopting those policies to the QAD and the Milwaukee Field Office within ninety (90) days of the date of this report.

**Finding No. 2021-02: BHA does not administer the program in accordance with the Administrative Plan**

**Condition:** BHA has applied practices that are inconsistent with policies established in the BHA Administrative Plan.

**Criteria:** Per the regulations at 24 CFR § 982.54, PHAs must adopt a written administrative plan that establishes local policies for administration of the program in accordance with HUD requirements. The administrative plan and any revisions of the plan must be formally adopted by the PHA Board of Commissioners or other authorized PHA officials. The administrative plan states PHA policy on matters for which the PHA has discretion to establish local policies. This provision further requires the Housing Authority to administer its programs in accordance with their Administrative Plan.

**Cause:** Page 11-13 of the BHA Administrative Plan states,

The PHA will only conduct interim reexaminations for families that qualify for the earned income disallowance (EID), and only when the EID family's share of rent will change as a result of the increase. In all other cases, the PHA will note the information in the tenant file, but will not conduct an interim reexamination.

The BHA has confirmed that they conduct interims for all participants, inconsistent with the administrative plan policy.

**Effect:** BHA is in violation in any instance in which they do not follow policy set forth in the Administrative Plan. Policies are established to provide consistency and equitable enforcement throughout the program.

**Corrective Action No. 2021-03:** BHA must update the Administrative Plan to ensure that operational practices and the BHA Administrative Plan correspond. BHA must provide copies of these Administrative Plan corrections and the associated Board of Commissioners resolutions adopting those policies to the QAD and the Milwaukee Field Office within ninety (90) days of the date of this report.

**Finding No. 2021-03: Rent to owner includes other fees and charges.**

**Condition:** In one (1) file reviewed, the BHA included an extra charge with the total rent amount due to owner.

**Criteria:** Per the regulations at 24 CFR § 982.451(b)(4)(ii) and Section 5, Paragraph e of the Tenancy Addendum to the HAP Contract (form HUD-52641-A), the owner may not charge the tenant extra

amounts for items customarily included in rent. Additional charges listed are the tenant's responsibility and should not be included in the total rent amount used in the HAP calculation.

Additionally, per Section 11, Paragraph a of the Consolidated Annual Contributions Contract (CACC, form HUD-52520),

The HA must use program receipts to provide decent, safe, and sanitary housing for eligible families in compliance with the U.S. Housing Act of 1937 and all HUD requirements. Program receipts may only be used to pay program expenditures.

**Cause:** In one (1) file reviewed, the BHA included a parking fee in the rent total amount. Parking fees are permitted to be paid by the participant, but HAP funds may not be used to support those costs.

**Effect:** In this instance the error did not result in a miscalculation of HAP because the rent amount was higher than the payment standard even without the parking fee included.

**Corrective Action No. 2021-04a:** BHA must revise its Administrative Plan to stipulate what fees and charges may be included in the rent to owner and ensure these revisions are adopted by the Board of Commissioners. BHA must provide copies of these Administrative Plan corrections and the associated Board of Commissioners resolutions adopting those policies to the QAD and the Milwaukee Field Office within ninety (90) days of the date of this report.

**Corrective Action No. 2021-04b:** BHA must obtain appropriate training regarding the calculation of rent for all appropriate staff within ninety (90) days of the date of this report. Copies of training certifications must be sent to the QAD and the Milwaukee Field Office within ninety (90) days of the date of this report.

### **Best Practices, Observations, Technical Assistance**

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The BHA was offered technical assistance in the following areas:

- File Organization – All components of HAP calculation must be verified within the file, with clear ties to the staff calculation and determinations made. There should be no inconsistencies within the file, and updates should be noted when additional information is received. Often times it will be necessary to document the file with additional notation.
- Utility Allowance – If it has been determined that there is no change in the allowances for an upcoming year, the document should be updated with the effective time period. Each year should have an updated schedule, even if rates have stayed the same. Using a schedule with a date of 2018 gives the appearance that the rates have not been revisited annually. All components in the Utility Allowance calculation must be consistent and clearly noted within the file across the RFTA, Inspection, Lease, HUD 50058, etc.
- Forms – Forms used should collect information without being suggestive as to the information requested. Checkbox format and pre determined choices may influence the

submitter in some instances. Consider format when collecting information to be used in making determinations.

- Wage Calculation – The most consistent and accurate wage calculation uses actual gross wages earned. The BHA has displayed instances of extrapolating average hours worked, multiplied by hourly wage. Using average hours worked can lead to variance and this method should only be utilized if paystubs with wages cannot be obtained.
- Internal Quality Control – The BHA was encouraged to implement quality control procedures to identify errors and correct them before they result in miscalculation and over/underpayment of HAP. These measures would include staff training, annual review of the administrative plan and tenant file reviews.

# REPORTS AND PRESENTATIONS TO COMMUNITY DEVELOPMENT AUTHORITY



<b>Agenda Number:</b>	4c		
<b>Topic:</b>	Revisions to BHA’s Housing Choice Voucher Administrative Plan (Admin Plan)		
<b>Date:</b>	May 26, 2021		
<b>Presenter:</b>	Clinton Cole	<b>Division:</b>	Beloit Housing Authority

## Overview/Background Information

The BHA must adopt a written Administrative Plan that establishes local policies for administration of the Housing Choice Voucher program in accordance with HUD requirements. To remain in compliance with HUD policies and apply current regulatory changes the BHA must periodically revise its Housing Choice Voucher Administrative Plan. The Administrative Plan and any revisions of the plan must be formally adopted by the Community Development Authority Board of Commissioners.

## Key Issues

1. In addition to references to regulatory changes, the following changes have been made to the Housing Choice Voucher Administrative Plan (Admin Plan):
  - a. Adoption of statutory and regulatory CARES Act waivers for the Housing Choice Voucher program published through Public and Indian Housing (PIH) Notices 2020-05, 2020-13, and 2020-33. These waivers include allowing HCV participants to self-certify their household income, the suspension of HQS quality control inspections, the extension of voucher terms regardless of current PHA policy, and allow PHAs to conduct remote voucher briefings and remote hearings for participants. PIH Notice 2021-14 has extended these waivers until 12/31/21.
  - b. The addition of language regarding a participant’s right to an informal review or hearing following the denial of a reasonable accommodation request.
  - c. The addition of language ensuring accessibility for persons with disabilities and interpretation services for applicants and participants with Limited English Proficiency (LEP) when conducting in-person and remote briefings, as well as in-person and remote hearings.
  - d. Revision of language regarding the minimum tenant rent charged as part of the HCV rent calculation. There was a discrepancy in the language in the most recent version of the Admin Plan.
  - e. Correction of language regarding conducting when to conduct interim income reexaminations for HCV program participants. There was a discrepancy in the language in the most recent version of the Admin Plan.

## Conformance with Strategic Plan

Approval of this agreement would conform with the stated purpose of the following strategic goal:

- Goal #1 - Create and Sustain Safe and Healthy Neighborhoods
- Goal #2 - Create and Sustain a High Performing Organization
- Goal #3 - Create and Sustain Economic and Residential Growth
- Goal #4 - Create and Sustain a High Quality of Life
- Goal #5 - Create and Sustain High Quality Infrastructure and Connectivity
- Goal #6 - Create and Sustain a Positive Image, Enhance Communications and Engage the Community

## Sustainability

(If applicable, briefly comment on the sustainable long term impact of this policy or program related to how it will impact both the built and natural environment. Consider whether the policy of program will reduce dependence upon fossil fuels, reduce dependence on chemicals and other manufacturing substances that accumulate in nature, reduce dependence on activities that harm life sustaining eco-systems, and/or meet the hierarchy of present and future human needs fairly and efficiently. **Write N/A if not applicable**)

N/A

## Action Required/Recommendation

Staff recommends approval of the attached resolution.

## Fiscal Note/Budget Impact

N/A

## Attachments

Resolution 2021-05 and Housing Choice Voucher Administrative Plan



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COMMUNITY DEVELOPMENT AUTHORITY

**RESOLUTION 2021-05**

**APPROVING REVISIONS TO THE BELOIT HOUSING AUTHORITY’S (BHA) HOUSING CHOICE VOUCHER ADMINISTRATIVE PLAN (ADMIN PLAN)**

**WHEREAS**, the Department of Housing and Urban Development (HUD) requires that the Beloit Housing Authority (BHA) periodically review and update policies;

**WHEREAS**, the Housing Choice Voucher Administrative Plan was reviewed and revised incorporating current regulatory changes per HUD requirements;

**WHEREAS**, per HUD requirements, a 30-day public comment period and a public hearing were held regarding the changes;

**NOW, THEREFORE BE IT RESOLVED**, that the Community Development Authority (CDA) Board of Commissioners approve the Housing Choice Voucher Administrative Plan as presented.

Adopted this 26th day of May, 2021

**Community Development Authority**

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Fransaesca Ellison, Chairperson

**Attest:**

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Julie Christensen, Executive Director

# Community Development Block Grant (CDBG) Overview

## City of Beloit

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### History

The Community Development Block Grant (CDBG) program began in 1974 and is a flexible program that provides communities with resources to address a wide range of unique community development needs. The CDBG program provides grant funds to the City on an annual basis based on a formula.

Community development activities must be directed toward revitalizing neighborhoods, economic development, and providing improved community facilities and services. A grantee (the City) may also carry out activities which aid in the prevention or elimination of slums or blight.

Communities develop their own programs and funding priorities, but must give maximum feasible priority to activities which benefit low- and moderate-income persons.

### Requirements

1. Activities funded with CDBG must meet a National Objective:

Section 101(c) of the authorizing statute sets forth the primary objective of the program as the development of viable communities by the provision of decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low- and moderate-income. Every activity must meet one of the national objectives listed below:

- Benefiting Low- and Moderate- Income Persons
- Preventing or Eliminating Slums or Blight
- Meeting Urgent Needs

2. The City must submit the following reports to HUD:

- Analysis of Impediments to Fair Housing (AI): Required at least every five years. The City is also required to affirmatively further fair housing on an ongoing basis. This means that the City must always work towards relieving impediments to fair housing and affirmatively take steps to prevent activities of housing discrimination.
- Consolidated Plan: Required every five years. This is a five year strategic plan outlining how the City plans to use their CDBG funding based on community needs discovered through research and input from local service agencies and the public.
- Annual Action Plan: Required every year. Includes the annual CDBG budget approved by City Council and is submitted annually to outline how the City plans to allocate funding to address Community Development, Housing, and Homeless needs.
- Substantial Amendment: Required whenever there is a change in either use of funding or change in budget by 20% or greater, the City must do an amendment to the corresponding Consolidated and Annual Plans.
- Consolidated Annual Performance Evaluation Report (CAPER): Required every year. Annual year-end report of CDBG funded activities and accomplishments.

### 3. Public Participation Requirements

- Two public hearings (During the CDBG and Consolidated/Annual Plans and amendments.)
- Public Noticing (For all of the reporting listed above)
- Public review periods (For budget and all reports listed above)

### Annual Funding Amount

The City of Beloit typically receives between \$550,000 and \$650,000 in CDBG grant funds per year.

### Funding Caps Required by HUD

1. HUD allows the City to fund no more than 15% for Public Service activities\*\*, which is calculated by taking 15% of the Current Grant award + Program Income of previous year. Annually, the City solicits applications from outside agencies to carry out public service activities (subrecipients.) \*\*NRSA
2. HUD allows the City to fund no more than 20% on Planning and Administration of the CDBG Program, which is calculated by taking 20% of the Current Grant award + Program Income of current year.
3. The remainder of CDBG funding is to be utilized on other City activities such as Code Enforcement, Economic Development, Housing Rehabilitation, Public Facilities, etc.

### City of Beloit Annual CDBG Timeline / Process

June CDA Meeting	CDA considers community needs and recommends local goals and priorities for CDBG for the coming year.
1 <sup>st</sup> July Council Meeting	Public hearing during the City Council meeting on housing, homeless, public housing, and community development needs.
2 <sup>nd</sup> July Council Meeting	City Council considers CDA recommendation and public comments, and establishes local funding priorities.
Mid-July to mid-August	Mid-July CDBG Subrecipient applications become available. Mid-August applications are due.
Late August CDA Meeting	Each applicant is required to give a presentation to the CDA.
Late September	The CDA meets to discuss proposed projects and make a recommendation (Annual Plan and Budget.)
Oct 1 – Oct 31	30-day public comment period on 2015-2019 Consolidated Plan, Annual Action Plan, and the proposed CDBG budget.
2 <sup>nd</sup> October Council Meeting	A public hearing is held during a regular City Council meeting. The public can offer input. (Always 2 <sup>nd</sup> Meeting in Oct.)
1 <sup>st</sup> November Council Meeting	City Council considers CDA recommendation and approves the final CDBG budget Annual Action Plan.
November 15	Community Development staff submits Annual Action Plan and CDBG budget to HUD.
January 1	The CDBG program year begins. Funds are not available until the City receives its grant award from HUD.
March 31	Year-end CDBG report, Consolidated Annual Performance Evaluation Report (CAPER) is due to HUD.
April-June	Subrecipient monitoring conducted.