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# AUDIT REPORT



WELFARE TO WORK SECTION 8 VOUCHER PROGRAM

OFFICE OF PUBLIC AND INDIAN HOUSING

2004-SE-0001

JUNE 29, 2004

OFFICE OF AUDIT, REGION 10  
SEATTLE, WASHINGTON

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Issue Date	June 29, 2004
Audit Case Number	2004-SE-0001

TO: Michael M. Liu, Assistant Secretary for Public and Indian Housing, P

FROM: Frank E. Baca, Regional Inspector General for Audit, OAGA

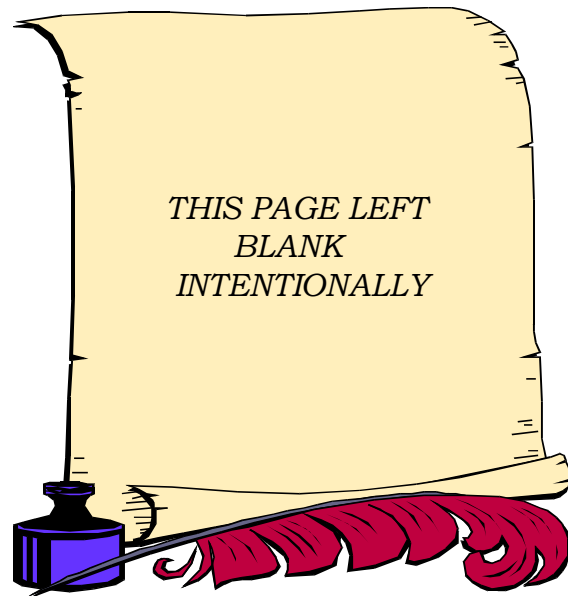
SUBJECT: Welfare to Work Section 8 Voucher Program.

We completed an internal audit of the Welfare to Work Section 8 Voucher Program.

This report contains two findings with recommendations requiring action by your office

In accordance with HUD Handbook 2000.06 REV-3, within 60 days please provide us, for each recommendation without management decisions, a status report on: (1) the corrective action taken; (2) the proposed corrective action and the date to be completed; or (3) why action is considered unnecessary. Additional status reports are required at 90 days and 120 days after report issuance for any recommendation without a management decision. Also, please furnish us copies of any correspondence or directives issued because of the audit.

Should you or your staff have any questions, please contact me at (206) 220-5360.



# Executive Summary

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We completed an audit of the HUD's Welfare to Work (WtW) Section 8 Voucher Program. Our objectives were to determine if the Department's design, implementation, and monitoring was adequate to ensure that program requirements were met, and the Congressional goal to help eligible families make the transition from welfare to work was achieved.

HUD Did Not Adequately Design, Implement, and Monitor the WtW Section 8 Voucher Program.

Because HUD did not perform a Front End Risk Assessment of the WtW program, the program's design did not adequately emphasize family selection and monitoring requirements, and established unrealistic timeframes for leasing WtW vouchers, causing conflicting priorities for PHAs to issue vouchers or properly implement the WtW program. As a result, the WtW program was not properly implemented or monitored, and program requirements were not met.

HUD Lacks Assurance That WtW Vouchers Went to Eligible Families or That the Program's Purpose Was Achieved.

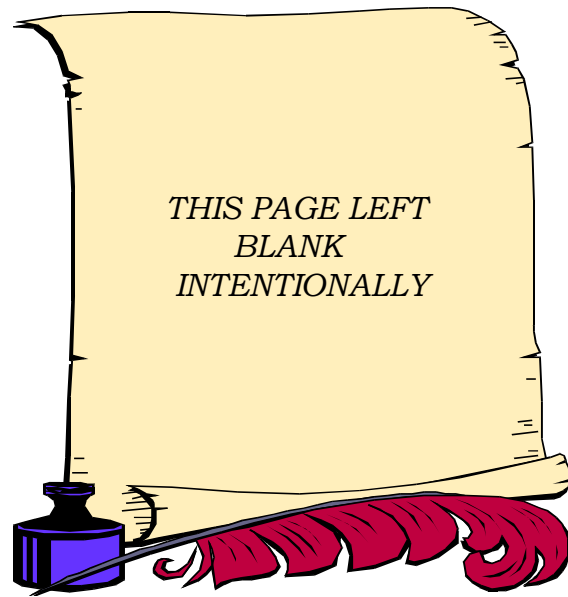
HUD did not ensure PHAs complied with statutory and NOFA family eligibility requirements to establish selection criteria for selecting among eligible WtW families, or determine that a WtW voucher was critical for a family to successfully obtain or retain employment. As a result, PHAs issued WtW Section 8 vouchers to families before verifying the family's eligibility to participate in the program, and the WtW program's purpose to help eligible families transition from welfare to work was not achieved.

HUD Disagreed with the Draft Report

On April 14, 2004, we provided the Assistant Secretary for Public and Indian Housing with a formal draft report. On May 14, 2004, we held an exit conference to discuss the report findings and recommendations. We received formal written comments from the Assistant Secretary on June 9, 2004. The Assistant Secretary generally disagreed with our findings, and also stated that the demonstration program has ended. The findings section of this report summarizes and evaluates HUD's comments. A copy of HUD's full response is included in Appendix C of the audit report.

Recommendations

We recommend that you require a Front End Risk Assessment for any new Section 8 Voucher programs in accordance with HUD's Departmental Management Controls Program Handbook, 1840.1 REV-3. We also recommend that you ensure that the Welfare to Work Section 8 Voucher program is terminated in accordance with Departmental requirements.



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Abbreviations

FERA	Front End Risk Assessment
FMFIA	Federal Managers' Financial Integrity Act
HUD	U.S. Department of Housing and Urban Development
NOFA	Notice of Funding Availability
OIG	Office of Inspector General
PHAs	Public Housing Agencies
TANF	Temporary Assistance for Needy Families
WtW	Welfare to Work Section 8 Voucher Program

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# Introduction

The Welfare to Work Section 8 Tenant-Based Assistance Program was initiated in Fiscal Year 1999 when Congress appropriated \$283 million for tenant-based housing vouchers to help families make the transition from welfare to work. This appropriations bill (P.L. 105-276) funded 50,000 new Section 8 tenant-based vouchers. The assistance was awarded through a competitive Notice of Funding Availability (NOFA) published in the Federal Register.

The assistance was awarded initially to 129 local and state housing agencies that presented plans for helping eligible families find available housing, and for coordinating these efforts with existing welfare reform and welfare-to-work efforts.

HUD has long maintained that stable, affordable housing is a critical, but often the missing factor in a family's transition from welfare to economic independence. The large number of working families that continue to have worst case housing needs suggests that simply obtaining a job will neither resolve a family's housing problems nor provide economic stability.

The WtW program is intended to address the lack of stable, affordable housing available to families attempting to transition from welfare to self-sufficiency. Specifically, the vouchers target families who have a critical need for housing in order to obtain or retain viable employment. Housing authorities are required to develop their plans in partnership with welfare and workforce development agencies to ensure that the housing assistance is combined with job training, childcare, and other services families need to make the successful transition from welfare to economic independence.

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## Audit Objectives

The audit objectives were to determine if the Department's design, implementation, and monitoring was adequate to ensure that program requirements were met, and the Congressional goal to help eligible families make the transition from welfare to work was achieved.

## Audit Scope and Methodology

To accomplish our audit objectives we:

Reviewed statutory, regulatory, and NOFA requirements, including Public Law 105-276, Handbook 1840.1 REV-2, Departmental Management Controls Program Handbook<sup>1</sup>, and FY 1999 Notice of Funding Availability for the Welfare-to-Work Section 8 Tenant-Based Assistance Program, Federal Register, January 28, 1999 (FR-4448-N-01).

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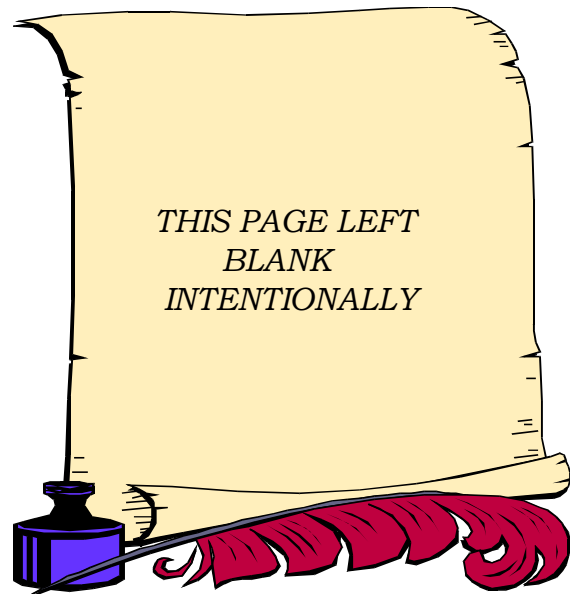
<sup>1</sup> The Departmental Management Controls Program Handbook, 1840.1 REV-2, was established to comply with the Federal Managers' Financial Integrity Act (FMFIA) of 1982, and the Office of Management and Budget's Circulars A-123 and A-127.



- Conducted interviews with:
  - HUD Headquarters officials who were instrumental in developing, implementing, and monitoring the program.
  - HUD staff at the Seattle, Washington Regional Office.
  - Staff from Quadel Consulting Corporation, who provide technical assistance to PHAs receiving WtW funds.
  - Staff from the Washington State Department of Social and Health Services (DSHS).
- Reviewed the following reports, documents, and studies:
  - OIG Audit, Seattle Housing Authority Audit Report No. SE-02-0012, May 29, 2003
  - SHA/King County HA Joint Application; FY 1999 NOFA.
  - Abt Associates Inc, "Evaluation of the Welfare to Work Voucher Demonstration," September 2000.
  - The Urban Institute, "Welfare to Work Housing Voucher Program: Early Implementation Assessment," March 2001.
  - Quadel Consulting Corporation, "Welfare to Work Voucher Program," March 31, 2001.
  - Quadel Consulting Corporation, "Welfare to Work Voucher Program", September 30, 2002.
  - ABT Associates Inc., "Draft, Evaluation of the Welfare to Work Voucher Program, Report to Congress," October 3, 2003.

The audit covered the period January 1999 through September 2003. We performed the fieldwork at HUD Headquarters, and at the Regional Office in Seattle, Washington from September 2003 through February 2004.

We conducted the audit in accordance with Generally Accepted Government Auditing Standards.



# HUD Did Not Adequately Design, Implement, and Monitor the Welfare To Work Section 8 Voucher Program

Because HUD did not perform a Front End Risk Assessment of the WtW program, the program's design did not adequately emphasize family selection and monitoring requirements, and established unrealistic timeframes for leasing WtW vouchers, causing conflicting priorities for PHAs to issue vouchers or properly implement the WtW program. As a result, the WtW program was not properly implemented or monitored, and program requirements were not met.

A Front End Risk Assessment Could Have Enhanced Program Implementation

The Departmental Management Controls Program Handbook, Handbook 1840.1 Rev-2 provides policies and guidance for carrying out an effective risk management process within the Department. Section 8-3 A, Analysis of the General Control Environment states:

The Environment in which activities are conducted has a major impact on the effectiveness of internal (management) controls within an agency. Several factors determine the general control environment, including the following:

Program Structure - How the program is structured is an important factor in assessing potential weaknesses in a new or substantially revised program. In determining whether the program structure is satisfactory, it is essential to consider: are program activities well-defined; will the program activities lead to stated objectives; are the approaches that are to be employed proven/accepted or are they new or untried; and are the approaches generally endorsed or contested.

Section 8-3 B, Analysis of Inherent Risk, states in part:

1. The following should be considered, as they often tend to contribute to fraud, waste, and abuse:
  - Broad or vague legislative authority or regulations.
  - Broad or vague mission or goals.

- Objectives are not clearly stated, measurable or attainable.
- Priorities are unclear and are in conflict with one another.
- Timeframes are unrealistic.

Further, the Handbook requires Front End Risk Assessments (FERA) for major new programs:

Program managers (individuals responsible for managing the program or administrative function) are responsible for performing FERAs for programs within their area of responsibility.

At a minimum, each Assistant Secretary must determine for each major new program or substantially revised program or administrative function whether the process described in this chapter applies. In making their determination, it should be noted that it is mandatory that any new program with a funding level totaling \$10 million or more will have a FERA performed.

The first year appropriations for the WtW program totaled \$283 million; therefore, a FERA was required. However, HUD management did not do a FERA for the WtW program. HUD staff told us that the responsible official, a former Deputy Assistant Secretary, made the decision not to perform a FERA for the WtW Section 8 Voucher program. Apparently, the former Deputy Assistant Secretary felt that since WtW was a component of the Section 8 Tenant-based Assistance Program, a separate FERA for the WtW Section 8 Voucher program was not necessary.

As discussed below, the results showed that a FERA of the WtW program would have been instrumental in implementing management controls that would have provided reasonable assurance the PHAs receiving WtW funds complied with program requirements.

Program Not Adequately Designed

The NOFA is HUD's regulatory guidance for the WtW program. It provides the program requirements, including family eligibility and PHAs' responsibilities. The NOFA also provides the criteria for selecting applications to be funded based on the national competition. Factor 2(b)(v)

requires the WtW applicant to, "...describe the methods you will use to determine the effectiveness of the Welfare-to-Work program activities."

HUD's design of the WtW program was not adequate to ensure PHAs complied with program requirements. Specifically, the WtW NOFA:

- Did not adequately emphasize family selection and program monitoring requirements, and
- Established unrealistic timeframes for leasing WtW vouchers, which resulted in conflicting priorities for PHAs to issue vouchers or properly implement the WtW program.

***NOFA Did Not Adequately Emphasize Family Selection and Program Monitoring Requirements***

Public Law 105-276, Title II - Establishing the WtW program, requires, in part, that the PHA: "Specify the criteria for selecting among eligible families to receive housing assistance."

We found that rating Factor 2 of the NOFA, Soundness of Approach," did not adequately emphasize the importance of the statutory requirement that PHAs establish selection criteria for selecting families for the WtW program. The NOFA should demonstrate the importance of statutory requirements to the applicants. However, the selection criteria requirement appeared only once in the NOFA, buried at the end of one sentence.<sup>2</sup> The NOFA did not present this statutory requirement in a manner that a reader would know it was an important requirement. Also, there was no explanation that it was a statutory requirement, no statement concerning its significance, or any background information on selection criteria that would assist the PHA in developing their WtW plan.

In addition, the NOFA did not emphasize the requirement to monitor the effectiveness of the WtW program. It did not include guidance regarding how the PHA should monitor the program's effectiveness. Adequate monitoring

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<sup>2</sup> The sentence, in section V. (A)(2)(b)(iii) stated, "A discussion of how your proposed activities address the goals and purposes of the Welfare-to-Work voucher program including how the program design encourages and aids the move to self-sufficiency, and *the criteria for selecting among eligible families.*"

provides both the PHA and HUD with information on the effectiveness of the program. It also alerts management to potential program deficiencies that may need to be addressed so that program objectives can be achieved.

HUD program staff acknowledged that the NOFA needed streamlining because of its vagueness, and inadequate focus on critical sections. They also said the NOFA was written in such a way that both significant and less important requirements appeared to have the same importance.

***Unrealistic Timeframes - Resulting In Priority Conflicts***

The WtW NOFA required PHAs to implement the program and lease the vouchers within 12 months. Implementing the WtW program required the PHA to, in part, perform the following:

- Consult and coordinate with the entity administering the Temporary Assistance for Needy Families (TANF) program<sup>2</sup>.
- Coordinate with welfare reform and other WtW Programs.
- Modify the selection system.
- Reopen the waiting list (if necessary).
- Develop an effective plan for outreach to WtW families.
- Develop strategies for tenant counseling, housing search
- Develop and implement criteria for selecting among eligible families.
- Develop a Section 8 leasing schedule.
- Train PHA staff to carry out activities as proposed
- Develop strategies for leveraging resources

No additional funds were allocated to the PHAs for implementing the WtW program. PHAs had to lease WtW vouchers and implement this new program with essentially the same staff resources they had prior to the WtW program. This created a conflict in priority within the PHA to either issue vouchers within the required timeframes or

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<sup>2</sup> The U.S. Department of Health and Human Services oversees the Temporary Assistance for Needy Families program. TANF provides assistance and work opportunities to needy families by granting states the federal funds and wide flexibility to develop and implement their own welfare programs.

implement a WtW program that complied with program requirements. PHAs had an incentive to choose leasing vouchers over adequately implementing their WtW program. WtW voucher that were not leased within the lease up period could be recaptured by HUD and reallocated to other PHAs.

HUD put pressure on the PHAs to lease their allocation of WtW vouchers within a year. HUD's Technical Assistance contractor also felt pressure from HUD, and made assisting the PHAs in leasing WtW units a higher priority than providing assistance to improve the PHA's WtW program.

The one year lease up period proved to be unrealistic and was extended for an additional six months.

It was only after the end of the lease up period that priorities changed and the focus shifted to improving the WtW program. By this time a year and a half had passed and virtually all of the WtW vouchers had been issued. Any deficiencies the PHAs might have had relating to selection or work requirements for WtW families were irreversible and could not be corrected

Program Not Properly Implemented

Implementation of the WtW program was not adequate to ensure compliance with program requirements. HUD did not ensure that PHAs complied with statutory family eligibility and selection requirements. These issues are discussed in Finding 2.

Program Not Adequately Monitored

Our review showed that HUD did not perform PHA reviews of the WtW program to ensure program requirements were being met. Instead, HUD relied primarily on the PHAs to identify deficiencies, and then correct those deficiencies with the help of the technical assistance provider. Also, HUD did not timely implement a computerized reporting system (ADP) to allow PHAs to enter participant data, so that the effectiveness of the program could be measured.

### ***Inadequate HUD Monitoring***

Chapter 10-4 C, of HUD Handbook 1840.1 REV-2, Departmental Management Controls Program Handbook, requires that Headquarters Program Office Directors develop specific risk-based monitoring strategies including



risk-based rating systems. These officials are responsible for overseeing risk-based monitoring in their programs.

HUD did not monitor the WtW program to ensure program requirements were being met. We interviewed HUD Headquarters staff and found that they had not performed any PHA monitoring reviews of the WtW program to determine if PHAs were complying with the program. Further, HUD Public Housing staff at the Seattle Regional Office said their office had not performed any monitoring of the WtW program, nor had they received any requests from Headquarters to monitor the WtW program.

***HUD Relied on PHAs to Identify and Correct Program Weaknesses***

The Departmental Management Controls Program Handbook, 1840.1 REV-2, Chapter 5, Implementing Corrective Actions states the following.

This chapter prescribes policy for properly identifying, planning, and implementing corrective actions to improve management controls. Management is responsible for the timely identification of corrective actions required to improve management controls. Corrective actions may be necessitated by several means including risk assessments, management control evaluations, OIG or GAO audits, and other management reviews. Primary Organizational Heads are responsible for promptly identifying, planning, scheduling, implementing, monitoring, and reporting corrective actions, as well as determining resources availability.

HUD commissioned the Urban Institute to perform a study of the Welfare to Work Section 8 Voucher Program. HUD also received reports from the Quadel Consulting Corporation, the technical assistance contractor for the WtW program from December 1999 through September 2002. The Urban Institute study and one of the Quadel reports identified weaknesses in the WtW program and recommendations to help improve the program.

The Urban Institute study, "Welfare to Work Housing Voucher Program: Early Implementation Assessment." March 2001 recommended that HUD provide the PHAs

with additional guidance in the areas of client eligibility, portability, reporting, and termination enforcement to help PHAs address current confusion. A second recommendation cited the need for a consistent reporting system that could provide a framework for future program analysis and also be a valuable management tool. It stated that, "...The window of opportunity to establish such a system in WtW is closing fast."

The Quadel Consulting Corporation, report, "Welfare to Work Voucher Program Final Report", September 30, 2002, listed 15 "Recommendations for Ensuring Success of the Current Program." The recommendations included issues such as providing targeted technical assistance to certain PHAs, developing standardized WtW monitoring reports, and strengthening the role of HUD field offices in monitoring WtW activities.

As regards the issues reported by these studies, HUD staff stated that extensive technical assistance was provided to PHAs and HUD field office staff through national teleconferences, field office workshops, PHA site visits, the HUD WtW voucher website, and a strategic planning guide and exercise. However, these services were provided primarily by the technical assistance contractor, Quadel Consulting Corporation. Representatives from Quadel stated that they had technical assistance advisers assigned to each of the PHAs receiving WtW funding. They said these advisers would contact each PHA once a month by phone to discuss problems with lease-up and provide assistance on correcting any problems the PHA had identified in their WtW program. The contractor's representative said that the calls to the PHAs were limited to about a half an hour.

HUD relied on the PHAs to identify program deficiencies, and then correct those deficiencies with the help of the technical assistance adviser. We found no evidence that HUD identified PHAs with problems cited in the Urban Institute or Quadel reports, or that HUD or the technical assistance contractor ensured that the PHAs with these problems corrected the deficiencies.

### ***Computerized Reporting System Not Timely Implemented***

Chapter 8. Section 8-3 A. 5, of HUD Handbook 1840.1 REV-2 provides guidance for System/ADP requirements. It states:

Systems/ADP Consideration - When utilized, several aspects relating to automated data processing systems should be assessed to determine if this is an area for potential weakness in the program's implementation and operation. Areas to be considered are: have information requirements and system needs been defined; is the present systems capability adequate; if appropriate, have new systems requirements been defined, is the system development schedule in place, and is funding available.

At a National WtW conference held in February 2000, HUD program staff told PHAs that an addendum to the HUD-50058 electronic reporting form would be developed to capture the information for the WtW program. HUD also told the PHAs that the HUD-50058 WtW Addendum would be used as the primary tool for collecting data on families receiving WtW vouchers.

However, it was not until June of 2001 before the addendum to the HUD-50058 addendum was completed, and several months after that before the electronic form came on line and was available to PHAs so they could use the system to input WtW voucher data. By this time the voucher lease-up period had ended, and virtually all of the WtW vouchers had been issued.

As of September 30, 2003, the HUD-50058 WtW addendum database contained only about 24,000 active participant records, less than half of the 50,000 WtW vouchers that Congress originally authorized.



Overall Auditee  
Comments

HUD disagreed with the findings and recommendations in the audit report.

OIG Evaluation of  
Auditee Comments

We have reviewed HUD's comments and have made changes to the report when appropriate. However, we maintain the findings accurately and fairly present the deficiencies identified in HUD administration of the

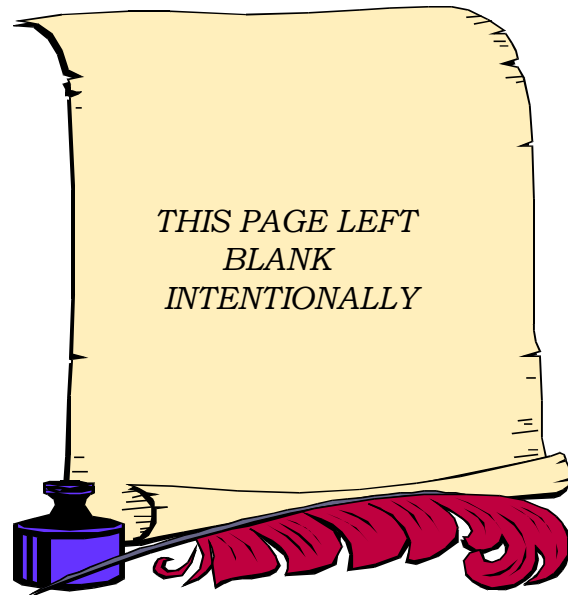
Welfare to Work Section 8 Voucher Program. Appendix B contains a detailed summary of HUD's comments and our evaluation to those comments. A copy of HUD's full response is included in Appendix C of this report

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**Recommendations**

We recommend you:

- 1A. Require a Front End Risk Assessment for any new Section 8 Voucher program in accordance with HUD's Departmental Management Controls Program Handbook, 1840.1 REV-3.



## The WtW Program's Purpose Was Not Achieved

By not properly implementing the WtW program (see Finding 1), HUD did not ensure PHAs complied with statutory and NOFA family eligibility requirements to establish criteria for selecting among eligible WtW families, or determine that a WtW voucher was critical for a family to successfully obtain or retain employment. As a result, PHAs issued WtW Section 8 vouchers to families before verifying the family's eligibility to participate in the program, and the WtW program's purpose to help eligible families transition from welfare to work was not achieved.

HUD Has No Assurance That Eligible Families Received WtW Vouchers

A HUD commissioned study found that most PHAs did not establish selection criteria to target eligible WtW families. In addition, a prior HUD-OIG audit and interviews with HUD's consultant found that Public Housing Authorities did not always determine that WtW vouchers were critical for the family to successfully obtain or retain employment.

Quadel Consulting Corporation Study

Public Law 105-276, Title II requires that PHAs "Specify the criteria for selecting among eligible families to receive housing assistance." The FY 1999 NOFA incorporates this provision, requiring the PHA to provide a description of the criteria for selecting among eligible families.

HUD contracted with Quadel Consulting Corporation to provide WtW technical assistance to PHAs from December 1999 through September 2002. As part of the contract, Quadel issued a "Welfare to Work Voucher Program Final Report," dated September 30, 2002. An appendix of the final report included program description reviews for most of the PHAs receiving technical assistance. Quadel completed voucher program descriptions for 124 of the 129 PHAs receiving technical assistance. These descriptions contained information on the status of the WtW program at each of the PHAs.

One section of the description addressed family eligibility. This section provided information from PHAs on whether they used only TANF eligibility criteria (currently receiving, eligible for, or recently off TANF) contained in the NOFA, or whether the PHA used additional selection criteria to further target eligible families. However, family

eligibility not only includes TANF eligibility, but also that the PHA determine that the WtW assistance is critical for the family to successfully obtain or retain employment. HUD confirmed this in its WtW website, stating in a response to a question that "Being a TANF-eligible family is not enough. PHAs need to develop selection criteria that identify those families for whom housing assistance is critical to obtaining or retaining employment."

Our review of the descriptions in the Quadel report relating to family eligibility showed the following.

- 87 used only TANF eligibility criteria contained in the NOFA.
- 26 used additional selection criteria to further target eligible families.

Ten of the remaining eleven for which there were voucher program descriptions did not respond to this section, and one replied both positively and negatively to the question. Therefore, these eleven were not included in determining the percentage of PHAs that established additional section criteria.

The majority of the responding PHAs (87 of 113, or 77.9 percent), did not establish additional selection criteria to target eligible WtW families. These 87 PHAs represent approximately 29,199 WtW vouchers, and expenditures of over \$472 million in WtW section 8 voucher program funds for fiscal years 1999 through 2002.

OIG Audit and Consultant Interviews Indicated That PHAs Were Not Always Determining Eligibility of WtW Participants

The WtW program has both statutory and NOFA (Notice of Funding Availability) requirements for selecting eligible families to participate in the WtW program.

Public Law 105-276, Title II specifies three statutory family eligibility requirements: namely, that families initially selected to receive assistance shall:

1. Be eligible to receive, shall be currently receiving, or shall have received within the preceding two years, assistance or services funded under the Temporary Assistance for Needy Families (TANF) program under part A of title IV of the Social Security Act or

as part of a State's qualified State expenditure under section 409(a)(7)(B)(i) of such Act;

2. Be determined by the agency to be families for which tenant-based housing assistance is critical to successfully obtaining or retaining employment; and
3. Not already be receiving tenant-based assistance under the United States Housing Act of 1937.

The Fiscal Year 1999 NOFA for the Welfare-to-Work Section 8 Tenant-Based Assistance Program, published in the January 28, 1999 Federal Register, incorporated the above statutory requirements.

A prior HUD-OIG audit of a PHA's WtW program (Audit Report 2003-SE-1003, issued May 29, 2003) found that the Seattle Housing Authority (Seattle HA) did not comply with WtW requirements to make a determination that the WtW voucher was critical to a family's ability to successfully obtain or retain employment. One of the Housing Authority eligibility specialists interviewed stated that they did not know they were required to make such a determination before issuing a WtW voucher. Interviews with five WtW program participants showed that they were not even aware they were participating in the Welfare to Work program, nor did the five participants give any indication that the WtW voucher was critical to their ability to obtain or retain employment.

Congressional Goal for the WtW Program Not Achieved

In addition, we interviewed representatives from Quadel Consulting Corporation, HUD's technical assistance contractor for the WtW program. Quadel's representatives said that virtually none of the PHAs complied with the statutory requirement to determine that a WtW voucher was critical for the family to successfully obtain or maintain employment.

The Departmental Management Controls Program Handbook, 1840.1 REV-2, Chapter 1-3, Management Control Program, paragraph A states that "Management controls are policies and procedures adopted by managers to ensure that program objectives are efficiently and effectively accomplished." Ensuring the accomplishment of the program objective is one of the primary purposes of



the Departmental Management Controls Program Handbook.

The objective of the WtW program, as specified by Congress in Public Law 105-276, is "For tenant-based assistance under the United States Housing Act of 1937 to help eligible families make the transition from welfare to work."

As part of Public Law 105-276, Congress set aside up to one percent of the \$283 million, allocated for the first year of the program, to be used by the Secretary to conduct a detailed evaluation of the program.

HUD contracted with Abt Associates Inc. to conduct an evaluation of the WtW program. Abt Associates Inc. completed their evaluation and published their findings in a draft report entitled "Evaluation of the Welfare to Work Voucher Program," dated October 3, 2003. As part of that evaluation, Abt made a determination on how effective the WtW program was in meeting the Congressional goal to help eligible families make the transition from welfare to work:

"The WtW Voucher Program has not yet generated increases in employment or earnings among participants: indeed, participants have experienced statistically significant, if modest, reduction in rates of employment and amounts of earnings."

The results of HUD's commissioned study of the WtW program are consistent with our audit results as discussed above, and show that the program, as administered by HUD, did not achieve the Congressional goal to help eligible families make the transition from welfare to work.

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Overall Auditee  
Comments  
OIG Evaluation of  
Auditee Comments

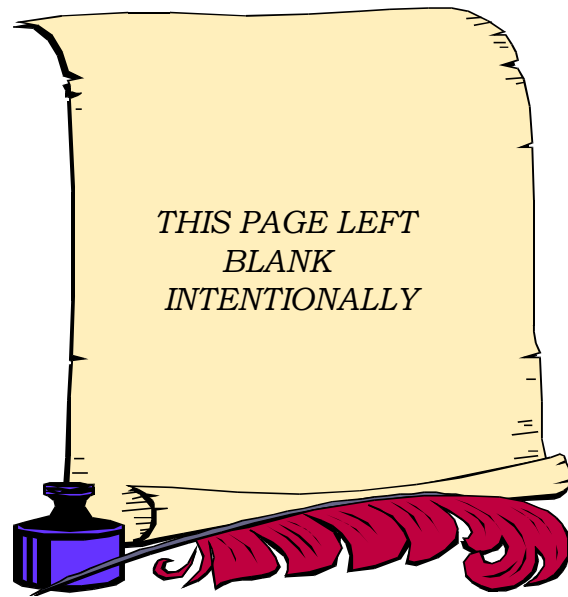
HUD disagreed with the finding and recommendations.

We disagree with HUD's comments. We maintain the audit results support the finding and conclusions. Appendix B includes a detailed summary of HUD's comments and our evaluation of those comments. The full text of HUD's response is included in Appendix C.

Recommendations

We recommend you:

- 2A. Ensure that the Welfare to Work Section 8 Voucher program is terminated in accordance with Departmental requirements.



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# Management Controls

Management controls include the plan of organization, methods and procedures adopted by management to ensure that its goals are met. Management controls include the processes for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

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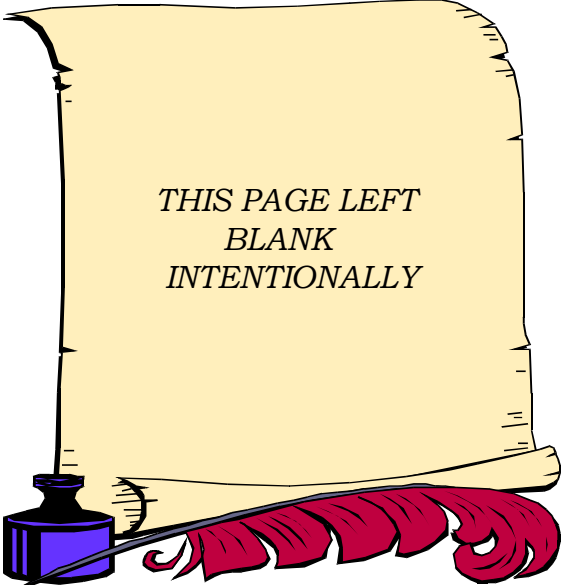
## Relevant Management Controls

We determined that Public Law 105-276, FY 1999 Notice of Funding Availability for the Welfare-to-Work Section 8 Tenant-Based Assistance Program, and the Departmental Management Controls Program Handbook, Handbook 1840.1 REV-2, was relevant criteria to our audit objectives.:

It is a significant weakness if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet an organization's objectives.

## Significant Weaknesses

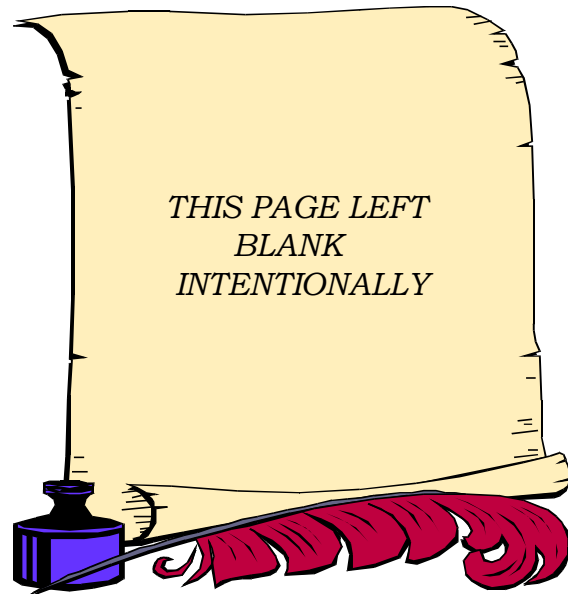
Based on our review, we identified significant weaknesses in the Department's design, implementation, and monitoring of the WtW program (see Findings 1 and 2).



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# Follow Up On Prior Audits

This was the first Office of Inspector General internal audit of the Welfare to Work Section 8 Voucher Program. There was one previous external audit of the WtW program; 2003-SE-1003, Seattle Housing Authority's Administration of the Welfare-to-Work Section 8 Tenant-Based Assistance Program. The recommendations in this report were resolved or have a management decision and are awaiting completion of the agreed upon corrective action. The pending HUD management decision on recommendations in 2003-SE-1003 will not impact the objectives of this audit.



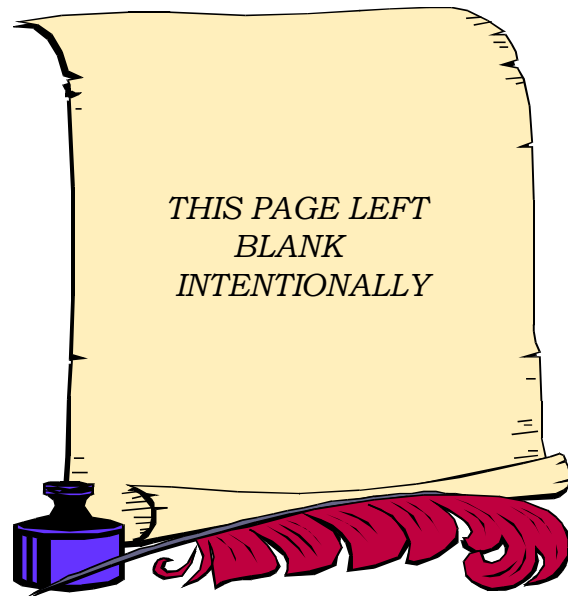
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## Schedule of Funds Put to Better Use

<u>Recommendation Number</u>	<u>Funds Put to Better Use</u>
2A	\$7,000,000

- 1/ Funds Put to Better Use are costs that will not be expended in the future if our recommendations are implemented
- 2/ HUD is currently working with the Seattle Housing Authority to bring its WtW program into compliance with statutory and NOFA requirements. Once this corrective action is completed, it will ensure that approximately \$7 million in WtW funds estimated to be allocated to the Seattle HA for fiscal year 2004 will be put to the use intended by Congress, by helping eligible families make the transition from welfare to work.





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# Details of Auditee Comments and OIG Evaluation

## **Finding 1**

### **HUD Comments: Front End Risk Assessment (FERA)**

The WtW voucher provides rental assistance with only minor differences from other vouchers.

The overall risk of the WtW voucher program demonstration is appropriately addressed in the tenant-based housing voucher program FERA.

The WtW voucher NOFA was developed when the Department was revising the tenant-based housing voucher program FERA to reflect the merged tenant-based assistance program. However, the analysis of risk of the WtW voucher demonstration was completed prior to development of the NOFA and taken into account in the developing the NOFA.

### **OIG Evaluation: Front End Risk Assessment (FERA)**

Although sharing similarities with the Tenant-Based Housing Voucher Program, the Welfare to Work Section 8 Voucher Program has unique and significant differences. These differences are the essential elements that determined whether the WtW program would obtain the statutory goal of helping eligible families make the transition from welfare to work.

Our review of the Tenant-Based Housing Voucher Program FERA showed that it did not adequately address the WtW program. The FERA only provides a short summary of the program, and does not include an analysis of program risks, control objectives, and control techniques to mitigate those identified risks unique to the WtW program, as required by HUD Handbook 1840.1.

The Tenant-Based Housing Voucher Program FERA was not approved until May 30, 2003, nearly two years after all of the WtW vouchers had been issued. Also, HUD staff were unable to provide any written documentation of the analysis of risk that they state was completed prior to development of the NOFA.

### **HUD Comments: Program Design**

The WtW voucher program design was adequate to ensure that PHAs complied with program requirements. Family selection was prominently featured in the NOFA, and the selection factors emphasized the special aspects of the WtW voucher program and its requirements. Also, family selection and monitoring were stressed at a conference, materials posted on the web, and teleconferences. HUD provided PHAs with copies of the form to be used for computer input.

The Rating factors in the NOFA addressed program design and implementation that would ensure PHAs developed well thought out plans for effective programs. The one-year implementation timeframe was not unrealistic. Historically, PHAs were required to lease new vouchers within one year, the NOFA advised PHAs not to apply for more vouchers than they

could lease in one year, and Factor 2 of the NOFA required the PHAs to demonstrate how the one-year goal would be achieved.

### **UOIG Evaluation: Program Design**

We do not agree that family selection was prominently featured in the WtW NOFA. The WtW statute required PHAs to establish criteria for selecting among TANF eligible families. This was necessary to ensure that vouchers were issued only to those eligible families whose need for a WtW voucher was critical for that family to obtain or maintain employment. This essential statutory requirement was only briefly mentioned in the WtW NOFA. HUD stressed selection criteria at conferences and through other means, it apparently was not effective, because the consultant studies, and our audit of the Seattle Housing Authority, indicated that most PHAs did not use selection criteria.

Factor 2 of the NOFA included a monitoring requirement. However, in our opinion the NOFA did not adequately emphasize the requirement to monitor the effectiveness of the program, or include guidance regarding how the PHAs should monitor the effectiveness of the WtW program.

HUD states that family selection and monitoring was stressed at the conference, and through other means. However, these activities do not relate to the design of the WtW program, which the finding discusses. Also, our audit results and consultant studies indicate PHAs did not use selection criteria or monitor program effectiveness.

We disagree with HUD's comments that timeframes to implement the program were not unrealistic for the reasons discussed in the finding. Also the technical assistance provider, hired by HUD, stated, "There was not sufficient time given to properly plan the program...This push by Congress and HUD to lease units before the PHAs have a program in place, makes it difficult to have a program that meets everyone's expectations."

### **HUD Comments: Program Implementation**

The Department's implementation of the WtW voucher program was appropriate. By requiring PHAs to focus on all critical components of a successful WtW voucher program in preparing their applications and reemphasizing all aspects of successful program implementation at the February 2000 national conference, the Department's intent was to ensure that PHAs understood program requirements, administrative issues and available resources when they implemented their programs.

### **OIG Evaluation: Program Implementation**

The audit results show that PHAs did not comply with Statutory and NOFA family eligibility requirements, which resulted in the failure of the WtW program to achieve the program goal of helping eligible families, move from welfare to work. Detail comments and responses are found in Finding 2.

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### **HUD Comments: Program Monitoring**

HUD Monitoring. HUD monitored implementation of the WtW voucher program through the Urban Institute's study and information collected at their request by our technical assistance contractor and through our field offices. Field offices were expected to review the WtW voucher program during regular monitoring visits or in special site visits if needed.

Reliance on PHAs to Identify and Correct Program Weaknesses. PHA's self-assessment tools were not the source of HUD's identification of PHA weaknesses. Since on-site program monitoring is done by local HUD field offices, field office staff was included in every stage of implementation of the WtW voucher program. Headquarters staff regularly provided information on program implementation policies and concerns to field staff during Field Coordination conference calls. Policy updates and program concerns were also provided directly to the public housing directors and designated WtW voucher staff through regular e-mails.

Computerized Reporting System Not Timely Implemented. Implementation of the WtW voucher addendum was delayed due to problems with HUD's PIC data system. However PHAs were provided copies of the form at the national WtW voucher kickoff conference in February 2000, and were told to collect the required information, keep copies of the completed addenda, and be prepared to provide that information to HUD. HUD's implementation study and in-depth evaluation were not affected by this delay. Extensive technical assistance resources of both HUD and contract technical assistance provider staff have been devoted to identifying the causes of data problems and correcting them.

### **OIG Evaluation: Program Monitoring**

HUD Monitoring and Reliance on PHAs to Identify and Correct Program Weaknesses. HUD's reliance on the Urban Institute study and information collected at their request by the technical assistance contractor does not address the report issue of ensuring compliance with program requirements. The Urban Institute study states, "This report provides early information on how a small group of housing agencies are tackling the welfare to work challenge." The study was not intended to determine if PHAs were complying with program requirements. The study is an early evaluation of the results of the WtW program taken from a sample of PHAs. Also, the technical assistance providers were not tasked with verifying compliance with program requirements. The technical assistance provider assists in correcting identified deficiencies in the PHAs. Further, although HUD indicates it expected HUD field Offices to review the WtW program during their regular monitoring visits, during our audit at the Seattle Housing Authority, we found that the HUD's Seattle Office had not performed any monitoring reviews of the WtW program, nor had Headquarters requested them to perform any reviews.

Computerized Reporting System Not Timely Implemented. Although HUD provided copies of input forms to PHAs at the national WtW voucher kickoff conference in February 2000, as of September 30, 2003, HUD's computerized database only contained about 24,000 voucher records, less than half of the 50,000 WtW vouchers that had been issued. As such, the database could not be used as an adequate system for measuring the success of the WtW program.

HUD's implementation study and in-depth evaluation were useful in evaluating the overall success of the WtW program. They were not, however, a useful monitoring tool for measuring PHA performance. Information gained from an adequate monitoring system would have provided HUD with the opportunity to make changes to the WtW program, at the PHA level, and increase the likelihood that program objects were met.

**HUD Comments: Finding 1 Recommendation**

It is PIH policy that for new programs or substantial changes to existing programs that HUD will perform a Front End Risk Assessment. However, subprograms, such as the Welfare-to-Work Voucher demonstration, are included in the risk assessment for the parent program since the overall risk is essentially the same. PIH will revise the tenant-based FERA as necessary in the future to include the discussion of risk of any new programs.

**OIG Evaluation: Finding 1 Recommendation**

We disagree with HUD's comments. HUD Handbook 1840.1 Rev-2 (and Rev-3), States, "...it is mandatory that any new program with a funding level of \$10 million or more will have a FERA performed." Neither do we agree that a "discussion of risk of any new programs" complies with Departmental requirements. We maintain that a FERA that complies with HUD's Departmental Management Controls Program Handbook, 1840.1 REV-3 should be performed for any new program that meets the minimum funding level.

**Finding 2**

**HUD Comments**

HUD disagreed with the finding and recommendations. The WtW voucher program was a demonstration funded by Congress. It provided the opportunity to assess the benefits of tenant-based rental assistance in helping families transition from welfare to employment. In the WtW voucher NOFA, HUD invited PHAs and their partners to develop plans they thought would best help the WtW voucher eligible families in their communities obtain/retain employment. HUD provided funding to the 129 agencies that submitted the strongest plans. Many PHAs imposed special WtW obligations on WtW voucher program participants, an option made available through the housing choice voucher program regulations. Congressional funding enabled HUD to evaluate both strengths and shortcomings of the different models as they were implemented.

In preparing their applications, PHAs and their partners described how their programs would identify the families with the most critical need for housing assistance to help the family obtain/retain employment. Like many other applicants, the Seattle Housing Authority and its TANF partner decided to give preference to a particular group of current TANF recipients. Seattle's program gave preference to WorkFirst program clients and determined that housing assistance was critical for all participants in that program. Although the execution of that plan was not without problems, we believe that such an approach was valid within the scope of the

WtW voucher NOFA and that it was in keeping with the spirit of the demonstration funded by Congress.

No actions are necessary since this demonstration has ended and no new families are being enrolled.

### **OIG Evaluation of HUD Comments**

We disagree. PHAs participating in the WtW program were required to comply with specific statutory program requirements. These requirements address which families are eligible to participate in the WtW program and how, from this pool of eligible participants, families are selected by PHAs to receive a WtW voucher. Being TANF eligible is only the first statutory requirement for a family to receive a WtW voucher. The second statutory requirement requires the PHAs to make a determination that the TANF eligible family has a critical need for a WtW voucher to obtain or maintain employment. Our review showed that 87 of the 129 PHAs receiving WtW funding did not comply with the second statutory requirement, and did not determine that TANF eligible families had a critical need for the WtW voucher to obtain or maintain employment. Family selection requirements are mandated by the WtW statute and must be performed by PHAs receiving WtW funding.

Washington state calls its TANF program the WorkFirst program. As such, the WorkFirst program is TANF in the state of Washington, and not merely "a particular group of current TANF recipients." To be eligible for TANF (WorkFirst), the client must be employed, seeking employment, or in job training. The Seattle Housing Authority used TANF as their basis for selecting families for the WtW program. However, the Authority did not comply with the statutory requirement for PHAs to make a determination that, for each of the TANF eligible family selected, a WtW voucher was critical to maintain or obtain employment.

Since the WtW program has ended we are deleting our recommendations that applied to ensuring future compliance with program requirements. Instead, we are recommending that HUD terminate the WtW program in accordance with statutory requirements.



# Auditee Comments



ASSISTANT SECRETARY FOR  
PUBLIC AND INDIAN HOUSING

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-5000

JUN 7 2004

MEMORANDUM FOR: Frank E. Baca, Regional Inspector General for Audit, OAGA  
FROM: *for* Paula W. Blumenthal  
Michael M. Liu, Assistant Secretary for Public and Indian  
Housing, P  
SUBJECT: Draft Report, Internal Audit of the Welfare-to-Work (WtW)  
Voucher Program

This is in response to your draft report, entitled *Internal Audit of the Welfare-to-Work Section 8 Voucher Program*, which was transmitted by your memorandum dated April 14, 2004. We disagree with all of the findings and recommendations in your draft report.

As discussed in detail below, we believe that the design and implementation of this demonstration were appropriate and that a separate Front End Risk Assessment (FERA) was not necessary. As you know, the WtW voucher program was a demonstration funded by Congress in FY 1999 that provided an opportunity to assess the benefits of tenant-based rental assistance in helping families transition from welfare to employment. The Department's FY 1999 Appropriations included funding for 50,000 WtW vouchers and for a HUD evaluation.

Funding was awarded to public housing agencies (PHAs) through a national competition under a Notice of Funding Availability (NOFA) that required applicants to address factors that were critical for implementation of effective WtW voucher programs. Applicant PHAs were required to discuss the need for the WtW voucher assistance in their community, the PHA's approach to meeting that need, the PHA's administrative capacity and relevant organizational experience, leveraging of resources for the program and comprehensiveness and coordination of the proposed program. The NOFA emphasized the required coordination of PHAs and the TANF agency and required PHAs to provide evidence of the need for WtW vouchers in the applicant's community. PHAs had to demonstrate that tenant-based assistance was essential to assist the eligible population to obtain/retain employment and to explain how the design of the proposed program would aid WtW voucher eligible families move from welfare to work.

Congressional funding enabled HUD to evaluate both strengths and shortcomings of the different models as they were implemented by PHAs. An initial program evaluation that was undertaken at the early implementation phase was followed by a rigorous evaluation of the effect of the program in its first three years. As was appropriate for a demonstration, the NOFA allowed for sufficient local flexibility to permit development of a variety of different local models within the parameters established in the FY'99 Appropriations language. Technical assistance resources were put in place by HUD at the time of program implementation to ensure that PHAs received necessary guidance in implementing their programs and that HUD field

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offices would be aware of problems encountered by PHAs in implementing the program. A copy of the addendum to form HUD-50058 that would be used to collect data on the WtW voucher program was provided to PHAs and field staff at the time the program was being implemented.

Although HUD was not required to continue the demonstration beyond the initial funding year, the Department extended the demonstration through March 2004 to obtain data for future policy development. HUD provided technical assistance to PHAs through March 2004. In March 2004, a report entitled *Evaluation of the Welfare to Work Voucher Program* was submitted to Congress and HUD began the official phase-out of the demonstration. No additional families will be enrolled in the WtW voucher program.

Below are detailed comments on the two findings and the associated recommendations.

**Finding 1: HUD did not adequately Design, Implement, and Monitor the Welfare to Work Section 8 Voucher Program.**

A Front End Risk Assessment Could Have Enhanced Program Implementation: The WtW vouchers provide rental assistance with only minor differences from other vouchers. The overall risk of the WtW voucher program demonstration is appropriately addressed in the tenant-based housing voucher program FERA. In FY 1999, when the WtW voucher NOFA was developed, the Department was revising the tenant-based housing voucher program FERA to reflect the merged tenant-based assistance program. Revision of the FERA was a massive undertaking that was not completed until August 2002; however, the analysis of risk for the WtW voucher demonstration was completed prior to development of the NOFA and taken into account in developing the NOFA. The final FERA states the special requirements associated with the WtW vouchers, such as selecting eligible families, factors that were addressed in the NOFA and in the Department's implementation of the program.

Program Design Deficiencies: Family selection was prominently featured in the NOFA. Part IV of the NOFA, Program Requirements, included separate sections addressing eligibility of families, housing agency responsibilities and TANF and Welfare-to-Work support. The NOFA selection factors emphasized the special aspects of the WtW voucher program and required PHAs to demonstrate that they had effective plans for identifying and serving eligible families and meeting the program goals of moving families from welfare to work. The NOFA application kit and PIH resource center provided PHAs with letters of support from the Departments of Health and Human Services, Transportation, Labor, Agriculture and the Small Business Administration to help PHAs form interagency partnerships and to facilitate coordination to provide essential services that would support the WtW voucher program. Family selection and monitoring were also stressed in the WtW voucher Partnerships to Success conference held in Washington, DC on February 23-24, 2000 for funded PHA applicants and their partner agencies and through guidance materials posted on the HUD WtW voucher page and in field office

workshops and teleconferences. At the kickoff conference, in addition to stressing management tools that could be used by PHAs for self-evaluation of the effectiveness of their programs, HUD provided PHAs with copies of the HUD-50058 WtW voucher program addendum that would be used by HUD to obtain information on the program.

The rating factors in the NOFA addressed those aspects of program design and implementation that would ensure that PHAs developed well thought out plans for effective programs. The one-year implementation timeframe was not unrealistic. Historically, PHAs were required to lease new increments of vouchers within one year and the WtW voucher NOFA advised PHAs to apply for the number of vouchers that they could lease in a year. In their response to Factor 2 of the NOFA, PHAs were required to demonstrate how they would achieve that leasing goal.

NOFA did not adequately emphasize family selection and program monitoring requirements. As discussed above, the NOFA clearly stated the requirements for selection of families with special family eligibility and PHA responsibilities discussed in detail in part IV of the NOFA. Factor 1 emphasized identification of eligible families and the need to support their employment. Factor 2 required PHA applicants to address how the program would aid WtW eligible families, to demonstrate that tenant-based assistance was critical to their obtaining/retaining employment, and outreach strategies to eligible families to ensure that all WtW vouchers would be under lease within a year of award. In Factor 2, applicants were also required to address how they would measure the success of their proposed activities and the long-term results of their program. The February 2000 WtW voucher kickoff conference included a session entitled “Monitoring Program Success” and later follow-up activities such as the exercise of developing a strategic plan continued to emphasize evaluation of results.

Rating factors not properly weighted: The focus of the five rating factors was to assure that PHAs would develop plans that would address all areas that HUD has found to be essential to successful implementation of a program such as the WtW voucher program. Giving equal weight to each of the factors was appropriate to ensure selection of balanced well-thought out applications. In practice, the cut-off point for fundable applications was 89 points.

Unrealistic timeframes – resulting in priority conflicts: Most of the activities cited in this section of the draft audit refer to activities that should have been completed or nearly completed in connection with application preparation. For example, consultation with the TANF agency and coordination with other welfare reform and WtW programs, developing an effective plan for outreach to WtW families, strategies for tenant counseling, housing search, leasing schedule and strategies for leveraging resources. Funding was announced on October 1, 1999 and most Annual Contributions Contracts did not become effective until January 1, 2000. During that period PHAs had adequate time to modify their selection systems or open their waiting lists if those actions were necessary. Since relevant experience of PHA staff was considered in the application, it was expected that most, if not all, successful applicants demonstrated that they had experienced staff that could implement the WtW voucher program with little or no additional training.

The February 2000 WtW kickoff conference in Washington, DC covered a wide range of topics other than leasing, e.g., “The Basics”; Focus on Jobs/Lessons Learned/ Family Outreach, Selection and Termination Criteria; Landlord Outreach/Housing Search; Supportive Services and Case Management; Federal Resources; Focus on Implementation of WtW Programs in the State of New Jersey; Monitoring Progress and Next Steps. As PHAs began to implement the program it became clear that many PHAs were experiencing problems with lease up. To address this problem, HUD analyzed the types of barriers being faced by PHAs and offered technical assistance to address the impediments. Although admittedly leasing was only one aspect of the program, it was an essential one.

Program Implementation Deficiencies: By requiring PHAs to focus on all critical components of a successful WtW voucher program in preparing their applications and reemphasizing all aspects of successful program implementation at the February 2000 national conference, the Department’s intent was to ensure that PHAs understood program requirements, administrative issues and available resources when they implemented their programs. Written answers to frequently asked program policy questions were developed and posted on HUD’s WtW voucher webpage. During the first year of the program, field office workshop materials were developed and field offices were assisted in hosting workshops for PHAs and their partner agencies on subjects including programmatic issues, partnerships to support family needs, leasing and networking and problem solving.

Program Monitoring Deficiencies: At the kickoff conference, PHAs were given copies of the new WtW voucher addendum so that they could begin collecting relevant data. Although implementation of the addendum was delayed due to problems with PIC, PHAs were able to begin collecting the required data from the start of their programs. The Urban Institute’s study of early program implementation documented activity at 13 PHAs in ten states of diverse agency types, program sizes and geographic regions. That study began shortly after ACC execution, as did technical assistance to each participating PHA. The Urban Institute’s report and regular reports resulting from the technical assistance activities were shared with PHAs and with HUD field offices. A WtW voucher program contact person was identified in each field office to assure that PHAs had a local point of HUD contact and field offices could deal with problems that were identified. Field offices were regularly included in conference calls and site visits by the technical assistance providers. The in-depth evaluation of six programs by Abt Associates was also a source of information about both the successes and problems of the program that was shared with PHAs and field offices.

Inadequate HUD Monitoring: HUD monitored implementation of the WtW voucher program through the Urban Institute’s study and information collected at our request by our technical assistance contractor and through our field offices. Field offices were expected to review the WtW voucher program during regular monitoring visits or in special site visits if needed.

Computerized Reporting System Not Timely Implemented: Implementation of the WtW voucher addendum was delayed due to problems with HUD's PIC data system. However, as noted above, PHAs were provided copies of the form at the national WtW voucher kickoff conference in February 2000. PHAs were told that they must collect the required information, keep copies of the completed addenda and be prepared to provide that information to HUD even if there were delays in implementation. HUD's implementation study and in-depth evaluation were not affected by this delay as they used Social Security numbers of families to access HUD-50058 data plus other administrative data and interviews to obtain information. Extensive technical assistance resources of both HUD and contract technical assistance provider staff have been devoted to identifying the causes of data problems and correcting them.

HUD relied on PHAs to Identify and Correct Program Weaknesses: PHAs were provided with tools for self-assessment of their programs, but these tools were not the source of HUD's identification of PHA weaknesses. Since on-site program monitoring is done by local HUD field offices, field office staff were included in every stage of implementation of the WtW voucher program. For example, the initial review of WtW voucher applications was completed by local HUD field office staff and field office staff participated in the WtW voucher kickoff conference in Washington, DC. At the beginning of our technical assistance activities, each field office director identified a WtW contact person. Field office staff members were invited to participate in each national teleconference and to accompany our contract technical assistance providers on site visits to PHAs in the field office jurisdiction. Many field offices hosted field office WtW voucher workshops or roundtables for the local PHAs and service provider partners. Headquarters staff regularly provided information on program implementation policies and concerns to field staff during Field Coordination conference calls. Policy updates and program concerns were also provided directly to the public housing directors and designated WtW voucher field office staff through regular e-mails.

**Recommendation: Require a Front End Risk Assessment for any new Section 8 Voucher programs in accordance with HUD's Departmental Management Controls Program Handbook, 1840.1 REV-3.** It is PIH policy that for new programs or substantial changes to existing programs that HUD will perform a FERA. However, subprograms, such as the Welfare-to-Work Voucher demonstration, are included in the risk assessment for the parent program since the overall risk is essentially the same. PIH will revise the tenant-based FERA as necessary in the future to include discussion of the risk of any new subprograms.

**Finding 2: The WtW Program's Purpose Was Not Achieved.**

Congressional Goal for the WtW Program not achieved: The WtW voucher program was a demonstration that provided HUD the opportunity to assess the benefits of tenant-based rental assistance in helping families transition from welfare to employment. In the WtW voucher NOFA, HUD invited PHAs and their partners to develop plans they thought would best help the WtW voucher eligible families in their communities obtain/retain employment. HUD provided funding to the 129 agencies that submitted the strongest plans. Many PHAs imposed special WtW obligations on WtW voucher program participants, an option made available through the Housing Choice Voucher program regulations.

In preparing their applications, PHAs and their partners described how their programs would identify the families with the most critical need for housing assistance to help the family obtain/retain employment. Like many other applicants, the Seattle Housing Authority and its TANF partner decided to give preference to a particular group of current TANF recipients. Seattle's program gave preference to WorkFirst program clients and determined that housing assistance was critical for all participants in that program. Although the execution of that plan was not without problems, we believe that such an approach was valid within the scope of the WtW voucher NOFA and that it was in keeping with the spirit of the demonstration funded by Congress.

**Recommendations:**

**2A - Take appropriate steps to verify PHAs have complied with statutory and NOFA requirements for family eligibility and establishing selection criteria. 2B. – Ensure all future WtW vouchers are issued only to families that meet statutory and NOFA program requirements. 2C. – Review current program monitoring procedures for the WtW program, and make appropriate changes to ensure PHAs are complying with program requirements.** No actions are necessary since this demonstration has ended and no new families are being enrolled.

If you need further information, please call on Gerald Benoit at (202) 708-0614, EX 4069, or Kathryn Greenspan of his staff at (202) 708-0614, EX 4055.

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# Distribution Outside of HUD

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