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**Audit Memorandum
98-CH-214-1808**

April 24, 1998

Memorandum For: Preston A. Pace, Director, Columbus Multifamily Hub, Ohio State
Office

From: Dale L. Chouteau, District Inspector General for Audit, Midwest

Subject: Lutheran Social Services
Management Agent Operations
Dayton, Ohio

We completed a review of the books and records of Lutheran Social Services related to the operation of six HUD insured projects (Group Homes) it manages. We performed the review at the request of the former Director of the Multifamily Division in the Cincinnati Area Office. The Office was concerned that Lutheran Social Services was not calculating tenant rents and Section 8 rental subsidy amounts correctly. The Cincinnati Office was also concerned that Lutheran Social Services was double dipping by obtaining HUD subsidy and then also receiving reimbursements for the subsidy amounts from the State of Ohio through Medicaid. The objectives of our review were to determine whether the tenants participating in Section 8 subsidy programs were eligible and assistance payments made on their behalf were proper; and if the use of projects' funds was in compliance with the Regulatory and management agreements and other applicable HUD requirements.

We determined that Lutheran Social Services used projects' funds in compliance with the Regulatory Agreements and other HUD requirements and tenants who received Section 8 subsidies were eligible. Lutheran Social Services was also currently calculating tenant rents properly and receiving proper subsidy payments. However as of February 28, 1998, the Management Agent owed HUD \$12,269 and was paying HUD \$100 per month as a result of incorrect tenant rent calculations that occurred prior to 1995 for residents of Ohio House and Valley House.

The six HUD-insured Group Homes operated by Lutheran Social Services contain a total of 50 units and are insured under Section 202 of the National Housing Act. They are organized as non profit corporations and are operated for the mentally handicapped/developmentally disabled. All units receive

Section 8 rental subsidy from HUD. Medicaid through the State of Ohio subsidizes the tenants remaining expenses.

Four of the Group Homes are Purchase of Service facilities where the tenant receives Supplemental Security and Social Security benefits. HUD provides a Section 8 rental subsidy and Medicaid subsidizes the care of the tenants.

Two of the Group Homes (Ohio House and Valley House) are Medicaid facilities in which tenants receive only a \$30 per month Supplemental Security Income allowance. The Agent is reimbursed by Medicaid for the care of the tenants. HUD subsidizes the unit rent and the Agent is reimbursed by Medicaid for the tenant portion of the rent.

The books and records for Lutheran Social Services are maintained at 6445 Far Hills Avenue, Dayton, Ohio.

To achieve our objectives, we interviewed HUD personnel and officials in the Cincinnati Office to obtain their concerns regarding the projects' operations. At the Cincinnati Office, we also reviewed the management reviews, physical inspection reports, the audited financial statements, and the correspondence regarding the overpayment of HUD Section 8 subsidy. At the Management Agent's office, we interviewed the Agent's staff to obtain clarification regarding the methods used for calculating the rental subsidies and the allocation of costs to the projects. We reviewed the accuracy of tenant rent and Section 8 rental subsidy for seven tenants from 1987 to 1997. We also reviewed the Medicaid cost report, general ledger and invoices.

We held an exit conference with the Administrator of Lutheran Social Services on March 12, 1998 to discuss the results of our review.

Should you or your staff have any questions, please contact me at (312) 353-7832.

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