



OFFICE OF THE INSPECTOR GENERAL

PRELIMINARY INQUIRY MEMORANDUM

December 12, 2014

TO: Timothy L. Firestine, Chief Administrative Officer
Stacy L. Spann, Executive Director, Housing Opportunities Commission

FROM: Edward L. Blansitt III, Inspector General

SUBJECT: Crossway Community, Inc.
OIG PIM #15-002

This Preliminary Inquiry Memorandum (PIM) describes a complaint and the outcomes of limited procedures undertaken during a Preliminary Inquiry conducted by the Office of the Inspector General (OIG). Copies of this PIM along with your response, if any, will be provided to the members of the County Council and the County Executive within 10 business days of the date of this PIM.

Complaint Summary and Background:

In October, 2014, an individual contacted the Office of the Inspector General (OIG) to lodge numerous allegations regarding the school and residency programs at Crossway Community, Inc. (Crossway). This individual expressed concern about alleged abuse of children in the day care program and that program participants who complained were retaliated against and/or kicked out of the school or residency programs. Several other program participants subsequently expressed similar concerns to our office.

In performing preliminary inquiry procedures regarding these allegations, we met separately with representatives of the Montgomery County Housing Opportunities Commission (HOC) and Carl Eggleston, the Regional Manager of the Maryland State Department of Education (MDoE), Division of Early Childhood Development, Office of Child Care, to determine what complaints they had received and actions they had taken relative to Crossway and the Crossway Community Montessori School. Both reported that they had received complaints similar to the allegations lodged with the OIG, but indicated that Department of Housing and Community Affairs (DHCA) had the key role in the County's relationship with Crossway.

We met with Rick Nelson and his staff¹ (collectively, DHCA Staff) regarding this matter on October 30, 2014, to learn about the program management relationship(s) between Crossway and the DHCA. We also sought to determine whether DHCA had received complaints from Crossway program residents, and what steps, if any, that DHCA may have taken or contemplates relative to the resolution of those complaints.

DHCA Staff provided some background on the project. We were advised that the building in which the Crossway Community program is housed is the former Pleasant View Elementary School. In 1989, Montgomery County Public Schools conveyed the facility to Montgomery County Maryland, who, in turn refurbished the project through a financing arrangement (approximately \$2 million) with the Community Development Administration of the State of Maryland.

In April, 1990, DHCA entered into a Program Management Agreement with Crossway to provide a program to assist low- and moderate-income, one-parent families in making progress toward self-sufficiency by providing a residential opportunity, child day care supervision, and career and educational services. That agreement also required Crossway to hire and supervise a professional property management agent subject to rights reserved by the County.

In April, 2007, Montgomery County entered into a Master Lease with the HOC, enabling Crossway residents to receive project-based rental subsidies under the US Department of Housing and Urban Development (HUD) Housing Choice Voucher Program. Residents nearing the end of a project-based voucher term are then allowed to apply for a tenant-based subsidy outside HOC's regular waiting list process.

Inquiry and Outcome:

Mr. Nelson advised us that DHCA had been made aware of assertions that Crossway residents were threatened with the loss of their project-based Housing Choice Voucher Program subsidy if they did not complete the Crossway Family Learning Academy (FLA) program² and enroll eligible children in the Crossway Community Montessori School

¹ Jalal Greene, Francene Hill, Rosie McCray-Moody, and James Watson

² On its web site, Crossway Community describes the Family Leadership Academy (FLA) as a residential and educational program designed to give vulnerable single mothers the tools they need to become effective parents, economically self-sufficient, and fully engaged members of their communities through a program emphasizing health and safety, social and family development, financial literacy, and career planning. The FLA is a privately funded program whose structure resembles the publically funded HUD Section 8 Public Housing Family Self-Sufficiency (FSS) program.

childcare facility.³ HOC had previously advised the OIG that if true, this could be a violation of HUD rules.⁴

We learned that DHCA had also been advised of allegations of abusive treatment of the residents' children by staff of the Crossway Community Montessori School child care facility. Mr. Nelson indicated that DHCA had inquired into the allegations, but had dismissed the child care/abuse issues due to the investigator's inability to find corroborating evidence. We advised DHCA Staff that we had been provided a similar report from Mr. Eggleston.

Previous Meeting with Crossway

We were advised that DHCA met with management representatives from Crossway in June, 2014 to discuss the complaints DHCA had received from program residents, and other matters of concern to DHCA. We understand that representatives from HOC were also present in that meeting.

During the meeting, DHCA advised Crossway that the three-year terms of their residential lease agreements did not conform to County requirements which only allow one-year leases. HUD regulations for the Project Based Voucher Program state that a family may terminate the assisted lease at any time after the first year of occupancy with advance written notice in accordance with the lease.⁵ Mr. Nelson indicated that Crossway agreed to modify their lease agreements. We conveyed that HOC representatives had raised this same issue, and had also observed that the agreement between Crossway and the County should be modified to require that HOC be provided a copy of all residential leases⁶ and that any contemplated eviction be presented⁷ to and approved by the HOC before action by Crossway.

We learned that DHCA also discussed the insufficient level of replacement and repair reserves maintained by Crossway. DHCA Staff indicated that per the agreement between Crossway and the County, Crossway is responsible for routine building maintenance and leasehold improvements, but DHCA, as the owner representative, could become involved

³ Some Crossway residents may be required to provide a copay for program participation. US Department of Housing and Urban Development Tenancy Addendum, Section 8 Project-based Voucher Program (To be attached to Tenant Lease) Part B, Section 6(a) states "the owner may not require the tenant or family members to pay charges for any meals or supportive services which may be provided by the owner." Code of Federal Regulations, Title 24§983.256 states, "All provisions in the HUD-required tenancy addendum must be included in the lease. The terms of the tenancy addendum shall prevail over other provisions of the lease."

⁴ According to HOC, HUD regulations limit the reasons that a tenant may lose their subsidy to matters related directly to their housing. This would not include the tenant's participation in a private, educational program.

⁵ Code of Federal Regulations, Title 24§983.261.

⁶ US Department of Housing and Urban Development Tenancy Addendum, Section 8 Project-based Voucher Program (To be attached to Tenant Lease) Part B, Section 2(a) states, "The owner has given the PHA a copy of the lease, including any revisions agreed to by the owner and the tenant. The owner certifies that the terms of the lease are in accordance with HUD requirements and the lease includes the tenancy addendum."

⁷ Ibid. Part B, Section 8(h)(2).

in more structurally related matters (such as roof replacement). We were advised that Crossway had not been providing a complete accounting of their replacement and repair expenditures as required under their agreement, and that DHCA learned of \$650,000 in reserve expenditures that had not previously been reported. Although Mr. Nelson believed that Crossway could exercise more prudence in its procurement practices, neither he nor his staff had reason to question the propriety of the expenditures.

Current Status

Mr. Nelson indicated that as of the date of our meeting with him, Crossway had submitted a long response addressing the issues raised at that meeting, but not all of the changes to which they agreed had been implemented.

It was indicated that some Crossway residents who participate in the HUD Section 8 Public Housing Family Self-Sufficiency (FSS) program have, at their request, been reassigned from a Crossway program manager to an HOC FSS program/coordinator.

In follow-up to DHCA's meeting with Crossway, and in anticipation of further remedial actions, Mr. Nelson stated that DHCA was reviewing and redrafting both the Program Management and Property Management agreements to present to Crossway prior to the April, 2015 anniversary of those agreements. Through those amendments, it is DHCA's intent to assure that residential leasing terms will comply with County requirements, and Crossway will be required to obtain HOC's concurrence in advance of any eviction. Further, it was DHCA's stated intent to require that Crossway maintain the contractual levels of replacement and repair reserves, and that Crossway will be required to timely provide financial statements and expenditure reports to DHCA.

Remaining Issues:

The OIG agrees with the actions Mr. Nelson and his staff conveyed during the October 30, 2014 meeting, including:

- meeting with the residents of the Crossway program to discuss their rights under both the Crossway project-based Housing Choice Voucher Program and the educational, career, and day care services program, and
- informing residents that Crossway cannot revoke a Crossway resident's Housing Choice Voucher Program subsidy status for non-housing related matters.

Mr. Nelson indicated that this meeting could be held within the next two months, but would be dependent upon DHCA developing a contingency plan for management of the resident development and housing programs should Crossway be unwilling to agree to the County-modified Program Agreement terms. Representatives from the HOC and the MDoE should also participate in that meeting to reinforce the matters identified above.

We concur that this meeting should be held with Crossway residents as soon as possible, and we agree that HOC should immediately begin to enforce its existing rights as the Crossway Community HUD Housing Choice Voucher Program administrator to review and approve leases and terminations in advance of Crossway Community housing actions.

We request that DHCA notify us when the contingency plan is developed, provide advance notice regarding when and where the meeting will occur so we may attend in an observer's role, and keep this office informed of any progress it makes in the implementation of its actions and any other remedial efforts.

cc: Richard Y. Nelson, Jr., Director, Department of Housing and Community Affairs
Carl Eggleston, Maryland State Department of Education

A preliminary inquiry is the first phase of each project the OIG undertakes in reaction to a complaint. A Preliminary Inquiry Memorandum (PIM) is appropriate in situations that do not warrant full inspections, investigations, or audits but in which we have gathered and assessed sufficient information for us to draw limited conclusions related to the specific complaint. We do not provide full findings and recommendations in PIMs. Instead, we may identify specific conditions, transactions, and events that management may want to continue to research from an investigative or policy standpoint.

Responses to this Preliminary Inquiry Memorandum:

From Montgomery County Chief Administrative Officer:

On December 15, 2014, the office of the *Chief Administrative Officer* responded via email:

“Thank you for sending your Preliminary Inquiry Memorandum on Crossway Community, Inc. We will notify you of all future actions taken by DHCA on this matter. Please let me know if you have any questions or need additional information.”

From the Executive Director of the Housing Opportunities Commission of Montgomery County:

The December 22, 2014 response from the *Executive Director of the Housing Opportunities Commission* is attached.



10400 Detrick Avenue
Kensington, MD 20895-2484
(240) 627-9400



December 22, 2014

Edward L. Blansitt
Inspector General
100 Maryland Avenue
Rockville, Maryland 20850

Re: Crossway Community (OIGPIM #15-002)

Dear Mr. Blansitt,

Thank you for sharing your Final Draft Report concerning allegations of the school and residency programs at Crossway Community, Inc. (Crossway). HOC has also spent time considering and researching these allegations and in meetings with representatives of Crossway and the County.

We are in agreement with your recommendations. Additionally, we are aware of our obligations under the federally funded housing choice voucher program. We are working with the Montgomery Department of Community and Housing Affairs to jointly plan for solutions and oversight related to Crossway. HOC will be part of the meetings with Crossway designed to provide guidance and ensure that Crossway staff understands their obligations under the housing choice voucher program.

I will share the Final Report with the Commissioners and make it an element of discussion in a future meeting with them. I appreciate the opportunity to comment on the recommendations. The Final Report should serve us well as a resource for the continuing relationship with Crossway and future housing choice voucher related agreements with other non-profit partners.

Very truly yours,

A handwritten signature in black ink, appearing to be "S. Spann".

Stacy L. Spann
Executive Director