



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

September 24, 2013

MEMORANDUM NO:
2013-FW-1804

Memorandum

TO: Cheryl Williams
Director, Public and Indian Housing, 6APH

//signed//

FROM: Gerald Kirkland
Regional Inspector General for Audit, 6AGA

SUBJECT: The Kenner Housing Authority, Kenner, LA, Did Not Administer Its Housing Choice Voucher Program in Compliance With Portability Requirements

INTRODUCTION

In accordance with our regional plan to review public housing programs and because of weaknesses identified by the U.S. Department of Housing and Urban Development (HUD), HUD's Office of the Inspector General (OIG) reviewed the public housing programs of the Kenner Housing Authority in Kenner, LA. Our overall objective was to determine whether the Authority administered its public housing programs in accordance with regulations and guidance. This memorandum addresses only the Authority's Housing Choice Voucher program.

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

METHODOLOGY AND SCOPE

The scope of our review of the Housing Choice Voucher program generally covered the Authority's portability practices, eligibility determinations, and associated housing assistance payments for the period January 1, 2008, through October 31, 2012. We expanded the scope as necessary to meet the objective. We conducted the review at the Authority's administrative office in Kenner, LA, the HUD field office, and our HUD OIG offices in Baton Rouge and New Orleans, LA, from February through September 2013.

To accomplish our objective, we performed the following:

- Reviewed relevant regulations, contracts, and HUD guidance;
- Reviewed the Authority’s administrative plan, dated April 2012;
- Reviewed applicable HUD monitoring reviews;
- Reviewed the initial files, held by the initial public housing agency,¹ for program families that ported into the Authority;
- Reviewed the Authority’s program tenant files;
- Tested and analyzed the Authority’s housing assistance payments and associated check registers;
- Coordinated with HUD staff; and
- Interviewed former and current Authority staff.

As of October 31, 2012, the Authority had 1,291 program vouchers, of which 204 were for program families that ported into the Authority. Through coordination with our Office of Investigation, we selected files for 8 of the 204 families, with disbursements totaling \$289,840, for review to determine the families’ eligibility. We selected the files for these 8 families due to questionable portability practices. Through file reviews, we determined that the participant and associated disbursement data were generally reliable.

BACKGROUND

The Authority is a public housing agency established in 1964 to provide safe, decent, and sanitary housing for low-income families and individuals. It is located at 1013 31st Street in Kenner, LA, and manages 137 low-rent units and 1,307² program vouchers. The Authority is governed by a five-member board of commissioners, which establishes policies under which it conducts business. The board hires the executive director, who is responsible for the daily operations of the Authority.

The Authority administers the program to low-income residents in Kenner, LA. For the program, HUD funded and the Authority paid rental subsidies to property owners on behalf of eligible families as shown in table 1.

Table 1: Subsidies to property owners

Fiscal year³	Authorized funds	Disbursed funds
2012	\$7,523,351	\$7,431,187
2011	7,816,144	7,816,144
2010	8,308,370	8,308,370
2009	3,599,447	3,599,447
Totals	\$27,247,312	\$27,155,148

¹ The initial public housing agency was the Saint Charles Parish Housing Authority.

² As of April 27, 2013, the Authority had a total of 1,307 vouchers.

³ The Authority’s fiscal year is from July 1 through June 30.

In exchange for administering the program, HUD paid the Authority administrative fees totaling more than \$2.7 million from January 2008 to October 2012. Under the program's portability feature, HUD allowed eligible families with a program voucher to lease a unit anywhere in the United States with a public housing agency operating a program.

At HUD's request, the East Baton Rouge Parish Housing Authority began managing the Authority's program effective April, 8, 2013.

RESULTS OF REVIEW

The Authority did not administer its program in accordance with HUD regulations. Specifically, for families ported into its program, it

- Ported a family into its program after the family's program participation had ended;
- Did not always issue vouchers;
- Did not meet billing deadlines;
- Did not properly execute housing assistance payments contracts;
- Did not always ensure that all household income was reported when performing income verifications;
- Did not always perform (1) housing quality standards inspections, (2) annual reexaminations, (3) unit rent reasonableness assessments, (4) background checks, and (5) property-owner screenings; and
- Did not properly validate program families through HUD's Public and Indian Housing Information Center system, which provides program participant information.

This condition occurred because the Authority did not maintain adequate staffing levels and did not train its program staff. In addition, the Authority's board did not have a good understanding of its roles and responsibilities for providing oversight. Further, the former executive director did not provide strong leadership or planning for the Authority. As a result, the Authority spent more than \$180,000 for ineligible and unsupported housing assistance payments; and may have an unjustified Section 8 Management Assessment Program (SEMAP) score for 2012.

The Authority Did Not Follow Program Requirements

HUD required the Authority to meet several requirements to provide program assistance to families, such as certain portability requirements, voucher issuance to program families, performance of income verifications, housing quality standards inspections, annual reexaminations, and rent reasonableness assessments (see appendix B for detailed requirements). However, a review of the files for eight families ported into the Authority determined that the Authority did not always ensure that it met those requirements for five families.

- *Family 1* - The Authority allowed this family to port into its program although the family's program participation had ended 2 months earlier.⁴ Additionally, the Authority did not perform a housing quality standards inspection for the initial leased unit.⁵ Thus, the \$13,449 in housing assistance paid on behalf of this family was ineligible.
- *Family 2* - For this family, the file did not include (1) annual reexaminations⁶ to support continued eligibility for 2009 or 2010, (2) a housing quality standards inspection for the initial unit leased,⁷ (3) a rent reasonableness assessment for the initial unit leased,⁸ and (4) proper verification of household income as the head of household had a spouse whose income was not included when determining eligibility.⁹ Therefore, this family's eligibility could not be fully verified. Thus, the \$56,134 in housing assistance paid on behalf of this family was unsupported.
- *Family 3* - For this family, the file did not include a fully executed housing assistance payments contract¹⁰ as it included only the landlord's signature, not the signature of an Authority official. In addition, the file did not include a required rent reasonableness assessment for the initial unit leased.¹¹ Therefore, the Authority could not support the \$38,450 in housing assistance paid on behalf of this family.
- *Family 4* - For this family, although required to support eligibility, the file did not include (1) an annual reexamination for 1 year¹² to support continued eligibility¹³ and (2) a full verification of household income as an adult household member's income was not reported or considered.¹⁴ Therefore, the Authority could not support \$49,175 in housing assistance paid on behalf of this family.
- *Family 5* - The file did not include the required annual reexaminations for 2009, 2010, or 2012 to support continued eligibility;¹⁵ thus, the \$27,813 in housing assistance paid on behalf of this family was unsupported.

Other Documentation Issues Existed

Although they did not impact the housing assistance payments, the eight files reviewed contained various other documentation deficiencies that demonstrated weaknesses in the Authority's initial

⁴ HUD Guidebook 7420.10G, section 13.1 allowed only eligible families with an issued housing choice voucher to exercise portability.

⁵ 24 CFR 982.305(a)

⁶ HUD Guidebook 7420.10g, Voucher Program Guidebook-Housing Choice, section 12.2

⁷ 24 CFR 982.305(a)

⁸ 24 CFR 982.507(a)

⁹ HUD Guidebook 7420.10g, section 5.2

¹⁰ 24 CFR 982.451

¹¹ 24 CFR 982.507(a)

¹² The annual reexamination was missing for 2010.

¹³ HUD Guidebook 7420.10g, section 12.2

¹⁴ HUD Guidebook 7420.10g, section 5.2

¹⁵ HUD Handbook 7420.10g, section 12.2

and reexamination practices. These deficiencies could impact eligibility. Table 2 shows the deficiencies and the number of occurrences.

Table 2: File deficiencies

Deficiency	Number of files with deficiencies
Lack of sex offender registration check	8
Landlords not prescreened before execution of housing assistance payments contract	8 ¹⁶
No criminal background checks	7 ¹⁷
No voucher issued	6
Failure to bill the initial public housing agency in a timely manner	5

In addition, the Authority did not properly validate program families through HUD’s Public and Indian Housing Information Center system, which provides program participant information. Specifically, the system showed that of the eight families, one family was not listed under the Authority’s program, and three were not listed under the initial public housing agency’s program. Further, although the Authority received a self-assessed SEMAP score of 100 percent for fiscal year 2012, the score may have been unjustified based upon the issues identified throughout this report.

The Authority Did Not Maintain Adequate Staffing Levels, Train Staff, or Provide Adequate Oversight

According to the Authority’s current and former staff, the identified errors were attributable to the lack of training and low staffing levels. For example, the Authority’s housing manager stated that she had received little training related to her job duties since starting work in January 2013. In addition, the former program manager stated that she did not receive program training for years, and that due to understaffing, there were periods when she performed the majority of the program work.¹⁸ The interim executive director acknowledged that program staff had not been properly trained. Further, the interim executive director acknowledged the need for program training and asserted that he had begun to ensure that staff received program training as needed. In addition, HUD’s January 28, 2013 Public Housing Agency Recovery and Sustainability Assessment report showed that the Authority’s board did not have a good understanding of its roles and responsibilities for providing oversight and the former executive director did not provide strong leadership or planning for the Authority.

¹⁶ Our review did not identify any landlords who had been suspended or debarred.

¹⁷ Our review determined that the head of household for only one family had a criminal record. However, the conviction was approximately 7 years prior to admittance into the Authority’s program; thus, would not have likely affected admission into the program.

¹⁸ Of the eight files reviewed, the former program manager was the case manager for seven.

RECOMMENDATIONS

We recommend that the Director, Office of Public Housing, New Orleans, LA,

- 1A. Require the Authority to repay its program \$13,449 from non-Federal funds for ineligible housing assistance paid on behalf of one family.
- 1B. Require the Authority to support or repay its program \$171,572 from non-Federal funds for unsupported housing assistance paid on behalf of four program families.
- 1C. Require the Authority to implement adequate controls over its program, including adequate segregation of duties and staff program training.
- 1D. Provide the Authority with technical assistance or training regarding the requirements of the annual contributions contract, HUD requirements, and the responsibilities of the executive director and the board.
- IE. Further review the Authority's program administration and determine whether the recapture of any administrative fees provided for the period January 1, 2008, through October 31, 2012, or a reduction in future administrative fee payments is warranted.
- 1F. Include in the Public Housing Authority Recovery and Sustainability Action Plan that outside oversight will remain in place until staff competency in the administration of its program improves.
- 1G. Adjust the Authority's SEMAP score in HUD's Public and Indian Housing Information Center system considering the findings reported in this memorandum.

Appendix A

SCHEDULE OF QUESTIONED COSTS

Recommendation number	Ineligible 1/	Unsupported 2/
1A	\$13,449	
1B		\$171,572

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.
- 2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.

Appendix B

CRITERIA

1. ***Voucher issuance*** - 24 CFR 982.355 required the Authority to issue a certificate or voucher to the family after acceptance into its program.
2. ***Housing assistance payments contract*** - 24 CFR 982.451 required the Authority to execute a housing assistance payments contract between itself and the landlord.
3. ***Annual reexaminations*** - HUD's Guidebook 7420.10g, section 12, required the Authority to reexamine the income and composition of program families at least annually. The annual reexamination determines the continued eligibility of the family and establishes the housing assistance payment to be made on behalf of the family.
4. ***Housing quality standards inspections*** - 24 CFR 982.305(a) required the Authority to ensure that units had passed a housing quality standards inspection before executing a housing assistance payments contract.
5. ***Rent reasonableness assessments*** - 24 CFR 982.507(a) required the Authority to determine rent reasonableness before approving a lease.
6. ***Income verifications*** - HUD's Guidebook 7420.10g, section 5.2, prohibited a family's income from exceeding the HUD income limits.
7. ***Sex offender registration checks*** - 24 CFR 5.905 required background checks to determine whether any family member applying for program assistance was subject to a lifetime sex offender registration requirement.
8. ***Property-owner screenings*** - HUD's Guidebook 7420.10g, section 11.2, required the Authority to determine whether property owners were eligible to participate in the program before executing a housing assistance payments contract and processing payments. This required the Authority to verify whether property owners had been debarred, suspended, or subjected to a limited denial of participation.
9. ***Criminal background checks*** - 24 CFR 5.855 allowed the Authority to prohibit program admission of a family if it determined that any household member was engaged in or had engaged in, during a reasonable time before the admission, drug-related or violent criminal activity. The Authority's April 1, 2012, administrative plan required the Authority to terminate a family's assistance if any household member was engaged in or had a pattern of illegal drug use that interfered with the health, safety, or right to peaceful enjoyment of the premises by other residents.

- 10. Billing** - Public and Indian Housing Notice 2011-3 required the Authority to complete and submit initial billing submissions to the initial public housing agency within 10 working days of the execution of the housing assistance payments contract but no later than 60 days following the expiration date of the family voucher issued by the initial public housing agency.

Appendix C

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

Comment 1

**Comments to the Audit Report
Kenner Housing Authority
By the Office of Inspector General (OIG)
U. S. Department of Housing and Urban Development (HUD)**

The Kenner Housing Authority has made a number of changes to its operations the past five (5) months. Under the request of the New Orleans Field Office of the U. S. Department of Housing and Urban Development (HUD), the East Baton Rouge Parish Housing Authority (EBRPHA) agreed to manage the Kenner Housing Authority (KHA), effective Monday, April 8, 2013, under an Interagency Agreement until the Kenner Housing Authority employs a new Executive Director.

The EBRPHA assists with the day to day management of all housing programs operated by the Kenner Housing Authority. Richard L. Murray, Chief Executive Officer of the EBRPHA, will serve as the Interim Executive Director and supervisor of all employees of the KHA.

The two main goals of the EBRPHA during its tenure are to stabilize the organization and to assist the Kenner Housing Authority with recruiting a new Executive Director. Once a new Executive Director is hired, the EBRPHA will transition out of the operations of the KHA.

The KHA has hired a Housing Manager III who is the direct manager of the Housing Choice Voucher (Section 8) Program. She operates the program on a day to day basis under the supervision of the Interim Executive Director. The Interim Executive Director has 27 years of experience with in the Public Housing Industry. The Housing Manager III has more than 15 years of experience in public housing.

Portability. The Housing Choice Voucher Manager has been assigned oversight of all of the portability cases. She approves the paperwork of portability files.

Issuance of Vouchers. The Housing Choice Voucher Manager is responsible of issuing and signing all vouchers before the vouchers are issued to the families before the families begin searching for housing.

Billing Deadlines. The Housing Choice Voucher Manager is responsible for making sure the staff meets the billing deadlines for the portability families in accordance with the HUD rules and regulations.

Execute Housing Assistance Payments Contracts. The Housing Choice Voucher Manager makes sure the Housing Assistance Payments Contracts are signed by the Owner and the KHA before making payments on the units being occupied by a participant.

Ref to OIG Evaluation

Auditee Comments

Comment 1

Household Income Reported when Performing Income Verifications. The Housing Choice Voucher Manager makes sure staff is verifying all income sources when they perform placement from the waiting list and interim and annual recertification. The Housing Choice Voucher Manager has implemented a 100% quality control of all files at this time. We are currently using the EIV system to check for income sources.

Perform annual reexaminations, housing quality standards inspections; unit rent reasonableness assessments, background checks, and property-owner screenings. The KHA has implemented a system whereby reexaminations and housing quality standards inspections are completed annually for each family on a timely basis. The KHA will make sure units pass inspection before a family is allowed to remain in the unit. A new HQS Inspector is expected to be hired within the next 45 days to assist with the HQS inspections. Rent reasonableness determinations will be performed on each unit at initial move-in from the waiting list, when a family moves into a new unit, at annual reexamination, or when the owner asks for a rent increase. A background check procedure has been implemented on owners who want to participate under the Housing Choice Voucher Program.

Validate Program Families through HUD's Public and Indian Housing Information Center. Staff has started using the PIC system to validate program participation.

Training. Housing Choice Voucher Program staff received a week of training in July 2013 on the various topics relative to the Section 8 Program, including rent calculation and interviewing techniques. In June 2013, all staff received four (4) days of training on our computer software in their respective modules. The Housing Assistance Program Director from the East Baton Rouge Parish Housing Authority has been providing on-site training to the KHA staff on a regular basis and the KHA staff has daily direct contact with the EBRPHA Housing Assistance Director. The KHA Housing Manager III holds regular training sessions with staff to ensure program compliance.

Section Eight Management Assessment Program (SEMAP) Certification. The KHA realizes there are a number of problems associated with the Housing Choice Voucher Program. It has been analyzing the problems within the voucher program and continues to implement the proper policies and procedures to ensure program compliance. Within the next 90 days, the KHA will re-assess the SEMAP submission for 2012 and make the proper adjustments as needed. Subsequently, the KHA will e-submit the 2012 SEMAP Certification to HUD for a rescore.

Ref to OIG Evaluation

Auditee Comments (continued)

Comment 1

The Kenner Housing Authority Public Housing Program has made significant improvement within the last five (5) months such as the following:

VACANCIES - Effective April of 2013, 21 of 137 vacant units were not available for leasing due to lack of repairs.

Uniform Condition Physical Standard (UCPS) – inspections were scheduled and performed on each housing unit. All sited deficiencies were referred to Housing Manager and are currently being address; presently 13 of the 21 vacancy units were repaired and currently being occupied by needy families.

COMMUNITY SERVICE – Requirement of the Public Housing Lease, the enforcement of the Community Service and Self Sufficient Policy has contributed to non-exempted residents acquiring and continuously seeking employment (approximately 10 non-exempted residents status has change from non-exempt to exempt) all due to the enforcement of the policy.

LAWN SERVICE – KHA has implemented routine lawn service for the upkeep of the Project Development property along with the hiring of a **STIPEND WORKER** to assist with the upkeep of Glenwood Apartment property.

RESIDENT MEETING – KHA (under new administration) held it first resident meeting Monday, August 12, 2013. Staff briefly spoke on HUD and KHA policies and procedures; as well as provided KHA Resident's Handbook to each attending residents. (unattended residents were able to pick up Resident's Handbook from business office) Resident meetings are scheduled quarterly; KHA is currently in the process of assisting residents on mantling a **RESIDENTS BOARD**.

Ref to OIG Evaluation

Auditee Comments (continued)

Comment 1

In the past five months Kenner Housing Authority Housing Choice Voucher (HCV) program has recoups fifty thousand dollars (\$ 50,000) from various Landlords and thirty thousand dollars (\$30,000) from various Housing Authorities.

The Accountant and Housing Manager III have researched and updated all monies invested in Housing Assistance Payment (HAP), Portability's and VASH; and incoming and outgoing Administrative Fees. All monies are still currently maintained by both.

The agency has tracked 281 Veteran Affair Supportive Housing (VASH) clients and updated each file.

KHA and the City of Kenner have entered into a Memorandum of Understanding (MOU) to assist ten (10) homeless families from the City of Kenner location (HCV will be issued by KHA based upon information submitted by the City of Kenner representative).

Report for Voucher Management System (VMS) is current and reported in a timely manner.

PIC SCORES has moved from 40% to 100% for Housing Choice Voucher (HCV) and Public Housing Assistance (PH).

Comment 2

Below are a list of the six (6) family listed in the audit – Please review provided documentation, the attached information should reduce agency amount owed.

Family 1

Family 2 The contract signed by landlord. Marshall reviewed information from folders that were created by staff. Original folder was hand delivered or sent to Mr. Reedman with OIG.

Family 3

Family 4 This client move every year therefore it would not be any annual because tenant kept doing change of unit each year (see paperwork)

Family 5 2010 records reflects - partial Housing Assistance Payment (HAP) contract – no signature on file and 30 day notice for 2009 and 2010; 2012 reflects partial rent reasonableness, lease addendum, summary application, lease agreement and signed contract. File reflects tenant moved every year prior to annual recertification.

Family 6 Tenant Housing Quality Standard (HQS) inspection

OIG Evaluation of Auditee Comments

Comment 1 The Authority generally agreed with our conclusions and asserted that it made several changes and has taken various actions towards resolving the issues at the Authority such as, hiring additional staff and providing staff training. We recognize the Authority's efforts in addressing the errors identified in the report and improving its processes.

Comment 2 For four of the six families discussed in the report, the Authority provided explanations and additional documentation as an attachment to its comments. Due to its size, we did not include this documentation in the final report. Based upon our review, we determined the following:

For family 2, the Authority provided a fully executed housing assistance payment contract; therefore, we removed this as a cited issue in the report. However, the Authority did not provide documentation for the remaining issues. As such, the \$56,134 made in housing assistance payments on behalf of this family remains unsupported.

For family 4, the Authority asserted that an annual reexamination was not required since the participant changed units each year and provided documentation showing an annual reexamination effective August 1, 2012, head of household paystubs covering May 28, 2012 through June 24, 2012 and an enterprise income verification report dated August 9, 2012. However, the Authority did not provide the annual reexamination that was missing for 2010 and although the family changed units, HUD Guidebook 7420.10g, section 12.2 still required the Authority to perform an annual reexamination. In addition, the Authority did not provide income documentation for an additional household member identified during our audit. As such, the \$49,175 made in housing assistance payments on behalf of this family remains unsupported.

For family 5, the Authority asserted that an annual reexamination was not required and provided documentation showing that this family had partial records for 2010 and 2012 and a 30 day file notice for 2009 and 2010. However, the Authority made housing assistance payments on behalf of this family for every month in 2009 and 2010. As such, HUD required the Authority to perform an annual reexamination. Since the Authority did not provide the annual reexaminations for 2009, 2010 and 2012, the \$27,813 for housing assistance payments paid on behalf of this family remains unsupported.

For family 6, while the Authority provided a housing quality standards inspection form that was still not signed by both parties, it showed that the family's unit had passed inspection. As such, we removed the issue and reduced the questioned costs by \$9,829 for the housing assistance payments paid on behalf of this family.