



**Blair County Housing Authority
Hollidaysburg, PA**

Housing Choice Voucher Program



Issue Date: June 27, 2013

Audit Report Number: 2013-PH-1004

TO: Jacqueline A. Molinaro-Thompson, Director, Office of Public Housing,
Pittsburgh Field Office, 3EPHI
//signed//

FROM: John P. Buck, Regional Inspector General for Audit, Philadelphia Region, 3AGA

SUBJECT: The Blair County Housing Authority Generally Followed HUD's Housing Choice
Voucher Program Regulations

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the Blair County Housing Authority's administration of its 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.

The Inspector General Act, Title 5 United States Code, section 8L, requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 215-430-6729.



June 27, 2013

The Blair County Housing Authority Generally Followed HUD's Housing Choice Voucher Program Regulations

Highlights

Audit Report 2013-PH-1004

What We Audited and Why

We audited the Blair County Housing Authority's Housing Choice Voucher program. We selected the Authority due to a citizen's complaint alleging that the Authority (1) did not properly calculate housing assistance payments, (2) did not allow tenants to receive disability allowances, and (3) used outdated utility allowance schedules. Our audit objective was to determine whether the Authority accurately calculated housing assistance payments, disability allowances, and utility allowances in accordance with U.S. Department of Housing and Urban Development (HUD) regulations.

What We Recommend

We recommend that HUD require the Authority to (1) revise its utility allowance schedule to ensure that utility allowances are current and determined according to the size and unit type; (2) if applicable, correct the utility allowances calculated for all program participants; (3) obtain signed leases for all program participants; and (4) develop and implement controls to ensure that it annually reviews its utility allowance schedule and obtains copies of signed leases.

What We Found

The Authority generally followed HUD's Housing Choice Voucher program regulations. It accurately calculated housing assistance payments and disability allowances. It also ensured that tenants met eligibility requirements and were properly selected from its waiting list. However, the Authority's utility allowance schedule was inadequate as the complaint alleged. Additionally, the Authority did not have signed leases for all of its housing units as required.

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BACKGROUND AND OBJECTIVE

The Housing Authority of Blair County was created by the Blair County Commissioners and incorporated in 1969 under the Commonwealth of Pennsylvania’s Housing Authorities Law of 1937, P.L. 955. The purpose of the Authority is to engage in the development, acquisition, and administration of housing and similar programs for low- and moderate-income residents in Blair County, PA.

The Authority is governed by a five-member board of directors appointed by the elected county commissioners for staggered 5-year terms of office. The board of directors in turn employs an executive director, who hires a staff to administer the day-to-day operations of the Authority. The Authority’s main administrative office is located at 1407 Blair Street Village, Hollidaysburg, PA.

The U.S. Department of Housing and Urban Development (HUD) entered into an annual contributions contract with the Authority in 1998 for its Housing Choice Voucher program. The Housing Choice Voucher program is the Federal Government’s major program for assisting very low-income families, the elderly, and the disabled in affording decent, safe, and sanitary housing in the private market. Since housing assistance is provided on behalf of the family or individual, participants are able to find their own housing, including single-family homes, town houses, and apartments.

HUD authorized the Authority the following financial assistance for its Housing Choice Voucher program for fiscal years 2010 through 2012:

Fiscal year	Number of vouchers authorized	Authorized funds
2010	420	\$1,489,008
2011	420	1,564,950
2012	420	1,285,692
Total		\$4,339,650

Our audit objective was to determine whether the Authority accurately calculated housing assistance payments, disability allowances, and utility allowances in accordance with HUD regulations.

RESULTS OF AUDIT

Finding: The Authority Generally Followed HUD's Housing Choice Voucher Program Regulations

The Authority accurately calculated housing assistance and disability allowance payments and properly selected eligible tenants from its waiting list. However, it used an outdated utility allowance schedule and did not calculate allowances by unit size and type as required. Additionally, the Authority did not have copies of signed leases for all of its assisted housing. This condition occurred because the Authority disregarded HUD regulations covering utility allowances and unit leases. As a result, there was no assurance that utility allowance payments were accurate or that the Authority or the tenants were aware of their rent terms.

The Authority Ensured That Housing Assistance Payments Were Accurately Calculated

The Authority accurately calculated housing assistance payments. We statistically selected and reviewed the files of 20 tenants who received housing assistance payments totaling \$62,511 to determine whether housing assistance payments, disability allowances, and utility allowances were accurately calculated. We reviewed each tenant's form HUD-50058 worksheet, income documentation, disability allowance calculations, utility allowances, and other program documentation. Based on the documentation reviewed, the Authority accurately calculated housing assistance payments and disability allowances. However, although the housing assistance payments and disability allowances were accurately calculated, the Authority used an inadequate utility allowance schedule to determine utility allowances.

The Authority Ensured That Tenants Met Eligibility and Waiting List Requirements

We randomly selected six tenants who recently enrolled in the Housing Choice Voucher program. We reviewed eligibility documentation such as intake applications, Social Security documentation, income documentation, and other supporting documents to determine whether the newly enrolled tenants met eligibility requirements. Additionally, we reviewed the Authority's waiting list to ensure that the tenants were properly selected from the waiting list. The

Authority ensured that the tenants were eligible and were selected from its waiting list as required.

The Authority's Utility Allowance Schedule Was Inadequate

For the 20 tenant files reviewed, the Authority used an inadequate utility allowance schedule. Regulations at 24 CFR (Code of Federal Regulations) 982.517(b)(1) state that the utility allowance schedule must be determined based on the typical cost of utilities paid by households that occupy housing of similar size and in the same locality. The Authority determined tenants' utility allowances ranging from \$0 to \$126 per month. However, the Authority used one standard utility allowance schedule regardless of the type of housing unit being assisted. For the 20 tenant files reviewed, the housing units were manufactured homes, row homes, semidetached and single-family homes. Although the Authority was aware of this, it used one standard utility allowance schedule regardless of the unit type and did not follow HUD regulations. Further, the utility schedule had not been updated since June 2000 and there was an increased risk that the utility allowances paid were inaccurate.

The Authority Did Not Maintain Copies of Unit Leases

The Authority did not maintain copies of signed leases for all of its housing units. Of the 20 tenant files reviewed, 11 did not contain current leases. Additionally, of the six tenants who were recently enrolled, five of the tenant files did not contain leases as required. Regulations at 24 CFR 982.308(b)(1) require that the tenant and the owner enter into a written lease for the unit. The lease must be executed by the owner and the tenant. The lease ensures that the tenant is bound by the terms of the lease and may enforce the terms of the lease against the owner. Without maintaining a copy of the written lease as required, neither the Authority nor the tenant may have been aware of the terms of the lease for the assisted housing unit.

The Authority Disregarded Pertinent HUD Regulations

The Authority disregarded HUD regulations governing utility allowance schedules and unit leases. The Authority stated it was aware of the regulations but that it believed that the utility allowances that were used were similar to those of other housing authorities within its jurisdiction. However, it could not provide documentation supporting its explanation. The Authority explained that although

the signed leases were not located in the tenant file, it was in process of obtaining the signed leases as required. The Authority needs to ensure that regulations governing utility allowance schedules and leases are followed.

Conclusion

The Authority generally followed HUD's Housing Choice Voucher program regulations. It ensured that housing assistance payments and disability allowances were accurately calculated. It also ensured that newly enrolled tenants met eligibility and waiting list requirements. However, the Authority's utility allowance schedule was inadequate. Without revising the utility allowance schedule and ensuring that the utility allowances were based on the size of the unit, there was an increased risk that utility allowances were not current, which could potentially change the amount of the housing assistance payments due to tenants. If the Authority does not obtain signed leases as required, there is no assurance that the Authority or the tenants are aware of the terms of the lease.

Recommendations

We recommend that the Director of HUD's Pittsburgh Office of Public Housing require the Authority to

- 1A. Revise its utility allowance schedule to ensure that utility allowances are current and determined according to the unit size and type as required.
- 1B. Based on the outcome of recommendation 1A, recalculate and correct utility allowances for all program participants.
- 1C. Obtain and maintain signed leases for all program participants.
- 1D. Develop and implement controls to ensure that it annually reviews its utility allowance schedules and obtains copies of signed leases.

SCOPE AND METHODOLOGY

We conducted the audit from December 2012 through May 2013 at the Authority's office located at 1407 Blair Street Village, Hollidaysburg, PA, and our office in Philadelphia, PA. The audit covered the period November 2011 through November 2012.

To achieve our objective, we reviewed

- Applicable HUD guidance at 24 CFR Part 982 and other directives that govern the program.
- The Authority's housing assistance payment register, accounting records, tenant files, board minutes, and other program records.

We conducted interviews with responsible Authority employees and HUD staff.

During the audit period, the Authority made housing assistance payments totaling \$1.3 million for 440 tenants.¹ Using a variable statistical sampling method, we selected 68 housing assistance payments valued at \$211,696. We reviewed 20 of the 68 payments to determine whether the housing assistance payments, disability allowances, and utility allowances were accurately calculated. The 20 housing assistance payments totaled \$62,511. The statistical sampling plan developed had a 95 percent confidence interval with a precision level of \$35.92.

We also randomly selected six newly enrolled tenants to determine whether eligibility and waiting list requirements were met.

To achieve our audit objective, we relied in part on computer-processed data in the Authority's database. We used the computer-processed data to select a sample of client files for review. Although we did not perform a detailed assessment of the reliability of the data, we did perform a minimal level of testing and found the data to be adequate for our purposes.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective.

¹ The Authority was able to assist 440 tenants because some of the tenants did not stay in the program the entire year; thus the issuance of 420 vouchers overlapped.

INTERNAL CONTROLS

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objective:

- Program operations – Policies and procedures that management has implemented to reasonably ensure that it calculates housing assistance payments correctly and properly maintains documentation in its tenant files.
- Validity and reliability of data – Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.
- Compliance with laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

We evaluated internal controls related to the audit objective in accordance with generally accepted government auditing standards. Our evaluation of internal

controls was not designed to provide assurance regarding the effectiveness of the internal control structure as a whole. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Appendix A

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

Comment 1

COBRAH
County of Blair Redevelopment and Housing Authorities

June 13, 2013

Mr. John P. Buck, Regional Inspector General for Audit
U.S. Department of Housing and Urban Development
Region III
Wanamaker Building
100 Penn Square East, Suite 10205
Philadelphia PA 19107-3380

Dear Mr. Buck:

RE: Auditee Comments – Blair County Housing Authority Audit Report

As I mentioned after we discussed the deletion of references to the Redevelopment Authority in the Audit Report during the Exit Conference this morning, the following comments are the ones that we have that are purely ones of semantics:

- **We disagree with the statement that "the Authority disregarded HUD regulations."**

We feel that this is a rather strong statement and believe that it implies a conscious decision on our part to not do something of which we did have knowledge. It suggests a willfulness to not do something. This was never our intention.

In the case of the utility allowance schedule, while we were unable to provide the information upon which the schedule that we were using was based, we were planning on having a new schedule prepared in conjunction with the preparation of our HUD required 5-year public housing program Energy Audit update and the yet to be finalized Physical Needs Assessment (PNA) regulations. It was my fault to think that it made sense to try to save some money by having all three of these required items taken care of at the same time.

For your information, as the result of an RFP for the preparation of a utility allowance schedule that we issued on April 30, we will be awarding a contract for its preparation momentarily.

As for the requirement that each tenant's file contain a copy of their signed lease, we had no knowledge of this until it was brought to our attention by the Auditor at which time we said that we would immediately begin calling our landlords and getting signed leases from them and requiring signed leases as new participants entered our program and recertified existing program participants.

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Mr. John Buck
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At this point it is worth noting that of our own volition, although we were unaware of the requirement, we had always been asking landlords for copies of their lease but had not insisted that they provide them. We did have, as a result, at the time that we were made aware of the regulation, signed leases in 34% of our tenant files.

Comment 2

- **As a result, we believe that the statement that "the Authority did not have signed copies of leases for its assisted housing" says that we did not have any and that is incorrect and should be changed.**

Thanks for your consideration. Let me know if you have any questions.

Sincerely,



Dick Furmanchik, Executive Director
Blair County Housing Authority

Cc: Kimberly Harrison,
Assistant Regional Inspector General for Audit Baltimore Field Office

OIG Evaluation of Auditee Comments

- Comment 1** The Authority's administrative plan and HUD's Housing Choice Voucher program regulations required it to annually review its utility allowance schedule and adjust allowances when applicable. We believe that the Authority did in fact disregard the requirement because the Authority informed us that it was aware of the requirement to review and update the schedules every year but the audit evidence showed it had not done so for 13 years.
- Comment 2** We clarified the audit report to state that the Authority did not maintain copies of signed leases for all of its housing units.