



**St. Charles Parish Housing Authority  
Boutte, LA**

**Section 8 Housing Choice Voucher Program**



Issue Date: July 2, 2014

Audit Report Number: 2014-FW-1003

TO: Cheryl J. Williams, Director, Office of Public Housing, 6HPH

//signed//

FROM: Gerald Kirkland, Regional Inspector General for Audit, Ft. Worth Region, 6AGA

SUBJECT: The St. Charles Parish Housing Authority, Boutte, LA, Mismanaged Its Section 8 Housing Choice Voucher Program

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 St. Charles Parish Housing Authority's Section 8 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 8M, 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 817-978-9309.



July 2, 2014

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## The St. Charles Parish Housing Authority, Boutte, LA, Mismanaged Its Section 8 Housing Choice Voucher Program

# Highlights

Audit Report 2014-FW-1003

### What We Audited and Why

We audited the St. Charles Parish Housing Authority based upon our regional risk analysis and as part of our annual audit plan to review public housing agencies' operations. Our objective was to determine whether the Authority operated its Section 8 Housing Choice Voucher program in accordance with the U.S. Department of Housing and Urban Development's (HUD's) requirements and its administrative plan.

### What We Recommend

We recommend that the Director of HUD's New Orleans Office of Public Housing require the Authority to (1) repay \$34,741 from non-Federal funds, (2) support or repay \$570,834 from non-Federal funds, and (3) implement controls and procedures and train staff. Additionally, the Director should (1) adjust the Authority's Section 8 Management Assessment Program scores and (2) consider new management strategies to improve the Authority's operations to ensure that program funds are better used to assist the Authority's program participants and households on the waiting list.

### What We Found

The Authority did not operate its program in accordance with HUD's requirements. Specifically, it (1) did not ensure that housing assistance and utility reimbursement payments were eligible and supported, (2) did not maintain adequate documentation to support subsidy payments, and (3) did not review its utility allowance standards annually. In addition, it did not enforce HUD's housing quality standards. These conditions occurred because the Authority (1) lacked adequate written procedures and controls, (2) failed to exercise proper supervision and oversight, and (3) did not ensure that it adequately trained its staff on program requirements and systems. As a result, the Authority made \$16,350 in ineligible overpayments and \$1,325 in underpayments, paid \$18,391 for properties that did not meet HUD's housing quality standards and could not support \$570,834 of housing assistance and utility reimbursement payments. These errors also caused an underutilization of the Authority's vouchers, preventing it from using program funds to better serve program participants and provide assistance to households on its waiting list. Additionally, the Authority may have placed an undue burden on participants for increased utility costs and could not provide reasonable assurance that it used HUD funds effectively and efficiently or to fully benefit program participants. Lastly, the Authority subjected program participants to substandard living conditions for those units not in compliance with HUD's housing quality standards.

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## BACKGROUND AND OBJECTIVE

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The St. Charles Parish Housing Authority is a public agency, chartered under the laws of the State of Louisiana to provide safe and sanitary dwelling accommodations and administer affordable housing programs to the citizens of St. Charles Parish, LA. The Authority manages 129 public housing units and is authorized 400 Section 8 vouchers. The Authority's mission is to provide decent, safe, sanitary, and drug-free housing for low- to moderate-income families throughout the Parish. The Authority is governed by a five-member board of commissioners appointed by the Parish council members. The Authority's executive director manages the Authority's day-to-day operations. The Authority is located at 200 Boutte Estates Drive, Boutte, LA.

Congress authorized the Section 8 Housing Choice Voucher program in 1974 to provide rental subsidies for eligible families, including single persons, residing in newly constructed, rehabilitated, and existing rental and cooperative apartment projects. The program assists very low-income families, the elderly, and the disabled in affording decent, safe, and sanitary housing in the private market.

The U.S. Department of Housing and Urban Development (HUD) provides program funding to the Authority in the form of rental subsidies to owners on behalf of eligible families. The Authority relies on the Federal subsidies and administrative fees it receives from HUD as a primary source of funding to pay the landlords, provide utility reimbursements to participants, and administer the program. HUD provided funding for the Authority's program as shown in table 1.

**Table 1:**

<b>Fiscal year</b>	<b>Authorized funds</b>	<b>Disbursed funds</b>	<b>Administrative fees</b>
2011	\$1,895,464	\$1,895,464	\$158,131
2012	1,601,460	1,601,460	137,450
2013	477,408	421,590	131,611
<b>Total</b>	<b>\$3,974,332</b>	<b>\$3,918,514</b>	<b>\$427,192</b>

In operating its program, the Authority must comply with its consolidated annual contributions contract, HUD regulations, and its administrative plan.

Our objective was to determine whether the Authority operated its program in accordance with HUD requirements and its administrative plan.

## RESULTS OF AUDIT

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### Finding 1: The Authority Did Not Ensure Payments Were Eligible and Supported

The Authority did not properly administer program assistance. Specifically, it (1) did not ensure that housing assistance and utility reimbursement payments were eligible and supported, (2) did not maintain adequate documentation to support subsidy payments, and (3) did not review its utility allowance standards annually. These conditions occurred because the Authority did not have adequate internal controls. Specifically, it did not (1) have adequate written procedures for calculating housing assistance and utility reimbursement payments and maintaining supporting documentation, (2) perform sufficient quality control reviews of participant files, (3) follow its written standards when determining subsidy and utility amounts, (4) adequately train its staff on program requirements and associated computer systems, and (5) provide adequate oversight to ensure that it complied with program requirements. As a result, the Authority overpaid \$16,350, underpaid \$1,325, and paid \$570,834 in unsupported payments for housing assistance and utility reimbursements. In addition, these errors caused an underutilization of the Authority's vouchers, preventing it from using program funds to better serve program participants and provide assistance to households on its waiting list seeking program assistance. Further, the Authority may have placed an undue burden on participants for increased utility costs and could not provide reasonable assurance that it used HUD funds effectively and efficiently or to fully benefit program participants.

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#### **The Authority Made Ineligible and Unsupported Payments**

Review of the reexaminations for 85 sampled monthly housing assistance payments found that all 85 payments contained errors. The Authority is required to verify the accuracy of the income information received from program households and change the amount of the total household payment, household rent, or program housing assistance payment or terminate the housing assistance, as appropriate, based on this information.<sup>1</sup>

However, for 10 of the sampled payments, the Authority either did not use the correct payment and utility allowance amounts or miscalculated income, resulting in \$16,350 in ineligible overpayments and \$1,325 of underpayments. In one instance, contrary to HUD's requirements,<sup>2</sup> the Authority excluded overtime pay

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<sup>1</sup> 24 CFR (Code of Federal Regulations) 5.240(c)

<sup>2</sup> 24 CFR 5.609(b)(1)

and used only the average hours worked times the base rate of pay, causing an overpayment of \$342 each month during the reexamination period.

For the remaining 75 sampled payments, the Authority did not maintain 1 or more documents<sup>3</sup> needed to support \$426,310 in subsidy payments. Specifically, the Authority did not

- Verify income or obtain income or expense documentation for 34 payments.
- Conduct annual or interim reexaminations for nine participants.
- Keep the files after participants stopped receiving program benefits for four participants.
- Complete an annual housing quality standards inspection of 56 units. For one, the Authority received a letter from a participant on July 11, 2013, complaining of substandard and dangerous living conditions and the lack of a housing quality standards inspection for 3 years.<sup>4</sup> For example, the participant's letter stated that the air conditioner had been broken for 100 days, the home was infested with insects, the door frames were rotted, the house piers had sunk (causing the house to lean to one side), and the sheetrock was falling from the ceiling. The Authority conducted a special inspection on July 12, 2013; however, on July 30, 2013, it received another letter from the participant stating that he had vacated the premises due to the living conditions. The Authority did not take actions against the landlord to improve the participant's living conditions as required by HUD.<sup>5</sup>

See appendix C for a summary of all of the deficiencies for each participant file reviewed.

### **The Authority Did Not Maintain Adequate Documentation**

We reviewed an additional 14 participant files to determine whether the Authority maintained complete documentation. For these 14 files, the Authority did not maintain 1 or more documents<sup>6</sup> needed to support \$144,524 in subsidy payments.

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<sup>3</sup> 24 CFR 982.158

<sup>4</sup> For this unit, the Authority passed the unit during the initial inspection in 2010 and did not conduct an inspection for 2011 or 2012.

<sup>5</sup> HUD Guidebook, section 10.7

<sup>6</sup> 24 CFR 982.158

Specifically, the Authority

- Paid for units that failed its housing quality standards inspection<sup>7</sup> and did not require the landlord to repair the deficiencies identified,<sup>8</sup>
- Did not perform annual reexaminations or obtain appropriate income documentation<sup>9</sup>,
- Did not use third-party sources to verify household income.
- Did not document annual housing quality standards inspection<sup>10</sup> for 1 or more years,
- Did not maintain documentation showing that it conducted an annual reexamination,<sup>11</sup>
- Did not document a rent reasonableness assessment, or
- Did not document housing assistance payments contract and lease.

The Authority also did not ensure that it always

- Conducted rent reasonableness assessments before executing the lease or housing assistance payments contract.<sup>12</sup> For one participant, the Authority conducted the assessment almost 3 months after it executed the agreements.
- Issued a housing voucher to participants to ensure compliance with occupancy standards.<sup>13</sup>
- Ensured that the voucher size corresponded to its occupancy standards.<sup>14</sup> In one instance, the Authority issued a three-bedroom voucher for a one-person household.
- Ensured that it executed the housing assistance payments contract within 60 calendar days from the beginning of the lease term.<sup>15</sup>
- Performed or obtained criminal background checks on household members.<sup>16</sup>

See appendix D for a summary of the deficiencies identified for each participant file reviewed.

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<sup>7</sup> 24 CFR 982.305(a)(2)

<sup>8</sup> 24 CFR 982.404(a)

<sup>9</sup> 24 CFR 982.516

<sup>10</sup> 24 CFR 982.405(a)

<sup>11</sup> 24 CFR 982.516

<sup>12</sup> 24 CFR 982.305(a)(4)

<sup>13</sup> Authority's Section 8 administrative plan

<sup>14</sup> Authority's Section 8 administrative plan

<sup>15</sup> 24 CFR 982.305(c)

<sup>16</sup> 24 CFR 982.553

### **The Authority Did Not Review Utility Allowance Standards Annually**

The Authority is required to review its schedule of utility allowances annually to ensure that rates remained in line with the normal patterns of consumption and the current utility rates. Any change of 10 percent or more required a revision to the Authority's policy. HUD also required the Authority to maintain documentation supporting that it performed this annual review and any revisions made.<sup>17</sup>

However, the Authority had not reviewed its utility allowance standard schedule since 2010. Considering the rising costs of living over the past 4 years, the Authority may have placed an undue burden on participants by making them pay more than required for utility costs.

### **The Authority Lacked Adequate Procedures and Controls**

The Authority lacked adequate written procedures and controls to ensure that it calculated payments correctly and maintained adequate documentation. It did not follow its utility and payment standard policies. In addition, its administrative plan, which had not been updated since 2004, did not include procedures for (1) closing or reopening the waiting list and (2) establishing and revising its payment standards.<sup>18</sup> It also did not establish controls for processing checks, determining rent reasonableness, calculating income, and determining the required frequency for performing criminal background checks on participants. The Authority's only written program policy was its administrative plan, which did not include necessary procedures and controls.

Further, the executive director failed to exercise proper oversight. Specifically, she failed to perform adequate supervisory quality control reviews of files.<sup>19</sup> The executive director used a one sheet checklist to check only for specific documents in randomly reviewed files, causing the executive director to miss the errors identified in this finding. Including an area to document verifications of income and other calculations; and to check for compliance with program requirements, would improve the adequateness and effectiveness of the reviews. In addition, the executive director had not established a written policy for the reviews that included procedures such as how to detect errors, the required frequency of the reviews, or the number of files or elements that should be reviewed.

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<sup>17</sup> 24 CFR 982.517

<sup>18</sup> 24 CFR 982.54

<sup>19</sup> HUD Guidebook, section 22.3

Lastly, the Authority did not ensure that its staff received adequate training on program requirements or systems. When asked why the utility policy had not been updated, the executive director did not know that the Authority is required to perform an annual documented review and update as applicable. The executive director also did not have access to the Authority's Housing Choice Voucher program system, PHA-web,<sup>20</sup> and did not know how to use the system. To add to this problem, the program manager had not attended housing quality standards training since 2007.

## Conclusion

As a result of its procedural and control weaknesses, the Authority made \$16,350 in ineligible overpayments and \$1,325 in underpayments for 10 participants, and \$570,834 in unsupported housing assistance and utility reimbursement payments for 89 participants. All of the errors made by the Authority contradict its perfect score of 100 for its 2012 Section Eight Management Assessment Program (SEMAP) score.

In addition, overpaying for and not adequately supporting housing and utility reimbursement payments prevented it from freeing up additional funds to use for program assistance and fully utilizing its authorized vouchers. Specifically, the Authority had 400 authorized vouchers to subsidize rents for eligible households. As of March 27, 2013, the Authority had 1,093 households on its waiting list for program assistance. However, between October 2012 and September 2013, it used an average of only 198 vouchers per month<sup>21</sup>, thereby causing a significant underutilization of its vouchers and preventing it from better using program funds to assist program participants and households on the waiting list. In addition, the Authority could not provide HUD with reasonable assurance that it used program funds effectively and efficiently or to fully benefit program participants.

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<sup>20</sup> PHA-web is Web-based software to assist housing authorities in managing their programs.

<sup>21</sup> This amount is averaged over 12 months between October 2012 and September 2013.

## Recommendations

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

- 1A. Reimburse its program \$16,350 from non-Federal funds for the overpayment of housing assistance and utility reimbursement payments.
- 1B. Reimburse the appropriate households \$1,325 from program funds for the underpayment of housing assistance and utility reimbursement.
- 1C. Support or reimburse its program \$570,834 from non-Federal funds for payments that lacked supporting documentation.
- 1D. Implement a written policy that ensures compliance with requirements to include, but not limited to, procedures and controls to ensure (1) subsidy payments are eligible and supported, (2) that appropriate documentation is obtained and maintained, (3) that supervisory quality control reviews are adequately conducted and documented, and (4) that program staff is adequately trained on the program requirements and systems.
- 1E. Review its schedule of utility allowances and develop and implement policies to conduct this review annually.

The Director should also

- 1F. Review the Authority's SEMAP<sup>22</sup> scores and adjust them as necessary based upon the deficiencies identified in this report.
- 1G. Evaluate new management strategies for improving the Authority's Housing Choice Voucher program, including options such as possibly consolidating the Authority's program with that of another housing authority through an executed interagency agreement or hiring a contract specialist to execute the program.

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<sup>22</sup> SEMAP measures the performance of the public housing agencies that administer the Housing Choice Voucher program in 14 key areas. SEMAP helps HUD target monitoring and assistance to agencies' programs that need the most improvement.

## Finding 2: The Authority Did Not Enforce HUD’s Housing Quality Standards

The Authority did not conduct adequate inspections to enforce HUD’s housing quality standards. Of 14 units inspected, 13 did not meet HUD’s housing quality standards, and 12 materially failed to meet HUD’s standards. The Authority’s inspector did not identify 191 housing quality standards violations that existed in the 12 units when they conducted their inspections. The violations occurred because the Authority did not (1) have adequate procedures and controls to ensure that it met housing quality standards requirements, (2) conduct independent quality control reviews of housing quality inspections after the program manager’s assessment, and (3) ensure that its staff had recent training on how to conduct housing quality standards inspections. As a result, the Authority spent \$18,391 on units that did not meet HUD’s housing quality standards and subjected program participants to substandard living conditions, because of the housing quality standard violations that created unsafe living conditions.

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### **Housing Units Did Not Meet HUD’s Housing Quality Standards**

We selected 14 units from a universe of 32 units that passed an Authority housing quality inspection between August 1 and October 31, 2013. The 14 units were selected to determine whether the Authority ensured that the units in its program met housing quality standards. We inspected the units from November 19 to November 21, 2013.

Of the 14 units inspected, 13 (93 percent) had a total of 191 housing quality standards violations, of which 185 predated the Authority’s last inspections. Of these, 12 units had 184 violations and were considered to be in material noncompliance with housing quality standards, since they had exigent health and safety violations, multiple violations that predated the Authority’s previous inspections, or a combination of both, creating unsafe living conditions. The Authority is required to ensure that all program-assisted housing meet housing quality standards requirements both at commencement of and throughout the assisted tenancy.<sup>23</sup> Table 2 categorizes the 191 housing quality standards violations in the 13 units that failed our housing quality standards inspections.

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<sup>23</sup> 24 CFR 982.401

**Table 2:**

<b>Violation category</b>	<b>Number of violations</b>	<b>Number of units</b>
Other interior	47	12
Electrical	34	10
Security	12	7
Heating equipment	12	8
Window	11	7
Water heater	11	7
Wall	9	7
Plumbing/sewer/ water supply	8	3
Sink	6	3
Exterior surface	5	3
Smoke detector	5	4
Fire Exits	5	3
Tub/shower	4	3
Stair/rail/porch	4	4
Site/neighborhood	3	2
Floor	2	2
Toilet	2	2
Roof/gutter	2	2
Garbage/debris/ refuse disposal	2	2
Interior Air Quality	2	2
Ceiling	1	1
Range/refrigerator	1	1
Food preparation/storage	1	1
Foundation	1	1
Manufactured Home Tie Downs	1	1
<b>Total</b>	<b>191</b>	

We provided our inspection results to the Authority and HUD's New Orleans Office of Public Housing during the audit.

The following pictures depict some of the violations we noted in the 12 units that materially failed to meet HUD's housing quality standards.



Inspection #1: Leaking J trap caused mold and mildew to form under the sink.



Inspection #11: Top and sides of the hot water heater were corroded due to improper installation.



Inspection #2: Closet heat system was surrounded by personal items posing a fire hazard.



Inspection #4: Heating and electrical systems had exposed electrical wiring.



Inspection #13: Lightweight extension cord stretched from the main home to the storage shed to supply power posing a potential electrical hazard.

### **The Authority Lacked Adequate Procedures and Controls**

The Authority did not have adequate procedures to ensure compliance with HUD's requirements. The Authority only had one inspector, the program manager, who was responsible for conducting the housing quality inspections. Although the program manager used the HUD created housing quality standard checklist and the Authority's program administrative plan stated that it would

comply with HUD's requirements,<sup>24</sup> the program manager did not perform adequate inspections to ensure that units met HUD requirements. Further, the program manager has not attended housing quality standards training since 2007.

In addition, the executive director failed to exercise proper oversight by not conducting independent quality control reviews. Although the executive director randomly inspected units in an attempt to ensure compliance, the program manager who conducted the inspections accompanied her, thus preventing independence. In addition, the checklist used by the executive director did not have adequate steps for checking and identifying missed noncompliance items. As related to procedures for those follow-up reviews, the administrative plan did not outline steps to ensure the detection of errors, the frequency of the inspections, or the number of inspections to be conducted.

## Conclusion

The Authority's program participants were subjected to substandard living conditions because of the housing quality standard violations that created unsafe living conditions. Due to the Authority not having adequate controls and procedures, it inspected and passed program units that did not meet HUD's housing quality standards. Additionally, the Authority did not properly use the \$18,391 in housing assistance payments disbursed for the 12 units that materially failed to meet HUD's housing quality standards.

## Recommendations

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

- 2A. Certify, along with the owners, that the applicable housing quality standards violations have been corrected for the 13 units cited in this finding.
- 2B. Reimburse its program \$18,391 from non-Federal funds for the 12 units that materially failed to meet HUD's housing quality standards.
- 2C. Implement procedures and controls to ensure that all program units meet HUD's housing quality standards.
- 2D. Implement procedures and controls to ensure that supervisory quality control inspections are appropriately conducted and documented.

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<sup>24</sup> 24 CFR 982.401

- 2E. Ensure that its inspection staff attends training and understands housing quality standard requirements.

## SCOPE AND METHODOLOGY

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We conducted our audit at the Authority's office in Boutte, LA, and the HUD Office of Inspector General's (OIG) office in New Orleans, LA, between November 2013 and March 2014. Our audit scope covered the Authority's Section 8 Housing Choice Voucher program for the period April 1, 2011, through November 30, 2013. We expanded the scope as necessary to accomplish our audit objective.

To accomplish our objective, we

- Reviewed relevant regulations and program guidance.
- Reviewed the Authority's organizational chart and written policies for the program.
- Reviewed the Authority's audited financial statements, HUD monitoring reports, and board meeting minutes.
- Interviewed Authority staff.
- Reviewed the Authority's program participant files.

**Housing assistance and utility reimbursement payment review** - Using the Authority's housing assistance payment registers and a stratified random sample with a 95 percent confidence level, we statistically selected a sample of 85 of the Authority's monthly housing assistance payments from a universe of 6,399 payments, totaling more than \$3.7 million, made during the audit period. We reviewed the corresponding participant files for these 85 payments to determine whether the Authority appropriately calculated the housing assistance and utility reimbursement payments. For questioned costs, we applied the error to the most recent reexamination through the end of the eligibility period. Through the file reviews, we assessed the reliability of the computer-processed housing assistance payment data and determined that the data were generally reliable.

**Comprehensive file review** - Using HUD's Public and Indian Housing Information Center<sup>25</sup> data as of September 30, 2013, we selected a nonstatistical sample of 14 of the Authority's 196 current program participants for a comprehensive file review. We reviewed the files for the 14 program participants to determine whether the Authority maintained documentation to support subsidy payments. For questioned costs, we applied the error to the scope of our audit period as applicable. Through file reviews, we assessed the reliability of the computer-processed tenant data and determined that the data were generally reliable.

**Housing quality standards inspections** - Using the Authority's housing quality standards inspection reports, we selected a nonstatistical sample of 14 from a total of 32 housing quality standards inspections completed and passed by the Authority between August 1 and October 31,

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<sup>25</sup> HUD's Public and Indian Housing Information Center maintains and gathers data about all of HUD's public and Indian housing inventory of housing agencies, developments, buildings, units, housing authority officials, HUD offices and field staff, and its users.

2013. Between November 19 and 21, 2013, we inspected the 14 units to determine whether the Authority ensured that its program units complied with HUD's housing quality standards. We used the results documented in the inspection reports to identify the severity of the violations and units that were in material noncompliance. For units that failed and were considered in material noncompliance, we questioned assistance from the date of the Authority's inspection through November 30, 2013. Through unit inspections, we assessed the reliability of the computer-processed housing quality standards inspection data and determined that the data were generally reliable.

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 findings and conclusions based on our audit objective.

# INTERNAL CONTROLS

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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.

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## Relevant Internal Controls

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

- Effectiveness and efficiency of operations - Policies and procedures in place to reasonably ensure that program activities were conducted in accordance with applicable laws and regulations; specifically, policies and procedures intended to ensure that the Authority complied with HUD regulations and its administrative plan in operating its Section 8 Housing Choice Voucher program.
- Relevance and reliability of information - Policies and procedures in place to reasonably ensure that participant file and housing assistance payment errors were reduced and housing quality standards were enforced.
- Compliance with applicable laws and regulations - Policies and procedures in place to reasonably ensure that housing assistance payment disbursements, housing quality standards, and participant file documentation were complete and accurate and complied with applicable 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.

## **Significant Deficiencies**

Based on our review, we believe that the following items are significant deficiencies:

- The Authority lacked adequate controls to ensure that housing assistance and utility reimbursement payments were always accurate, properly calculated, eligible, and supported (see finding 1).
- The Authority did not have adequate controls in place to ensure that HUD's housing quality standards were identified and enforced (see finding 2).
- The Authority lacked adequate policies and procedures to administer its program, and its policies did not always comply with applicable laws and regulations (see findings 1 and 2).

## APPENDIXES

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### Appendix A

#### SCHEDULE OF QUESTIONED COSTS

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Recommendation number	Ineligible 1/	Unsupported 2/	Funds to be put to better use 3/
1A	\$16,350		
1B			<u>\$1,325</u>
1C		<u>\$570,834</u>	
2B	<u>18,391</u>		
Total	<u>\$34,741</u>	<u>\$570,834</u>	<u>\$1,325</u>

- 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.
- 3/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified.

## Appendix B

### AUDITEE COMMENTS AND OIG'S EVALUATION

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#### Ref to OIG Evaluation

#### Auditee Comments



#### ST. CHARLES PARISH HOUSING AUTHORITY

*LEALA JACKSON, Executive Director*

*P.O. Box 448, Boutte, LA 70039*

*(985) 785-2601 FAX (985) 785-6238*

June 4, 2014

Gerald Kirkland  
Regional Inspector General for Audit  
Ft. Worth Region, 6AGA  
U.S. Department of Housing and Urban Development  
Office of Audit  
New Orleans, LA

Dear Mr. Kirkland:

This letter is in response to the Draft Audit Report on the St. Charles Parish Housing Authority's (SCPHA) Housing Choice Voucher Program, issued June 2, 2014. We reviewed the draft report and our responses are detailed in the enclosed documents.

The SCPHA has been working to improve the administration of its HCV program through a series of agency process and procedure improvements. Through these initiatives, we have identified and implemented solutions to improve quality control and ensure regulatory compliance in our HCV program. The SCPHA's initiatives include updating policies and procedures and staff on-going training.

Should you require additional information, please do not hesitate to contact me via email at [ljackson@scpha.nocoxmail.com](mailto:ljackson@scpha.nocoxmail.com) or by phone at (985) 785-2601.

Respectfully,

Leala G. Jackson  
Executive Director

Cc: Cheryl Williams, Director, Office of Public Housing  
Larry Campbell, HMRS  
Tyrell Cornwell, Board Chairperson of SCPHA  
V.J. St. Pierre, Parish President of St. Charles Parish

Comment 1

**Ref to OIG Evaluation**

**Auditee Comments**

ST. CHARLES PARISH HOUSING AUTHORITY

Response to HUD OIG Audit of SCPHA's  
Housing Choice Voucher Program  
June 4, 2014

*Finding 1. The Authority did not ensure Payments Were Eligible and Supported.*

- (1) Did not maintain the housing assistance payments and utility reimbursement payments were eligible and supported
- (2) Did not maintain adequate documentation to support subsidy payments
- (3) Did not review its utility allowance standards annually

**Lacked adequate internal controls**

- (1) Have adequate written procedures for calculating housing assistance and utility reimbursement payments and maintaining supporting documentations
- (2) Perform sufficient quality control reviews of participants files
- (3) Follow its written standards when determining subsidy and utility amounts.
- (4) Adequately train its staff on program requirements and associated computer systems
- (5) Provide adequate oversight to ensure that it complied with program requirements.

**St. Charles Parish Housing Authority Response**

The St. Charles Parish Housing Authority (SCPHA) has made a number of changes to its standards of operation within in the last four (4) months. The SCPHA has implemented new policies and procedures to assist with more efficient day to day management of all housing programs.

The audit states a total of seven (7) missing files under the sample review. However, upon review of the draft, the agency noted there were several duplications within the missing files listing. Additionally, a file previously stated as missing was located in storage; thus, reducing the total missing files from seven (7) to three (3). This file is available for review.

**Comment 2**

**Ref to OIG Evaluation**

**Auditee Comments**

**Comment 3**

There were three files reviewed for the Housing Authority's financial auditor for the same period of this review. These files were reviewed in mid-April. One is indicative of the other three. In one, the Authority was cited for not properly verifying the income, not using the correct payment standard, not using the correct utility allowance amounts, and not accurately calculating annual income.

In this file, the list tenant income was \$698 per month, or \$8,376. It should have been \$694 per month, or \$8,328. The payment standard used was \$881. \$994 should have been used. But it did not affect the HAP or the tenant's portion of the rent. We found in a couple of instances, the documents were in the files or in the Disaster files, and were not transferred to the current files.

**Comment 1**

In February, an additional HCV housing manager was hired. The Housing Authority is currently advertising for an administrative assistant and working with the Board of Commissioners and the St. Charles Parish Government to establish a plan to restructure agency personnel. A plan is being developed to contract portability and an HQS inspection of all HCV units with external vendors.

The SCPHA is currently upgrading our computer systems. Additionally, we are in the process of changing vendor software for all programs to a web-based system. Training and program support is included a part of the software package. This will also allow the contracted fee accounting firm additional oversight by being able to access financials on a real time basis.

The SCPHA acknowledges that it has experienced issues with missing support documentation. However, through a series of business improvement initiatives, the SCPHA has streamlined the document management process of its system to ensure proper receipt, tracking and storage of owner and tenant submitted documents such as HAP contracts, lease agreements, initial, annual, and interim recertification documents.

**Ref to OIG Evaluation**

**Auditee Comments**

The SCPHA has implemented a system for initial and annual reexaminations and will ensure housing quality standards inspections are completed annually for each participating family on a timely basis. The SCPHA will ensure that units pass inspection before a family is allowed to remain in the unit.

The Housing Authority has updated and/or in the process of implementing new policies for calculating housing assistance and utility reimbursement payments. We have also implementing a new file maintenance policy.

The Housing Authority is currently under contract to update its utility allowances. A plan has been established to ensure utility allowances are reviewed annually.

The quality control policy has been updated to ensure sufficient review of tenant files including accurate rent reasonableness, rent calculation and HQS inspection.

The Housing staff is currently attending trainings and webinars. Additional staff training has been scheduled for HCV Management to ensure the Housing staff is certified. The SCPHA plans to hold regular training sessions to ensure the HCV program remains in compliance with HUD program requirements.

The SCPHA acknowledges we have experienced issues with file documents. We will continue to work to retrieve those records and request reconsideration of any reimbursement of HAP based on the corrective actions already taken. Additionally, we are reviewing the fourteen (14) files totaling \$144,524 to support payments made during the audit review period.

**Ref to OIG Evaluation**

**Auditee Comments**

*Finding 2. The Authority did not enforce HUD's Housing Quality Standards.*

As a result of the audit, the SCPHA has completed re-inspections of the 13 units cited in this finding and will certify along with the property owners that all applicable housing quality standards violations have been corrected.

The SCPHA has implemented new HQS inspection policies and procedures in the HCV program to ensure that all program units meet HUD's Housing Quality Standards.

The agency has also implemented new quality control procedures to ensure supervisory quality control inspections are appropriately conducted and documented.

The SCPHA has also implemented an annual training schedule to ensure that staff is knowledgeable of all housing quality standard requirements. Three staff members along with the Executive Director will attend the Nan McKay & Associates, Inc. Housing Quality Standards (HQS) Inspector Training and Certification Seminar hosted by Texas NAHRO in Fort Worth, TX on July 29-31, 2014. All staff members in attendance will be required to successfully complete the course and take the certification exam.

The Housing Authority is developing a plan to contract with an external vendor a full HQS inspection of all HCV units.

Upon Board approval, the SCPHA also plans to hold a semi-annual owners training in order to educate owners and property managers of the importance of program rules, regulations and housing quality standards. It is also the agency's belief these semi-annual trainings will foster better communication between owners and the housing authority.

## OIG Evaluation of Auditee Comments

- Comment 1** The Authority generally agreed with our conclusions and stated that it has been working towards improving its programs through a series of agency process and procedures improvements. The Authority asserted that it has implemented various new policies and procedures, hired new staff, is training its staff, and has plans for further improvement. The Authority also asserted that it has completed the re-inspection of the 13 failed units cited in the report and will certify along with the landlords that the violations have been corrected. With its written response, the Authority provided its written policies for HQS, rent reasonableness and rent calculation. However, we did not assess the validity or adequacy of these policies, as these policies will be evaluated by HUD staff. We appreciate the Authority's efforts in improving its processes and resolving the errors identified in the report. The Authority should work with HUD to resolve recommendations 1A, 1B, 1C, 1D, 1E, 2A, 2B, 2C, 2D, and 2E.
- Comment 2** We agree that there were duplications in the missing files cited in the report. Due to the voluminous nature of the Authority's participant files, we did not review or confirm the existence of the file that the Authority stated that it had located in storage. Therefore, we revised the number of missing participant files from 7 to 4, instead of 3, in finding 1 and Appendix C. The Authority should work with HUD to resolve this issue.
- Comment 3** The Authority asserted that its financial auditor reviewed three files during the same period as our review. The Authority asserted that the financial auditor identified similar issues to that which was reported, but the issues did not affect the housing assistance payments HAP or tenant's portion of the rent. However, the Authority did not provide documentation or further detail to substantiate this claim.

## Appendix C

### SUMMARY OF PAYMENT DEFICIENCIES

Count	Missing housing quality standards inspection	Incorrect utility allowance used	Incorrect payment standard	Missing income or expense documents	Incorrect income calculation	Missing lease or housing assistance payments contract	Missing voucher	Annual or interim reexamination not complete	No file	Excess payments made after termination
1									X	
2	X	X	X	X	X		X			
3	X	X	X		X	X				
4				X			X			
5		X	X	X		X				
6		X	X		X					
7	X			X						X
8		X		X						
9		X	X	X						
10		X	X	X						
11	X	X	X	X						
12		X	X		X					
13	X							X		
14									X	
15	X			X		X	X			
16		X	X		X					
17										
18	X	X	X		X					
19		X	X		X					X
20	X			X		X				
21	X			X	X					
22	X			X						
23	X	X	X							
24									X	
25	X	X	X							
26	X	X	X							
27	X	X	X		X					
28	X	X	X	X		X				
29	X					X				
30		X	X	X	X					

Count	Missing housing quality standards inspection	Incorrect utility allowance used	Incorrect payment standard	Missing income or expense documents	Incorrect income calculation	Missing lease or housing assistance payments contract	Missing voucher	Annual or interim reexamination not complete	No file	Excess payments made after termination
31	X			X		X	X			
32	X	X	X	X						
33	X	X	X							
34	X	X	X		X					
35		X	X							
36		X	X	X	X	X				X
37	X	X	X	X						
38		X	X	X						
39	X	X	X							
40		X	X	X	X					
41	X							X		
42	X							X		
43	X	X	X							
44	X					X				
45		X	X		X					
46	X							X		
47	X	X	X	X			X			
48	X			X		X				
49		X	X	X	X					
50	X							X		
51									X	
52	X	X	X	X						
53	X					X				
54		X	X	X						
55	X	X	X	X						
56	X	X	X							
57	X									
58	X			X						
59	X	X	X							
60	X	X	X	X	X					
61	X	X	X							
62	X			X						
63	X	X	X	X						X
64	X	X	X	X	X					
65	X	X	X		X					
66		X	X		X					

Count	Missing housing quality standards inspection	Incorrect utility allowance used	Incorrect payment standard	Missing income or expense documents	Incorrect income calculation	Missing lease or housing assistance payments contract	Missing voucher	Annual or interim reexamination not complete	No file	Excess payments made after termination
67	X									
68	X					X		X		
69	X	X	X							
70	X							X		
71	X	X	X							
72	X	X	X							
73		X		X	X					
74										
75	X	X	X	X						
76	X	X	X							
77		X	X		X					
78	X	X	X		X					
79	X	X	X			X				
80	X	X	X		X		X			
81	X						X	X		
82	X					X	X	X		
83		X	X	X		X	X			
84										
85	X	X		X	X					
<b>Totals</b>	<b>57</b>	<b>54</b>	<b>51</b>	<b>35</b>	<b>24</b>	<b>15</b>	<b>9</b>	<b>9</b>	<b>4</b>	<b>4</b>

## Appendix D

### SUMMARY OF FILE DOCUMENTATION DEFICIENCIES

Types of deficiencies (see legend below table)											
Count	1	2	3	4	5	6	7	8	9	10	11
1	X	X	X								
2			X	X							
3		X	X		X						
4	X	X				X					
5			X	X							
6	X	X	X								
7	X	X			X		X	X			
8			X	X					X		
9	X	X	X	X							
10	X	X	X	X							
11	X	X	X								
12		X	X								
13	X	X								X	
14			X								X
<b>Totals</b>	<b>8</b>	<b>10</b>	<b>11</b>	<b>5</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>

Deficiencies legend:

1. Housing quality standards inspection was not completed and passed before the execution of the lease or housing assistance payments contract.
2. Rent reasonableness assessment was not conducted before the execution of the lease or housing assistance payments contract.
3. Annual housing quality standards inspection was not conducted.
4. Reexaminations of family income and composition were not conducted annually.
5. Copy of voucher was not maintained.
6. Voucher size did not correspond to occupancy standards.
7. Housing assistance payments contract was not executed within 60 calendar days from the beginning of the lease term.
8. No criminal background check of the family was conducted.
9. Landlord did not make repairs, and the unit did not pass inspection after the unit initially failed the housing quality standards inspection.
10. Rent was not reasonable.
11. There was no verification of income from a third-party source.