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TO: Olga I. Saez, Director, Public and Indian Housing, San Juan Field Office, 4NPH

James D. McKay

FROM: James D. McKay, Regional Inspector General for Audit, 4AGA

SUBJECT: The Puerto Rico Housing Finance Authority, San Juan, Puerto Rico, Generally
Calculated Housing Assistance Correctly

HIGHLIGHTS

What We Audited and Why

We audited the Puerto Rico Housing Finance Authority's (Authority) Section 8 Housing Choice Voucher program as part of our audit plan. Our audit objectives were to determine whether the Authority properly determined housing assistance subsidies, properly determined the eligibility of tenants, and recertified tenants in a timely manner.

What We Found

The Authority generally administered its Section 8 program in accordance with HUD requirements. It properly determined the eligibility of the tenants reviewed and recertified tenants in a timely manner. Our review identified minor errors in calculating the housing assistance of Section 8 tenants, but the errors were not monetarily significant. We discussed the deficiencies with Authority officials who implemented corrective action.

What We Recommend

This report does not contain any recommendations as it contains no findings.

Auditee's Response

On January 14, 2009, we provided the Authority with the information on the vouchers containing errors in housing assistance subsidies. The Authority agreed with our review results and initiated remedial measures to correct the errors found. We provided our discussion draft audit report to the Authority's executive director and HUD's staff during the audit. The Authority decided not to provide a written response to the report or hold an exit conference because the report contained no findings.

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BACKGROUND AND OBJECTIVES

The Puerto Rico Housing Finance Authority (Authority), a subsidiary of the Government Development Bank for Puerto Rico, was created in 1977. The Authority provides a full range of services, including interim and permanent financing through mortgage loans for the construction, improvement, operation, and maintenance of rental housing for low- and moderate-income families.

The Authority administers approximately 1,400 housing choice vouchers within Puerto Rico. It uses its Section 8 voucher funds to provide rental assistance to eligible families. From July 1, 2007, through June 30, 2008, the U.S. Department of Housing and Urban Development (HUD) authorized and disbursed \$7.85 million to the Authority in Section 8 program voucher funds. The Authority's housing projects administration department was assigned the responsibility of administering the Section 8 program. The Authority's records for the Section 8 program are maintained at 606 Barbosa Avenue, San Juan, Puerto Rico.

The objectives of our audit were to determine whether the Authority properly determined housing assistance subsidies, properly determined the eligibility of tenants, and recertified tenants in a timely manner.

RESULTS OF AUDIT

We reviewed a sample of 20 vouchers to determine whether the Authority correctly determined housing assistance for Section 8 tenants. Based on our review of 20 household files, the Authority generally complied with housing assistance determination requirements. It properly determined the eligibility of the tenants reviewed and recertified tenants in a timely manner. However, it made minor errors in calculating housing assistance, which resulted in overpayments and underpayments totaling \$2,933.

Overhoused tenants – We identified 12 potentially overhoused tenants out of the 1,441 Section 8 active tenants. We reviewed a sample of eight of the twelve vouchers to determine whether there was acceptable justification for issuing a voucher larger than the Authority’s administrative plan allowed. For three vouchers, the Authority assigned the correct voucher size, but it overhoused five in our sample. The Authority overhoused tenants because it did not reduce the voucher size (used a higher payment standard) at its annual reexamination for tenants who had experienced a change in family composition. As a result, it overpaid assistance totaling \$2,534 to three of the five overhoused tenants.¹

Voucher number	Overpaid assistance
2000-015	\$1,911
2000-033	568
2003-570	55
98-023	0 ¹
2001-154	0 ¹

Calculation errors - We statistically selected 48 of the 1,462 household files to determine whether the Authority properly calculated the housing assistance payments of its Section 8 tenants. We only reviewed 12 of the 48 statistically selected household files and discontinued further review because our initial sample did not identify significant deficiencies. The Authority did not properly calculate housing assistance payments for three of the twelve household files reviewed. It did not properly determine the tenant’s adjusted gross income, resulting in an underpayment of \$399.

Voucher number	Underpaid assistance
2003-303	\$231
2003-330	168
2004-106	0 ²

¹ It did not overpay for the remaining two tenants since the contracted rent was lower than the applicable payment standard for the family.

² The Authority used an incorrect payment standard, but it did not affect the housing assistance amount.

The Authority agreed with our review results and initiated remedial measures to correct the errors found. The specific deficiencies were not monetarily significant and did not justify additional audit work. Thus, the report contains no finding, and no further action is necessary.

SCOPE AND METHODOLOGY

To accomplish our objectives, we did the following:

- Reviewed applicable laws, regulations, and other HUD program requirements.
- Reviewed the Authority's Section 8 policies, procedures, and administrative plan.
- Interviewed HUD and Authority management and staff.
- Reviewed the Authority's latest independent public accountant report and HUD program monitoring reviews.
- Obtained a download of the Authority's Section 8 units for the Housing Choice Voucher program as of October 9, 2008.³

We identified 12 potentially overhoused tenants from the 1,441 active vouchers the Authority had as of October 9, 2008. We defined an overhoused tenant voucher as any voucher that did not have the minimum number of household members required by the Authority's payment standards for voucher size. We reviewed the files of the first eight potentially overhoused tenants to determine whether there was acceptable justification for assigning vouchers larger than the Authority's administrative plan allowed.⁴ We discontinued further review because our initial sample did not identify significant deficiencies.

To perform our housing assistance review, we relied upon computer-processed data provided by the Authority. Specifically, we relied upon a spreadsheet that contained data on housing subsidies paid to landlords and tenants during our 15-month audit period for 1,462 households. We analyzed the data and concluded that the data were sufficiently reliable for our purposes of sample selection and projection. We statistically selected 48 of the 1,462 household files for detailed review. We only reviewed the first 12 of the 48 statistically selected household files and did not use these files for projecting our sample results. We discontinued further review because our initial sample did not identify significant deficiencies.

To determine whether the Authority properly calculated the housing assistance payments made during our audit period for the sample households, we analyzed information entered into the Authority's certification system as well as supporting documentation such as household composition, fair market rent data, income verifications, and rental unit records. We then

³ To achieve our audit objectives, we relied in part on computer-processed data contained in the Authority's database. 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.

⁴ We selected a nonstatistical sample and did not use these files for projecting our sample results.

recalculated the housing assistance payment amounts covering each month of our audit period, and in some cases, we expanded our audit period as needed to accomplish our objectives. We conducted our fieldwork from October through December 2008 at the Authority's offices in San Juan, Puerto Rico. Our audit period was from July 1, 2007, through September 30, 2008, but we expanded our audit period as needed to accomplish our objectives.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

INTERNAL CONTROLS

Internal control is an integral component of an organization's management that provides reasonable assurance that the following controls are achieved:

- Program operations,
- Relevance and reliability of information,
- Compliance with applicable laws and regulations, and
- Safeguarding of assets and resources.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. They 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 objectives:

- Compliance with laws, regulations, policies, and procedures that management has implemented to reasonably ensure that resources use is consistent with laws and regulations.
- Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.

We assessed the relevant controls identified above.

A significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

Significant Weaknesses

Based on our review, we did not identify any significant weakness in the controls cited above.