



October 5, 2020

MEMORANDUM NO:
2021-SE-1801

Memorandum

TO: Janice King-Dunbar
Director, Office of Public Housing, Seattle, WA, OAPH

//signed//

FROM: Ronald J. Hosking
Regional Inspector General for Audit, OAGA

SUBJECT: Review of the Nampa Housing Authority's Public Housing Program, Nampa, ID

INTRODUCTION

We audited the Nampa Housing Authority's public housing program in response to a local Office of Inspector General (OIG), Office of Investigation, referral. Our objective was to determine whether the Authority followed U.S. Department of Housing and Urban Development (HUD) public housing requirements pertaining to (1) calculating contract rents, (2) maintaining its waiting lists, (3) providing its staff the credentials needed to access HUD systems, and (4) storing and securing tenant files.

This memorandum contains three recommendations pertaining to improper rent calculations, improper maintenance of a waiting list, and unsecured use of HUD's Enterprise Income Verification (EIV) system, all of which relate to the Authority's administration of its public housing 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, appendix 8M, requires that OIG post its reports on the OIG website. Accordingly, this report will be posted at <https://www.hudoig.gov>.

SCOPE AND METHODOLOGY

Our audit period was January 1, 2014, through December 31, 2018. We performed our audit work from February through October 2019. We conducted onsite work at the Authority's offices located at 211 19th Avenue North, Nampa, ID.

To accomplish our objective, we

- reviewed Federal regulations and Authority policies and procedures,
- interviewed HUD and Authority personnel,
- analyzed support for the Authority's rent calculations in a sample of tenant files,
- reviewed the four unit-size waiting lists provided by the Authority covering our audit period,
- reviewed employees' credentials for accessing HUD's EIV system,
- reviewed EIV reports, and
- reviewed the Authority's storage of tenant files.

We identified a universe of 281 tenants associated with the public housing units during our 5-year audit period and chose to use a random selection process due to the limited size of our universe. We randomly selected a preliminary sample of 56 tenants (20 percent of our universe) using a data analytics tool known as Galvanize (previously known as ACL). Then we randomly selected 14 of these tenants (25 percent of the preliminary sample) to serve as our audit sample. For each item in our sample, we recalculated the Authority's rent calculations during the audit period. The results of our audit did not include any tenant files outside our sample and cannot be projected to the universe as a whole.

We reviewed the Authority's post-Rental Assistance Demonstration Program (RAD) housing assistance payments contract, RAD guidance, applicable Federal regulations at 24 CFR (Code of Federal Regulations) part 983, and written correspondence between the Authority and the post-RAD contract administrator. We determined that the Authority is scheduled to eliminate all of its public housing units through a RAD conversion and will no longer administer rent subsidies, maintain waiting lists, or access the EIV system following the RAD conversion.

We stopped our audit work after learning of the conversion and identifying the cited deficiencies. Therefore, we did not develop the cause or effect of the cited deficiencies during the audit.

Except for this cause and effect limitation, 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(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

BACKGROUND

The Authority, with its main offices located at 211 19th Avenue North, Nampa, ID, owned and operated 142 public housing units located at 9 scattered sites within the city of Nampa. The

Authority administered its public housing program to lease units to prequalified low-income families, seniors, and disabled applicants.

The Authority operated under the jurisdiction of a five-member board of commissioners. The board members were volunteers appointed by the mayor and city council of Nampa, ID. The commissioners' purpose and responsibilities were to ensure that the Authority operated within the law and according to HUD guidelines. Through adopting formal resolutions, policies and procedures, governing operations, and financial planning, the board provided support and leadership for the Authority.

HUD established public housing to provide decent and safe rental housing for eligible low-income families, the elderly, and persons with disabilities. Public housing comes in all sizes and types, from scattered single-family houses to highrise apartments for elderly families. There are approximately 1.2 million households living in public housing units, managed by some 3,300 public housing agencies. HUD administers Federal aid to local housing agencies that manage the housing for low-income residents at rents they can afford. HUD furnishes technical and professional assistance in planning, developing, and managing these developments.

In fiscal year 2012, Congress authorized RAD to preserve and improve public housing properties and address a \$26 billion nationwide backlog of deferred maintenance. RAD allows housing agencies to convert public housing and other HUD-assisted properties into long-term, project-based Section 8 rental assistance units. Converting the properties gives the housing agencies access to private debt and equity to address immediate and long-term capital needs.

RESULTS OF REVIEW

The Authority Charged 11 Tenants the Incorrect Rent for at Least 1 Month

We recalculated each of our sampled tenants' rent charges during the 5-year period and found that the Authority had charged 11 of 14 tenants the incorrect rent for at least 1 month. The most common errors were annualizing pay stubs over the wrong number of periods; including unsupported allowances for medical care, childcare, and earned income disregard; and incorrectly including and excluding income sources. These 11 tenants represented 79 percent of the audit sample. Four of the eleven tenants were both overcharged and undercharged in different months during our audit period. In total, the Authority overcharged six tenants and undercharged nine tenants, reflecting the four tenants above in each total. The six tenants overpaid a total of \$1,550 in rent, and the nine tenants underpaid a total of \$7,204 in rent. We did not include in our recommendations any amounts undercharged to the tenants. See appendix C for detailed results of this review.

The Authority Improperly Maintained Its Waiting Lists by Housing Tenants Out of Order

The Authority did not have in place any controls to assure that proper selection would occur during the selecting of applicants for housing. The Authority's policy stated that it would maintain the waiting list for all applicants in order of bedroom size, date, and time of application. We reviewed the four-bedroom waiting list and found that the Authority housed three tenants an irregularly short time after they applied. These three tenants were housed 25 days or less after their application submittal dates, when the average wait time for a four-bedroom unit was 8

months to a year. In each case, the Authority housed the tenant before another applicant who applied earlier on the same waiting list.

The Authority Could Not Show That All EIV System Users Had Proper Credentials and That Only Employees With Credentials Accessed the System

The Authority could not provide a signed copy of the EIV System User Access Authorization Form and Rules of Behavior and User Agreement (Form HUD-52676) for one of its staff members with EIV access during our audit period. Office of Public and Indian Housing (PIH) Notice PIH 2010-19, section 7, and Notice PIH 2017-12, section 8, required Authority staff with access to the EIV system or staff with access to EIV data to complete this form before being granted access. The notices further required the Authority to maintain these forms on file. The executive director stated that this employee properly completed the form, but the Authority was unable to provide a copy of it.

The Authority did not always support that it safeguarded EIV login credentials. The executive director stated that he had login credentials for administrative purposes but did not use the EIV system to run reports. However, some EIV reports during our audit period showed the executive director's name as the account that generated the reports. The executive director stated that he did not know why some reports had his name on them.

The Authority Generally Stored and Secured Tenant Files Properly

We reviewed the file storage procedures of the Authority and interviewed staff to determine whether the Authority complied with HUD's retention of records requirements. The Authority kept tenant files in cabinets in file rooms with locked doors. We determined that the tenant files were generally stored and secured properly.

RECOMMENDATIONS

We recommend that the Director of the Seattle Office of Public and Indian Housing

- 1A. Require the Authority to reimburse the six tenants who overpaid rent totaling \$1,550 using non-Federal funds.
- 1B. Require the Authority to develop and implement internal control procedures that support its policy and ensure a proper tenant selection process when selecting tenants for housing.
- 1C. Ensure that the Authority follows all applicable HUD requirements related to accessing, use, and safeguarding credentials of HUD systems.

Appendix A

Schedule of Funds to Be Put to Better Use

Recommendation number	Funds to be put to better use 1/
1A	\$1,550
Totals	1,550

- 1/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an 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. By implementing our recommendation, the Authority will put \$1,550 to better use by no longer retaining amounts received from tenants, which were higher than it was authorized to charge.

Appendix B

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation


Auditee Comments

Board of Commissioners
Chairperson Lynn McConnell
Vice-Chairperson Richard Bugatsch
Terrence Blom
Karina Martinez

Executive Director
Andrew R. Rodriguez

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September 15, 2020

Ronald J. Hosking
Regional Inspector General for Audit
Office of Audit Region 10
909 First Avenue, Suite 126
Seattle, WA 98104

Dear Mr. Hosking,

Nampa Housing Authority would like to provide the following comments regarding the OIG Audit conducted.

As noted in the audit report NHA has conducted a RAD conversion of 75 of our 142 units. This was completed May 2020, taking effect July 2020. While this does not represent all of our units that are in the Section 9 program, we are in the middle of a Streamline Voluntary Conversion (SVC) on the remainder of our units and anticipate this process will be completed by the end of the calendar year 2020, or very early 2021, at the latest. Therefore, we will no longer administer a HUD funded program, and we will not conduct interim recertifications, administer a HUD waiting list, nor have access to the Enterprise Income Verification (EIV) system. We will however maintain our current safeguards, to assure tenant files are secure.

Regarding the results of the review, we submit the following:

The Authority Charged 11 Tenants the Incorrect Rent for at Least 1 Month: Upon review of our records, we average 20.5 interims per month. Given that high of volume, it is inevitable there will be errors, therefore miscalculations in the amount of \$1,550 in a 4 year period where on average 960 interims were completed, is actually a pretty good track record. During the course of the audit, the auditor did mention we conduct a higher volume of interims than he had previously seen, in other audits. It should further be noted in at least 4 particular cases, the tenants were paid twice per month, meaning they had 24 pay periods per year, while the calculation was conducted based on a 26 pay period basis, as if they were paid every other week. NHA will seek out the individuals who over-paid and re-pay them. If we are unable to find good contact information, NHA will make payments in their names to The Idaho State Treasurers office unclaimed property division which can be accessed through the following URL <https://yourmoney.idaho.gov/>. Also, as noted above, after our SVC Conversion, we will not administer the HUD Section 8 program, and will therefore not have to conduct rent calculations for tenants.

Comment 1

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Auditee Comments

Ref to OIG Evaluation

Comment 2

The Authority Improperly Maintained Its Waiting Lists by Housing Tenants Out of Order:

While we are disappointed that a past staff person would circumvent the waiting list, we were unable to find a pattern in her lapse of judgement. We can assure HUD we have put in place safeguards that will assure this does not happen in the future, although, as previously stated, after the SVC conversion, we will no longer have a waiting list, as we will not administer the HUD Section 8 program.

Comment 3

The Authority Could Not Show That All EIV System Users Had Proper Credentials and That Only

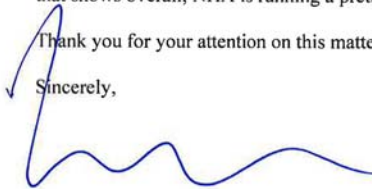
Employees With Credentials Accessed the System: The Executive Director did not recall entering the EIV system, although log-in records indicate he did. This is factual, the Director did not recall entering the system, however the system is part of the larger REAC System, and he could have inadvertently done so, by simply clicking on the EIV tab. He still maintains no knowledge of doing so, but he is being asked to remember logins into a system that is used on a regular basis. Again, we will no longer need to access the REAC, or the EIV System in the future, as we will not administer the HUD Section 8 program.

The Authority Generally Stored and Secured Tenant Files Properly: We pride ourselves in assuring records are treated with the highest level of security. We will continue to do so, in the future.

NHA would like to thank the inspector's at OIG for conducting a very professional inspection; one that shows overall, NHA is running a pretty tight ship.

Thank you for your attention on this matter.

Sincerely,



Andrew R. Rodriguez
Executive Director

OIG Evaluation of Auditee Comments

- Comment 1 We agree that the Nampa Housing Authority should re-pay individuals who overpaid in rent. The Authority should work with HUD throughout this process to resolve the recommendation.
- Comment 2 The Authority stated it has implemented safeguards to address the selection process from the waitlist. The Authority will need to show HUD that these safeguards adequately address the issue with the waitlist selections until all units are converted. We did not verify the safeguards mentioned.
- Comment 3 The Authority stated that it will no longer access HUD systems after the completion of its planned RAD conversion. However, until that is complete, the Authority should work with HUD to ensure that it follows all applicable HUD requirements related to accessing, use, and safeguarding credentials of HUD systems.

Appendix C

Schedule of OIG Rent Recalculations

Tenant #	Rent calculation results	Amount tenant overpaid
1	The Authority used incorrect dates in its calculation.	\$36
2	The Authority miscalculated unreimbursed tenant costs.	364
3	The Authority misapplied tenant income.	98
4	The Authority miscalculated and misapplied tenant income.	156
5	The Authority miscalculated and misapplied tenant income.	321
6	The Authority miscalculated tenant income and costs.	575
Totals		1,550