



**Slidell Housing Authority
Slidell, LA**

Section 8 Program



Issue Date: March 21, 2013

Audit Report Number: 2013-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 Slidell Housing Authority, Slidell, LA, Did Not Always Properly Operate Its Section 8 Program

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG), final results of our review of the Slidell Housing Authority's Section 8 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 817-978-9309.



March 21, 2013

The Slidell Housing Authority, Slidell, LA Section 8 Program

Highlights

Audit Report 2013-FW-1003

What We Audited and Why

We audited the Slidell Housing Authority based upon our regional risk analysis and as part of our annual audit plan to review public housing agencies' operations. Our overall 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) requirements and its administrative plan. The subobjectives were to determine whether the Authority ensured that (1) program participants were eligible to participate in the program and (2) housing assistance payments were accurate.

What We Recommend

We recommend that the Director of HUD's New Orleans Office of Public Housing require the Authority to (1) repay \$35,460 in ineligible costs to its program, (2) support or repay \$69,462, (3) reimburse its program participants \$85 for underpayments, (4) correct the deficiencies identified in the program participant files, (5) develop and implement proper internal controls including quality control procedures, and (6) provide training to Authority employees.

What We Found

While we did not identify any ineligible participants in our review of 14 sampled files, the Authority did not always operate its program in accordance with HUD's requirements. Specifically, it (1) did not always maintain supporting documentation for or accurately calculate housing assistance payments, (2) had various documentation issues, (3) created a conflict of interest, and (4) did not process family members' files appropriately. This condition occurred because the Authority did not always follow the requirements outlined by HUD and its administrative plan and did not ensure that (1) its staff was adequately trained and (2) its internal controls including its quality control procedures for the program were sufficient. As a result, the Authority incurred payment errors totaling \$105,007. The payment errors include \$35,460 in ineligible and \$69,462 in unsupported payments and \$85 in housing assistance underpayments.

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BACKGROUND AND OBJECTIVE

The Slidell Housing Authority is a public housing agency created on March 11, 1967, and chartered under the laws of the State of Louisiana to provide and administer affordable housing programs for the citizens of Slidell, LA. It is located at 1250 Martin Luther King Jr. Drive in Slidell, LA, and manages 126 public housing units and 612 Section 8 program vouchers. The mission of the Authority is to provide safe, sanitary, and decent housing for families within Slidell and to provide equal access to safe, quality housing for families and elderly residents throughout the community. The Authority is governed by a five-member board of commissioners appointed by the mayor of Slidell. Its executive director is hired by the board and is responsible for the Authority's day-to-day operations. The Authority has the power to sue and be sued and make rules and regulations for its own government consistent with the laws of the State of Louisiana and City of Slidell.

The Authority administers the program to low-income residents in Slidell and Pearl River, LA. For the program, the Authority provides funds in the form of rental subsidies to owners on behalf of eligible families. The Authority relies on rents collected from residents and Federal subsidies it receives from the U.S. Department of Housing and Urban Development (HUD) to administer the program. HUD provided funding for the Authority's program as shown in table 1.

Table 1: Funding as of October 18, 2012

Fiscal year	Authorized funds	Disbursed funds
2010	\$1,571,604	\$1,571,604
2011	2,509,474	2,509,474
2012	4,038,856	3,892,216
Total	\$8,119,934	\$7,973,294

In operating its program, the Authority must comply with its consolidated annual contributions contract, HUD requirements, and its administrative plan. Our overall objective was to determine whether the Authority operated its program in accordance with HUD requirements and its administrative plan. Our subobjectives were to determine whether the Authority (1) ensured that its program participants were eligible to participate in the program and (2) made accurate housing assistance payments on behalf of its program participants.

RESULTS OF AUDIT

Finding: The Authority Did Not Always Follow HUD and Other Requirements While Administering Its Program

While we did not identify any ineligible participants in our review of 14 sampled files, the Authority did not always operate its program in accordance with HUD's requirements. Specifically, the Authority did not always maintain required supporting documentation for or accurately calculate housing assistance payments. In addition, various other documentation deficiencies existed. Further, the Authority created a conflict of interest and did not properly process family members' files. These conditions occurred because the Authority did not always follow the requirements of HUD and its administrative plan, did not ensure that its staff was adequately trained, did not have written policies and procedures before July 2011, and did not have adequate quality control procedures to ensure that it consistently followed HUD requirements and its administrative plan. As a result, the Authority incurred payment errors totaling \$105,007. The payment errors included \$35,460¹ in ineligible and \$69,462 in unsupported payments² and \$85 in housing assistance underpayments.

The Authority Destroyed One File and Made Housing Assistance Underpayments and Overpayments

We requested 14 sampled files to determine whether the assisted families were eligible to receive program benefits. However, the Authority could not provide one file because the Authority had destroyed it. Regulations at 24 CFR (Code of Federal Regulations) 982.158 required the Authority to maintain documents to support eligibility during the term of each assisted lease and for at least 3 years thereafter. The Authority's more stringent record retention policy required it to retain these records for 5 years. When asked, the executive director stated that the file was inadvertently shredded. By shredding the file, the Authority could not support \$14,510 in housing assistance payments made on behalf of this family between September 2010 and March 31, 2012.

For the remaining 13 files, our review of the Authority's most recent initial or annual reexamination identified errors in two files that resulted in the overpayment or underpayment of housing assistance, as follows:

¹ This amount includes \$35,245 in ineligible payments to a landlord who was also a city councilmember and \$215 in housing assistance overpayments.

² This amount includes \$54,952 in housing assistance payments on behalf of families that were related to Authority staff or board members and \$14,510 in housing assistance payments made on behalf of a family that the Authority could not support because it destroyed the family's file.

- For one family, the Authority did not use the correct payment standard when the family reported a change in family size in October 2011. Regulations at 24 CFR 982.505 required the Authority to adjust the payment standard once the family had a change in size or during the next reexamination. However, when the Authority lowered its payment standard in April 2011, it did not apply the lower payment standard during the family’s October 2011 reexamination, resulting in \$215 in ineligible housing assistance overpayments.
- For another family, the Authority applied an incorrect utility allowance. Regulations at 24 CFR 982.517(a) required the Authority to maintain a utility allowance schedule for all utilities paid on behalf of its residents. While the Authority had a utility allowance schedule, it did not follow it and made \$15 in housing assistance underpayments.

Other Documentation Issues Existed

Although they did not impact the housing assistance payments, 13 files contained various other documentation deficiencies. These types of issues could impact eligibility and, therefore, showed problems with the Authority’s initial and reexamination practices. As shown in table 2, the deficiencies included limited background checks, no sex offender registry or landlord eligibility checks, failure to ensure that the housing assistance payments contract ran concurrently with the lease term, and failure to perform a rent reasonableness assessment before executing the housing assistance payments contract.³ The Authority did not use HUD’s limited denial of participation and excluded parties lists to prescreen its landlords for eligibility before October 2012. However, once we notified the Authority of this issue, it began screening its landlords, and as of December 2012, all of its landlords were eligible to participate.

Table 2

Deficiency	Number of files with deficiencies
Lack of sex offender registration check	13
Landlords not prescreened before execution of housing assistance payments contract	13
Inadequate or unavailable criminal background checks ⁴	7
Housing assistance payments contract not concurrent with the lease	1
Rent reasonableness determination made after execution of the housing assistance payments contract	1

³ See appendix C for the applicable criteria.

⁴ Although located in Saint Tammany Parish, the Authority limited the criminal background checks to the City of Slidell’s jurisdiction.

The Authority Created a Conflict of Interest

The Authority identified a potential conflict of interest with a program landlord who was a city councilmember. We determined that the councilmember was elected to the city council in 2006 to represent and make decisions for the Authority's district. Regulations at 24 CFR 982.161 and the Authority's administrative plan prohibited it from entering into a contract with persons⁵ who exercised functions or responsibilities with respect to its programs. However, the Authority executed an inappropriate housing assistance payments contract with the councilmember in October 2008. From November 2008 through October 2012, the Authority made \$35,245 in ineligible payments to the councilmember. The Authority did not make any payments after October 2012 because the councilmember terminated the family's lease due to nonpayment of rent.

Family Members Received Questionable Program Benefits

The Authority paid questionable program benefits on behalf of four families that had members who were related to Authority staff members or a board member. Three of the four families remained on the program as of January 2013, as shown in table 3.

Table 3

Family relationship	Entry into the program	Status of participation
Public housing manager's daughter	November 24, 2003	Terminated ⁶
Program manager's daughter	December 29, 2006	Current
Program manager's sister	November 1, 2009	Current
Board member's niece	July 1, 2009	Current ⁷

As shown in table 4, between April 2010 and March 2012, the Authority made a total of \$54,952 in questionable housing assistance payments on behalf of the related families.

⁵ This includes public officials and members of governing bodies.

⁶ The family was terminated in March 2012 due to a failed criminal background check.

⁷ The family had a portable voucher from another housing agency that it used to transfer to the Authority's program in November 2011.

Table 4

Family relationship	Amount
Public housing manager's daughter	\$18,188
Program manager's daughter	16,840
Program manager's sister	15,889
Board member's niece	4,035
Total	\$54,952

Review of the four families' most recent annual reexaminations showed that the Authority made minor errors in calculating the assistance for two of the families, which resulted in the underpayment of housing assistance.

- The Authority did not use the correct household income amount when it calculated the assistance for the board member's niece, resulting in \$40 in housing assistance underpayments.
- The Authority did not use the correct utility allowance when it calculated the assistance for the program manager's daughter, resulting in \$30 in housing assistance underpayments. The Authority also created a conflict by allowing the program manager to approve her daughter's housing assistance payments contract amendments.

In addition, various other documentation issues existed in the files for each of these families, as shown in table 5.

Table 5

Issue identified	Program manager's sister	Program manager's daughter	Public housing manager's daughter	Board member's niece
Inadequate criminal background checks	X	X		X
Lack of sex offender registration check	X	X	X	X
Landlords not prescreened before execution of housing assistance payments contract	X	X	X	X
Housing assistance payments contract not concurrent with the lease			X	X
Missing documentation				X
Rent reasonableness determination made after execution of the housing assistance payments contract				X
Housing quality standards inspection after lease date			X	

Due to the potential conflicts and as a best practice, the Authority should have obtained an independent full review of all of the family members' files to (1) ensure that the examination and qualification process was fair; (2) clear any errors, omissions, and appearances of conflicts or favoritism; and (3) provide reasonable assurance that the \$54,952 and any additional funds paid on behalf of these family members was fully supported.

The Authority Did Not Have the Proper Controls

The Authority did not have the proper controls, as it did not properly train its staff, did not always follow the requirements of HUD's and its administrative plan requirements and did not have adequate internal controls. Authority staff members stated that they could not remember the last time they received formal training. In addition, the executive director did not seek formal guidance from HUD or terminate the councilmember's contract when she became aware of the conflict of interest. Further, the Authority did not have written policies and procedures before July 2011.

Lastly, the Authority's administrative plan lacked adequate quality control procedures. For instance, the plan did not establish specific supervisory practices for reviewing program participants' files to detect errors. Also, although the program manager randomly reviewed files in an attempt to ensure compliance, the administrative plan did not outline procedures for those reviews, such as the frequency of the reviews or the number of files or elements that should be reviewed. Having these procedures should improve the Authority's program and its compliance with HUD requirements.

Conclusion

While we did not identify any ineligible participants in our review of 14 sampled files, the Authority did not always operate its program in accordance with HUD's requirements. Specifically, the Authority had various errors and issues within its program, including the lack of required supporting documentation, documentation deficiencies, and conflicts of interest. These conditions occurred because the Authority disregarded requirements of HUD and its administrative plan, did not ensure that its staff was adequately trained, did not have written policies and procedures before July 2011, and did not have adequate quality control procedures. As a result, the Authority incurred payment errors totaling \$105,007. The payment errors include \$35,460 in ineligible and \$69,462 in unsupported payments and \$85 in housing assistance underpayments.

Recommendations

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

- 1A. Provide documentation to support housing assistance payments totaling \$14,510 or reimburse its Section 8 Housing Choice Voucher program from non-Federal funds for the payments it cannot support.
- 1B. Reimburse its Section 8 Housing Choice Voucher program from non-Federal funds \$215 for the overpayment of housing assistance.
- 1C. Reimburse the applicable family from Section 8 Housing Choice Voucher program funds \$15 for the underpayment of housing assistance.
- 1D. Reimburse its Section 8 Housing Choice Voucher program from non-Federal funds \$35,245 for ineligible costs paid to a city councilmember.
- 1E. Obtain a HUD-approved independent full review of the four families that had members who were related to Authority staff or a board member to support housing assistance payments totaling \$54,952 or reimburse its Section 8 Housing Choice Voucher program from non-Federal funds for any unsupported payments. The review should include compliance with all requirements since the families' initial entry into the program. If the payments are supported, the Authority should reimburse the applicable families from its Section 8 Housing Choice Voucher program funds \$70 for the underpayment of housing assistance.
- 1F. Correct the deficiencies in the participants' files and make corrections to the housing assistance payments as appropriate.
- 1G. Develop and implement quality control procedures to ensure that housing assistance payments are correctly calculated and supported with the required documentation.
- 1H. Provide appropriate training to ensure that responsible Authority personnel understand HUD program requirements.
- 1I. Improve internal controls related to landlord eligibility and conflicts of interest.

SCOPE AND METHODOLOGY

We conducted our audit at the Authority's office and the HUD Office of Inspector General's (OIG) office in New Orleans, LA, between September 2012 and January 2013.

To accomplish our objective, we

- Reviewed relevant laws, regulations, and program guidance.
- Interviewed HUD and Authority staff.
- Reviewed the Authority's audited financial statements.
- Reviewed the Authority's board meeting minutes.
- Reviewed the Authority's program administrative plan and policies.
- Reviewed the Authority's program participant files.

Our sampling frame for the universe included 443 program families as of March 31, 2012, which included regular housing assistance payment, port in, and port out participants. Of the 443 families, we excluded 18 port out families since those families were outside the Authority's jurisdiction, resulting in a universe of 425 families with housing assistance payment disbursements totaling more than \$7.9 million. We used a simple random statistical sample with a random number seed of seven to statistically select files for 80 families with disbursements totaling more than \$1.1 million. For the initial review, we selected files for 14 families, with disbursements totaling \$211,914, to determine eligibility. Since we did not identify any significant issues that affected eligibility in our review of the 14 files, we decided not to review the remaining 66 files. Through the file reviews, we determined that the disbursement data were generally reliable.

We expanded our eligibility review to include additional files as a result of potential conflicts of interest⁸ identified by Authority staff. Since we had certainty that issues existed and the universe was relatively small, we completed a 100 percent review of (1) four files associated with the potential conflicts involving employees and (2) a housing assistance payment analysis associated with one landlord. The disbursements associated with these reviews totaled \$72,157 within our audit scope. Through file reviews, we determined that the disbursement data were generally reliable.

Our audit scope covered April 1, 2010, through March 31, 2012. We expanded the scope as necessary to accomplish our audit objective. 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.

⁸ These potential conflicts involved a councilmember and the Authority's (1) program manager's sister and daughter, (2) public housing manager's daughter, and (3) board member's niece.

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:

- 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.
- Compliance with applicable laws and regulations - Policies and procedures in place to reasonably ensure that housing assistance payment disbursements and participant file documentation complied with applicable laws and regulations.
- Relevance and reliability of information - Policies and procedures in place to reasonably ensure that participant file errors and housing assistance payment errors were reduced and valid and reliable program data were maintained.

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 objectives 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.

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

Recommendation number	Ineligible 1/	Unsupported 2/	Funds to be put to better use 3/
1A		\$14,510	
1B	\$215		
1C			\$15
1D	<u>35,245</u>		
1E		<u>54,952</u>	<u>70</u>
Totals	<u>\$35,460</u>	<u>\$69,462</u>	<u>\$85</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 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. In this instance, it represents the amount of underpayments that should be made to the appropriate family.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Housing Authority of the City of Slidell

(985) 726-9000 Fax (985) 726-9006
P.O. Box 1392, Slidell, LA 70459

1250 Dr. Martin Luther King Jr. Drive
Slidell, LA 70458



February 27, 2013

Mr. Gerald R. Kirkland
Regional inspector General for Audit
819 Taylor Street, Suite 13A09
Fort Worth, Texas 76102

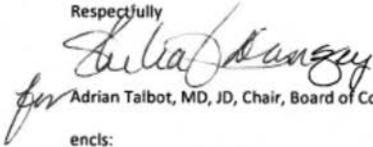
Attn: Tracey Carney, CPA
Assistant Regional Inspector

Dear Mr. Kirkland:

This is the Housing Authority of the City of Slidell official response to the recently completed review of our Housing Choice Voucher Program for the period of April 2010 through March 31, 2012. During the past six months of this review our initial perspective evolved in recognizing the usefulness of the process. That is, an independent view by your team, of our operation identified areas where we needed to do business differently. That kind of perspective is always a positive for management. We believe that your team's review also indicated that even with our lack of critical resources, we are have been able to maintain integrity in the program being administered by this Agency.

Over the next few months, we will be working with the HUD Field Office, Public Housing Division to come to a resolution some of these issues.

If you have any questions regarding our responses, please feel free to contact me or Ms. Danzey at 985-726-9000.

Respectfully

for Adrian Talbot, MD, JD, Chair, Board of Commissioners

encls:

Commissioners, SHA
C. Williams, HUD, Director of Public Housing, New Orleans
Accounting
L. Cox, HCV Manager
P. Andoh, Bruno and Tervalon

<u>Chairperson</u>	<u>Vice Chairperson</u>	<u>Commissioner</u>	<u>Commissioner</u>	<u>Commissioner</u>	<u>Interim Executive Director</u>
Dr. Adrian Talbot	Carol Broussard	Gwendolyn Clement	Patricia Dearing	Hilda Pichon	Shelia Danzey

Comment 1

Housing Authority of the City of Slidell
HUD OIG Findings Response

FINDING #1: SHA did not always follow HUD and Other Requirements While Administering the Program

No.	<u>Finding</u>	<u>SHA Response</u>	<u>SHA Proposed Course of Action</u>
1A	<u>SHA Destroyed One File and Made Housing Assistance Underpayments and Overpayments. See page 4 of Audit Report.</u>	<p>The Authority acknowledges that one out of over 400 files was inadvertently shredded as part of our file purging process. This was caused by human error. The client's file, was an in-active file that should have been maintained for three years (according to HUD regulations) and five years (according to the SHA Administrative Plan). We have re-created the client's 50058 we believe that it could be sufficient support the past HAP to the landlord on behalf of the client. To minimize the re-occurrence of this situation, in November of 2012, the SHA incurred the additional administrative expense to scan of all of our active files and depending on funding will scan all in-active files dating back three years. To date, over 40% of the active files have been scanned and posted to our server. The SHA will also revise its Administrative Plan to reflect the federal regulations relative to record retention. Documentation is available for review.</p>	<p>The SHA has a small staff to manage over 400 vouchers, involving annual re-certification, background checks, third party verifications, processing of ports, causing a separation of duties almost impossible. For the most part, we contend that with these challenges, we meet program mandates and deadlines and our documentation is demonstrative of our due diligence. However, we agree that there is always room for improvement. The program administration is guided by the SHA Administrative Plan; however, there is clearly a need for Operating Procedures to provide guidance on daily program decisions, that would mandate the process for quality controls on data maintenance and input; interpretation of regulations, how to calculate (without the use of the system) rents and utility allowance and how to document a file. Operating procedures would also address the process by which the Agency deals with the issue of familial conflicts of interest in program participation. We anticipate that these procedures will be available within ninety days (90) at which time the staff will be trained on those procedures.</p>

Housing Authority of the City of Slidell
HUD OIG Findings Response

FINDING #1: SHA did not always follow HUD and Other Requirements While Administering the Program

<u>No.</u>	<u>Finding</u>	<u>SHA Response</u>	<u>SHA Proposed Course of Action</u>
1B	<u>SHA did not use the correct payment standard for one family resulting in an overpayment to the landlord of \$215.00. See page 5 of Audit Report.</u>	The interpretation by staff of the period of time that the payment standard would become valid was incorrect in this particular case. Once brought to the Authority's attention by the OIG auditors, this miscalculation has been corrected.	See above Course of Action.
1C	<u>SHA applied an incorrect utility allowance for one family resulting in an underpayment on the client's behalf. See page 4.</u>	This was corrected at the last re-certification of the family.	See above Course of Action.

Comment 2

Comment 2

FINDING # 2: Other Documentation Issues Existed

<u>No.</u>	<u>Finding</u>	<u>SHA Response</u>	<u>SHA Proposed Course of Action</u>
2A	<u>Lack of Sex Offender Registration checks. See page 5 of Audit Report.</u>	We concur that the SHA had not been performing Sex Offender Registry checks on household members 17 years and older. However these checks are being performed as of November 2012. As files are being scanned, checks are being made to the Sex Offender Registry; additionally, these checks are being made upon re-certification, which is an on-going annual process.	See Response.
	<u>Lack of landlord debarment checks.</u>	Landlords are checked against the HUD Disbarment List. As of November 2012 all the existing landlords under contract have been checked against the HUD list and have been filed accordingly. As new landlords enter the program, checks are being completed.	See Response.

Comment 2

Comment 2

Housing Authority of the City of Slidell
HUD OIG Findings Response

FINDING # 2: Other Documentation Issues Existed

No.	<u>Finding</u>	<u>SHA Response</u>	<u>SHA Proposed Course of Action</u>
	<u>Inadequate background checks.</u>	SHA had been performing criminal background checks with the Slidell Police Department simply because the case was gratis. Although we realized that our jurisdiction is beyond the Slidell City limits, a decision was made to cut cost in light of our shortfall in administrative fees. However, as of February 1, 2013, we have contracted with the St. Tammany Clerk to use their criminal background information. We will continue to use the Slidell Police Department information and effective February 1, 2013, we are updating the files at the point of re-certifications.	See Response.
	<u>Housing Assistance Payments contracts that were not concurrent with landlord/client leases.</u>	Housing Assistance Payments contracts that were not concurrent with landlord/client leases have been corrected. It appeared that the problem was that the start of lease date was concurrent with our HAP contract, but the termination dates were not concurrent. This happened as a result of an oversight by staff. We have requested and received a corrected lease from the landlord relative to this matter.	Course of Action is the same as 1A, 1B, & 1C.

Comment 2

Comment 2

Housing Authority of the City of Slidell
HUD OIG Findings Response

FIINDING # 3 The Authority created a Conflict of Interest

<u>No.</u>	<u>Finding</u>	<u>SHA Response</u>	<u>SHA Proposed Course of Action</u>
3A	<u>Conflict of Interest with City Councilmember. See page 6 of Audit Report.</u>	While the interpretation of the regulations and the ACC would indicate that a conflict of interested existed, our discussions with the HUD Field Office in this matters varies. Therefore the Slidell Housing Authority is requesting that the New Orleans Field Office provide us with an opinion regarding matter. If the HUD's opinion is the same interpretation as HUD/OIG, the Authority will attempt to secure reparation from the elected official, as this Authority does not have the indentified ineligible amount in non-federal funds to reimburse to our net reserve assets balance.	Refer to HUD Field Office for final opinion.

Comment 3

FINDING # 4 Family members received questionable program benefits

<u>No.</u>	<u>Finding</u>	<u>SHA Response</u>	<u>SHA Proposed Course of Action</u>
4.	<u>See page 6 of Audit Report.</u>	There were four (4) family members of staff and/or Commissioners that the Authority notified OIG as program participants as part of our disclosure process. It has been determined that family members are not prohibited from participating in the HCV program, if eligible. We are asking the HUD fields to review these four family files to determine the process of them entering the program was followed.	Course of Action is the same as 1A, 1B, & 1C. Additionally, we are requesting an independent review of those files.

Comment 2

Housing Authority of the City of Slidell
HUD OIG Findings Response

FINDING # 4 Family members received questionable program benefits

No.	Finding	SHA Response	SHA Proposed Course of Action
4a.		In the case of the family member, the sister of the HCV Manager, HUD/OIG indicated that the member had been convicted of a crime; our post-researching indicated that the family member had been arrested; however, all charges were dropped against that person. Since we were not getting police reports from the Parish on all of our clients at the time, this family case was included. However, an arrest would not necessarily be the final decision regarding program participation for any family.	Course of Action is the same as 1A, 1B, & 1C. Additionally, we are requesting an independent review of those files.
4b.		The family member related to a Commissioner, income was misclassified in our system by the case manager; causing an underpayment in assistance. This error has been corrected.	Course of Action is the same as 1A, 1B, & 1C. Additionally, we are requesting an independent review of those files.
4c.		The daughter of the HCV Manager utility allowance was miscalculated, causing the Authority to underpay assistance to the client. This has been corrected to date. In addition the HCV Manager signed documents relating to her daughter's case. The present executive director has notified staff in writing that all documents relating to family members are to remain in the ED's office and no Program Managers will sign/executed any documents relating to familial cases.	Course of Action is the same as 1A, 1B, & 1C. Additionally, we are requesting an independent review of those files.
4d.		The daughter of the Public Housing Manager assistance was terminate for program violations in 2011. Although the client had a lease in place as of December 1st, her inspection did not take place until December 4th and her HAP was effective December 12th. Again this reflects lack of review on the part of the case manager to thoroughly review documents.	Course of Action is the same as 1A, 1B, & 1C. Additionally, we are requesting an independent review of those files.

Comment 4

Comment 2

Comment 2

Comment 2

OIG Evaluation of Auditee Comments

Comment 1 The Authority acknowledged that one out of over 400 files was inadvertently shredded as part of their purging process. Our review only covered 14 sampled files; thus, we cannot attest to the Authority's assertion that only one file was shredded. The Authority also believed that their recreation of the HUD form 50058 could be sufficient to support the housing assistance payments to the landlord on behalf of this family. However, regulations at 24 CFR 982.158 specifically required the Authority to maintain documentation to support the form 50058, including a copy of the executed lease, the housing assistance payment contract, and the application from the family. The Authority should provide the final supporting documentation to support the payments made on behalf of this family.

Lastly, the Authority asserted that it has scanned over 40 percent of its active files and plans to revise its administrative plan. We appreciate the Authority's efforts in improving its processes and resolving the errors identified.

Comment 2 The Authority generally agreed with the conclusions and explained that it has taken steps to resolve the errors. The Authority also asserted that it intended to use the results in the report to develop operating procedures and train its staff. We appreciate the Authority's efforts in resolving the errors identified and improving its processes. The Authority should work with HUD to resolve recommendations 1B, 1C, 1E and 1F.

Comment 3 The Authority agreed that the city councilmember's participation as a landlord in the program constitutes a conflict of interest. However, the Authority asserted that it wants to obtain an opinion from the HUD field office on the matter. As stated in the report, regulations at 24 CFR 982.161 and the Authority's administrative plan prohibited it from entering into a contract with persons who exercised functions or responsibilities with respect to the programs. Therefore, we stand by our original conclusions and recommendation 1D.

Comment 4 We agree that the sister of the housing choice voucher program manager was arrested, rather than convicted; and that the felony charges were dropped or not pursued by the district attorney. Therefore, we removed that verbiage from the report.

Appendix C

CRITERIA

The following sections of the Code of Federal Regulations apply to program participant eligibility and housing assistance payment calculations (finding 1):

- 24 CFR 5.855 explains that a public housing authority may prohibit admission of a household to federally assisted housing under its standards if it determines that any household member is currently engaging in or has engaged in during a reasonable time before the admission decision drug-related criminal activity or violent criminal activity.
- 24 CFR 5.905(a)(1) states that a public housing authority that administers a Section 8 or public housing program under an annual contributions contract with HUD must carry out background checks necessary to determine whether a member of a household applying for admission to any federally assisted housing program is subject to a lifetime sex offender registration requirement under a State sex offender registration program. This check must be carried out with respect to the State in which the housing is located and with respect to States where members of the applicant household are known to have resided.
- 24 CFR 965.502(e) explains that the public housing authority's determination of utility allowances is final and valid unless found to be arbitrary, capricious, or otherwise not in accordance with the law.
- 24 CFR 965.503 explains that separate allowances must be established for each utility and for each category of dwelling units determined by the public housing authority to be reasonably comparable as to factors affecting utility use.
- 24 CFR 982.158 states that the public housing authority must keep during the term of each assisted lease and for at least 3 years thereafter (1) a copy of the executed lease, (2) the housing assistance payments contract, and (3) the application from the family. Further, the Authority must keep the following records for at least 3 years: records that provide income, racial, ethnic, gender, and disability status data on program applicants and participants.
- 24 CFR 982.161 states that neither the housing authority nor any of its contractors or subcontractors may enter into any contract or arrangement in connection with the tenant-based programs in which any of the following classes of persons has any interest, direct or indirect, during tenure or for 1 year thereafter: (1) any present or former member or officer of the housing authority (except a participant commissioner); (2) any employee of the housing authority or any contractor, subcontractor, or agent of the housing authority who formulates policy or who influences decisions with respect to the programs; (3) any public official, member of a governing body, or State or local legislator who exercises functions or responsibilities with respect to the programs; or (4) any member of the Congress of the United States.
- 24 CFR 982.305(a)(b) states that the Authority must have inspected the unit and determined that the unit satisfies housing quality standards before the beginning of the lease term. Additionally, the housing authority may not give approval for the family to

lease a dwelling unit or execute a housing assistance payments contract until the housing authority has determined that the unit has been inspected by the housing authority and meets housing quality standards.

- 24 CFR 982.306(a) states that the public housing authority must not approve an assisted tenancy if the public housing authority has been informed (by HUD or otherwise) that the owner is debarred, suspended, or subject to a limited denial of participation under 24 CFR Part 24.
- 24 CFR 982.309(b)(1) explains that the term of the housing assistance payments contract begins on the first day of the lease term and ends on the last day of the lease term.
- 24 CFR 982.505 states that if the amount on the payment standard schedule is decreased during the term of the housing assistance payments contract, the lower payment standard amount generally must be used to calculate the monthly housing assistance payment for the family beginning on the effective date of the family's second regular reexamination following the effective date of the decrease in the payment standard amount. Irrespective of any increase or decrease in the payment standard amount, if the family unit size increases or decreases during the housing assistance payments contract term, the new family unit size must be used to determine the payment standard amount for the family beginning at the family's first regular reexamination following the change in family unit size.
- 24 CFR 982.507(a)(1) states that the public housing authority may not approve a lease until it determines that the initial rent to owner is a reasonable rent.
- 24 CFR 982.517(a) requires the public housing authority to maintain a utility allowance schedule for all tenant-paid utilities, the cost of tenant-supplied refrigerators and ranges, and other tenant-paid housing services. The Authority must give HUD a copy of the utility allowance schedule, and the Authority must provide any information or procedures used in preparation of the schedule when requested.

The following sections of HUD Guidebook 7420.10G apply to tenant eligibility and housing assistance payment calculations (finding 1):

- Chapter 5.7 explains that a public housing authority may deny assistance to a family if any member of the family has committed drug-related criminal activity or violent criminal activity as long as the illegal use or possession for personal use occurred within 1 year before the date the public housing authority provides notice to the family to deny assistance. In determining whether to deny assistance based on drug-related criminal activity or violent criminal activity, the public housing authority may deny assistance if the preponderance of evidence indicates that a family member has engaged in such activity, regardless of whether the family member has been arrested or convicted.
- Chapter 7.4 states that if the public housing authority lowers its payment standards, the payment standard in effect on the effective date of the housing assistance payments contract will remain in effect until the family moves to another unit or has a change in its family size or composition or until the second annual reexamination after the public housing authority decreases its payment standard.
- Chapter 9.2 explains that a public housing authority must determine rent reasonableness before entering into a housing assistance payments contract. A public housing authority

must not execute a housing assistance payments contract until it has documented that the charged rent is reasonable.

- Chapter 11.11 states that during the term of the assisted tenancy and for at least 3 years thereafter, the public housing authority must keep on file a copy of the housing assistance payments contract, including the tenancy addendum, and the lease. The family receives an original of the lease and copy of the tenancy addendum. The owner receives an original of the lease and housing assistance payments contract, including the tenancy addendum.
- Chapter 11.2 states that before executing a housing assistance payments contract and processing housing assistance payments, the public housing authority must determine that the owner of the assisted unit is eligible to participate in the Housing Choice Voucher program. The term “owner” may include a principal or other interested party.
- Chapter 11.3 states that the term of the housing assistance payments contract must run concurrently with the term of the lease, including any extensions of the lease term. Occasionally, families move into units before housing assistance payments contract execution, and some owners require these families to sign a lease before moving into the unit. In these situations the public housing authority must request that the owner and authority execute a new lease once the housing assistance payments contract is signed.
- Chapter 18.2 states that the public housing authority is responsible for establishing and maintaining a utility allowance schedule that provides reasonable allowances for tenant-paid utilities. The utility allowance schedule must include the utilities and services necessary to provide housing that complies with housing quality standards.