



**Inkster Housing Commission  
Inkster, MI**

**Public Housing and Section 8 Programs**



Issue Date: August 01, 2013

Audit Report Number: 2013-CH-1004

TO: Willie C. Garrett, Director of Public Housing Hub, 5APH

FROM: *Kelly Anderson*  
Kelly Anderson, Regional Inspector General for Audit, 5AGA

SUBJECT: The Inkster Housing Commission, Inkster, MI, Did Not Follow HUD's Requirements and Its Own Policies Regarding the Administration of Its Programs

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG), final report of our audit of the Inkster Housing Commission's public housing and Section 8 programs.

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 the 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 (312) 913-8684.



August 01, 2013

The Inkster Housing Commission, Inkster, MI, Did Not Follow HUD's Requirements and Its Own Policies Regarding the Administration of Its Programs

# Highlights

Audit Report 2013-CH-1004

## What We Audited and Why

We audited the Inkster Housing Commission's public housing and Section 8 programs as part of the activities in our fiscal year 2013 annual audit plan. We selected the Commission based on a citizen's complaint to our office and our analysis of risk factors relating to public housing agencies in Region 5's jurisdiction.<sup>1</sup> Our objective was to determine whether the Commission administered its programs in accordance with HUD's and its own requirements.

## What We Recommend

We recommend that the Director of HUD's Detroit Office of Public Housing require the Commission to (1) pursue repayment or reimburse its program more than \$201,000 from non-Federal funds, (2) support or reimburse its program, households or landlords nearly \$447,000 from non-Federal funds, (3) reimburse the households nearly \$77,000, and (4) implement adequate controls to address the findings cited in this audit report.

## What We Found

The Commission did not comply with HUD's requirements and its own administrative plan regarding the administration of its Section 8 program household files. Specifically, it did not (1) correctly calculate and process housing assistance payments, (2) maintain required eligibility documentation, and (3) ensure that assisted units were affordable. As a result of the Commission's noncompliance, it had more than \$174,000 in overpayments, nearly \$447,000 in unsupported payments, and nearly \$11,000 in underpayments. In addition, households paid nearly \$66,000 for assisted units that were not affordable. Further, because the household files were missing required eligibility documentation, HUD and the Commission lacked assurance that the households were eligible for the program.

The Commission inappropriately used its Federal funds to pay ineligible expenditures. As a result, it used more than \$27,000 in Federal funds for ineligible expenditures.

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<sup>1</sup> Region 5 includes the States of Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin.

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## **BACKGROUND AND OBJECTIVE**

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The Inkster Housing Commission was established under the laws of the State of Michigan to provide decent, safe, and sanitary housing. The Commission is governed by a five-member board of commissioners appointed by the mayor of Inkster, MI, to 5-year staggered terms. The board's responsibilities include overseeing the administration of the Commission and approving policies. The board appoints the Commission's executive director. The executive director is responsible for ensuring that policies are followed and providing oversight of the Commission's programs.

The Commission administers public housing and Section 8 Housing Choice Voucher programs funded by the U.S. Department of Housing and Urban Development (HUD). The public housing program provides decent and safe rental housing for eligible low-income families, the elderly, and persons with disabilities. As of October 2012, the Commission maintained 737 public housing units and was authorized \$3.6 million in public housing operating funds and \$1 million in Public Housing Capital Fund grants for the fiscal year. The operating funds are provided to assist in funding the operating and maintenance expenses of the public housing dwellings. The subsidies are required to help maintain services and provide minimum operating services. The Capital Fund grants are used to modernize public housing developments.

The Section 8 Housing Choice Voucher program provides assistance to low- and moderate-income individuals seeking decent, safe, and sanitary housing by subsidizing rents with owners of existing private housing. As of October 2012, the Commission had 751 units under contract and was authorized to receive \$3.3 million in program funds for the fiscal year.

Our objective was to determine whether the Commission administered its programs in accordance with HUD's and its own requirements. Specifically, we wanted to determine whether the Commission (1) correctly calculated housing assistance and utility allowance payments, (2) obtained and maintained documents required to determine household eligibility, and (3) used Federal funds for eligible expenses.

## RESULTS OF AUDIT

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### Finding 1: The Commission Did Not Comply With HUD's and Its Own Requirements for Section 8 Program Household Files

The Commission did not comply with HUD's requirements and its own administrative plan regarding the administration of its program household files. Specifically, it did not (1) correctly calculate and process housing assistance payments, (2) maintain required eligibility documentation, and (3) ensure that assisted units were affordable. The weakness occurred because the Commission lacked an understanding of HUD's and its own requirements and it failed to consistently implement its quality control process. As a result, it overpaid more than \$521,000 and underpaid nearly \$100,000 in housing assistance and utility allowances. Further, the Commission earned nearly \$78,000 in administrative fees for the inappropriate overpayments. Based on our statistical sample, we estimate that over the next year, the Commission will overpay more than \$247,000 in housing assistance.

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#### **The Commission Miscalculated Housing Assistance Payments**

We reviewed 76 of the Commission's program household files to determine whether it had correctly calculated housing assistance payments and maintained the appropriate documentation to support household eligibility for the period January 2011 through December 2012. Our review was limited to the information maintained by the Commission in its household files.

For the 76 household files reviewed, 61 (80 percent) had 1 or more certifications with incorrectly calculated housing assistance. For the 76 household files, we reviewed 276 certifications. For the 276 certifications,

- 79 certifications had income incorrectly calculated,
- 49 certifications had allowances incorrectly calculated (medical, disability, child care, dependent, and utility allowance),
- 5 certifications had rent to owner incorrectly stated on the family report (HUD-50058), and
- 3 certifications were not completed in a timely manner.

The Commission also used incorrect payment standards based on the number of household members for 72 of the 276 certifications reviewed. The Commission's administrative plan stated that one bedroom would be assigned for each two

persons within the household, except persons of the opposite sex, other than spouses and children under age 6.<sup>2</sup> However, the executive director said the Commission's policy was to allow one bedroom for each child 6 years of age and older, regardless of sex. Based on our review, the Commission did not follow either method and inconsistently assigned the number of bedrooms for its program households. According to HUD regulations,<sup>3</sup> the subsidy standards established by a public housing agency must provide for the smallest number of bedrooms needed without overcrowding and must be applied consistently for all households.

In addition, of the 276 certifications reviewed, 109 contained errors that had no impact on the housing assistance calculation. The errors included unsupported members; incorrect structure types, asset values, incomes, medical expenses, and payment standards; and inappropriate dependent and utility allowances.

Further of the 76 household files reviewed, 15 contained documentation showing that the households had unreported or underreported income. However, contrary to the Commission's administrative plan<sup>4</sup>, it failed to properly adjust the housing assistance or seek repayment agreements for the overpaid subsidy for the 15 households. The administrative plan stated that the Commission would compare family-reported income and expenditures to detect possible unreported income and that in the case of program abuse, the household would be required to repay any excess subsidy received.<sup>5</sup>

The Commission did not properly use program funds when it failed to correctly calculate housing assistance payments in accordance with HUD's requirements and its administrative plan. The errors resulted in \$78,727 in overpayments and \$10,779 in underpayments of housing assistance. In addition, the Commission had unsupported calculations, which resulted in unsupported overpayments of \$19,924 and unsupported underpayments of \$2,571. Further, the Commission did not take action on unreported income documented in the household files, which resulted in overpayments of \$27,987 in housing assistance.

Because the housing assistance was incorrectly calculated, the Commission inappropriately received \$57,285 in administrative fees. If the Commission does not correct its procedures and controls regarding housing assistance calculations, we estimate that it could overpay \$247,870 in housing assistance over the next year.

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<sup>2</sup> Commission's administrative plan, chapter 5, part II.B

<sup>3</sup> 24 CFR (Code of Federal Regulations) 982.402(b)

<sup>4</sup> Commission's administrative plan, chapter 14, part I.B

<sup>5</sup> Commission's administrative plan, chapter 14, part II.B

## **The Commission Incorrectly Processed Housing Assistance and Utility Allowance Payments**

For the 76 household files reviewed, we compared the housing assistance and utility allowance payments from the Commission's payments register to the housing assistance and utility allowance amounts calculated by the Commission on the annual and interim certifications. Based on our review, the Commission did not always pay housing assistance in accordance with its calculations. The housing assistance and utility allowances were incorrectly paid for 33 households.

The Commission made housing assistance and utility allowance payments that did not agree with its calculations for 33 of the 76 households. It was unable to provide supporting documentation for the amounts paid. Based on our review, the Commission underpaid housing assistance by \$18,661 and utility allowances by \$424 for 19 households, and overpaid housing assistance by \$10,243 and utility allowances by \$46 for 14 households.

## **The Commission Lacked Documentation To Support Households' Eligibility**

We reviewed 76 of the Commission's household files to determine whether it maintained the required documentation to support the households' eligibility for the program. Of the 76 household files reviewed, 71 (93 percent) were missing 1 or more documents needed to determine household eligibility. The 71 household files were missing the following eligibility documentation:

- 63 files were missing support that 1 or more criminal background checks were performed;
- 27 files were missing 1 or more requests for tenancy approval or housing assistance payments contracts;
- 25 files were missing 1 or more executed leases;
- 22 files were missing 1 or more citizenship declarations;
- 18 files were missing lead-based paint certifications;
- 6 files were missing full support for 1 or more household members;
- 6 files were missing 1 or more authorizations for release of information; and
- 4 files were missing support for 1 or more Social Security numbers.



During the audit, the Commission provided copies of unsupported eligibility documentation. For each household file reviewed, the table below shows the documents that were originally unsupported, documents provided during the audit, and documents that remain unsupported.

<b>Document</b>	<b>Originally unsupported</b>	<b>Provided during audit</b>	<b>Remain unsupported</b>
Criminal background checks	63	52	<b>11</b>
Request for Tenancy Approval/HAP Contracts	27	20	<b>7</b>
Executed lease	25	11	<b>14</b>
Citizenship declarations	22	19	<b>3</b>
Lead-based paint disclosures	18	12	<b>6</b>
Full support for household members	6	2	<b>4</b>
Social Security numbers	4	2	<b>2</b>

Because the household files were missing required eligibility documentation, HUD and the Commission lacked assurance that the households were eligible for the program. As a result, there was \$384,755 in unsupported housing assistance for the households. In addition, because there was no support that the Commission ensured that the household members were eligible for the program in accordance with HUD’s requirements, \$20,468 in administrative fees received by the Commission was unsupported.

**The Commission Allowed Households To Move Into Unaffordable Units**

Based on our review of the 76 household files, 18 households were allowed to move into units that were not affordable. For these households, their contributions to rent exceeded the initial maximum of 40 percent of their adjusted monthly income. According to the program manager, the case managers ignored the system notifications that the units were not affordable because they believed the affordability applied only to new admissions to the program, not to unit changes. However, HUD regulations state that the public housing agency may not execute a housing assistance payments contract until it has determined that the

household's share does not exceed 40 percent of its monthly adjusted income at the time a family initially occupies a unit.<sup>6</sup>

The 18 households the Commission allowed to move into units that were not affordable made payments toward rent totaling \$65,874 in excess of 40 percent of their adjusted monthly incomes.

### **The Commission Lacked an Understanding of HUD's and Its Own Requirements**

The housing assistance was incorrectly calculated and the files were missing the required eligibility documentation because the Commission lacked an understanding of HUD's and its own requirements and failed to consistently implement its quality control process. In September 2010, the Commission hired an internal auditor to review household files. However after 6 months of reviewing files, the auditor was transferred to the Section 8 department to conduct annual reexaminations for program households due to staff turnover. After her transition, no reviews of the files were completed.

### **Conclusion**

The weakness described above occurred because the Commission lacked an understanding of HUD's and its own requirements and it failed to consistently implement its quality control process. As a result, HUD lacked assurance that the Commission used its program funds efficiently and effectively since it overpaid \$106,714 (\$78,727 + \$27,987) and underpaid \$10,779 in housing assistance. In addition, the Commission incorrectly processed housing assistance and utility allowance payments for 33 households, which resulted in unsupported overpayments of \$10,289 (\$10,243 + \$46) and unsupported underpayments of \$19,085 (\$18,661 + \$424). Further, it had unsupported overpayments of \$404,679 (\$384,755 + \$19,924) due to unsupported housing assistance calculations and missing eligibility documentation and unsupported underpayments of \$2,571 due to unsupported housing assistance calculations and allowed 18 households to pay \$65,874 in excess of 40 percent of their adjusted monthly income for units that were not affordable.

In accordance with 24 CFR (Code of Federal Regulations) 982.152(d), HUD is permitted to reduce or offset any program administrative fees paid to a public housing agency if it fails to perform its administrative responsibilities correctly or

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<sup>6</sup> 24 CFR 982.305(a)5

adequately under the program. The Commission received \$77,753 (\$57,285 + \$20,468) in program administrative fees related to the inappropriate and unsupported housing assistance payments for the 61 program households with incorrectly calculated housing assistance, 33 households with incorrectly processed housing assistance and utility allowance payments, and 71 program households with missing eligibility documentation.

If the Commission does not correct its certification process, we estimate that it could overpay \$247,870 in housing assistance over the next year. Our methodology for this estimate is explained in the Scope and Methodology section of this audit report. The Commission could put these funds to better use if proper procedures and controls are put into place to ensure the accuracy of housing assistance payments.

## Recommendations

We recommend that the Director of HUD's Detroit Office of Public Housing require the Commission to

- 1A. Reimburse its program \$136,012 (\$78,727 in housing assistance payments + \$57,285 in associated administrative fees) from non-Federal funds for the overpayment of housing assistance due to inappropriate calculations of housing assistance payments.
- 1B. Reimburse the appropriate households \$10,779 from program funds for the underpayment of housing assistance due to inappropriate calculations.
- 1C. Support or reimburse its program \$425,193 (\$19,924 + \$384,755 in housing assistance payments + \$46 in utility allowances + \$20,468 in associated administrative fees) from non-Federal funds for the unsupported overpayment of housing assistance and utility allowances due to unsupported calculations, missing eligibility documentations, and discrepancies in the housing assistance payments register.
- 1D. Support or reimburse the appropriate households \$2,995 (\$2,571 in housing assistance + \$424 in utility allowances) from program funds for the underpayment of housing assistance due to unsupported calculations and utility allowances due to discrepancies in the housing assistance payments register.
- 1E. Pursue collection from the applicable households or reimburse its program \$27,987 from non-Federal funds for the overpayment of housing

assistance due to unreported income.

- 1F. Support or reimburse the appropriate landlords \$18,661 from program funds for the underpaid housing assistance due to discrepancies in the housing assistance payments register.
- 1G. Support, pursue collection from the applicable landlords, or reimburse its program \$10,243 from non-Federal funds for the overpayment of housing assistance due to discrepancies in the housing assistance payments register.
- 1H. Reimburse the appropriate households \$65,874 from non-Federal funds for the rent amounts paid in excess of 40 percent of their adjusted monthly income for units that were not affordable.
- 1I. Ensure that its staff is trained and familiar with HUD's regulations and the Commission's own policies.
- 1J. Implement procedures and controls to ensure that housing assistance is correctly calculated and repayment agreements are created to recover overpaid housing assistance when unreported income is discovered during the examination process to ensure that \$247,870 in program funds is appropriately used for future payments.
- 1K. Implement procedures and controls to ensure that required eligibility documentation is obtained and maintained to support households' admission to and continued assistance on the program.

## Finding 2: The Commission Inappropriately Used Federal Funds To Pay Ineligible Expenditures

The Commission inappropriately used Federal funds to pay ineligible expenditures. This weakness occurred because the Commission lacked a sufficient understanding of HUD's requirements. As a result, it used more than \$27,000 in Federal funds for ineligible expenditures.

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### The Commission Had Ineligible Expenditures

We reviewed the Commission's discretionary fund account transactions for December 2003 through August 2012. The Commission deposited funds totaling \$15,775 into the discretionary account. According to the executive director, the discretionary fund account was comprised of cash received from salvaging windows and other items such as appliances, vehicles, and lawn equipment purchased with Federal funds. We noted 88 ineligible expenditures totaling \$15,174 from the discretionary fund account. These ineligible expenditures included flowers, gifts, refreshments, and entertainment<sup>7</sup>. The executive director said that the expenditures were for condolences and employee perks and that it was impossible to run a company without giving these perks to employees.

In addition, we reviewed the Commission's disbursement reports and petty cash expenditures for January 2011 through September 2012 to determine whether they were allowable program expenditures. We noted 37 ineligible expenditures on the disbursement reports. The expenditures included coffee supplies; charitable event tickets; and gifts, supplies, disc jockey services, and hotel banquet services for Christmas parties. In addition, we noted 40 ineligible petty cash expenditures. The ineligible petty cash expenditures included purchases of food and refreshments for meetings and cards. A total of \$12,220 in Federal funds was used for the 77 ineligible expenditures. The executive director said that the Commission had been independently audited every year and nothing had been reported previously about the expenditures being ineligible.

### Conclusion

The Commission inappropriately used \$27,394 (\$15,174 + \$12,220) in Federal funds to pay 165 (88 + 37 + 40) ineligible expenditures. This weakness occurred because the Commission lacked a sufficient understanding of HUD's

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<sup>7</sup> Federal regulations at 2 CFR 225, appendix B

requirements. As a result, HUD and the Commission lacked assurance that Federal funds were used in accordance with HUD's requirements.

## **Recommendations**

We recommend that the Director of HUD's Detroit Office of Public Housing require the Commission to

- 2A. Reimburse its program \$27,394 from non-Federal funds for the ineligible expenditures cited in this finding.
- 2B. Ensure that its staff is trained and familiar with HUD's regulations regarding allowable program expenditures.

## SCOPE AND METHODOLOGY

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We performed onsite audit work between October 2012 and May 2013 at the Commission's offices located at 4500 Inkster Road, Inkster, MI, and 29150 Carlisle Avenue, Inkster, MI. The audit covered the period January 1, 2011, through December 31, 2012, but was adjusted as determined necessary.

To accomplish our objectives, we reviewed

- Applicable laws; regulations; Office of Management and Budget Circular A-87; HUD's program requirements at 24 CFR Parts 5, 905, 970, 982, and 990; Public and Indian Housing notices; HUD Handbook 7475.1; and HUD Guidebooks 7420.10G, 7485.3G, and 7510.1.
- The Commission's accounting records; bank statements; general ledgers; 5-year and annual plans; annual audited financial statements for 2009, 2010, and 2011; computerized databases; policies and procedures; board meeting minutes for January 2011 through September 2012; organizational chart; and program annual contributions contract with HUD.
- HUD's files for the Commission.

We also interviewed the Commission's employees and HUD staff.

### **Finding 1**

Using Microsoft Excel, we randomly selected 15 household files from the Commission's tenant report, dated November 9, 2012. During the survey, we reviewed 8 of the 15 household files to determine whether the Commission correctly calculated housing assistance and maintained the required eligibility documentation. Based on our review of the eight household files, we determined that there was sufficient cause to audit the Commission's program. We statistically selected a random sample of 70 files from the Commission's 606 households that received housing assistance from May 2011 through December 2012 (579 days). The sample of 70 households included 2 of the households reviewed during the survey. Therefore, we reviewed a total of 76 of the Commission's Section 8 program household files.

Based on the 70 randomly selected households from the audit universe of 606 program participants, we found that the net miscalculation per household was overpaid by an average of \$968. Therefore, projecting this amount to the audit universe of 606 program participants, the overpayments totaled \$586,859. Deducting for statistical variance to accommodate the uncertainties inherent to statistical sampling, we can state with a confidence interval of 95

percent, that at least \$394,278 in housing assistance in the universe was overpaid. Over the next year, this is equivalent to an additional overpayment of \$247,870 ( $\$394,278 * 364 \text{ days} / 579 \text{ days}$ ) in housing assistance.

The calculation of administrative fees was based on HUD's administrative fee per household month for the Commission. The fees were considered inappropriately received for each month the housing assistance was incorrectly paid and household eligibility was unsupported. We limited the inappropriate administrative fees to the amounts of the housing assistance payment calculation errors.

## **Finding 2**

We reviewed the Commission's discretionary fund schedule in its entirety and its disbursement reports for January 2011 through September 2012. For the questionable expenditures, we reviewed the supporting documentation to determine whether they were eligible under the program regulations.

We relied in part on data maintained by the Commission in its systems. Although we did not perform a detailed assessment of the reliability of the data, we performed a minimal level of testing and found the data to be adequately reliable for our purposes. We provided our review results and supporting schedules to the Director of HUD's Detroit Office of Public Housing and the Commission's executive director during the audit.

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

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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 objective:

- Effectiveness and efficiency of operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Reliability of financial reporting – Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.
- Compliance with applicable laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.

We assessed the relevant controls identified above.

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

## Significant Deficiency

Based on our review, we believe that the following item is a significant deficiency:

- The Commission lacked adequate procedures and controls to ensure compliance with HUD's and its own requirements regarding (1) the calculation and processing of housing assistance payments and (2) maintenance of required eligibility documentation (see finding 1).

## 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	\$136,012		
1B			\$10,779
1C		\$425,193	
1D		2,995	
1E	27,987		
1F		18,661	
1G		<u>10,243</u>	
1H			65,874
1J			<u>247,870</u>
2A	<u>27,394</u>		
Total	<u>\$191,393</u>	<u>\$457,092</u>	<u>\$324,523</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. In these instances, if the Commission implements our recommendations, it will cease to incur program costs for the overpayment and underpayment of housing assistance and, instead, will expend those funds in accordance

with HUD's requirements and the Commission's program administrative plan. Once the Commission successfully improves its controls, this will be a recurring benefit. Our estimate reflects only the initial year of this benefit.

## Appendix B

# AUDITEE COMMENTS AND OIG'S EVALUATION

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### Ref to OIG Evaluation

### Auditee Comments

	<b>LEMOYNE GARDENS DEMBY TERRACES TWIN TOWERS CANTERBURY WEST PARKSIDE ESTATE</b>
<b>INKSTER HOUSING COMMISSION</b> 4500 INKSTER ROAD * INKSTER, MICHIGAN 48141 (313) 561-2600	<b>Tony L. Love Executive Director</b>

July 5, 2013

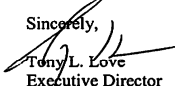
Kelly Anderson  
Regional Inspector General for Audit-Region 5  
Ralph H. Metcalfe Federal Building  
77 West Jackson, Blvd., Suite 2201  
Chicago, IL 60604

Dear Ms. Anderson:

Please find enclosed Inkster Housing Commission's comment responses to the draft audit report, discussed by telephone on July 3, 2013.

In addition, Inkster Housing Commission has attached documents that were requested by the Auditor as noted in the draft audit report. This information is being mailed express to your office on July 5, 2013.

If you have any questions, please feel free to contact my office at (313) 561-2355.

Sincerely,  
  
Tony L. Love  
Executive Director

Enclosures

TLL/mb

**Comment 1**

**FINDING 1**

**The Commission Miscalculated Housing Assistance Payments**

**Disagree; that the Housing Commission used incorrect payment Standards for (72) household members. Because the auditor failed to take into consideration all of the factors listed in the Administrative Plan regarding Subsidy Standards and Voucher Issuance. Many factors in determining Subsidy Standards were omitted.**

Inkster Housing Commission Administrative Plan states several factors in determining a family voucher size issued by the housing commission. The question of household voucher size does not merely rest upon persons of the opposite, other than spouse and children under age 6. The determination by staff is used by using the entire section of 5-IIB of the Administrative plan and 24 CFR 982.402.

**The Inkster Housing Commission will reference the following chart in determining the appropriate voucher size for a family:**

<b>Voucher Size</b>	<b>Persons in Household (Minimum – Maximum)</b>
<b>1 Bedroom</b>	<b>1-2</b>
<b>2 Bedrooms</b>	<b>2-4</b>
<b>3 Bedrooms</b>	<b>3-6</b>
<b>4 Bedrooms</b>	<b>4-8</b>
<b>5 Bedrooms</b>	<b>6-10</b>

**5-II.B. DETERMINING FAMILY UNIT (VOUCHER) SIZE [24 CFR 982.402]**

For each family, the Inkster Housing Commission determines the appropriate number of bedrooms under the Inkster Housing Commission subsidy standards and enters the family unit size on the voucher that is issued to the family. The family unit size does not dictate the size of unit the family must actually lease, nor does it determine who within a household will share a bedroom/sleeping room.

The following requirements apply when the Inkster Housing Commission determines family unit size:

- The subsidy standards must provide for the smallest number of bedrooms needed to house a family without overcrowding.

**Ref to OIG Evaluation**

**Auditee Comments**

- The subsidy standards must be consistent with space requirements under the housing quality standards.
- The subsidy standards must be applied consistently for all families of like size and composition.
- A child who is temporarily away from the home because of placement in foster care is considered a member of the family in determining the family unit size.
- A family that consists of a pregnant woman (with no other persons) must be treated as a two-person family.
- Any live-in aide (approved by the Inkster Housing Commission to reside in the unit to care for a family member who is disabled or is at least 50 years of age) must be counted in determining the family unit size;
- Unless a live-in-aide resides with a family, the family unit size for any family consisting of a single person must be either a zero or one-bedroom unit, as determined under the Inkster Housing Commission subsidy standards.

- INKSTER HOUSING COMMISSION Policy

The Inkster Housing Commission will assign one bedroom for each two persons within the household, except in the following circumstances:

Persons of the opposite sex (other than spouses, and children under age 6) will be allocated separate bedrooms.

Live-in aides will be allocated a separate bedroom.

Single person families will be allocated one bedroom.

**The Inkster Housing Commission will reference the following chart in determining the appropriate voucher size for a family:**

<b>Voucher Size</b>	<b>Persons in Household (Minimum – Maximum)</b>
<b>1 Bedroom</b>	<b>1-2</b>
<b>2 Bedrooms</b>	<b>2-4</b>
<b>3 Bedrooms</b>	<b>3-6</b>
<b>4 Bedrooms</b>	<b>4-8</b>
<b>5 Bedrooms</b>	<b>6-10</b>

**Ref to OIG Evaluation**

**Auditee Comments**

**Comment 2**

**5-ILC. EXCEPTIONS TO SUBSIDY STANDARDS**

In determining family unit size for a particular family, the Inkster Housing Commission may grant an exception to its established subsidy standards if the Inkster Housing Commission determines that the exception is justified by the age, sex, health, handicap, or relationship of family members or other personal circumstances [24 CFR 982.402(b)(8)]. Reasons may include, but are not limited to:

- A need for an additional bedroom for medical equipment
- A need for a separate bedroom for reasons related to a family member’s disability, medical or health condition

For a single person who is not elderly, disabled, or a remaining family member, an exception cannot override the regulatory limit of a zero or one bedroom [24 CFR 982.402(b)(8)].

INKSTER HOUSING COMMISSION Policy

The Inkster Housing Commission will consider granting an exception for any of the reasons specified in the regulation: the age, sex, health, handicap, or relationship of family members or other personal circumstances.

**(15) files contained documentation showing that the household had unreported or underreported income.**

**Comment 3**

**The Housing Commission regularly reviews the EIV Discrepancy Report of Housing Choice Voucher Program Participants and performs interviews regarding household income that is alleged on the EIV Report. Due to the fact that the EIV System lag time is 90 days behind the actual time of the reported income many participants are able provide proof that the reported income is not in the household and no repayment is due the housing commission.**

**Where there are instances that unreported or underreported incomes occurs the housing commission is entering into repayment agreements and/or terminating rental assistance.**

**Comment 4**

**Disagree, that the Housing Commission inappropriately received administrative fees and the amounts stated in the report regarding over/under payments and unsupported payments. The Housing Commission earned its administrative fees by assisting the families with inspection of the properties, briefing the families on program rules, leasing and other administrative items that’s necessary to become a participant in the program. It’s more than performing annual re-certifications. Staff assists participants on a monthly basis and many times weekly to earn the administrative fees.**

**Comment 5**

**In-addition the statement made regarding over/under payments and unsupported payments was discussed with the auditor and documents are attached to this report to reduce the alleged amounts. However, it is the Housing Commission opinion that households that consist of Live-In Aide are not a family member of a household and the income of the aide is not considered as household income in-accordance with the**

**Comment 6**



**Administrative Plan. Therefore, dependents of the aide are not eligible for family member deductions**

**3-I.M. LIVE-IN AIDE**

*Live-in aide* means a person who resides with one or more elderly persons, or near-elderly persons, or persons with disabilities, and who: (1) is determined to be essential to the care and well-being of the persons, (2) is not obligated for the support of the persons, and (3) would not be living in the unit except to provide the necessary supportive services [24 CFR 5.403].

Inkster Housing Commission must approve a live-in aide if needed as a reasonable accommodation in accordance with 24 CFR 8, to make the program accessible to and usable by the family member with disabilities.

**A live-in aide is a member of the household, not the family, and the income of the aide is not considered in income calculations [24 CFR 5.609(b)].** Relatives may be approved as live-in aides if they meet all of the criteria defining a live-in aide. However, a relative who serves as a live-in aide is not considered a family member and would not be considered a remaining member of a tenant family.

INKSTER HOUSING COMMISSION Policy

A family's request for a live-in aide must be made in writing. Written verification will be required from a reliable, knowledgeable professional, such as a doctor, social worker, or case worker, that the live-in aide is essential for the care and well-being of the elderly, near-elderly, or disabled family member. For continued approval, the family must submit a new, written request-subject to Inkster Housing Commission verification-at each annual reexamination.

In addition, the family and live-in aide will be required to submit a certification stating that the live-in aide is (1) not obligated for the support of the person(s) needing the care, and (2) would not be living in the unit except to provide the necessary supportive services.

Inkster Housing Commission will not approve a particular person as a live-in aide, and may withdraw such approval if [24 CFR 982.316(b)]:

The person commits fraud, bribery or any other corrupt or criminal act in connection with any federal housing program;

The person commits drug-related criminal activity or violent criminal activity; or

The person currently owes rent or other amounts to Inkster Housing Commission or to another PHA in connection with Section 8 or public housing assistance under the 1937 Act.

**Ref to OIG Evaluation**

**Auditee Comments**

**Comment 7**

Within 10 business days of receiving a request for a live-in aide, including all required documentation related to the request, Inkster Housing Commission will notify the family of its decision in writing.

**Inkster Housing Commission  
Determination of Adjusted Income  
Quality Control Procedures**

1. Files are selected monthly using a random number system, selecting newly leased files for the current and previous months along with annual files completed for the upcoming months. Example: Newly leased files for October are reviewed during the month of November in addition to selected annual files for January and/or February. Since recertification of annual files begin 120 days prior to anniversary date.
2. All completed audited files are then listed on the Determination of Adjusted Income Log for documentation.
3. Once a file is audited if any information is missing the auditor will mail a letter to the tenant requesting missing information; and if third party documentation is required an additional letter is mailed to the third party source requesting written documentation.

Both requests to tenant and third party must be completed and returned within 10 business days to Housing Choice Voucher Program Office.

4. A copy of the audit checklist and any correspondences mailed to tenants and/or third parties are then given to the Director of the Housing Choice Voucher Program for follow up and corrections to be completed by staff.
5. All determination of adjusted income corrections are reviewed by the Director of Housing Choice Voucher Program. The Director of Housing Choice Voucher Program provides verifications to the Executive Director's office stating that the review of adjusted income determination is completed and the Housing Choice Voucher audit checklist is reviewed along with the HUD 50058 form by the Executive Director for completeness. The Executive Director signs indicating that the corrections have been made to the file.
6. A copy of the Housing Choice Voucher audit checklist is placed in the tenant's file by the Housing Choice Voucher staff.

**Ref to OIG Evaluation**

**Auditee Comments**

7. The completion of the Adjusted Income log is documented on the Determination of Adjusted Income Quality Control log for HUD’s review in the future.

**Comment 8**

**The Housing Commission will review its procedures and quality controls regarding Housing Assistance Payments Standards.**

**The Commission Incorrectly Processed Housing Assistance and Utility Allowance**

Agree, the housing commission did not always pay housing assistance in accordance with its calculations. The missing supporting documents for Housing Assistance Payments and Utility Allowances were due to a large property management company utilizing an “Occupancy Agreement” as the Lease Agreement that was unacceptable to the Auditor. In some instances the Request for Tenancy Approval Form noted an Appliance being in the unit that was not in the unit at the time of inspection by the Housing Inspector, but re-verified at a later date by the Housing Inspector that was not added to the inspection report. In one instance in accordance with the Administrative Plan regarding “Anticipating Annual Income” the family received Supplement Disability Insurance (SSI) through the State of Michigan and had previously received the SSI Payments for the prior two years and staff orally received verification from the Department of Human Services therefore, staff continued to include the payments as household’s income. However, the Auditor indicated that the current year documentation was not in the file and cited a finding.

**Comment 9**

**Comment 10**

However, IHC Administrative Plan requires all income to be counted that is received from sources during the 12-month period following annual reexamination effective date.

**6-I.C. ANTICIPATING ANNUAL INCOME**

The Inkster Housing Commission is required to count all income “anticipated to be received from a source outside the family during the 12-month period following admission or annual reexamination effective date” [24 CFR 5.609(a)(2)]. Policies related to anticipating annual income are provided below.

**Basis of Annual Income Projection**

The Inkster Housing Commission generally will use current circumstances to determine anticipated income for the coming 12-month period. HUD authorizes the Inkster Housing Commission to use other than current circumstances to anticipate income when:

- An imminent change in circumstances is expected [HCV GB, p. 5-17]
- It is not feasible to anticipate a level of income over a 12-month period (e.g., seasonal or cyclic income) [24 CFR 5.609(d)]
- The Inkster Housing Commission believes that past income is the best available indicator of expected future income [24 CFR 5.609(d)]

**Ref to OIG Evaluation**

**Auditee Comments**

**Comment 11**

Inkster Housing Commission is required to use HUD's Enterprise Income Verification (EIV) system in its entirety as a third party source to verify employment and income information, and to reduce administrative subsidy payment errors in accordance with HUD administrative guidance [24 CFR 5.233(a)(2)].

**The Housing Commission will review its procedures regarding Housing Assistance Utility Allowance Payments.**

**The Commission Lacked Documentation to Support Households' Eligibility**

Agree, household files were missing the following eligibility documentation.

**Comment 12**

**Comment 13**

**Comment 13**

**Comment 13**

**Comment 13**

**Comment 14**

**Comment 15**

**Comment 16**

**Comment 17**

- 63 files were missing support that 1 or more criminal background checks were performed; **(63) criminal background checks were performed and provided to auditor.**
- 26 files were missing 1 or more requests for tenancy approval or housing assistance payments contracts; **(16) tenancy approval or housing assistance payments contracts provided to the auditor**
- 25 files were missing 1 or more executed leases; **(13) executed lease provided to the auditor.**
- 22 files were missing 1 or more citizenship declarations; **(20) executed lease provided to the auditor.**
- 18 files were missing lead-based paint certifications; **(13) lead-based paint certifications provided to auditor.**
- 6 files were missing full support for 1 or more household members; **IHC staff determined person not in household or Live-In Aide not counted as household member. Auditor made a determination that members should be added to family composition.**
- 6 files were missing 1 or more authorizations for release of information; **(6) authorization to Release of Information provided to auditor and**
- 4 files were missing support for 1 or more Social Security numbers. **IHC staff determined person not in household or Live-In Aide not counted as household member. Auditor made a determination that members should be added to family composition.**

**The Housing Commission will place all missing documents in participants' files that are not enclosed in this document.**

**Ref to OIG Evaluation**

**Auditee Comments**

**Comment 18**

**The Commission Allowed Households to Move into Unaffordable Units**  
Disagree, that the Housing Commission allowed households to move into unaffordable units. The housing commission policy allows family to move after their first year of participation in the program and they may contribute more than 40 percent of their adjusted monthly income. The Housing Commission Administrative Plan states:

**Family Share [24 CFR 982.305(a)(5)]**

If a family chooses a unit with a gross rent (rent to owner plus an allowance for tenant-paid utilities) that exceeds the Inkster Housing Commission's applicable payment standard: (1) the family will pay more than the TTP, and (2) at initial occupancy the Inkster Housing Commission may not approve the tenancy if it would require the family share to exceed 40 percent of the family's monthly adjusted income. The income used for this determination must have been verified no earlier than 60 days before the family's voucher was issued. (For a discussion of the application of payment standards, see section 6-III.C.)

**Rent Burden [24 CFR 982.508]**

Where a family is initially leasing a unit and the gross rent of the unit exceeds the applicable payment standard for the family, the dwelling unit rent must be at a level where the family's share of rent does not exceed 40 percent of the family's monthly adjusted income. See Chapter 6 for a discussion of calculation of gross rent, the use of payment standards, and calculation of family income, family share of rent and HAP.

**Comment 19**

Clearly, the Housing Commission has followed its policy correctly. The initial occupancy mean the first year in the Housing Choice Voucher program and families should be permitted to pay more of the adjusted income for housing to improve the quality of life for their family and housing stock in the HCVP.

**Comment 20**

The Housing Commission will continue to implement quality control in the program. On July 1, 2013 IHC employed a new staff person to perform Quality Control in both Housing Choice Voucher and Public Housing Programs.

Attached are requested document for your review.

**Ref to OIG Evaluation**

**Auditee Comments**

**Comment 21**

**FINDING 2**  
**The Commission Had Ineligible Expenditures**

Disagree, the Housing Commission FDS submissions to HUD indicated that Fiscal Years 2010, 2011 and 2012 are the only fiscal years that used the "Allocated Overhead" accounting method. All previous fiscal years dating back to 2003 and current fiscal year used "Fee for Services" therefore IHC received capital from the AMPS that were non-federal and used the funds that were considered to be non-federal.

**Comment 22**

In-addition the petty cash expenditures note in this report should not be labeled as ineligible expenditure and copy of the receipts are attached. The Housing Commission request that if any expenditures that can be off-set that IHC be permitted to use Fiscal Year 2013 COCC funds to repay expenditures.

**Comment 23**

**Comment 24**

Lastly IHC will not be using the Allocated Overhead accounting method in the future and understand that HUD's regulations are clear regarding allowable program expenditures. Because IHC switch back different accounting methods previously it became confusing to staff. However, Staff is very clear on COCC functions, currently.

## OIG's Evaluation of Auditee Comments

- Comment 1** The Commission's administrative plan states that one bedroom would be assigned for each two persons within the household, except persons of the opposite sex, other than spouses and children under age 6.<sup>8</sup> However during the audit, the executive director said the Commission's policy was to allow one bedroom for each child 6 years of age and older, regardless of sex. Based on our review, the Commission did not follow either method and inconsistently assigned the number of bedrooms for its program households. According to HUD regulations<sup>9</sup> and the Commission's administrative plan, the subsidy standards established by a public housing agency must provide for the smallest number of bedrooms needed without overcrowding and must be applied consistently for all households.
- Comment 2** We acknowledge that the Commission's administrative plan states that it may grant an exception to the established subsidy standards if it determines the exception is justified. However, the Commission failed to provide documentation that an exception to the subsidy standards was granted for the 72 certifications in which the incorrect subsidy standards were used.
- Comment 3** The Commission did not provide documentation showing that the household did not earn the reported income and that no repayment was due. Further, it did not provide documentation that it entered into repayment agreements or terminated housing assistance for the households with unreported or underreported income.
- Comment 4** The calculation of administrative fees was based on HUD's administrative fee per household month for the Commission. The fees were considered inappropriately received for each month the housing assistance was incorrectly paid and household eligibility was unsupported. We limited the inappropriate administrative fees to the amounts of the housing assistance payment calculation errors. In accordance with 24 CFR (Code of Federal Regulations) 982.152(d), HUD is permitted to reduce or offset any program administrative fees paid to a public housing agency if it fails to perform its administrative responsibilities correctly or adequately under the program.
- Comment 5** We acknowledge that the Commission provided documentation to support household eligibility in response to this report and adjusted the report as needed. However, it did not provide documentation to support the unsupported payments due to incorrectly calculated housing assistance payments.
- Comment 6** The incorrect income calculations cited in this report were not the result of live-in aides or their dependents.

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<sup>8</sup> Commission's administrative plan, chapter 5, part II.B

<sup>9</sup> 24 CFR (Code of Federal Regulations) 982.402(b)

- Comment 7** The Commission's Adjusted Income Quality Control Procedures should improve its income calculations if fully implemented. However, HUD will determine whether the improvements meet its requirements and that the procedures are fully implemented.
- Comment 8** The Commission stated that it will review its procedures and quality controls over housing assistance payments standards. The Commission should provide sufficient documentation on the implementation of its revised controls to HUD including target completion dates to obtain technical assistance on the adequacy of the revised controls.
- Comment 9** According to HUD's requirements at 24 CFR 982.308(b)2, if the owner uses a standard lease form for rental to unassisted tenants in the locality or the premises, the lease must be in such standard form (plus the HUD-prescribed tenancy addendum). If the owner does not use a standard lease form for rental to unassisted tenants, the owner may use another form of lease, such as a public housing authority's model lease (including the HUD-prescribed tenancy addendum). Further, the report did not address notations on the Request for Tenancy Approval Forms regarding appliances. However, it did address whether the required form was missing from the household files.
- Comment 10** The incorrect calculations of housing assistance cited in this report were not the result of unsupported Supplemental Disability Insurance payments from the State of Michigan.
- Comment 11** The Commission stated that it would review its procedures regarding housing assistance utility allowance payments. As recommended in this report, HUD will determine whether the Commission's procedures regarding housing assistance utility allowance payments meet its requirements and that the procedures were implemented.
- Comment 12** The Commission provided 61 criminal background reports with its comments. Of the 61 reports provided, 5 showed criminal convictions after admission, 2 were previously received during the audit, 2 showed potential criminal activity within 5 years of admission, 1 was not missing from the household file based on our review, and 1 was a duplicate. Therefore, we revised the report as appropriate.
- Comment 13** The Commission provided the following items: (1) 11 housing assistance payments contracts, of which 5 were not executed within 60 days of the lease and therefore not reduced; (2) 6 leases, (3) 4 citizenship declarations; and (4) 2 lead-based paint disclosure statements. Therefore, we revised the report as appropriate.



- Comment 14** The Commission did not provide documentation to support the missing eligibility documents for the unsupported household members cited in this report. Further, the errors cited in this report were not the result of live-in aides or their dependents, see comment 6.
- Comment 15** The Commission did not provide adequate documentation to support the missing authorizations for release of information cited in this report.
- Comment 16** The Commission did not provide documentation to support the missing eligibility documents for the unsupported Social Security Numbers cited in this report. . Further, the errors cited in this report were not the result of live-in aides or their dependents, see comment 6.
- Comment 17** As recommended in the audit report, the Commission should work with HUD to ensure the missing documentation is obtained to support household eligibility.
- Comment 18** The Commission did not provide documentation to support that it only allowed households to rent units that were affordable. According to HUD’s regulations, the public housing agency may not execute a housing assistance payments contract until it has determined that the household’s share does not exceed 40 percent of its monthly adjusted income at the time a family initially occupies a unit.<sup>10</sup>
- Comment 19** The Commission’s policy and HUD’s regulations state that the family share must not exceed 40 percent of the family’s adjusted monthly income at the time the Commission approves the initial occupancy of a dwelling unit. Therefore, the requirement applies to initial leases whether they are due to a new admission or a move to a new unit. The Commission should work with the HUD Field Office to ensure its policies meet HUD’s requirements.
- Comment 20** We commend the Commission for continuing to implement quality control in its program.
- Comment 21** The Commission did not provide documentation to support that the expenditures were from non-Federal funds.
- Comment 22** The Commission did not provide documentation to support that the expenditures of petty cash for items such as food and refreshments were an eligible use of Federal funds.

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<sup>10</sup> 24 CFR 982.305(a)5

**Comment 23** HUD will work with the Commission for the repayment of funds used for ineligible purposes that was cited in the audit report.

**Comment 24** The Commission should coordinate with HUD to ensure it appropriately establishes and maintains a central office cost center.

## Appendix C

### FEDERAL AND THE COMMISSION'S REQUIREMENTS

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#### Finding 1

Regulations at 24 CFR 5.210(a) state that applicants for and participants in covered HUD programs are required to disclose and submit documentation to verify their Social Security numbers.

Regulations at 24 CFR 5.508(b)(1) state that for U.S. citizens or U.S. nationals, the evidence of citizenship or eligible immigration status consists of a signed declaration of U.S. citizenship or U.S. nationality. The responsible entity may request verification of the declaration by requiring presentation of a U.S. passport or other appropriate documentation.

Regulations at 24 CFR 5.855(a) state that a public housing agency 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 (1) drug-related criminal activity; (2) violent criminal activity; (3) other criminal activity that would threaten the health, safety, or right to peaceful enjoyment of the premises by other residents; or (4) other criminal activity that would threaten the health or safety of the agency or owner or any employee.

Regulations at 24 CFR 5.856 state that standards must be established to prohibit admission to federally assisted housing if any member of the household is subject to a lifetime registration requirement under a State sex offender registration program. In the screening of applicants, necessary criminal history background checks must be performed in the State where the housing is located and in other States where the household members are known to have resided.

Regulations at 24 CFR 982.54(1) state that the public housing agency must adopt a written administrative plan that establishes local policies for the administration of the program in accordance with HUD requirements. (b) The administrative plan must be in accordance with HUD regulations and requirements. (c) The public housing agency must administer the program in accordance with its administrative plan.

Regulations at 24 CFR 982.158(e) state that during the term of each assisted lease and for at least 3 years thereafter, the agency must keep (1) a copy of the executed lease, (2) the housing assistance payments contract, and (3) the application from the family.

Regulations at 24 CFR 982.158(f) state that the public housing agency must keep the following records for at least 3 years: (1) records that provide income, racial, ethnic, gender, and disability status data on program applicants and participants; (2) an application from each ineligible family and notice that the applicant is not eligible; (3) HUD-required reports; (4) unit inspection reports; (5) lead-based paint records; (6) accounts and other records supporting agency budget and financial statements for the program; (7) records to document the basis for agency determination that rent to owner is a reasonable rent; and (8) other records specified by HUD.

Regulations at 24 CFR 982.516(g)(1) state that as a condition of admission to or continued assistance under the program, the public housing agency must require the family head and such other family members as the agency designates to execute a HUD-approved release and consent form.

The Commission's Administrative Plan, chapter 5, part II(b), states that the Commission will assign one bedroom for each two persons within the household, except that persons of the opposite sex (other than spouse and children under age 6) will be allocated separate bedrooms.

The Commission's Administrative Plan, chapter 6, part III(a), states that if a family chooses a unit with a gross rent that exceeds the Commission's applicable payment standard, (1) the family will pay more than the total tenant payment, and (2) at initial occupancy, the Commission may not approve the tenancy if it would require the family share to exceed 40 percent of the family's monthly adjusted income.

The Commission's Administrative Plan, chapter 14, part I(b), states that the Commission will employ a variety of methods to detect errors and program abuse. At each annual reexamination, current information provided by the family will be compared to information provided at the last annual reexamination to identify inconsistencies and incomplete information. The Commission will compare family-reported income and expenditures to detect possible unreported income.

The Commission's Administrative Plan, chapter 14, part II(b), states that in the case of family-caused errors or program abuse, the family will be required to repay any excess subsidy received. The Commission may but is not required to offer the family a repayment agreement.

## **Finding 2**

Regulations at 2 CFR 225, appendix B(C), state that to be allowable under Federal awards, costs must (a) be necessary and reasonable for proper and efficient performance and administration of Federal awards.

Regulations at 2 CFR 225, appendix B-12, state that contributions or donations, including cash, property, and services, made by the government unit, regardless of the recipient, are unallowable.

Regulations at 2 CFR 225, appendix B-14, state that costs of entertainment, including amusement, diversion, and social activities, and any cost directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable.