



**New York City Housing Authority  
New York, NY**

**Section 8 Housing Choice Voucher Program**



Issue Date: May 1, 2014

Audit Report Number: 2014-NY-1002

TO: Luigi D'Ancona  
Director, Office of Public and Indian Housing, New York, 2APH

//SIGNED//

FROM: Edgar Moore  
Regional Inspector General for Audit, New York-New Jersey Region, 2AGA

SUBJECT: The New York City Housing Authority, New York, NY, Did Not Always Administer Its Section 8 Housing Choice Voucher Program in Accordance With Regulations

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the New York City Housing Authority, New York, NY's Section 8 Housing Choice Voucher program.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at (212) 264-4174.



May 1, 2014

## **The New York City Housing Authority, New York, NY, Did Not Always Administer Its Section 8 Housing Choice Voucher Program in Accordance With Regulations**

# Highlights

Audit Report 2014-NY-1002

### What We Audited and Why

We audited the New York City Housing Authority's administration of its Section 8 Housing Choice Voucher program. We selected the Authority based on indicators from the U.S. Department of Housing and Urban Development's (HUD) monitoring reports. The objectives of the audit were to determine whether the Authority administered its Section 8 Housing Choice Voucher program in accordance with HUD regulations and made housing assistance payments for eligible program participants. This report is the first of two reports on the Authority's administration of its Section 8 Housing Choice Voucher program.

### What We Recommend

We recommend that the Director of HUD's New York Office of Public Housing require Authority officials to (1) strengthen controls to ensure that rent reasonableness determinations are performed and documented and repay more than \$4.3 million in unreasonable administrative fees from non-Federal funds, and (2) provide justification for the \$24,009 in Section 8 Housing Choice Voucher program funds related to tenant files that did not contain HUD-required support. Any costs determined to be ineligible should be repaid with non-Federal funds.

### What We Found

The Authority did not always administer its Section 8 Housing Choice Voucher program in accordance with HUD regulations and did not execute or maintain documentation to support eligibility. Specifically, Authority officials did not document whether rent reasonableness determinations for 34.7 percent of the sample of 115 cases were performed to properly ensure that rents paid for assisted units were reasonable in relation to rents for comparable units. Therefore, Authority officials could not assure HUD that at least 5 percent of the \$87.1 million, or more than \$4.3 million, in administrative fees received was reasonable.

In addition, officials did not always maintain (1) executed housing assistance payments contracts, (2) executed lease agreements, and (3) documents to support the sources of tenant income for recertification. These conditions occurred because Authority officials did not provide adequate oversight to ensure that staff responsible for reviewing tenant case files verified that documents were maintained in accordance with HUD requirements. As a result, the Authority could not assure HUD that \$24,009 in housing assistance payments was disbursed and adequately supported in accordance with HUD regulations.

# TABLE OF CONTENTS

---

Background and Objectives	3
Results of Audit	
Finding 1: Authority Officials Did Not Document That Rent Reasonableness Determinations Were Always Performed	4
Finding 2: The Authority Did Not Always Administer Its Section 8 Housing Choice Voucher Program in Accordance With Regulations	7
Scope and Methodology	9
Internal Controls	11
Appendixes	
A. Schedule of Questioned Costs	13
B. Auditee Comments and OIG's Evaluation	14
C. Schedule of Missing Documentation	21

## **BACKGROUND AND OBJECTIVES**

---

The United States Housing Act of 1937 established the Federal framework for government-owned affordable housing and was amended by the Quality Housing and Work Responsibility Act of 1998. The U.S. Department of Housing and Urban Development (HUD) provides funding for rent subsidies for tenants eligible for the Section 8 Housing Choice Voucher program.

The New York City Housing Authority was created in 1934 and provides public housing for low- and moderate-income residents throughout the five boroughs of New York City. It is the largest public housing authority in the United States. The Authority is governed by a board of directors, which oversees the activities of the Authority. The board chairman is appointed by the mayor. The board meets to vote on contracts, resolutions, policies, motions, rules, and regulations. The Authority administers a Section 8 Housing Choice Voucher program, which it refers to as the citywide Section 8 Leased Housing Program.

As of January 1, 2013, the Authority's Section 8 Housing Choice Voucher program consisted of 92,561 rented units, of which 1,749 were portability vouchers located outside New York City. Additionally, the program includes 225,000 residents in Section 8 units and 31,436 participating private landlords.

The table below shows the funding authorized by HUD and disbursed by the Authority for fiscal years 2007 through 2013.

<b>Fiscal year</b>	<b>Funds authorized</b>	<b>Funds disbursed</b>
2013	\$936,142,788	\$936,142,788 <sup>1</sup>
2012	\$991,054,505	\$953,333,730
2011	\$1,006,907,317	\$ 1,006,907,317
2010	\$1,008,253,419	\$ 1,008,253,419
2009	\$772,324,616	\$772,324,616
2008	\$730,311,059	\$730,311,059
2007	\$801,518,276	\$801,518,276

This report is the first of two reports on the Authority's administration of its Section 8 Housing Choice Voucher program.

The objectives of the audit were to determine whether the Authority administered its Section 8 Housing Choice Voucher program in accordance with HUD regulations and made housing assistance payments for eligible program participants.

---

<sup>1</sup> The amount authorized for fiscal year 2013 is as of December 21, 2013. Authorized amounts for fiscal years 2007 through 2012 consist of calendar months January through December.

## RESULTS OF AUDIT

---

### Finding 1: Authority Officials Did Not Document That Rent Reasonableness Determinations Were Always Performed

Authority officials did not document that rent reasonableness determinations were always performed to ensure that rents paid for assisted units were reasonable in relation to rents charged for comparable units. Specifically, a review of 115 statistically selected tenant files disclosed that 49 did not contain documentation showing that rent reasonableness determinations had been conducted. This condition occurred because Authority officials failed to establish adequate controls to ensure that rent reasonableness determination reviews were documented. Based on the results of our sample, we estimated that \$1.16 billion<sup>2</sup> in housing assistance payments disbursed may not have been supported by confirmation of HUD-required rent reasonableness determinations.

---

#### **Rent Reasonableness Determinations Were Not Documented in Tenant Files**

Authority officials did not document whether rent reasonableness determinations were always conducted. Regulations at 24 CFR (Code of Federal Regulations) 982.507(b) require that public housing authorities determine whether rents charged by owners and landlords to Housing Choice Voucher program participants are reasonable. The Authority's administrative plan requires the Authority to determine whether rents charged are reasonable in relation to rental values in the private market. Specifically, in conducting rent reasonableness determinations, an authority must determine whether rent to the landlord is reasonable to ensure that subsidized rents do not exceed rental values in the private market. HUD requires that the rent reasonableness determinations be documented for each case in the tenant file and be based on the evaluation of the following nine factors:

- Location,
- Quality,
- Size,
- Unit type,
- Age of the contract unit,
- Amenities,
- Housing services,

---

<sup>2</sup> This amount represents an estimate of housing assistance payments projected over a 47-month period based on the results of our statistical sample.

- Maintenance provided by the owners, and
- Utilities to be provided by the owner in accordance with the lease.

The Authority used computerized systems to assist in administering the Section 8 Housing Choice Voucher program. The systems, called Siebal and the Universal Content Management system, were used to update tenant recertification information. The Authority's procedures included performing a rent reasonableness determination at the initial lease of an apartment and at the lease renewal. The Authority used a rent reasonableness database to compare the unit being reviewed and print a rent certification report, which listed comparables and was to be documented in the tenant file. However, there was no evidence that responsible staff conducted the rent reasonableness determination in 49 of the 115 tenant case files reviewed.

Based on the results of our sample testing of 49 files out of 115 tenant case files reviewed, we projected that at least 34.7 percent or 1.45 million payments made monthly to tenants were disbursed during our audit period, December 1, 2007, to November 30, 2011, may not be supported by the HUD-required rent reasonableness determinations. This equates to \$1.16 billion in disbursed housing assistance payments. This condition occurred because Authority officials did not establish controls to ensure that staff documented rent reasonableness determinations. Further, based on the results of our sample, we projected that at least \$1.16 billion in disbursed housing assistance payments may have been made for units without evidence that a rent reasonableness determination was performed. As a result, HUD had no assurance that housing assistance payments complied with HUD requirements regarding rent reasonableness determinations.

Further, the Authority earned approximately \$87.1 million in administrative fees per year; however, officials did not ensure that rent reasonableness determinations were conducted and documented in 34.7 percent of the cases tested. As a result, the administrative fee earned by the Authority did not appear to be reasonable. Based on our sample results, we projected that 32,128 tenant files did not contain HUD-required rent reasonableness determinations and the administrative fee collected by the Authority for these units would have been \$30 million. Therefore, we conservatively estimated that Authority officials could not assure HUD that at least 5 percent of the \$87.1 million in administrative fees, or \$4,355,000, was reasonable.

## Conclusion

The weaknesses discussed above occurred because authority officials failed to establish adequate controls to ensure that rent reasonableness determinations were documented. As a result, HUD lacked assurance that reasonable rents were paid for assisted units. In accordance with 24 CFR 982.152(d), HUD is permitted to reduce or offset any program administrative fees paid to a public housing authority if it fails to perform its administrative responsibilities correctly. Our

review disclosed that 49 of the 115 tenant files reviewed did not contain evidence of a rent reasonableness test; therefore, we considered 5 percent of its administrative fee received for 1 year to be a reasonable amount that should be repaid to HUD from non-Federal funds.

## Recommendations

We recommend that the Director of HUD's New York Office of Public and Indian Housing instruct Authority officials to

- 1A. Repay HUD from non-Federal funds at least 5 percent of the administrative fees received for one year, or \$4.3 million.
- 1B. Strengthen controls to ensure that rent reasonableness determinations are always documented to show compliance with the Authority's policies and HUD requirements.

---

## Finding 2: The Authority Did Not Always Administer Its Section 8 Housing Choice Voucher Program in Accordance With Regulations

In 31 of the 115 tenant files reviewed, Authority officials did not maintain one or more of the following documents: executed housing assistance payments contracts, executed lease agreements, and documents to support the sources of tenant income for recertification. These deficiencies occurred because Authority officials did not provide adequate oversight to ensure that staff responsible for reviewing tenants' case files complied with HUD requirements. As a result, Authority officials could not assure HUD that housing assistance payments were disbursed in accordance with HUD rules and regulations for eligible program participants. Therefore, we considered that at least \$627 million may not have been supported by HUD-required documentation.

---

### **Authority Officials Did Not Maintain HUD-Required Documents in Tenant Files**

Authority officials did not ensure that tenant case files included executed housing assistance payments contracts, executed lease agreements, and documents to support the sources of tenant income for recertification as required by HUD regulations.<sup>3</sup> The housing assistance payments contract is executed between the authority and the owner or landlord. It defines the tenant information, lease terms, monthly rent, and housing assistance payment to be made by the authority to the landlord. A lease agreement is required to be executed between the landlord or owner and the tenant. This agreement grants the use or occupancy of the property during a specified period in exchange for a specified rent. Sources of tenant income include third-party verification of annually reported family income, the value of assets, expenses related to deductions from annual income, and other factors that affect the determination of adjusted income.<sup>4</sup> This issue was also identified in the Authority's A-133 Single Audit, dated December 31, 2010, which indicated that the Authority lacked documentation to support tenant eligibility, including tenant applications, third-party verifications, and lease agreements, in noncompliance with HUD regulations.

Our review of 115 tenant files disclosed that the Authority lacked HUD required documentation for 31 or 20.13 percent of housing assistance payments it made

---

<sup>3</sup> Regulations at 24 CFR 982.158(e) require that the Authority keep a copy of the executed lease and housing assistance payments contract during the term of each assisted lease and for 3 years thereafter.

<sup>4</sup> Regulations at 24 CFR 982.516(2) require that the Authority obtain and document in the tenant files third-party verification source documents for tenant income.

within the audit period of December 1, 2007 through November 30, 2011 (see appendix C). Therefore, we estimated that at least 20 percent, or 843,000, of its housing assistance payments within the audit period may not have been supported with HUD-required documentation. Further, at least \$627 million in housing assistance payments disbursed may not have been adequately supported with HUD-required documents. As a result, Authority officials could not assure HUD that housing assistance payments disbursed during the period complied with HUD requirements.

## Conclusion

The weaknesses discussed above occurred because Authority officials failed to provide adequate oversight to ensure that staff responsible for reviewing tenant case files verified that the documents obtained complied with HUD requirements. As a result, they could not assure HUD that housing assistance payments amounting to \$24,009, related to the tenants whose files were missing one or more of the required documentation, were disbursed in accordance with HUD regulations. Further, potentially more than \$627 million in disbursed housing assistance payments may not have been supported.

## Recommendations

We recommend that the Director of HUD's New York Office of Public and Indian Housing instruct Authority officials to

- 2A. Provide documentation to support the \$24,009 in disbursed housing assistance payments associated with the tenant case files missing (1) executed housing assistance payments contracts, (2) lease agreements, and (3) source documentation to support tenant income. Any costs determined to be ineligible should be reimbursed from non-Federal funds.
- 2B. Strengthen controls over the oversight of staff responsible for tenant case file reviews to ensure that all tenant case files include (1) housing assistance payments contracts; (2) executed lease agreements and lease amendments; and (3) third-party verification of reported family annual income, the value of assets, expenses related to deductions from annual income, and other factors that affect the determination of adjusted income.

## SCOPE AND METHODOLOGY

---

Our review generally covered the period December 1, 2007, through November 30, 2011, and was extended as needed. We performed our fieldwork from November 2012 through May 2013 at the Authority's offices located at 90 Church Street, New York, NY.

To accomplish our audit objectives, we

- Reviewed applicable laws, regulations, HUD handbooks, HUD notices, and the Authority's policies and procedures.
- Obtained an understanding of the Authority's financial and administrative controls.
- Interviewed HUD field office and Authority officials.
- Reviewed the Authority's financial and management data in the Federal Audit Clearing House and HUD's Public and Indian Housing Information Center system and Line of Credit Control System.
- Reviewed the Authority's HUD-approved annual contributions contract for fiscal year 2010.
- Evaluated internal controls and reviewed computer controls to identify potential weaknesses related to our objectives. We relied in part on computer-processed data primarily for obtaining background information on the Authority's Section 8 Housing Choice Voucher program. We performed a minimal level of testing and found the data to be adequate for our purposes.
- Reviewed records of the Authority's board minutes, independent public auditor's reports, and written HUD monitoring reviews of the Authority's Section 8 Housing Choice Voucher program.

We obtained monthly housing assistance payment data from the Authority covering a period of 47 months. We statistically selected a sample of 115 monthly payments from the Authority's housing assistance payment data for the period December 1, 2007, to November 30, 2011. The universe included more than \$4.19 million in monthly payments, which amounted to \$3.57 billion in housing assistance payments made to 112,424 recipients during the 47-month period.

Our sampling method was variable with a projected one-sided 95 percent confidence interval. The sample results support an estimate that the Authority may have disbursed housing assistance payments for participants, for whom files were incomplete because they were missing rent reasonableness determinations, housing assistance payments contracts, lease agreements, and tenant income source documentation. Thus, our results were applied to the \$4.19 million in monthly housing assistance payments in the sample universe.

**Rent reasonableness not documented:** Based on 49 occurrences in our weighted, stratified sample, at least 34.71 percent, or 1.45 million housing assistance payments within the audit period, were not supported by the HUD-required rent reasonableness determination. Therefore, at least \$1.16 billion in housing assistant payments disbursed during the audit period may not have been supported by HUD-required rent reasonable determination documentation.

**Payments not supported with HUD-required documents:** Based on 31 occurrences in our weighted, stratified sample, at least 20.13 percent, or 843,000 housing assistance payments within the audit period, were missing at least one of the required HUD documents: housing assistance payments contract, lease agreement, or income documentation. Therefore, at least \$627 million in housing assistance payments disbursed during the audit period may not have been supported by one of the required documents, including an executed housing assistance payments contract, lease agreement, or tenant income documentation, as required by HUD regulations.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# 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 objectives:

- Program operations - Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Compliance with laws and regulations - Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.
- Safeguarding of resources - Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.
- Reliability and validity of data - Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.

We assessed the relevant controls identified above.

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

## Significant Deficiencies

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

- Authority officials did not have adequate controls over compliance with laws and regulations when they did not provide evidence that required rent reasonableness determinations were documented and that the required housing assistance payments contracts, lease agreements, and tenant income data were maintained in tenant files (see findings 1 and 2).
- Authority officials did not have adequate controls over program operations when they did not provide adequate oversight of staff responsible for ensuring that tenant case files were complete and consistent with HUD regulations (see finding 2).

## APPENDIXES

---

### Appendix A

#### SCHEDULE OF QUESTIONED COSTS

---

Recommendation number	Unsupported <u>1/</u>	Unreasonable or unnecessary <u>2/</u>
1A		\$4,355,000
2A	\$24,009	
Total	<u>\$24,009</u>	<u>\$4,355,000</u>

- 1/ 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.
- 2/ Unreasonable or unnecessary costs are those costs not generally recognized as ordinary, prudent, relevant, or necessary within established practices. Unreasonable costs exceed the costs that would be incurred by a prudent person in conducting a competitive business.

# Appendix B

## AUDITEE COMMENTS AND OIG'S EVALUATION

---

### Ref to OIG Evaluation

### Auditee Comments



NEW YORK CITY HOUSING AUTHORITY  
90 CHURCH STREET • NEW YORK, NY 10007  
TEL: (212) 306-3000 • <http://nyc.gov/nycha>

SHOLA OLATOYE  
CHAIR & CHIEF EXECUTIVE OFFICER

March 28, 2014

Edgar Moore  
Regional Inspector General for Audit  
U.S. Department of Housing and Urban Development  
Office of Audit  
26 Federal Plaza, Room 3430  
New York, NY 10278

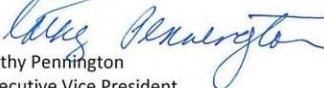
Dear Mr. Moore:

This letter is in response to the Draft Audit Report on the New York City Housing Authority's ("NYCHA") Housing Choice Voucher ("HCV") Program, issued by your office on February 24, 2014. We reviewed the draft report and our responses are detailed beginning on page two of this document.

NYCHA has been working to improve the administration of its HCV program through a series of business process improvement initiatives. Through these initiatives, we have identified and implemented solutions to improve customer service and ensure regulatory compliance in key business areas. Solutions include streamlining processes, updating policies and procedures, and training staff.

Should you require additional information, please feel free to contact me via email, at [cathy.pennington@nycha.nyc.gov](mailto:cathy.pennington@nycha.nyc.gov), or by phone, at 212-306-3420.

Sincerely,

  
Cathy Pennington  
Executive Vice President  
Leased Housing

Copy:

Cecil House, General Manager, NYCHA  
Brenda Keating, Director of Audit, NYCHA  
George Davis III, Mayor's Office of Operations  
Luigi D'Ancona, Director, HUD New York Regional Office  
Christopher Ingram, Director, HUD Housing Management Division

**Comment 1**

**Comment 2**

**NEW YORK CITY HOUSING AUTHORITY  
LEASED HOUSING DEPARTMENT**

**Response to HUD OIG Audit on NYCHA's  
Housing Choice Voucher Program  
March 28, 2014**

**A. NYCHA Response to HUD OIG Findings**

1. HUD OIG Finding 1: Authority Officials did not document that rent reasonableness determinations were always performed to ensure that rents paid for assisted units were reasonable in relation to rents charged for comparable units.

NYCHA Response: NYCHA disagrees with this finding. Cases cited in this finding were based, in part, on a rent reasonableness determination policy that NYCHA is no longer using. An audit report issued by HUD in 2008 informed NYCHA that this practice was inconsistent with the statute governing the Section 8 tenant based voucher program. As a result, NYCHA implemented a rent reasonableness process through a third party vendor in 2009. This process both adheres to HUD's requirements for determining rent reasonableness and provides NYCHA with market-rent comparables.

In addition, NYCHA reviewed supporting documentation for the 49 cases cited by HUD OIG for missing rent reasonableness documentation. NYCHA found 2 cases that had rent reasonableness documentation on file and 1 case that did not require a rent reasonableness determination because the tenant ported-out to a new jurisdiction. Documentation for these cases has been submitted to HUD OIG. NYCHA requests that this finding be modified to reflect that only 46 files had missing rent reasonableness documentation.

**Table 1: Cases with Reasonableness Determinations Documented or Not Required**

Item Number	HAP Month	Unsupported Rent Reasonableness Determination	RR Documents (pre-4/1/09) or RR Report on File for the HAP Period	Comments
9	2011-09	N/A Portability tenant	No	Tenant ported-out, effective 1/01/2011
28	2010-08	In File	Yes	Copy of rent reasonableness documentation (Gosection8) for lease renewal processed for the time 1/1/2010 - 12/31/2012 in file.
37	2010-07	In File	Yes	Copy of rent reasonableness documentation (Gosection8) for lease renewal processed for the time 10/1/2008 - 9/30/2010 in file.

2. HUD OIG Finding 2: The Authority Did Not Always Administer Its Section 8 Housing Program In Accordance With Regulations

NYCHA Response: NYCHA disagrees with HUD OIG's observation that 31 out of the 115 tenant files reviewed did not maintain one or more of the following documents: 1) executed housing assistance payments ("HAP") contracts; 2) executed lease agreements; and 3) documents to support the source of tenant income for recertification. NYCHA reviewed these files and found

**Comment 3**

**Comment 3**

that 9 files actually contained the cited documents and 5 files did not require a new lease. Documentation for these cases has been submitted to HUD OIG. NYCHA requests that this finding be modified to reflect that only 22 files had missing documentation. (See table 2 below)

NYCHA acknowledges that it has experienced issues with missing documents as a result of the back file conversion. The back file conversion began in 2009 and was performed by a vendor to convert select hardcopy case file documents (e.g., core documents) to an electronic record. The process was part of a large-scale multi-year implementation of a new computer system that went live in 2011. NYCHA will continue work on retrieving those records.

**Table 2: Cases That Contained Documents Noted as Missing by HUD OIG**

HUD OIG Sample item no.	HAP Month	Missing Document as Cited by HUD OIG	Results of NYCHA Review	Monthly HAP Amount
1	2010-11	HAP Contract, and Lease	HAP Contract and Lease are in the tenant file. The tenant was on a month to month basis during the review period. No lease was required for that period.	\$988.00
7	2008-06	Tenant Income Support	Tenant Income Support is in the file.	\$1,107.45
17	2008-06	Tenant Income Support	Tenant Income Support is in the file.	\$957.50
21	2011-10	Lease	Lease is in the Tenant File— tenant was on a month to month basis during the review period. No lease was required for that period.	\$893.01
23	2010-03	Lease	Lease is in the file— tenant was on a month to month basis during the review period. No lease was required for that period.	\$803.35
24	2009-02	Lease	Lease is in the tenant file.	\$803.35
28	2008-12	HAP Contract, Lease, Tenant Income Support	HAP Contract, Lease, and Tenant Income Support are in the file.	\$1,127.00
29	2009-01	Tenant Income Support	Tenant Income Support is in the tenant file.	\$911.90
30	2011-07	Lease	Lease is in the file— tenant was on a month to month basis during the review period. No lease was required for that period.	\$840.88

**Comment 4**

**B. NYCHA Response to HUD OIG Recommendations**

1. HUD OIG Recommendation 1A: Repay HUD from non-Federal funds at least 5 percent of the administrative fees received for the period reviewed, or \$4.3 million.

NYCHA Response: As previously mentioned, cases cited in this finding were based, in part, on a rent reasonableness determination policy that NYCHA is no longer using. NYCHA requests reconsideration of any reimbursement for administrative fees; or requests HUD to consider a significant reduction of the stated reimbursement amount based on corrective action already taken.

**Comment 5**

2. HUD OIG Recommendation 1B: Strengthen controls to ensure that rent reasonableness determinations are always documented to show compliance with the Authority's policies and HUD requirements.

NYCHA Response: NYCHA already has in place a compliant system for the determination of rent reasonableness. NYCHA implemented a system to ensure all rent reasonableness certifications completed are automatically uploaded and stored in our system. NYCHA will continue to identify system enhancements to ensure compliance with HUD program rules and NYCHA policy and procedures.

**Comment 6**

3. HUD OIG Recommendation 2A: Provide Documentation to support the \$24,009 disbursed housing assistance payments associated with the tenant case files missing: 1) executed housing assistance payment contacts; 2) lease agreements; and 3) source documentation to support income. Any costs determined ineligible should be reimbursed from non-Federal funds.

NYCHA Response 2A: As discussed above, NYCHA disagrees that all 31 out of the 115 tenant files reviewed did not maintain one or more of the core documents identified by HUD OIG. However, the Authority acknowledges that it has experienced issues with missing documents as a result of the back file conversion. NYCHA will continue work to retrieve those records. The back file conversion began in 2009 and was performed by a vendor to convert select hardcopy case file documents (e.g., core documents) to an electronic record. The process was part of a large-scale multi-year implementation of a new computer system that went live in 2011. Over 15 million documents were converted to electronic files.

We are confident that our new process for online submission and improved scanning quality control of documents provides greater assurance over document management and retention. NYCHA requests reconsideration of any reimbursement housing assistance payments based on corrective action already taken.

**Comment 1**

4. HUD OIG Recommendation 2B: Strengthen controls over the oversight of staff responsible for tenant file reviews to ensure all tenant case files include: 1) housing assistance payment contracts; 2) executed lease agreements and lease amendments; and 3) third-party verification of reported family annual income, the value of assets, expenses related to deductions from annual income, and other factors that affect the determination of adjusted income.

NYCHA Response: Through a series of business improvements initiatives, NYCHA has streamlined the document management process for its system to ensure proper receipt, tracking, and storage of owner and tenant submitted documents such as HAP contracts, lease agreements and annual recertification documents.

**Ref to OIG Evaluation**

**Auditee Comments**

**Comment 1**

Notably, NYCHA has moved several processes online through self-service, which has significantly improved controls around document management and retention. In 2013, we enhanced self-service for Owners to provide online submission of lease renewal requests and inspection certifications.

In 2012, NYCHA instituted a quality assurance function to assess files to ensure compliance with program rules and regulations. The department is currently working to expand this function department-wide and is implementing a new web-based quality assurance system to better track and monitor results.

In addition, NYCHA has also focused on training staff to ensure adherence to HCV regulatory requirements and NYCHA policy. In 2012, the Authority hired a contractor to provide certification training to staff on HCV program's rules and regulations. NYCHA developed and administered training in various areas, such as HQS inspection, annual recertifications, and rent reasonableness, to ensure staff were trained on HUD program requirements.

## OIG Evaluation of Auditee Comments

- Comment 1** The actions taken by Authority officials are responsive to our recommendations.
- Comment 2** Authority officials disagreed with finding 1, contending that cases cited in the finding were based, in part, on a rent reasonableness determination policy that the Authority is no longer using. Further, officials contend that for 3 out of 49 cases cited in the finding, two cases did contain the documentation in the file, and one case did not require the rent reasonable determination because the tenant ported out; therefore, the finding should be reduced to 46 cases. It is true that HUD's 2008 monitoring report determined that the Authority's rent reasonableness procedures were inconsistent with HUD requirements for which in response, Authority officials secured a vendor to provide the market rent comparables. However, contrary to the officials claim that in 2009 the rent reasonableness solution was fully implemented, our review of the tenant cases files reviewed found that there was no documentation to exhibit that rent reasonableness determinations were performed for the audit period of December 2007 to November 2011, in 49 out of 115 cases reviewed. In response to Authority officials' additional claims of supporting documentation, HUD will have to determine the sufficiency of such documentation during the audit resolution process.
- Comment 3** Authority officials disagree that 31 out of the 115 tenant files reviewed did not maintain one or more of the required documents, claiming that they reviewed the files and found that some support was available in tenant files. Authority officials provided documentation for review and requested that the finding be modified. Also, the officials acknowledged that the missing documentation was a result of a back file conversion process, which began in 2009 that converted files from hardcopy to electronic record. We have reviewed the documentation provided subsequent to the onsite audit work and determined that it was not sufficient to modify the finding. For example, we had noted that an executed lease agreement was not on file for the period tested of November 2010. Authority officials subsequently provided an expired lease for the period February 1, 2009 to January 31, 2010, and claim that the tenant was on a month to month lease at that point in time and did not require an executed lease. However, we found no evidence in the tenant file to suggest that the tenant was on a month to month lease. In another example, Authority officials provided a payment change notification form indicating no lease renewal and also provided a lease agreement, beginning in September 1986, without a signature page. Thus, the documentation provided subsequent to the audit work was found to be insufficient to modify the finding as we cannot determine eligibility. Officials are reminded that unsupported costs are those cost charged to a HUD financed program or activity and eligibility cannot be determined at time of audit, requiring a decision by HUD program officials. As such, additional documents will be needed for HUD to make a determination during the audit resolution process.
- Comment 4** Authority officials disagree with recommendation 1A to repay from non-Federal

funds at least 5 percent of the administrative fees received for one year, or \$4.3 million, contending that rent reasonableness determinations were conducted in accordance with policies and procedures in place at the time. Further, officials request reconsideration of any reimbursement of administrative fees, or a reduction in the reimbursement amount based on corrective actions taken. Our review found that the rent reasonableness determinations were not documented in accordance with HUD requirements and the new procedures established by the Authority officials, which require the rent reasonableness determinations to be documented in the tenant file. Further, the administrative fee collected did not appear to be reasonable. In accordance with 24 CFR 982.152 (d), HUD is permitted to reduce or offset any program administrative fees paid to a public housing authority if it fails to perform its administrative responsibilities correctly. The audit identified errors throughout the test period of December 1, 2007 to November 30, 2011, which consisted of 47 months. Thus, the reimbursement calculation of \$4.3 million in administrative fees received for one year is already conservative considering that our sample results indicates that the Authority collected over \$30 million in administrative fees for the units with no documented rent reasonableness determination in the files. Thus, reconsideration is not necessary.

**Comment 5** Authority officials indicated that they are already in compliance with determining rent reasonableness, since they implemented an interface to ensure that all rent reasonableness certifications are automatically uploaded and stored in their system. While we commend the officials for taking steps to implement corrective actions to address this recommendation, HUD will need to determine the sufficiency of the enhancements made to ensure compliance with regulations.

**Comment 6** Authority officials indicated that they have experienced issues with missing documents in their back file conversion (see comment 3 above) and they will continue to work to retrieve those records. Therefore, they request consideration of any reimbursement of HAP based on the corrective action already taken. During the audit resolution process, HUD will take the officials request for consideration.

## Appendix C

### SCHEDULE OF MISSING DOCUMENTATION

Sample item no.	Missing housing assistance payments contract	Missing lease	Missing tenant income support	Monthly housing assistance payment amount
1		X		\$988.00
2		X		\$648.23
3		X	X	\$796.77
4		X		\$229.68
5		X		\$1,501.00
6		X		\$697.47
7			X	\$1,107.45
8	X	X		\$408.55
9	X		X	\$1,012.59
10		X		\$582.82
11	X			\$426.51
12	X	X		\$309.68
13	X			\$505.56
14		X		\$1,097.00
15	X		X	\$822.83
16	X	X		\$834.84
17			X	\$957.50
18	X	X		\$735.84
19		X		\$931.25
20	X			\$442.59
21		X		\$893.01
22		X	X	\$89.00
23		X		\$803.35
24		X		\$803.35
25			X	\$1,300.21
26	X	X		\$784.13
27	X	X	X	\$573.00
28	X	X	X	\$1,127.00
29			X	\$911.90
30		X		\$840.88
31			X	\$847.00
Total	12	21	11	\$24,008.99