



# Brown County Housing Authority, Green Bay, WI

## Section 8 Housing Choice Voucher Program



**To:** John Finger, Program Center Coordinator, 5IPH

**From:** //signed//  
Kelly Anderson, Regional Inspector General for Audit, Chicago Region, 5AGA

**Subject:** Brown County Housing Authority, Green Bay, WI, Did Not Always Ensure That Its Section 8 Housing Choice Voucher Program Files Complied With HUD's and Its Own Requirements

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of Brown County Housing Authority'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 (312) 353-7832.



**Audit Report Number: 2015-CH-1003**

**Date: August 28, 2015**

**Brown County Housing Authority, Green Bay, WI, Did Not Always Ensure That Its Section 8 Housing Choice Voucher Program Files Complied With HUD's and Its Own Requirements**

## Highlights

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### What We Audited and Why

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We audited the Brown County Housing Authority's Section 8 Housing Choice Voucher program based on our analysis of risk factors related to the public housing agencies in Region 5's jurisdiction<sup>1</sup> and the activities included in our fiscal year 2015 annual audit plan. Our audit objectives were to determine whether the Authority (1) appropriately calculated housing assistance payments and (2) maintained required eligibility documentation to support the admission and continued occupancy of its program households.

### What We Found

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The Authority did not always ensure that its program files complied with the U.S. Department of Housing and Urban Development's (HUD) and its own policies. Specifically, it did not ensure that its contractor (1) correctly calculated housing assistance payments and (2) maintained required household eligibility documentation. As a result of these weaknesses, HUD and the Authority lacked assurance that program funds were used appropriately.

### What We Recommend

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We recommend that the program center coordinator of HUD's Milwaukee public housing program center require the Authority to (1) reimburse its program more than \$5,300 from non-Federal funds for the ineligible housing assistance payments, (2) support or reimburse its program nearly \$49,000 from non-Federal funds for the unsupported payments, (3) reimburse its households more than \$2,400 for the underpayment of housing assistance, and (4) implement adequate procedures and controls to address the issues cited in this audit report.

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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 Objectives

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Brown County Housing Authority is a public housing agency created by the State of Wisconsin to provide decent, safe, and sanitary housing for low-income households. The Authority is governed by a five-member board of commissioners appointed by the mayor. The board's responsibilities include performing the duties and functions required by the Authority's bylaws and other rules and regulations of the Authority. According to its bylaws, the secretary of the board will be the Authority's executive director and is responsible for managing the Authority's housing programs.

On December 1, 2009, the Authority entered into a contract with Integrated Community Solutions for the administration of its Section 8 Housing Choice Voucher program funded by the U.S. Department of Housing and Urban Development (HUD). On March 18, 2013, the Authority and its contractor signed an agreement to extend the contract through December 31, 2015. Under the new contract, the contractor was required to prepare an annual program budget for the Authority's review and approval. The Authority would reimburse the contractor for program expenditures that complied with the approved budget.

The 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 February 23, 2015, the Authority had 3,401 units under contract and was authorized to receive more than \$15 million in program funds.

Our objectives were to determine whether the Authority (1) correctly calculated housing assistance payments and (2) maintained required eligibility documentation to support the admission and continued occupancy of its program households.

# Results of Audit

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## **Finding: The Authority Did Not Always Ensure That Its Program Files Complied With HUD's Requirements and Its Own Policies**

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The Authority did not always ensure that its contractor (1) correctly calculated housing assistance payments and (2) maintained required eligibility documentation. The weaknesses occurred because the Authority and its contractor lacked a sufficient understanding of program requirements. In addition, the Authority lacked adequate procedures and controls for monitoring its contractor for compliance with program requirements. As a result, the Authority overpaid more than \$1,700 and underpaid more than \$2,400 in housing assistance. Further, it was unable to support more than \$45,000 in payments of housing assistance.

### **Housing Assistance Payments Were Miscalculated**

We reviewed 60<sup>2</sup> statistically selected<sup>3</sup> certifications for 60 of the Authority's program household files for the period December 2012 through November 2014. Our review was limited to the information maintained by the contractor in the household files.

For the 60 certifications, 25 (42 percent) had incorrectly calculated housing assistance. The 25 certifications contained 1 or more of the following deficiencies:

- 15 certifications had incorrect utility allowances,
- 7 certifications had income incorrectly calculated,
- 3 certifications had incorrect asset calculations,
- 3 certifications had incorrect payment standards,
- 2 certifications had incorrect medical expenses, and
- 1 certification had incorrect minimum rent.

In addition, of the 60 certifications reviewed, 24 contained errors that had no impact on the housing assistance calculations. These errors included incorrect utility allowances, payment standards, asset calculations, income calculations, and medical expenses.

As a result of the Authority's calculation errors, it overpaid \$1,709 and underpaid \$2,429 in housing assistance. In addition, it was unable to support its calculations of housing assistance for two households, resulting in \$8,178 in unsupported payments of housing assistance.

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<sup>2</sup> One household had two statistically selected monthly housing assistance payments. However, the housing assistance payment for both months selected was calculated with one certification.

<sup>3</sup> Our methodology for the statistical sample is explained in the Scope and Methodology section of this audit report.

Because the housing assistance was either incorrectly calculated or unsupported, the Authority inappropriately received \$4,341 (\$1,293 + \$2,327 + \$721) in administrative fees.

**The Authority Lacked Documentation To Support Households’ Eligibility**

We reviewed 60 of the Authority’s program household files to determine whether it maintained the required documentation to support the households’ eligibility for the program.<sup>4</sup> Of the 60 household files reviewed, 11 (18 percent) were missing 1 or more documents needed to determine household eligibility. The 11 household files were missing the following eligibility documentation:

- 4 files were missing copies of the original household applications,
- 4 files were missing requests for tenancy approval,
- 3 files were missing full support for household members,
- 2 files were missing citizenship declarations,
- 2 files were missing landlord ownership documents,
- 2 files were missing signed lead-based paint disclosure forms for units built before 1978,
- 1 file was missing a Social Security number verification,
- 1 file was missing an executed lease, and
- 1 file was missing an executed housing assistance payments contract.

Along with its comments, the Authority was able to provide copies of unsupported eligibility documentation. However, 10 of the 60 household files were still missing 1 or more of the required eligibility documents as of August 12, 2015. For each household file reviewed, the table below shows the number of documents originally unsupported, documents provided with the Authority’s comments, and documents that remained unsupported.

Document	Originally unsupported	Provided with Comments	Remaining unsupported
Original applications	4	0	4
Requests for tenancy approval	4	0	4
Full support for household members	3	1	2
Citizenship declarations	2	0	2
Landlord ownership documents	2	0	2
Lead-based paint certifications	2	0	2
Social Security number	1	1	0
Executed lease	1	0	1

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<sup>4</sup> See appendix C for criteria.

Housing assistance payments contract	1	0	1
<b>Totals</b>	<b>20</b>	<b>2</b>	<b>18</b>

Because the 10 household files were missing required eligibility documentation, HUD and the Authority lacked assurance that the households were eligible for the program. As a result, \$36,935 in housing assistance was unsupported. The Authority inappropriately received \$2,726 in administrative fees for the households with missing eligibility documentation.

### **The Authority Lacked a Sufficient Understanding of Program Requirements**

The Authority and its contractor lacked a sufficient understanding of program requirements. For example, according to HUD’s requirement and the Authority’s administrative plan, an allowance for air conditioning must be provided when most housing units on the market have central air conditioning or wired for tenant-installed air conditioners. However, according to the contractor’s programs leader, his understanding of the requirement was that the allowance for air conditioning should be provided only when a unit had central air conditioning. The Authority’s housing administrator agreed with the contractor’s programs leader and stated that she was not aware that the allowance applied to units with portable air conditioners. She expressed concern regarding the difficulty of having to support and maintain accurate records of the program units with portable air conditioners.

In addition, the Authority lacked adequate procedures and controls for monitoring its contractor for compliance with program requirements. The Authority’s housing administrator generally (1) performed quarterly quality control reviews of the contractor’s management of the Authority’s Section 8 program files and (2) communicated the results of these reviews with the contractor. However, she did not follow up with the contractor to ensure that the program files with housing assistance payment errors or missing eligibility documents had been corrected. Further, in July 2012, when the contractor changed its method of record retention from hardcopy household files to electronic files, some of the documents were incorrectly scanned or purged. However, the Authority did not ensure that its contractor corrected the files that were missing required documents.

### **Conclusion**

The weaknesses described above occurred because the Authority and its contractor lacked a sufficient understanding of program requirements. In addition, the Authority lacked adequate procedures and controls for monitoring its contractor for compliance with program requirements. As a result, the Authority overpaid \$1,709 and underpaid \$2,429 in housing assistance. In addition, it had unsupported payments of \$45,113 (\$8,178 + \$36,935) due to unsupported housing assistance calculations and missing eligibility documentation.

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. The Authority inappropriately received \$7,067 (\$1,293 + \$2,327 + \$721 + \$2,726) in program

administrative fees related to incorrectly calculated housing assistance payments for the 25 program households, unsupported calculations of housing assistance for 2 households, and 10 program households with missing eligibility documentation.

### **Recommendations**

We recommend that the program center coordinator of HUD's Milwaukee public housing program center require the Authority to

- 1A. Reimburse its program \$5,329 from non-Federal funds (\$1,709 in housing assistance payments + \$1,293 in associated administrative fees for overpayments + \$2,327 in associated administrative fees for underpayments) for the inappropriate payments of housing assistance cited in the finding.
- 1B. Reimburse the appropriate households \$2,429 from program funds for the underpayment of housing assistance due to calculation errors.
- 1C. Support or reimburse its program \$48,560 from non-Federal funds (\$8,178 + \$36,935 in housing assistance payments + \$721 in administrative fees for the unsupported payments + \$2,726 in associated administrative fees for the missing eligibility documentation) for the unsupported housing assistance payment calculations and missing eligibility documentation.
- 1D. Implement adequate quality control procedures to ensure that its contractor (1) correctly calculates housing assistance payments, (2) obtains and maintains the required eligibility documentation, and (3) complies with the HUD requirements and the Authority's administrative plan when determining utility allowances for air conditioning.
- 1E. Implement adequate procedures and controls to ensure that its housing administrator's quality control process includes but is not limited to (1) seeking corrective actions from its contractor when file deficiencies are discovered and (2) obtaining and maintaining documentation to support the implementation of the corrective actions.

# Scope and Methodology

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We performed our onsite audit work between January and May 2015 at the Authority's contractor's office located at 2605 South Oneida Street, Suite 106, Green Bay, WI. The audit covered the period December 1, 2012, through November 30, 2014, but was expanded as determined necessary.

To accomplish our objectives, we reviewed the following:

- HUD's regulations at 24 CFR Parts 5 and 982, HUD's Office of Public and Indian Housing notices, and HUD's Guidebook 7420.10G.
- The Authority's program administrative plan effective during the audit period, accounting records, bank statements, general ledger, 5-year and annual plans, annual audited financial statements, computerized databases, policies and procedures, contracts with its contractor Integrated Community Solutions, board meeting minutes, organizational charts, and program annual contributions contract.
- HUD's files for the Authority.

We also interviewed the Authority's and the contractor's employees and HUD staff.

## Finding 1

We statistically selected a stratified random sample of 90 housing assistance payments from the Authority's 55,352 monthly disbursements to landlords from December 2012 through November 2014 (24 months). The 90 monthly payments were for 88 households.<sup>5</sup> We reviewed the first 61<sup>6</sup> statistically selected housing assistance payments for 60 households to determine whether the Authority or its contractor correctly calculated housing assistance and utility allowance payments and maintained the required documentation to support the households' admission to the program and continued occupancy. Although the number of errors (42 percent) was high, the dollar value of the errors was low. Therefore, we discontinued our review of the Authority's housing assistance payments calculations.

The calculation of administrative fees was based on HUD's administrative fee per household per month to the Authority. The fees were considered inappropriately received for each month in

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<sup>5</sup> One of the households reviewed had two statistically selected monthly housing assistance payments. However, the housing assistance payment for both months was calculated with one certification. In addition, another household had two monthly housing assistance payments selected that occurred during different certifications.

<sup>6</sup> The 61 monthly housing assistance payments were from the 60 household certifications, which represented 60 households.

which the housing assistance was incorrectly paid and household eligibility was unsupported. We limited the inappropriate administrative fees to the amounts of housing assistance payment calculation errors for the household files that had administrative fees exceeding the housing assistance payment errors.

We relied in part on data maintained by the Authority and its contractor. 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 audit results and supporting schedules to the program center coordinator of HUD's Milwaukee public housing program center and the Authority's housing administrator 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 objective(s). 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.

## **Relevant Internal Controls**

We determined that the following internal controls were relevant to our audit objectives:

- 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 Authority and its contractor lacked a sufficient understanding of program requirements. In addition, the Authority lacked adequate procedures and controls for monitoring its contractor for compliance with program requirements (see finding).

# Appendixes

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## 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	\$5,329		
1B			\$2,429
1C		\$48,560	
<b>Total</b>	<b><u>\$5,329</u></b>	<b><u>\$48,560</u></b>	<b><u>\$2,429</u></b>

- 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 this instance, if the Authority implements our recommendations, it will ensure that households do not overpay their portion of rent for the underpayment of housing assistance due to calculation errors by the contractor. Instead, the Authority will spend those funds in accordance with HUD's requirements and its own program administrative plan. Once the Authority successfully improves its oversight of the contractor, this will be a recurring benefit.

# Appendix B

## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

Comment 1

Comment 2



## Brown County Housing Authority

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100 North Jefferson Street  
Room 608  
Green Bay, Wisconsin 54301-5026  
fax 920.448.3426

Robyn A. Hallet  
Housing Administrator  
920.448.3414  
robynha@ci.green-bay.wi.us



August 12, 2015

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

**Re: Written response to the draft audit report for the Brown County Housing Authority**

Dear Ms. Anderson:

Thank you for the opportunity to respond to the draft audit report which was recently submitted to the Brown County Housing Authority (the Authority). The Authority hereby submits the following comments in response to each noted section of the report:

**Background and Objectives:**  
There is a minor correction we would like to note on page 3 of the report: It currently states that the members of the board of commissioners are appointed by the mayor. In actuality, since the jurisdiction of the Authority covers the entire County of Brown, the appointments are made by the County Executive.

**Results of Audit**  
**Housing Assistance Payments Were Miscalculated:**

- We cannot dispute the data resulting from the file reviews: 42 percent of the certifications reviewed had incorrectly calculated housing assistance payments. Of the total of 31 deficiencies, 15 (48 percent) were due to one consistent error: incorrect utility allowance. As discussed below, this issue is in the process of being corrected. We find it important to point out the consistency of the errors. With the correction and thus future elimination of just this one type of error, the number of certifications with incorrect HAP calculation decreases to 18 percent.
- As noted, the predominant error in incorrect HAP calculations was due to utility allowance. Specifically, this error was the result of incorrectly applying the policy in the Authority's Administrative Plan regarding air conditioning. The Administrative Plan stated that units with portable air conditioners would be provided a utility allowance, however, in practice, this allowance was not provided. The Authority is correcting this error by seeking guidance from HUD on the permissibility of removing the option of providing a utility allowance for portable air conditioners and rather only providing such an allowance when central air conditioning is in the unit.

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**Ref to OIG  
Evaluation**

**Auditee Comments**

Comment 3

- The second most common error in HAP calculation was due to incorrect income calculations. In reviewing these errors with the onsite OIG Auditor, it was determined that the vast majority of these errors were a result of human error (keystroke error, miscalculation, etc.) and not incorrect application of the policies. Although the Authority and its contractor will work to reduce these types of errors, it should be recognized that unless income calculations become completely automated, a percentage of errors will always exist for every housing authority. Nonetheless, the Authority and its contractor will work to ensure that Specialists who calculate the income receive adequate training on the importance of correct income calculations and are more thorough when processing reviews to reduce the likelihood of errors.

Comment 4

**The Authority Lacked Documentation to Support Households' Eligibility:**

- The Authority and its contractor understand the importance of proper document retention. The audit revealed that the majority of cases did in fact contain the required documentation. Of the files in which documentation was missing, we have found that the older the file, the increased likelihood of missing documentation. This is often the result of improper filing of documents within the client file, which results in items being erroneously discarded when files are purged. This will be corrected by ensuring that Specialists are properly trained on items that must be retained indefinitely and how to file them so as to avoid unintended disposal of such items. In addition, the recent transition to electronic retention of client files will ensure that the items are properly retained.
- Under a separate email to [REDACTED] we are submitting additional support documentation for two participant families. As more documentation becomes available, we will continue to submit it.

Comment 5

**The Authority Lacked a Sufficient Understanding of Program Requirements:**

- The report indicates the Authority and its contractor "lacked a sufficient understanding of program requirements". The Authority disagrees with this statement. We believe it is important to note that the lack of understanding is limited to one specific area, the above-explained utility allowances. As is evidenced by the overall results of the audit, the Authority and its contractor in fact have a very thorough working knowledge of the requirements to run a successful and efficient Housing Choice Voucher Program. The audit report failed to discuss the breadth of the audit, nor does it mention the survey phase that preceded the audit. The survey phase analyzed the Authority's performance in over ten different components, including HAP/Eligibility, Zero Income, Income Discrepancy, Deceased Household Lists, Multi-subsidy, Finances (which encompassed both the Authority's and the contractor's financials), Waiting List, Portability, EIV, and FSS. Of all of these, only HAP/Eligibility proceeded to the audit phase. Furthermore, within the HAP/Eligibility component, there are almost innumerable program requirements that must be learned and understood. The fact that only one program area was cited demonstrates the Authority's and its contractor's overwhelming knowledge and competency regarding requirements for successful program administration.
- Furthermore, the audit report fails to indicate that the audit was ended early at the request of the onsite OIG auditor. The onsite auditor indicated that the number and severity of errors found were so low that in her opinion the continuation of the audit was unwarranted. According to her verbal relay of information, her initial request was not granted and thus she continued reviewing additional files. After continuing to find a comparatively low number of errors, she again suggested the audit be terminated. This time her request was granted. As indicated under Finding 1 of the Scope and Methodology section, a random sampling of 90 housing assistance payments was

Comment 7

**Ref to OIG  
Evaluation**

**Auditee Comments**

Comment 8

selected, but only 61 were reviewed for 60 households. The Authority feels it is important that the final audit report explains the OIG's rationale for ending the audit early.

- The second paragraph of this section indicates that the Authority lacked adequate procedures and controls for monitoring its contractor. The Authority will implement a system by which it will follow up with its contractor to ensure corrections are made to files identified though the Authority's quality control reviews as having errors.

Comment 9

**Recommendations:**

The Authority does not object to the recommendations and will comply with the requirements made by the program center coordinator of the HUD Milwaukee public housing program center. As was explained in the exit conference, the Authority will continue to provide supporting documentation for unsupported housing assistance payment calculations and missing eligibility documentation and that as a result, the required reimbursements of both housing assistance payments and associated administrative fees may be reduced.

Comment 10

In regards to recommendation 1D, the Authority already has plans to enhance its quality control measures and will consider the use of comprehensive quality control systems available for purchase from other housing industry professionals. Furthermore, in regards to recommendation 1E, as stated above, the Authority will ensure corrective action is taken on deficiencies discovered through quality control reviews and will maintain records to document such corrective actions.

Comment 8

Thank you for the opportunity to provide comments on the draft audit report. If you have further questions, please feel free to contact Robyn Hallet at (920) 448-3414 or by email at [RobynHa@greenbaywi.gov](mailto:RobynHa@greenbaywi.gov). Thank you.

Sincerely,



Kimberly Flom  
Director of Planning & Community Development

RAH:jd

cc: Robyn Hallet  
Matt Roberts, Integrated Community Solutions  
John Finger

## OIG Evaluation of Auditee Comments

- Comment 1 According to the Authority, the county executive appoints the board of commissioners. According to the Wisconsin Statute, General Municipality Law, 66.40(5) the mayor should, with confirmation of the council, appoint 5 persons as commissioners of the Authority. The Authority did not provide documentation to support its assertion that the county executive appoints the board of commissioners. Therefore, we did not modify the report.
- Comment 2 The Authority contends that 15 errors were attributable to the utility allowance calculations. We agree, as stated in finding 1 of the audit report. In addressing the audit report's recommendations, the Authority should work with HUD to ensure that it fully addresses the issues cited in this audit report.
- Comment 3 The Authority contends that the incorrect income calculations that were identified in the audit report were due to human error. Although income calculation errors occurred during the recertification process, the Authority's quality control process was not sufficient to mitigate or reduce the amount of errors. As mentioned in the audit report, the Authority did not ensure that its contractor corrected the program files with housing assistance payment errors. When errors in the calculation of housing assistance payments occur; HUD and the Authority lack assurance that Federal funds are being used efficiently and effectively. We commend the Authority for working with its contractor to ensure that adequate training is provided to the staff completing re-certifications.
- Comment 4 The Authority contends that the errors regarding missing documentation resulted from improper filing and erroneously discarding items when the files were purged. We commend the Authority for identifying this weakness with regard to documentation maintenance and its intent to provide training on HUD's documentation retention requirements. In addressing the audit report's recommendations, the Authority should work with HUD to ensure that it fully addresses the issues cited in this audit report.
- Comment 5 The Authority provided additional eligibility documentation with its comments to this report. We reviewed the documentation and reduced the amount of unsupported costs from \$49,583 to \$48,560. The Authority should provide subsequent documentation to HUD to address the recommendations in this audit report.
- Comment 6 The Authority contends that all of the aspects of its program were without issue. When completing a survey, we review small aspects of many areas of the program. During our review, we did not identify significant deficiencies in the areas of income discrepancy, deceased households, multi-subsidy, waiting list, portability, and the Family Self-Sufficiency program. While we tested these items initially, our testing was not sufficient to say that no errors occurred, only

that our review did not determine that there were significant errors in the items we reviewed.

- Comment 7 The Authority contends that the audit report failed to mention that the audit ended early at the request of the onsite OIG auditor. The time it takes to complete a HUD OIG audit varies. In this case, the audit started in January 2015 and the audit field work was completed in May 2015. This is within normal timeframes for an audit. Further, as mentioned in the Authority's comment 2 and in the body of the audit report, most of the housing assistance payments errors were the result of incorrect utility allowances and income calculations. In addition, although the dollar value of the errors was low, the error rate for the housing assistance calculations was high (42 percent). Therefore, we recommended that the Authority implement adequate quality control procedures to ensure that its contractor (1) correctly calculates housing assistance payments and (2) complies with the HUD requirements and the Authority's administrative plan when determining utility allowances for air conditioning.
- Comment 8 The Authority contends that it will implement a system to follow up with its contractor to ensure corrections are made when identified through its quality control reviews. In addressing the audit report's recommendations, the Authority should provide copies of its newly created procedures to HUD to ensure that they are appropriate and fully implemented to address the issues cited in this audit report.
- Comment 9 The Authority stated that it would continue to provide documentation to support housing assistance payments and household eligibility. The Authority should provide subsequent documentation to HUD in addressing the recommendations in this audit report.
- Comment 10 We commend the Authority for planning to enhance its quality control process. In addressing the audit report's recommendations, the Authority should provide copies of its newly created procedures to HUD to ensure that they fully address the issues cited in this audit report.

## Appendix C

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### Federal and Authority Requirements

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 5.240(c) state that the responsible entity must verify the accuracy of the income information received from the family and change the amount of the total tenant payment, tenant rent, or program housing assistance payment or terminate assistance, as appropriate, based on such information.

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 5.603(b) state that medical expenses, including medical insurance premiums, are anticipated expenses during the period for which annual income is computed that are not covered by insurance.

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. Paragraph (b) states that the administrative plan must be in accordance with HUD regulations and requirements. Paragraph (c) states that the public housing agency must administer the program in accordance with the agency's administrative plan.

Regulations at 24 CFR 982.152(d) state that HUD may reduce or offset any administrative fee to the public housing agency, in the amount determined by HUD, if the agency fails to perform agency administrative responsibilities correctly or adequately under the program.

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. Paragraph (f) states that the agency must keep the following records for at least 3 years: lead-based paint records and records to document the basis for the determination that the rent to the owner is a reasonable rent (initially and during the term of a housing assistance payments contract).

Regulations at 24 CFR 982.302(c) state that the family must submit to the agency a request for approval of the tenancy and a copy of the lease, including the HUD-prescribed tenancy addendum.

Regulations at 24 CFR 982.402(a)(1) state that the public housing agency must establish subsidy standards that determine the number of bedrooms needed for families of different sizes and

compositions. Paragraph (b)(1) states that the subsidy standards must provide for the smallest number of bedrooms needed to house a family without overcrowding. Paragraph (3) states that the subsidy standards must be applied consistently for all families of like size and composition.

Regulations at 24 CFR 982.505(c)(3) state that if the amount on the payment standard schedule is decreased during the term of the housing assistance payments contract, the lower payment standard amount generally must be used to calculate the monthly housing assistance payment for the family beginning on the effective date of the family's second regular reexamination following the effective date of the decrease in the payment standard amount.

HUD's regulations at 24 CFR 982.517(2) state that the public housing agency must maintain a utility allowance schedule for all tenant-paid utilities (except telephone), the cost of tenant-supplied refrigerators and ranges, and other tenant-paid housing services. Paragraph (b)(2)(ii) states that the public housing agency must provide a utility allowance for tenant-paid air conditioning costs if most housing units in the market provide central air conditioning or there is appropriate wiring for tenant-installed air conditioners.

Section 3-I.M. of the Authority's administrative plan states that a family's request for a live-in aide must be made in writing. For continued approval, the family must submit a new, written request, subject to the housing authority 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.

Section 5-II.C of the Authority's administrative plan states that in determining family unit size for a particular family, the housing authority may grant an exception to its established subsidy standards if the housing authority determines that the exception is justified by the age, sex, health, handicap, or relationship of family members or other personal circumstances. Reasons may include but are not limited to

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

Section 6.I.G of the Authority's administrative plan states that in cases in which a trust is not revocable by or under the control of any member of a family, the value of the trust fund is not considered an asset. However, any income distributed to the family from such a trust is counted as a periodic payment or a lump-sum receipt as appropriate.

Section 6.III.A of the Authority's administrative plan states that the minimum rent is \$50.

Section 7.III.D of the Authority's administrative plan states that if child support payments are made through a State or local entity, the housing authority will request a record of payment for the past 12 months.

Section 16-II.C of the Authority's administrative plan states that an allowance for air conditioning must be provided when the majority of housing units in the market have central air conditioning or are wired for tenant-installed air conditioners. Further, the Authority has included an allowance for air conditioning in its schedule. Central air conditioning or a portable air conditioner must be present in a unit before the Authority will apply this allowance to a family's rent and subsidy calculations.

Exhibit 6-2 of the Authority's administrative plan states that food stamps are excluded from annual income.