



U.S. DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT
OFFICE OF INSPECTOR GENERAL

April 15, 2015

**MEMORANDUM NO:
2015-LA-1801**

Memorandum

TO: Miguel Correa
Director, Office of Public Housing, San Francisco, 9APH

//SIGNED//

FROM: Tanya E. Schulze
Regional Inspector General for Audit, Los Angeles Region, 9DGA

SUBJECT: The Oakland Housing Authority Complied With HUD Requirements on the Use of Housing Choice Voucher Exception Payment Standards

INTRODUCTION

The U. S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG), conducted a limited review of the Oakland Housing Authority's Moving to Work Housing Choice Voucher program's use of exception payment standards exceeding the Authority's 110 percent limit on fair market rents.¹ The review was initiated as a result of a congressional request alleging fraud, waste, and abuse by public housing agencies participating in the Moving to Work program that issued Section 8 vouchers. The allegation was that these agencies allowed rents up to 300 percent of fair market rents. The Authority was not named in the congressional request. However, preliminary OIG analyses revealed that, among all Moving to Work housing agencies, the Authority had the second highest number of households (77) with Section 8 rents exceeding 120 percent of fair market rent.²

The objective of our review was to determine whether the Authority established payment standards exceeding the HUD fair market rents for the area and used and supported exception payment standards in determining rents for households participating in Moving to Work.

¹ Fair market rent means the rent, including the cost of utilities (except telephone), as established by HUD under 24 CFR (Code of Federal Regulations) Part 888, for units of varying sizes (by number of bedrooms), that must be paid in the market area to rent privately owned, existing, decent, safe, and sanitary rental housing of a modest (nonluxury) nature with suitable amenities.

² Public housing agencies may establish payment standard amounts for a unit size at any level between 90 to 110 percent of the published fair market rent for the unit size. The HUD field office must approve exception payment standards above 110 percent up to 120 percent of the published fair market rents. Amounts exceeding 120 percent need the approval of the HUD Assistant Secretary.

The Authority established payment standards within the basic range of 90 to 110 percent of HUD-published fair market rents. It did not use exception payment standards and used standards that did not exceed 90 percent of HUD's fair market rents.

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>.

METHODOLOGY AND SCOPE

We performed our onsite audit work at the Authority's office from December 17, 2014, through March 6, 2015. Our audit initially covered the period January 1, 2009, through June 30, 2014. However, due to limitations in the Authority's computer-processed data, we revised the audit period to January 1 through December 31, 2014.

To accomplish our objective, we reviewed

- Applicable laws, including HUD program requirements at 24 CFR (Code of Federal Regulations) Parts 888, 982, and 983 and HUD's Housing Choice Voucher Guidebook.
- Tenant files for four households that received tenant-based assistance and two households that received project-based assistance;
- The Authority's administrative and Moving to Work plans;
- HUD's published fair market rents for the Oakland-Fremont, CA, area;
- The Authority's voucher payment standards and utility allowances;
- The Authority's organizational chart, board of commissioners, and employee listings;
- The Authority's Housing Choice Voucher program household data and housing assistance payment data; and
- Family reports from HUD's Public and Indian Housing Information Center system.

We also interviewed the Authority's Section 8 management and staff as well as applicable HUD program staff.

Our original analysis indicated that of the 15 Moving to Work housing agencies that we reviewed, the Authority had the second highest number of households with Section 8 rents exceeding 120 percent of fair market rent. However, we discovered a data conversion issue, and upon reevaluation, our analysis resulted in no households with gross rents exceeding 120 percent of fair market rent. We continued our review using a list of Section 8 households provided by the Authority. The list included 11,323 families who participated in the Moving to Work-funded Section 8 Housing Choice Voucher program as of January 10, 2015. After reviewing the data provided by the Authority, we determined that some of the data were inaccurate. Therefore, we performed substantive testing of hardcopy tenant files to support our conclusions. Our sample consisted of households with an admission date of January 1, 2014, or later and a gross rent of more than the 110 percent maximum payment standard established by the Authority. Along with bedroom size, the two criteria allowed us to identify households that were admitted to the program, which may have received assistance using an exception payment standard. Of the 11,323 participating families,

- 599 households had admission dates of January 1, 2014, or later.
- 555 of 599 households had admission dates between January 1 and November 30, 2014 (the applicable period for the Authority's 2014 payment standards). We applied the appropriate standard to the households and determined that seven had gross rents exceeding the 110 percent maximum payment standard established by the Authority.
- 44 of 599 households had admission dates between December 1, 2014, and January 2, 2015 (the applicable period for the Authority's 2015 payment standards). We applied the appropriate standard to the households and determined that none had gross rents exceeding the 110 percent maximum payment standard established by the Authority.

We removed one household from our sample when we discovered that the admission date in the Authority's system was outside our selected period of review. Therefore, of the seven households that had gross rents exceeding the 110 percent payment standard, six were selected for review (four tenant-based and two project-based).

We conducted the audit in accordance with generally accepted government auditing standards, except that we did not consider the internal controls or information systems controls of the Authority. We did not follow standards in these areas because our objective was to identify the extent to which the Authority allowed exception payments. To meet our objective, it was not necessary to fully comply with the standards, nor did our approach negatively affect our review results.

BACKGROUND

The Authority was established in 1938 to ensure the availability of quality housing for low-income persons. The Authority operates federally funded and other low-income housing programs and assists more than 15,000 of Oakland's lowest income families, elderly, and persons with disabilities. The Authority is governed by a board of commissioners appointed in accordance with State housing laws. The board's purpose is to ensure that policies are followed by Authority staff, ensure that the Authority is successful in its mission, preserve and expand the Authority's resources, and ensure the Authority's continued viability. The board of commissioners is also responsible for hiring the executive director, who is directly responsible for carrying out the policies established by the commissioners and hiring, training, and supervising Authority staff. The executive director manages the day-to-day operations of the Authority to ensure compliance with Federal and State laws and program directives.

Moving to Work is a demonstration program that was authorized under the Omnibus Consolidation Rescission and Appropriations Act of 1996 (Public Law 104-134, 110 Stat 1321), dated April 26, 1996. The program provides public housing agencies the opportunity to design and test innovative, locally designed strategies that use Federal dollars more efficiently, help residents find employment and become self-sufficient, and increase housing choices for low-income families. To accomplish these goals, Moving to Work gives public housing agencies

exemptions from many existing public housing and voucher rules and more flexibility in how they use their Federal funds to accomplish these objectives.

The Housing Choice Voucher program allows very low-income families to choose and lease or purchase safe, decent, and affordable privately owned rental housing.

RESULTS OF REVIEW

The Authority's processing procedures were implemented and it obtained compliance with HUD and statutory requirements for the files reviewed. It established payment standards within the basic range of 90 to 110 percent of HUD-published fair market rents. In addition, it used the appropriate payment standard and did not use exception payment standards to determine the rent for any of the six tenant files reviewed.

The Authority's Payment Standards Did Not Exceed HUD-Published Fair Market Rents

We reviewed the HUD-published fair market rents for the Oakland-Fremont, CA, HUD metropolitan fair market rent area for our audit period and compared those rents to those identified in the Authority's 2014 Section 8 payment standards. The standards were effective January 1, 2014, for initial move-ins and based on unit bedroom size. The Authority's 2014 standards were at 90 percent (less than 100 percent) of the HUD-published fair market rents.

The Authority Used the Correct Payment Standards in Its Tenant File Review Calculations

The Authority used the appropriate payment standard based on the tenant's date of admission and unit bedroom size. The payment standards used for each of our tenant file reviews agreed with the Authority's published standards and were less than 100 percent of the applicable fair market rent. Therefore, the Authority did not use exception payment standards for any of the tenant files reviewed.

Using the applicable payment standard, we also recalculated the amounts used by the Authority in determining tenant payments and rent to owners. The amounts used by the Authority in determining adjusted annual income, tenant payments, and rent to owners were accurately calculated, and the appropriate deductions and allowances were applied.

RECOMMENDATIONS

This report contains no recommendations, and no further action is necessary with respect to this report.

AUDITEE COMMENTS

We provided the Authority with the draft memorandum report on April 6, 2015. We informed the Authority that it could provide written comments within 15 days and that we could conduct

an exit conference with the Authority if needed. In response, the Authority stated that it had no written comments and declined an exit conference.