



Wichita, KS, Housing Authority
Housing Choice Voucher Program



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

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Audit Report Number: 2012-KC-1005

TO: Frances M. Cleary, Director, Kansas City Office of Public Housing, 7APH

//signed//

FROM: Ron Hosking, Regional Inspector General for Audit, 7AGA

SUBJECT: The Wichita, KS, Housing Authority Did Not Always Properly Administer Its
Housing Choice Voucher Program

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG), final results of our review of Wichita, KS, Housing Authority's 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 8L, requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at (913) 551-5872.



September 19, 2012

The Wichita, KS, Housing Authority Did Not Always Properly Administer Its Housing Choice Voucher Program

Highlights

Audit Report 2012-KC-1005

What We Audited and Why

We audited the Wichita, KS, Housing Authority's Housing Choice Voucher program. We selected the Authority for review because it received more than \$12 million in Section 8 funding in both 2011 and 2010. Also, it is one of the largest housing authorities in Kansas and had not been reviewed by HUD OIG. Our audit objective was to determine whether the Authority administered its Housing Choice Voucher program in accordance with applicable regulations.

What We Found

The Authority did not always properly administer its Housing Choice Voucher program. It oversubsidized 30 of the 94 households reviewed and did not verify the use of additional bedrooms for medical or exercise equipment. Also, it did not accurately complete the tenant recertification form for 44 of the 94 households. This condition occurred because the Authority's quality control reviews were inadequate and the Authority did not have a system to track and verify tenants who were approved for an additional bedroom for medical or exercise equipment.

What We Recommend

We recommend that the Director of HUD's Kansas City Office of Public Housing require the Authority to reimburse its Housing Choice Voucher program \$67,269 from administrative fee reserves. Also, HUD should ensure that the Authority develops and implements a more comprehensive quality control program for its tenant files to ensure that it complies with HUD requirements and a process to track and perform annual inspections of households that receive an extra bedroom for medical or exercise equipment.

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BACKGROUND AND OBJECTIVE

The Wichita Housing Authority began operations in 1969, and its mission is to promote adequate and affordable housing, economic opportunity, and a suitable living environment free from discrimination. The Authority is governed by the Wichita Housing Authority Board. The board members include the Wichita City Council and one tenant member. The Housing and Community Services Department manages the Authority's daily operations. Its administrative offices are located at 332 North Riverview, Wichita, KS.

The Housing Choice Voucher (Section 8) program is the Federal Government's major program for enabling very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. Housing choice vouchers are administered locally by public housing authorities, which receive Federal funds from the U.S. Department of Housing and Urban Development (HUD) to administer the program. A family that is issued a housing choice voucher is responsible for finding a suitable housing unit of the family's choice for which the owner agrees to rent the under the program. A housing subsidy is paid directly to the landlord by the Authority on behalf of the participating family. The family then pays the difference between the rent charged by the landlord and amount subsidized by the program.

The Authority received more than \$12 million in Section 8 funding in both 2010 and 2011. In addition, it provided housing choice vouchers to more than 2,370 households.

A housing authority is required to adopt a written administrative plan that establishes local policies for program administration. The plan must conform to HUD regulations and state the Authority's policies in those areas in which the Authority has discretion to establish local policy. The Authority must also establish subsidy standards for determining the number of bedrooms for families of different sizes and compositions.

Housing authorities are ultimately responsible for ensuring that the right people receive the right amount of subsidy, and they must maintain a high degree of accuracy in administering the Housing Choice Voucher program. Nonetheless, errors, omissions, fraud, and abuse will occur, and housing authorities must have preventive measures in place so that any irregularity can be quickly detected and resolved as efficiently, professionally, and fairly as possible. The housing authority must take immediate action to correct family payment and subsidy amount errors. In cases in which the error or omission is the fault of the housing authority, the family and owner are not responsible for the repayment. HUD does, however, expect the housing authority to repay HUD the amount of overpaid subsidy due to its error or omission. The amount owed must be paid out of administrative fee reserves.

The objective of our review was to determine whether the Authority administered its Housing Choice Voucher program in accordance with applicable regulations.

RESULTS OF AUDIT

Finding: The Authority Did Not Always Properly Administer Its Housing Choice Voucher Program

The Authority did not always properly administer its Housing Choice Voucher program. It oversubsidized 30 of the 94 households reviewed and did not verify the use of additional bedrooms approved for medical or exercise equipment. Also, the Authority did not accurately complete the tenant recertification form for 44 of the 94 households. This condition occurred because the Authority's quality control reviews were inadequate and the Authority did not have a system to track and verify tenants who were approved for an additional bedroom for medical or exercise equipment. As a result, more than \$67,000 in excess subsidy payments was not available for other households seeking Section 8 assistance.

Oversubsidization Found in 30 Households

The Authority oversubsidized 30 of the 94 households reviewed. HUD's Housing Choice Voucher Guidebook states that the administrative plan must describe the standards that will be used and when exceptions to the established subsidy standards may be granted. The Authority's administrative plan established guidelines such as that children of the opposite sex, under the age of 5, will share a bedroom and children of the same sex will share a bedroom. The various categories of oversubsidization errors observed are displayed in the table below.

Oversubsidization errors	Number
Children under the age of 5 did not share a bedroom	12
Children of the same sex did not share a bedroom	5
Family composition errors	5
Live-in aide was not identified on the form HUD-50058	3
Single tenant given an extra bedroom without proper justification	3
Children not listed on the form HUD-50058	2
Total	30

Medical and Exercise Equipment Not Verified During Annual Inspection Annual Inspection

The Authority did not verify medical or exercise equipment during the annual housing quality standards inspection for tenants who were approved for an additional bedroom for medical or exercise equipment. Office of Public and Indian Housing Notice PIH 2010-51 requires this annual inspection, and if the bedroom is not being used for the intended purpose, the housing authority must reduce the subsidy standard and corresponding payment standard at the family's next annual recertification.

Reporting Errors Found in 44 Tenant Files

The Authority did not accurately complete form HUD-50058 for 44 of the 94 tenant files. We found reporting errors such as the inaccurate calculation of tenant subsidy, the number of bedrooms on the voucher not matching the payment standard, and incorrectly listing the child's gender.

According to Notices PIH 2011-65 and 2010-25, HUD relies on housing authorities to submit accurate, complete, and timely data to administer, monitor, and report on the management of its rental assistance programs. In addition, Notice PIH 2010-51 states that housing authorities are expected to ensure that data on the form HUD-50058 are correct when entered into the Public and Indian Housing Information Center system.

Inadequate Quality Control Reviews and Tracking System

The Authority's quality control reviews were not adequate, and the Authority did not have a system in place to track and verify tenants who received an additional bedroom for medical or exercise equipment. Specifically, the Authority used a quality control checklist that was not comprehensive. In addition, a staff member performing the quality control reviews stated that they did not compare the payment standard with the actual family composition. Also, the Authority did not have a system to track and verify tenants who received an additional bedroom for medical or exercise equipment. The Authority was unable to identify the total number of households with medical or exercise equipment.

As a result of our review, the Authority revised its administrative plan to strengthen its controls to help prevent households from receiving an extra bedroom without the proper justification. In addition, the Authority developed a

tracking system to help notify its staff to verify a household’s medical and exercise equipment in conjunction with the annual housing quality standards inspection. This tracking system should also help the Authority to track its live-in aides and individuals receiving an extra bedroom for other justifiable reasons.

More Than \$67,000 in Excess Subsidy Payments

As a result of the Authority’s actions, more than \$67,000 in excess subsidy payments was not available for other households seeking Section 8 assistance. The following table identifies the oversubsidization error and its total excess subsidy payment amount.

Oversubsidization errors	Excess subsidy payment
Children under the age of 5 did not share a bedroom	\$20,827
Children of the same sex did not share a bedroom	\$15,341
Family composition errors	\$15,208
Live-in aide was not identified on the form HUD-50058	\$2,297
Single tenant given an extra bedroom without proper justification	\$1,560
Children not listed on the form HUD-50058	\$12,036
Total	\$67,269

Recommendations

We recommend that the Director of the HUD Kansas City Office of Public Housing

- 1A. Require the Authority to reimburse its Housing Choice Voucher program \$67,269 from administrative fee reserves.
- 1B. Ensure that the Authority develops and implements a more comprehensive quality control program for its tenant files to ensure that it complies with HUD requirements.
- 1C. Ensure that the Authority develops and implements a process to track and perform annual inspections of households that receive an extra bedroom for medical or exercise equipment.

SCOPE AND METHODOLOGY

Our audit period was January 1, 2010, through February 29, 2012. We performed our onsite work from March through June 2012 at the Authority's offices located at 332 North Riverview, Wichita, KS.

To accomplish our objectives, we

- Interviewed the Authority's staff and tenants.
- Interviewed HUD's Office of Public Housing staff in Kansas City, KS.
- Reviewed the Authority's policies and procedures, tenant files, financial records, and supporting documentation.
- Reviewed Federal regulations and HUD requirements.

To perform our review, we used tenant data from HUD's Public Housing Information Center system. To determine whether the Authority granted units that were too large (oversubsidized), we analyzed the data for 2,373 households contained in HUD's system. We initially used the data to help identify a sample of possible oversubsidized tenants within the Authority's Section 8 program. By using data analysis techniques, we were able to identify 27 households that had a calculated bedroom size and actual bedroom size smaller than the Section 8 voucher subsidy. From this sample of 27 households, we selected 10 to review. We reviewed the 10 files to determine whether the household was oversubsidized.

We later expanded our testing using data analysis techniques to identify instances in which households in the Authority's Section 8 program had payment standards greater than the number of bedrooms based on family composition. We found 60 households with payment standards greater than the number of rooms that we calculated based on family composition. We reviewed all 60 files to determine whether the household was oversubsidized. Of these 60 households, 1 had been previously identified in our initial testing.

In addition, we completed a series of data analysis technique steps to identify households with a live-in aide. Our work resulted in 25 instances in which the household indicated a live-in aide. We reviewed the 25 files to determine whether they contained the proper medical documentation to show a need for a live-in aide and whether the live-in aide's data were properly documented on the form HUD-50058 (Family Report).

For households that did not have adequate justification for an extra room for one or more recertification periods, we determined the amount of overpaid housing subsidy based on data found on the form HUD-50058 and the Authority's housing assistance payment register. Overall, we found that the housing assistance payment register data were sufficiently reliable for the purposes of this 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 objective.

INTERNAL CONTROLS

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

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

- Controls over the administration of the Housing Choice Voucher program.

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:

- The Authority did not perform adequate quality control reviews.
- The Authority did not have a system to track and verify tenants who received an additional bedroom for medical or exercise equipment.

APPENDIXES

Appendix A

SCHEDULE OF INELIGIBLE COSTS

Recommendation number	Ineligible 1/
1A	\$67,269

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.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

 CITY OF WICHITA
September 6, 2012
Robert J. Hosking, Regional Inspector General for Audit U.S. Department of Housing and Urban Development Office of Inspector General 400 State Avenue, Suite 501 Kansas City, KS 66101
Dear Mr. Hosking:
This will acknowledge receipt of the discussion draft report of the review by your office, of the Wichita, KS Housing Authority. Thank you for the opportunity to review and discuss it with your staff during the August 28, 2012 exit conference.
As noted during the exit conference and in previous discussions with your staff, we acknowledge the problem you identified with over-subsidization of certain families in the Housing Choice Voucher program and with our failure to identify the problem through routine internal quality control audits. I would like for your audit report to reflect, through this written response that we have taken the following actions relative to your finding.
We discovered that the over-subsidization problem emerged as a pattern with one employee who was responsible for 60% of the errors your staff identified. We immediately took action to stop that practice and will ensure that those families are properly housed at the earliest possible time.
We have modified our quality control audit practice to ensure that staff errors are more easily identified and corrected. One step in this process will be the routine rotation of 25% of randomly selected case files on an annual basis so that client files will regularly be reviewed by a different case manager. Another change in the process is to assign a staff member with greater experience with case file management, to conduct official quality control reviews.
Housing and Community Services 332 North Riverview • Wichita, Kansas 67203 T 316.462.3700 F 316.337.9103 www.wichita.gov

Robert Hosking
September 6, 2012
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The audit report also notes that our Housing Authority Housing Choice Voucher program did not have a policy for reviewing the assignment of extra bedrooms to families for medical reasons. When this was brought to our attention we immediately had all such units inspected. The inspections were completed prior to the end of the audit work. We have also designed a notification system which will ensure a regular inspection of such properties.

It is important to our Housing Authority that the preceding thoughts be included in your audit report. We regularly manage a federal budget of over \$20M and do so with the highest levels of professional integrity. While our staff does not set out to make errors in program delivery, when mistakes are made it is our practice to immediately identify the source of the problem and resolve it. I believe that is what has occurred in this instance.

I would also like to state for the record that we appreciate the positive feedback we received from the 'limited testing' performed by your office, of the Housing Authority's compliance with federal procurement requirements and HUD's housing quality standards in the Section 8 program. While this is not included in your final audit report, the Housing Authority wishes to have this information included in our final response since these two areas were listed in the original audit plan notice.

Thank you for the opportunity to respond to the audit report.

Respectfully,



Mary K. Vaughn
Director

Comment 1

OIG Evaluation of Auditee Comments

Comment 1 According to our initial objectives, we performed testing on the Authority's procurement and housing quality standards programs. However, we did not include these conclusions in our report since testing was limited.