



Issue Date July 24, 2007

Audit Report Number 2007-PH-1009

TO: William D. Tamburrino, Director, Baltimore Public Housing Program Hub,
3BPH

FROM:  John P. Buck, Regional Inspector General for Audit, Philadelphia Regional
Office, 3AGA

SUBJECT: The Newport News Redevelopment and Housing Authority, Newport News,
Virginia, Did Not Effectively Operate Its Housing Choice Voucher Program

HIGHLIGHTS

What We Audited and Why

We audited the Newport News Redevelopment and Housing Authority's (Authority) Section 8 Housing Choice Voucher program (program). The audit was part of the activities in our fiscal year 2006 annual audit plan. We selected the Authority based upon our analysis of various risk factors relating to the housing authorities under the jurisdiction of HUD's Baltimore field office. Our objective was to determine whether the Authority managed its program in accordance with U.S. Department of Housing and Urban Development (HUD) requirements.

What We Found

The Authority often did not operate its program in accordance with HUD requirements and regulations. It often failed to ensure that its program housing stock met housing quality standards, did not adequately support housing assistance payments, and incorrectly calculated housing assistance payments. Of

the 66 housing units inspected, 54 did not meet HUD's housing quality standards, and 28 had 98 violations that existed at the time of the Authority's previous inspection. This resulted in \$110,850 in housing assistance payments and administrative fees paid by HUD for units that were not decent, safe, and sanitary. We also estimated that over the next year, HUD will pay more than \$4 million in housing assistance payments on units with material housing quality standards violations. Additionally, 48 of the 74 tenant files reviewed did not contain the documentation required by HUD and the Authority's program administrative plan, resulting in \$262,287 in unsupported housing assistance payments and administrative fees. The Authority also incorrectly calculated housing assistance payments, resulting in \$7,523 in overpayments and \$7,197 in underpayments from January 2004 through March 2006.

What We Recommend

We recommend that the director of HUD's Baltimore Public Housing Program Hub require the Authority to ensure that housing units inspected during the audit are repaired to meet HUD's housing quality standards, implement adequate procedures and controls to ensure that program units meet housing quality standards to prevent an estimated \$4 million from being spent on units with material housing quality standards violations, reimburse its program from nonfederal funds for the improper use of \$110,850 in program funds, and provide documentation or reimburse its program \$262,287 from nonfederal funds for unsupported housing assistance payments and administrative fees. Lastly, we recommend that HUD require the Authority to repay \$7,523 in housing assistance overpayments and reimburse tenants \$7,197 in housing assistance underpayments.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

Auditee's Response

We provided our discussion draft audit report to the Authority's executive director and HUD officials on June 1, 2007. We held an exit conference with the Authority's executive director on June 21, 2007. The Authority provided written comments to our draft report on June 26, 2007. The Authority acknowledged its program could be improved but disagreed with the severity of the findings. We included the Authority's response, without the attachments, as appendix B of this report. We did not include the attachments because of the size of the attachments. The Authority's complete response, including attachments, is available upon request.

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BACKGROUND AND OBJECTIVES

The Newport News Redevelopment and Housing Authority (Authority) was established in 1938 to create affordable housing, viable neighborhoods, and opportunities for self-sufficiency that enhance the quality of life for all citizens of Newport News. A seven-member board of commissioners governs the Authority. The Authority's executive director is Karen R. Wilds. Its main administrative office is located at 227 27th Street in Newport News, Virginia.

The Authority manages 2,151 public housing units and administers approximately 2,200 housing choice vouchers under consolidated annual contributions contracts with the U.S. Department of Housing and Urban Development (HUD). The consolidated annual contributions contract defines the terms and conditions under which the Authority agrees to develop and operate all projects under the agreement. HUD authorized the Authority the following financial assistance from fiscal years 2004 to 2005:

- \$26.7 million to provide housing assistance through tenant-based housing choice vouchers.

Our objective was to determine whether the Authority operated its Section 8 Housing Choice Voucher program (program) in accordance with federal and HUD requirements. Specifically, we wanted to determine whether program units meet the housing quality standards in accordance with HUD requirements, whether the Authority's program files comply with HUD guidelines, and whether the housing assistance payments and rents are correctly calculated.

RESULTS OF AUDIT

Finding 1: The Authority Did Not Adequately Enforce HUD's Housing Quality Standards

Of 66 program units selected for inspection, 54 failed to meet housing quality standards. The deficiencies occurred because the Authority did not exercise proper supervision and oversight of its program unit inspections. Also, the Authority was unable to track its annual program unit inspections. It also lacked adequate procedures and controls to ensure that its program units met HUD's housing quality standards. As a result, it did not use \$110,850 in program funds for units that were decent, safe, and sanitary. Based on our inspections, we estimate that over the next year, HUD will pay more than \$4 million in housing assistance payments for units with material violations of housing quality standards.

Section 8 Tenant-Based Housing Units Were Not in Compliance with HUD's Housing Quality Standards

We statistically selected 66 units from a housing assistance payment check register, which indicated that 1,882 tenants were under lease from August 1 to August 31, 2006. The 66 units were selected to determine whether the Authority ensured that the units in its program met housing quality standards. Audit staff inspected 10 of the 66 units, and our appraiser inspected the remaining 56 units.

Of the 66 units inspected, 54 (81 percent) had 316 housing quality standards violations. Additionally, 28 of the 66 units either had multiple material violations that predated the Authority's last inspection but were not identified by Authority's inspector or had 24-hour health and safety violations that predated the Authority's last inspection. Of the 28 units that materially failed, there were 98 violations that existed before the last inspection report. The following table categorizes the 316 housing quality standards violations in the 54 units.

Category of violations	Number of violations
Electrical	82
Wall	33
Security	28
Range/refrigerator	18
Water heater	18
Exterior surface	17
Floor	17
Flush toilet/fixed wash basin	10
Window	10
Evidence of infestation	9
Lead-based paint	9
Ventilation/plumbing	8
Heating equipment	7
Ceiling	6
Stair, rails, and porches	6
Tub or shower unit	6
Smoke detector	5
Fire exits	5
Roof/gutters	5
Interior air quality	5
Garbage and debris	4
Sink	3
Access to unit	2
Foundation	1
Interior stairs	1
Space for preparation, storage, and serving of food	1
Total	316

We presented the results of the housing quality standards inspections to the Authority's public housing director and to HUD's Richmond, Virginia, director of public housing on January 12, 2007. The Authority has taken the action to notify owners of the violations identified during our inspections.

Electrical Violations Were Found

Eighty-two electrical violations were present in 42 of the Authority's program units inspected. The following items are examples of electrical violations listed in the table: outlets with open grounds, no cover on junction box, ground fault circuit interrupters do not trip, and loose wires.

Client Identification #020467: The disconnect for the air conditioner was missing an internal fixed cover.



Client Identification #014689: The power line and junction box were loose.



Wall Violations Were Found

Thirty-three wall violations were present in 24 of the Authority's program units inspected. The following items are examples of the wall violations listed in the table: loose or broken stairway handrail brackets, loose tiles next to the tub, and wall around bathtub leaks.

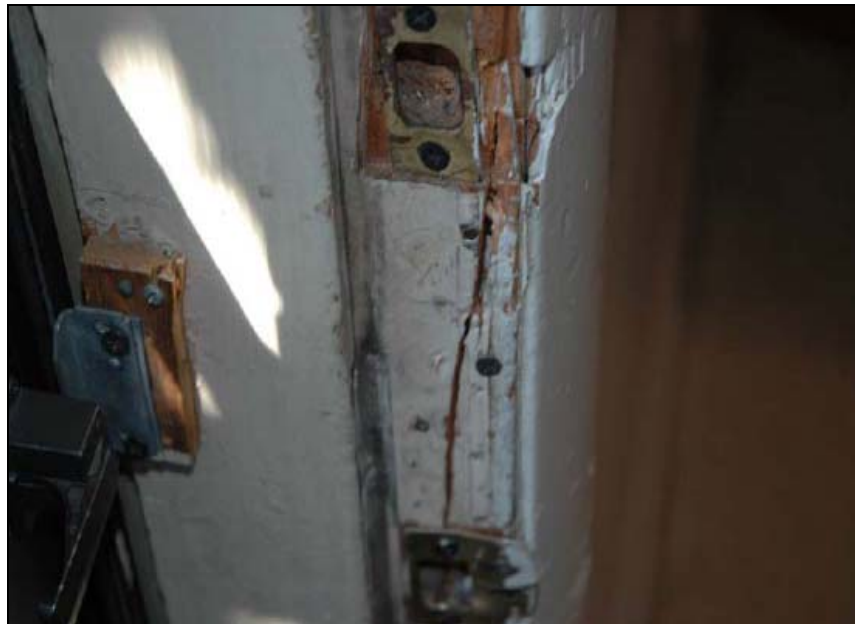
Client Identification #025757: There was tape around the tub water valves to stop a leak.



Security Violations Were Found

Twenty-eight security violations were present in 18 of the Authority's program units inspected. The following items are examples of the security violations: no strike plate on entry door frame and delaminating door in the left rear bedroom, loose doorknob, and closet doors out of track in the left rear bedroom.

Client Identification #030245: The kitchen entry door jam was broken.



The Violations Were Caused by Inadequate Procedures and Controls

The housing quality standards violations existed because the Authority failed to exercise proper supervision and oversight of its program unit inspections. It also lacked adequate procedures and controls to ensure that its program units met HUD's housing quality standards. The current senior assisted housing inspector stated that she could not inspect the units as thoroughly as the Office of Inspector General's (OIG) appraiser because she did not have the time or resources. Authority officials terminated the employment of the former senior assisted housing inspector shortly after we informed them that 8 of 10 units we initially inspected failed to meet minimum housing quality standards. Officials attributed the Authority's failure on the housing quality standards portion of the Section 8 management assessment program certification for two consecutive years to the former senior assisted housing inspector. Additionally, they stated that the former senior assisted housing inspector sometimes passed units with significant discrepancies, methods for assigning inspections were flawed, units were not inspected in a timely manner, and inspections were often incomplete. An Authority official also acknowledged that a lack of close supervision on the part of the former senior assisted housing inspector probably contributed to the high housing quality standards failure rate.

Also, the Authority lacked an adequate system for tracking and documenting its housing quality standards inspections. HUD requirements state that housing quality standards inspections are to be conducted annually. According to Authority officials, their automated system could not produce reports identifying the date of the last inspection, the results of the inspection, and the date of the next inspection. Therefore, HUD has no assurance unit inspections were conducted annually.

Conclusion

The Authority's tenants were subjected to health- and safety-related violations, and the Authority did not properly use its program funds when it failed to ensure that units complied with HUD's housing quality standards. The Authority disbursed \$101,646 in housing assisting payments to landlords for the 28 units that materially failed to meet HUD's housing quality standards and received \$9,204 in program administrative fees.

If the Authority implements adequate procedures and controls over its unit inspections to ensure compliance with HUD's housing quality standards, we estimate that more than \$4 million in future housing assistance payments will be spent for units that are decent, safe, and sanitary. We determined this amount by

multiplying 613 units as our conservative estimate (estimate that would be in material noncompliance with housing quality standards if appropriate actions are not taken by the Authority) times \$6,655 (average annual housing assistance payment of each housing unit).

Recommendations

We recommend that the director of HUD's Baltimore Public Housing Program Hub require the Authority to

- 1A. Certify that the owners of the 54 program units cited in this finding have repaired the units with housing quality standards violations.
- 1B. Reimburse HUD's program \$110,850 from nonfederal funds (\$101,646 for housing assistance payments and \$9,204 in associated administrative fees) for the 28 units that materially failed to meet HUD's housing quality standards.
- 1C. Implement adequate procedures and controls to ensure that all units meet HUD's housing quality standards to prevent \$4,079,515 in program funds from being spent on units that do not comply with the standards.
- 1D. Implement a system to adequately track and document housing quality inspections.

Finding 2: The Authority Lacked Adequate Controls over Housing Assistance Payments

The Authority did not comply with HUD regulations or its program administrative plan regarding housing assistance payments. It often lacked adequate documentation to substantiate the housing assistance payments it made to program landlords, and it incorrectly calculated some housing assistance payments. These problems occurred because the Authority did not have adequate procedures and controls in place to ensure that it properly followed HUD regulations and its own program administrative plan. As a result, it was unable to support \$240,521 in housing assistance payments, and it overpaid \$7,523 and underpaid \$7,197 in housing assistance.

The Authority Lacked Documentation to Support More Than \$240,000 in Housing Assistance Payments

The Authority lacked documentation to support housing assistance payments totaling \$240,521 for the period January 2004 through March 2006. Of the 74 tenant files reviewed 48 (65 percent) had the following missing or incomplete documents:

- Forty did not contain rent reasonableness surveys to support rent increases;
- Eight did not have documentation to support reexaminations;
- Four did not contain signed lead-based paint disclosure forms;
- Five did not contain adequate documentation to support income;
- Two did not contain HUD Form 214, Declaration of United States Citizenship;
- Two did not contain housing assistance payments contracts;
- One did not contain a signed lease.

The 48 files did not include documentation required by HUD regulations and were not consistent with the Authority's program administrative plan. Appendix D of this report details all of the discrepancies identified in the 48 files.

The Authority's noncompliance occurred because Authority officials did not have controls in place to ensure all documents are included in the file, income is verified, and all housing assistance payments are supported. Also, the Authority experienced high staff turnover and lacked management oversight.

The Authority Made Housing Assistance Overpayments of \$7,523 and Underpayments of \$7,197

We reviewed 71 program recipient files from our sample plus files of three employees who received program assistance for a total of 74. Thirty-five files (47 percent) contained at least one of the following incorrect calculations: income, housing assistance payments, total tenant payments, utility allowance payments, and/or utility allowances. The incorrect calculations resulted in \$7,523 in housing assistance overpayments and \$7,197 in housing assistance underpayments. (These amounts may change after the unresponsive costs have been reconciled.) Appendix E of this report details all of the housing assistance payment errors identified.

Review of the Authority's calculations and documentation contained in the tenant files (for example, third-party verification forms and paycheck stubs) showed that the Authority's procedures were not always effective in ensuring that rent and subsidies were calculated correctly. For example, the following errors were made by the program coordinators: underestimating annual income by not using all the information provided by the tenants' employers, not including child support when estimating annual income, and using the biweekly method to calculate income when documentation in the file clearly indicated that the tenant was paid weekly. The errors were missed because the Authority did not have quality control procedures in place to ensure that inaccuracies would be detected.

HUD Handbook 7420.10g, chapter 6, describes the guidelines for calculating rent and subsidies. Chapter 22 of the handbook describes the quality control procedures necessary for ensuring that the calculations are correct. Specifically, chapter 22 requires housing authorities to establish quality control procedures to ensure that staff's daily decision making on tenant eligibility and tenant rent complies with program regulations and is based on accurate information. Additionally, the procedures should include adequate training of staff and monitoring of their performance.

The Authority can reduce the risk of error associated with calculations of rent and subsidies by implementing quality control procedures as required by HUD Handbook 7420.10g, chapter 6. The quality control procedures should include training and periodic reviews of the work done by program occupancy technicians to ensure that income, rent, and subsidies are properly documented.

Recommendations

We recommend that the director of HUD's Baltimore Public Housing Program Hub require the Authority to

- 2A. Implement procedures and controls to ensure that all required documentation is maintained in the Authority's current tenant files to support housing assistance payments and ensure that calculations are correct.
- 2B. Provide supporting documentation or reimburse HUD's program \$262,287 (\$240,521 in housing assistance payments and \$21,766 in administrative fees) for the unsupported housing assistance payments and administrative fees related to the 48 tenants cited in this finding.
- 2C. Reimburse HUD's program from nonfederal funds \$7,523 for the overpayment of housing assistance.
- 2D. Reimburse the appropriate tenants from nonfederal funds \$7,197 for the underpayment of housing assistance.
- 2E. Revise its program's administrative plan to address how tenants will be reimbursed when an underpayment of housing assistance occurs.

SCOPE AND METHODOLOGY

We performed the audit from September 2006 through March 2007 at the Authority located in Newport News, Virginia. The audit was performed in accordance with generally accepted government auditing standards.

The audit covered transactions representative of operations current at the time of the audit and included the period January 2004 through March 2006. We expanded the scope of the audit as necessary. We reviewed applicable regulations and guidance and discussed operations with management and staff personnel at the Authority.

To determine whether the Authority carried out its operations in accordance with applicable HUD requirements, we reviewed

- Applicable laws; regulations; the Authority's program administrative plan, effective January 23, 2004; HUD program requirements at 24 CFR [*Code of Federal Regulations*] Parts 5, 35, 982, and 984; and HUD's Housing Choice Voucher Guidebook 7420.10.
- The Authority's accounting records, annual audited financial statements for 2004 and 2005, general ledgers, checks, tenant files, computerized databases, policies and procedures, board meeting minutes since January 2004, organizational chart, and its program's annual contributions contract.
- HUD's files for the Authority.

During the audit, we assessed the reliability of computer-processed data relevant to our audit by comparing the data to hard-copy information. We found the computer-processed data were sufficiently reliable to meet our audit objectives.

We statistically selected 66 of the Authority's program units to inspect using a statistical sampling method developed by our computer audit specialist from the housing assistance payment check register, which indicated that 1,882 tenants were under lease from August 1 to August 31, 2006. The 66 units were selected to determine whether the Authority ensured that the program units met housing quality standards. The sampling criteria used a 90 percent confidence level, 50 percent estimated error rate, and precision of plus or minus 10 percent.

The sampling results determined that 28 of 66 units (42 percent) materially failed to meet HUD's housing quality standards. Materially failed units were those units in which the identified violation was identified the last time the Authority conducted its inspection. Materiality was determined by using multiple material violations that predated the Authority's last inspection but were not identified by Authority's inspector, had material 24-hour health and safety violations that predated the Authority's last inspection, or were on the last inspection report and the material violation had not been corrected at the time of our inspection.

Based upon the sample size of 66, from a total population of 1,882, an estimate of 42.42 percent (798) of the population materially failed housing quality standards inspections. The sampling error is plus or minus 9.88 percent. There is a 90 percent confidence that the frequency of occurrence of program units materially failing housing quality standards inspections lies between 32.59 and 52.25 percent of the population. This equates to an occurrence of between 613 and 983 units of the 1,882 units in the population. We are using the most conservative numbers which is the lower limit or 613 units.

The Authority's January through December 2006 housing assistance payment registers showed that the average annual housing assistance payment was \$6,655. Using the lower limit of the estimate of the number of units and the average housing assistance payment, we estimated that the Authority will annually spend \$4,079,515 (613 units times \$6,655 average payment) for units that are in material noncompliance with HUD's housing quality standards. This estimate is presented solely to demonstrate the annual amount of program funds that could be put to better use on decent, safe, and sanitary housing if the Authority implements our recommendations. While these benefits would recur indefinitely, we were conservative in our approach and only included the initial year in our estimate.

INTERNAL CONTROLS

Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved:

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

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

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

- Program operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Validity and reliability 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.
- 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 resources – Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.

We assessed the relevant controls identified above.

A significant weakness exists if internal controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

Significant Weaknesses

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

- The Authority lacked sufficient procedures and controls to ensure compliance with HUD regulations and/or the Authority's program administrative plan regarding unit inspections, tenant files, and housing assistance payments (see findings 1 and 2).

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

Recommendation number	Ineligible 1/	Unsupported 2/	Funds to be put to better use 3/
1B	\$110,850		
1C			\$4,079,515
2B		\$262,287	
2C	\$7,523		
2D			\$7,197
Total	\$118,373	\$262,287	\$4,086,712

- 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 polices 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 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 OIG recommendation is implemented. This includes reductions in outlays, deobligation of funds, withdrawal of interest subsidy costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings which are specifically identified. In this instance, if the Authority implements our recommendations, it will cease to incur program costs for units that are not decent, safe, and sanitary and, instead, will expend those funds for units that meet HUD's standards. Once the Authority successfully improves its controls, this will be a recurring benefit. Our estimate reflects only the initial year of this benefit.

Appendix B

AUDITEE COMMENTS AND OIG's EVALUATION

Ref to OIG Evaluation

Auditee Comments



Newport News Redevelopment and Housing Authority

Karen R. Wilds
Executive Director

Board of Commissioners

Cary B. Epes
Chairman
William L. Hawkins, Jr.
Vice Chairman

Lynn G. Grimsley
Alberta Hall
Lorenzo S. Grant
Kenneth Allen
Karen Ivey

June 26, 2007

Mr. James Olson
Assistant Regional Inspector
General for Audit
U. S. Department of Housing and
Urban Development
10 South Howard Street
City Crescent Building, Room 4610
Baltimore, MD 21201

Dear Mr. Olson:

I appreciate the opportunity to respond to the HUD Office of the Inspector General (OIG) draft report regarding the Newport News Redevelopment and Housing Authority's Section 8 Housing Choice Voucher program.

While I acknowledge that our program, as all programs, can be improved, I take exception with the severity with which the results of the findings are presented.

Our position is that the vast majority of housing quality violations did **not** predate the Authority's last annual inspection. I have included an attachment which addresses each of the 28 units with safety or material violations as well as a letter from the Authority's electrical engineer which addresses the matters of electrical violations which primarily center on ground fault outlets (GCFI) and grounded wall receptacles. There are only four of the units that we concur that would have failed at the time of the Authority's last inspection and therefore are subject to reimbursement. (see attachment B and C) Client identification numbers for the two photographs on page 7 of your report do not match HCV clients so it is impossible to comment on those conditions.

As regards the file documentation to support Housing Assistance Payments, in many cases these documents were in the files and were missed by

Comment 1

Comment 2

Comment 3

the reviewers. We advised the OIG reviewer of the existence of the documents in March of 2007. Not all of these were acknowledged by the reviewer in this discussion draft. For the additional files we were advised of in this report we have included additional information in Attachment F. For the situations where they were missing we have been able to provide the documentation necessary to support payments made. (see Attachment F)

Comment 4

We acknowledge that the rent reasonableness surveys were not in the files reviewed however, we are able to provide documentation to support that these increases were, if fact, reasonable based on prevailing market conditions at the time. We will provide historical data to support our position. The attached chart (Attachment D) shows by tenant identifying numbers those cases we have or can reconcile. The amount of unsupported Housing Assistance Payments that we cannot support is \$2,551.

Comment 5

The Housing Assistance Payment overpayments and underpayments identified by the OIG total \$15,126. This represents .0005% of the total \$26.7 million in HAP made to the clients in the period reviewed. While our staff strives to make no errors in these calculations, the HUD OIG staff acknowledged in the exit conference that given the size of our program, this is a low error rate. We, none the less, anticipate that we can demonstrate that the real error rate is about .00014 and anticipate that repayments should total no more than \$3,806. (See attachment E) The Attachment A outlines the steps we have and will continue to take to ensure that our program is operated according to program guidelines.

We look forward to working with the Richmond HUD staff in resolving these matters.

Sincerely,



Karen R. Wilds
Executive Director

Attachments

- A. NNRHA Response to Results of Audit
- B. Units with Material Violations
- C. Letter from DJG Engineers
- D. Results of Tenant File Reviews
- E. Housing Assistance Payments Errors
- F. Response to Results of Section 8 File Review

OIG Evaluation of Auditee Comments

- Comment 1** The audit evidence showed that 54 of the 66 housing units inspected did not meet HUD's housing quality standards, and 28 units had 98 violations that existed at the time of the Authority's previous inspection. The Authority's reply does not contain sufficient evidence to change the conclusions contained in this audit report. Regarding the ground fault circuit interrupter, when our inspector tested the ground fault circuit interrupters with his circuit tester, they did not trip. When a ground fault circuit interrupter does not trip and stays on, it is because it was improperly wired. This would have occurred when the ground fault circuit interrupter was first installed, thus a preexisting condition.
- Comment 2** The Authority accurately states in its reply that client identifications numbers for two photographs were mislabeled and we have corrected this in the final report.
- Comment 3** We reviewed all of the documentation the Authority provided during the audit including the documentation it is now providing. All of this documentation has been appropriately considered in the results and conclusions in this audit report.
- Comment 4** The Authority accurately acknowledged that rent reasonableness surveys were not in its files. These surveys are required by federal regulations to ensure rents paid are reasonable. The related housing assistance payments are therefore classified as unsupported costs in this audit report.
- Comment 5** The extremely low error rates stated in the Authority's reply are erroneous and misleading. The Authority incorrectly compared the dollar value of errors identified in our review of 74 housing choice voucher tenant files with the total funding the Authority received for its approximately 2,200 housing choice vouchers. The audit showed that 35 of 74 housing choice vouchers files reviewed, or 47 percent, contained incorrect calculations. Therefore, the total dollar value of payment errors for its approximately 2,200 housing choice vouchers could be substantially higher. Additionally, the documentation that the Authority provided was not sufficient evidence to clear the tenant calculation errors identified in this report with the exception of one client, client identification number 16989. The final report has been adjusted to reflect this change.

Appendix C

CRITERIA

Finding 1

HUD regulations at 24 CFR [*Code of Federal Regulations*] 982.152(d) states that HUD may reduce or offset any administrative fee to a public housing authority, in the amount determined by HUD, if the authority fails to perform its administrative responsibilities correctly or adequately under the program, such as not enforcing HUD's housing quality standards.

HUD regulations at 24 CFR [*Code of Federal Regulations*] 982.401 require that all program housing meet HUD's housing quality standards performance requirements both at commencement of assisted occupancy and throughout the tenancy.

Finding 2

24 CFR [*Code of Federal Regulations*] 982.153, Public Housing Authority Responsibilities

The Public Housing Authority must comply with the Public Housing Authority administrative plan.

24 CFR [*Code of Federal Regulations*] 982.305, Public Housing Authority Approval of Assisted Tenancy

- (c) When Housing Assistance Payment contract is executed.
 - (2) The Public Housing Authority may not pay any housing assistance payment to the owner until the Housing Assistance Payment contract has been executed.
 - (4) Any Housing Assistance Payment contract executed after the 60 day period is void, and the Public Housing Authority may not pay any housing assistance payment to the owner

24 CFR [*Code of Federal Regulations*] 982.158, Program Accounts and Records

- (e) During the term of each assisted lease, and for at least three years thereafter, the Public Housing Authority must keep:
 - (1) A copy of the executed lease;
 - (2) The Housing Assistance Payment contract; and
 - (3) The application from the family.
- (f) The Public Housing Authority must keep the following records for at least three years:
 - (1) Records that provide income, racial, ethnic, gender, and disability status data on program applicants and participants;
 - (4) Unit inspection reports;
 - (5) Lead-based paint records as required by part 35, subpart B of this title.
 - (7) Records to document the basis for Public Housing Authority determination that rent to owner is a reasonable rent (initially and during the term of a Housing Assistance Payment contract).

24 CFR [Code of Federal Regulations] 982.516, Family Income and Composition: Regular and Interim Examinations

- (A) *Public Housing Authority responsibility for reexamination and verification.*
- (1) The Public Housing Authority must conduct a reexamination of family income and composition at least annually.
 - (2) The Public Housing Authority must obtain and document in the tenant file third party verification of the following factors, or must document in the tenant file why third party verification was not available:
 - (i) Reported family annual income;
 - (ii) The value of assets;
 - (ii) Expenses related to deductions from annual income; and
 - (iv) Other factors that affect the determination of adjusted income.
- (b) *When Public Housing Authority conducts interim reexamination.*
- (1) At any time, the Public Housing Authority may conduct an interim reexamination of family income and composition.
 - (3) Interim examinations must be conducted in accordance with policies in the Public Housing Authority administrative plan.
- (g) *Execution of release and consent.*
- (1) As a condition of admission to or continued assistance under the program, the Public Housing Authority shall require the family head, and such other family members as the Public Housing Authority designates, to execute a HUD-approved release and consent form (including any release and consent as required under 5.230 of this title) authorizing any depository or private source of income, or any Federal, State or local agency, to furnish or release to the Public Housing Authority or HUD such information as the Public Housing Authority or HUD determines to be necessary.

24 CFR [Code of Federal Regulations] 982.507, Rent to Owner: Reasonable Rent

- (a) *Public Housing Authority Determination.*
- (1) The Public Housing Authority may not approve a lease until the Public Housing Authority determines that the initial rent to owner is a reasonable rent.
 - (2) The Public Housing Authority must re-determine the reasonable rent;
 - (i) Before any increase in rent to owner;
 - (ii) If there is a five percent decrease in the published Fair Market Rent (FMR) in effect 60 days before the contract anniversary (for the unit size rented by the family) as compared with the FMR in effect one year before the contract anniversary; or
 - (iii) If directed by HUD.
 - (4) At all times during the assisted tenancy, the rent to owner may not exceed the reasonable rent as most recently determined by the Public Housing Authority.
- (b) *Comparability.* The Public Housing Authority must determine whether the rent to owner is a reasonable rent to owner is a reasonable rent in comparison to rent for other comparable unassisted units. To make this determination, the Public Housing Authority must consider:
- (1) The location, quality, size, unit type, and age of the contract unit; and

(2) Any amenities, housing services, maintenance and utilities to be provided by the owner in accordance with the lease.

24 CFR [Code of Federal Regulations] 982.302, Issuance of Voucher; Requesting Public Housing Authority Approval of Assisted Tenancy

(c) The family must submit to the Public Housing Authority a request for tenancy approval of the tenancy and a copy of the lease, including the HUD-prescribed tenancy addendum. The request must be submitted during the term of the voucher.

24 CFR [Code of Federal Regulations] 5.230, Consent by Assistance Applicants and Participants

(a) *Required consent by assistance applicants and participants.* Each member of the family of an assistance applicant or participant, who is at least 18 years of age, and each family head and spouse regardless of age, shall sign one or more consent forms.

24 CFR [Code of Federal Regulations] 5.508, Submission of Evidence of Citizenship or Eligible Immigration Status

(c) Declaration:

(1) For each family member who contends that he or she is a U.S. citizen or a non-citizen with eligible immigration status, the family must submit to the responsible entity a written declaration, signed under penalty of perjury, by which the family member declares whether he or she is a U.S. citizen or a non-citizen with eligible immigration status.

(i) For each adult, the declaration must be signed by the adult.

(ii) For each child, the declaration must be signed by an adult residing in the assisted dwelling unit who is responsible for the child.

(2) For Housing covered programs: The written declaration may be incorporated as part of the application for housing assistance or may constitute a separate document.

24 CFR [Code of Federal Regulations] 35.92, Certification and Acknowledgment of Disclosure

(b) Lessor requirements. Each contract to lease target housing shall include, as an attachment or within the contract, the following elements, in the language of the contract (e.g., English, Spanish):

(1) A Lead Warning Statement with the following language:

Housing built before 1978 may contain lead based paint. Lead from paint, paint chips, and dust can pose health hazards if not managed properly. Lead exposure is especially harmful to young children and pregnant women. Before renting pre-1978 housing, lessors must disclose the presence of lead-based paint and/or lead-based paint hazards in the dwelling. Lessees must also receive a federally approved pamphlet on lead poisoning prevention.

(2) A statement by the lessor disclosing the presence of known lead based paint and/or lead-based paint hazards in the target housing being leased or indicating no knowledge of the presence of lead-based paint and/or lead-based paint hazards. The lessor shall also disclose

any additional information available concerning the known lead-based paint and/or lead-based paint hazards, such as the basis for the determination that lead-based paint and/or lead-based paint hazards exist in the housing, the location of the lead-based paint and/or lead-based paint hazards, and the condition of the painted surfaces.

(3) A list of any records or reports available to the lessor pertaining to lead-based paint and/or lead-based paint hazards in the housing that have been provided to the lessee. If no such records or reports are available, the lessor shall so indicate.

(4) A statement by the lessee affirming receipt of the information set out in paragraphs (b)(2) and (b)(3) of this section and the lead hazard information pamphlet required under United States Code 15.2696.

(5) When any agent is involved in the transaction to lease target housing on behalf of the lessor, a statement that:

(i) The agent has informed the lessor of the lessor's obligations under 42 United States Code 42.4852d; and

(ii) The agent is aware of his/her duty to ensure compliance with the requirements of this subpart.

(6) The signatures of the lessors, agents, and lessees certifying to the accuracy of their statements to the best of their knowledge, along with the dates of signature acknowledgment information.

(1) The seller, and any agent, shall retain a copy of the completed attachment required under paragraph (a) of this section for no less than 3 years from the completion date of the sale.

The lessor, and any agent, shall retain a copy of the completed attachment or lease contract containing the information required under paragraph (b) of this section for no less than 3 years from the commencement of the leasing period.

24 CFR [Code of Federal Regulations] 5.216, Disclosure and Verification of Social Security and Employer Identification Numbers

(a) Disclosure: assistance applicants. Each assistance applicant must submit the following information to the processing entity when the assistant applicant's eligibility under the program involved is being determined:

(1)(i) The complete and accurate Social Security Number assigned to the assistant applicant and to each member of the assistant applicant's household who is at least six years of age.

24 CFR [Code of Federal Regulations] 5.218, Penalties for Failing to Disclose and Verify Social Security and Employer Identification Numbers

(a) Denial of eligibility: assistance applicants and individual owner applicants. The processing entity must deny the eligibility of an assistance applicant or individual owner applicant in accordance with the provisions governing the program involved, if the assistance or individual owner applicant does not meet the applicable Social Security Number disclosure, documentation and verification, and certification requirements specified in 5.216.

(b) Denial of eligibility: entity applicants. The processing entity must deny the eligibility of an entity applicant in accordance with the provisions governing the program involved; if:

(1) The entity applicant does not meet the applicable Employer Identification Number disclosure and verification requirements specified in 5.216; or

(2) Any of the officials of the entity applicant referred to in 5.216(c) does not meet the applicable Social Security Number disclosure, and documentation and verification requirements specified in 5.216.

(d) Termination of assistance or tenancy: participants. The processing entity must terminate the assistance or tenancy, or both, of a participant, in accordance with the provisions governing the program involved, if the participant does not meet the applicable Social Security Number disclosure, documentation and verification, and certification requirements specified in 5.216.

Consolidated Annual Contributions Contract

Section 10, HUD Regulations

(b). The Housing Authority must comply with its HUD-approved Administrative Plan, Equal Housing Opportunity Plan, and HUD-approved Program Funding Applications.

The Authority's Section 8 Administrative Plan, Chapter 2, Eligibility for Admission, Section D

Families are required to provide verification of Social Security Numbers for all family members age 6 and older prior to admission, if they have been issued a number by the Social Security Administration. This requirement also applies to persons joining the family after admission to the program.

The Authority's Section 8 Administrative Plan, Chapter 7, Verification

HUD authorizes the Authority to use five methods to verify family information and specifies family information and specifies the circumstances in which each method will be used. In general HUD requires the Authority to use the most reliable form of verification that is available and to document the reasons when the Authority uses a lesser form of verification. In order of priority, the forms of verification that may be used are:

- Up-front Income Verification (UIV) whenever available
- Third-party Written Verification
- Third-party Oral Verification
- Review of Documents
- Self-Certification

The Authority's Section 8 Administrative Plan, Chapter 11, Owner Rents, Rent Reasonableness, and Payment Standard, Section C

The Housing Authority will not approve a lease until the NNRHA [the Authority] determines that the initial rent to the owner is a reasonable rent. The Housing Authority must determine the reasonable rent before any increase in the rent to owner, and if there is a five percent decrease in published FMR [fair market rent] in effect 60 days before the contract anniversary (for unit size rented by the family) as compared with the FMR in effect one year before the contract anniversary.

The Authority's Section 8 Administrative Plan, Chapter 7, Verification

It is required that all adult applicants and participants sign HUD form 9886, Authorization for Release of Information. The purpose of HUD form 9886 is to facilitate automated data collection.

Appendix D

RESULTS OF TENANT FILE REVIEWS

Tenant number	Certification Claiming to Be a U.S. Citizen, Form 214	Documentation supporting tenant income	Lease present and signed	Housing assistance payments contract present and signed	Lead-based paint disclosure	Reexamination	Rent reasonableness survey to support rent increase	Housing assistance payments not supported
008516							X	\$ 12,115
008565							X	\$ 2,002
008682							X	\$ 2,710
007174							X	\$ 1,996
013914							X	\$ 2,180
016205							X	\$ 5,480
013237						X	X	\$ 10,774
012066							X	\$ 1,950
021713							X	\$ 0
020252							X	\$ 4,110
012128							X	\$ 4,503
013767							X	\$ 4,896
019439							X	\$ 57
020799							X	\$ 4,550
019213							X	\$ 9,656
021201						X	X	\$ 6,542
025424							X	\$ 7,260
031227							X	\$ 3,432
024480							X	\$ 10,751
030688							X	\$ 3,424
029104							X	\$ 864
022304							X	\$ 3,031
026830							X	\$ 774
030929						X	X	\$ 1,651
028863							X	\$ 2,575
028967							X	\$ 11,082
015254				X			X	\$ 15,864

RESULTS OF TENANT FILE REVIEWS CONTINUED

Tenant number	Certification Claiming to Be a U.S. Citizen, Form 214	Documentation supporting tenant income	Lease present and signed	Housing assistance payments contract present and signed	Lead-based paint disclosure	Reexamination	Rent reasonableness survey to support rent increase	Housing assistance payments not supported
015806				X		X	X	\$ 10,209
017470							X	\$ 5,648
019001						X	X	\$ 9,370
024199						X	X	\$ 12,405
024324							X	\$ 1,572
025299							X	\$ 1,053
027762							X	\$ 996
028028		X	X				X	\$ 11,961
032974							X	\$ 2,450
024862	X				X	X	X	\$ 6,948
009272					X			
009599					X		X	\$ 10,983
011797		X						\$ 1,200
021179					X			
021731						X		\$ 1,671
028245		X						\$ 4,360
031622	X							\$ 10,535
025452		X						\$ 1,267
016152							X	\$ 3,300
022451							X	\$ 5,364
024482		X						\$ 5,000
Totals	2	5	1	2	4	8	40	\$240,521

Note: An “X” identifies the items that are missing from the tenant’s file.

Appendix E

HOUSING ASSISTANCE PAYMENT ERRORS

Client ID	Reexamination date	Authority's HAP* calculation	OIG's HAP calculation	Total under-payment	Total overpayment
009272	9/1/2005	\$282	\$295	\$ 91	
	9/1/2004	\$284	\$293	\$ 108	
	9/1/2003	\$276	\$271		\$ 40
009599	4/1/2004	\$417	\$348		\$ 828
012066	12/1/2005	\$652	\$760	\$ 216	
	7/1/2003	\$435	\$438	\$ 18	
012128	12/1/2005	\$295	\$ 57		\$ 952
	12/1/2004	\$170	\$135		\$ 385
	12/1/2003	\$182	\$129		\$ 106
012939	4/1/2004	\$453	\$404		\$ 392
013237	8/1/2005	\$556	\$544		\$ 84
015254	3/1/2006	\$508	\$519	\$ 11	
015806	11/1/2004	\$415	\$405		\$ 90
	8/1/2004	\$415	\$417	\$ 6	
019213	12/1/2005	\$408	\$545	\$ 137	
019439	6/1/2003	\$ 61	\$ 13		\$ 240
020799	1/23/2004	\$531	\$521		\$ 20
021179	12/1/2004	\$563	\$698	\$1,620	
021201	7/1/2005	\$707	\$695		\$ 24
	8/1/2004	\$542	\$539		\$ 3
021731	9/1/2004	\$341	\$329		\$ 144
022788	8/1/2003	\$517	\$511		\$ 6
023336	9/1/2004	\$456	\$640	\$ 552	
	6/1/2004	\$456	\$640	\$ 552	
024000	10/1/2005	\$449	\$495	\$ 276	
	10/1/2004	\$667	\$650		\$ 204
024199	6/1/2003	\$437	\$441	\$ 20	
025972	10/7/2005	\$436	\$445	\$ 45	
	11/1/2004	\$403	\$418	\$ 180	
	11/1/2003	\$407	\$420	\$ 130	
028028	7/1/2005	\$462	\$480	\$ 162	
028245	7/1/2004	\$225	\$231	\$ 18	

* Housing assistance payment

HOUSING ASSISTANCE PAYMENT ERRORS (CONTINUED)

Client ID	Reexamination date	Authority's HAP calculation	OIG's HAP calculation	Total under-payment	Total overpayment
030688	8/1/2005	\$428	\$443	\$ 120	
	8/6/2004	\$400	\$411	\$ 121	
	11/20/2003	\$471	\$481	\$ 40	
031227	3/1/2005	\$286	\$240		\$ 552
028967	1/1/2006	\$342	\$294		\$ 144
007070	5/1/2005	\$669	\$659		\$ 10
007083	2/1/2005	\$497	\$583	\$1,032	
	2/1/2004	\$442	\$529	\$1,044	
007174	12/1/2004	\$572	\$616	\$ 528	
007964	1/1/2006	\$143	\$145	\$ 6	
008516	12/1/2005	\$555	\$475		\$ 320
	12/1/2004	\$457	\$435		\$ 264
	12/1/2003	\$401	\$383		\$ 198
008565	12/1/2005	\$ 79	\$120	\$ 164	
	12/1/2003	\$191	\$ 76		\$1,380
008682	11/1/2005	\$311	\$296		\$ 75
	4/1/2005	\$243	\$228		\$ 105
019959	12/1/2004	\$694	\$689		\$ 30
029104	5/1/2004	\$693	\$686		\$ 35
023351	12/1/2005	\$545	\$322		\$ 892
Totals				\$7,197	\$7,523