



Issue Date
April 15, 2008

Audit Report Number
2008-PH-1006

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 Richmond Redevelopment and Housing Authority, Richmond, Virginia,
Did Not Effectively Operate Its Housing Choice Voucher Program

HIGHLIGHTS

What We Audited and Why

We audited the Richmond Redevelopment and Housing Authority's (Authority) Section 8 Housing Choice Voucher program (program). 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. This is the first of three audit reports to be issued on the Authority's program. The audit objectives addressed in this report were to determine whether the Authority adequately managed its waiting list, met HUD's lease-up thresholds, and operated its Family Self-Sufficiency program according to HUD requirements.

What We Found

Despite having sufficient funds to house eligible participants, the Authority's Housing Choice Voucher program was significantly underleased. The Authority also awarded 51 vouchers to families without documenting how they were selected. The Authority's failure to meet HUD's lease-up thresholds resulted in approximately 674 families, in fiscal year 2007, not being housed even though the Authority had \$7.6 million in excess program funds. The underutilization occurred because the Authority did not comply with HUD requirements and its

own administrative plan, did not properly utilize a waiting list containing over 8,000 families, and experienced significant turnover at both the staff and management level. The Authority's failure to give housing opportunities as required by federal regulations and its annual contributions contract with HUD, due to its improper utilization of the waiting list, effectively denied families the opportunity to obtain low-income housing.

The Authority failed to operate its Family Self-Sufficiency program according to the *United States Code*, HUD requirements, and its Family Self-Sufficiency action plan. This occurred because the Authority failed to exercise proper supervision and oversight of its Family Self-Sufficiency program and lacked adequate procedures and controls to ensure that federal requirements were appropriately met. As a result, it inappropriately paid \$68,183 to program participants when it could not be determined in the files that the participants had successfully completed their goals, and \$15,826 to participants who did not provide written requests for extension of their contracts.

What We Recommend

We recommend that the Director of HUD's Baltimore Public Housing Program Hub require the Authority to implement adequate controls and procedures to house as many eligible participants as possible, thereby using approximately \$3.4 million more in program funds to house more families. We also recommend that the Authority provide support or reimburse its program \$346,432 from nonfederal funds for the unsupported housing assistance payments, reimburse its Family Self-Sufficiency program \$84,009 from nonfederal funds for its improper use of contract and program funds, and implement adequate procedures and controls to address the findings cited in this audit report.

Auditee's Response

We provided the draft report to the Authority on March 19, 2008, and discussed it with them at an exit conference on April 2, 2008. The Authority provided written comments to our draft report on April 7, 2008. The Authority generally agreed with the findings and recommendations.

The complete text of the Authority's response, along with our evaluation of that response, can be found in appendix B of this report.

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BACKGROUND AND OBJECTIVES

The Richmond Redevelopment and Housing Authority (Authority) was established in 1940 to provide and preserve quality affordable housing and promote self-sufficiency, homeownership, and independence for all housing residents. A seven-member board of commissioners governs the Authority. The Authority's executive director is Anthony Scott. Its main administrative office is located at 901 Chamberlayne Parkway in Richmond, Virginia.

The Authority administers approximately 3,147 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 \$34.1 million in financial assistance from fiscal years 2006 to 2007 to provide housing assistance through its Section 8 Housing Choice Voucher program.

The audit objective addressed in this report was to determine whether the Authority fully used program funds according to federal requirements.

RESULTS OF AUDIT

Finding 1: The Authority Significantly Underleased Its Section 8 Housing Choice Voucher Program

Despite having sufficient funds available to house eligible participants, the Authority's Section 8 Housing Choice Voucher program was significantly underleased. The Authority also awarded 51 vouchers to families without documenting how they were selected. These conditions occurred because the Authority did not comply with HUD requirements and its own administrative plan, did not properly update and use its waiting list of more than 8,000 families, and experienced significant turnover at both the staff and management level. The Authority's failure to meet HUD's lease-up thresholds resulted in approximately 674 families in fiscal year 2007, and 480 families in fiscal year 2006, not being housed. In addition, by not meeting the lease-up requirements and selecting properly from the waiting list, applicants wait excessive amounts of time to obtain housing.

The Section 8 Voucher Lease-up Threshold Was Not Met

24 CFR [*Code of Federal Regulations*] 985.3(n)(3)(ii) requires that public housing authorities lease at least 95 percent of their allocated yearly vouchers to eligible participants. HUD uses this requirement as part of its review and scoring of the Authority's Section 8 program. The audit showed that the Authority's failure to meet HUD's lease-up thresholds resulted in approximately 674 families, in fiscal year 2007, and 480 families in fiscal year 2006, not being housed.

The table below illustrates how the Authority has failed to meet HUD's expected yearly voucher lease-up threshold.

Fiscal year	Total HUD units contracted	Average units leased	Authority's utilization rate	95% of units contracted	Additional units needed to meet 95%	Additional units needed to meet 100%
2007	3,147	2,473	79%	2,990	517	674
2006	3,112	2,632	85%	2,956	324	480

Unused Section 8 Funds Totaled More Than \$7.6 Million

The Authority's Housing Choice Voucher program excess fund account showed that as of January 31, 2008, it had accumulated over \$4.7 million in excess Section 8 Housing Choice Voucher program funds and related interest. The Authority accumulated these funds in an interest-bearing account in accordance with HUD guidance which requires that any budget authority provided to the Authority that exceeds actual program expenses for the same period must be maintained in an undesignated fund balance account in accordance with Generally Accepted Accounting Principles. The Authority stated that the funds in this account were the cumulative excess funds received from HUD that were not used for its Housing Choice Voucher Tenant-Based program as of the end of fiscal year 2006.

At the time of our audit, the Authority had not yet calculated and placed its fiscal year 2007 excess funds in its interest-bearing account as required by HUD guidance. Therefore, we calculated the amount of excess Section 8 Housing Choice Voucher program funds for fiscal year 2007 using the Authority's Voucher Management System data and HUD's Section 8 Management Assessment program information. We determined that the Authority had accumulated another \$2.9 million in excess program funds during fiscal year 2007. Overall, the Authority's Section 8 Housing Choice Voucher excess program funds totaled more than \$7.6 million. Since it would have cost the Authority about \$7.5 million (1,154 unused vouchers in 2006 and 2007 times \$6,459 and \$6,502, respectively, average voucher cost) to provide the required number of vouchers, the Authority had sufficient funds to fund those vouchers.

The Authority Failed to Issue Vouchers from Its Waiting List

The Authority did not comply with HUD regulations and its Housing Choice Voucher program administrative plan when it failed to select program participants from its waiting list. The Authority acknowledged that it did not issue vouchers from its waiting list which contained more than 8,000 families. Further, it had issued only 111 vouchers since May 2003. Of the 111 vouchers issued

- 60 families were ported in from other housing authorities and were absorbed into the Authority's program, and
- 51 families were awarded vouchers without documentation identifying how they were selected.

The Authority's executive director told us the Authority did not issue vouchers from its waiting list because the list was significantly inaccurate and out-of-date. It did not update and purge its waiting list which caused the list to be outdated and therefore of limited value to the Authority. However, according to 24 CFR [*Code of Federal Regulations*] 982.204, a housing authority is required to select participants from its waiting list in accordance with its administrative plan, and its administrative plan should state when applicants are to be removed from the waiting list. The Authority's administrative plan required it to select from the waiting list and to update and purge the list at least every two years to ensure that only interested families were listed.

The Authority's actions resulted in \$346,432 in unsupported housing assistance payments on behalf of 51 families to whom it awarded vouchers without documenting how it selected them. The Authority needs to follow HUD regulations and its own administrative plan to ensure that it properly issues vouchers from its waiting list and that it establishes a clear audit trail showing how it selects program participants to ensure fairness and consistency.

Problems Acknowledged

The Authority acknowledged the problems associated with its administration of the Section 8 Housing Choice Voucher program. In this regard, the Authority submitted a Corrective Action Plan to HUD on December 21, 2007, and had begun working to correct the problems discussed in this finding. The Authority attributed the problems to several issues. The Authority's executive director told us that the Authority did not issue vouchers from its waiting list because the list was significantly inaccurate and out-of-date. The executive director stated that he is now attempting to ensure that the list is updated and purged so that it can be used. Authority officials also attributed much of the problem to the fact that the Authority has experienced significant turnover of personnel from June 2005 through June 2007. The loss of 15 employees included key personnel such as the deputy executive director of affordable housing, assistant director of assisted housing, assisted housing supervisor, and eight assisted housing specialists. The Authority also attributed many of the problems to former managers lacking HUD program knowledge, and poorly trained specialists not knowing what to do with the waiting list or how to use HUD data to monitor the Authority's progress. Thus, the Authority was unable to properly ensure that its Housing Choice Voucher program complied with HUD requirements. Further, the Authority lacked a formal training plan to identify needed training and provide employees with current and adequate training and it lacked a formal landlord outreach program.

Conclusion

The Authority had a low unit utilization rate keeping approximately 674 families, in fiscal year 2007, from not being housed even though the Authority had \$7.6 million in excess program funds. In addition, not selecting applicants properly from the waiting list caused families to wait longer than necessary to receive vouchers. By implementing controls and procedures to fully utilize all vouchers, the Authority will spend approximately \$3.4 million more of its funding on housing families in the next year. Our methodology for this calculation is in the Scope and Methodology section of this report.

Recommendations

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

- 1A. Implement adequate controls and procedures to ensure that housing choice vouchers are fully used to provide housing to the maximum number of eligible participants, thereby putting approximately \$3.4 million in program funds to better use.
- 1B. Provide supporting documentation or reimburse its program \$346,432 for the unsupported housing assistance payments related to the 51 tenants cited in this finding.
- 1C. Ensure its program waiting list is purged, updated and used according to HUD regulations and its administrative plan.
- 1D. Establish a clear audit trail showing how it selects program participants to ensure fairness and consistency.
- 1E. Develop a formal training plan to identify needed training and provide employees with current and adequate training.
- 1F. Develop a landlord outreach program to keep current landlords informed of program changes and to encourage new landlords into the program.

Finding 2: The Authority Failed to Operate Its Family Self-Sufficiency Program in Accordance with Federal Requirements

The Authority failed to ensure that participants completed required forms, sought and maintained suitable employment, and properly requested extending their contracts. It also failed to ensure that participants met interim and final goals before issuing escrow payments. As a result, it inappropriately paid \$68,183 to program participants when it could not be determined in the files that the participants had successfully completed their goals, and \$15,826 to participants who did not provide written requests for extension of their contracts. This condition occurred because the Authority did not exercise proper supervision and oversight of its Family Self-Sufficiency program and lacked adequate procedures and controls to ensure that federal requirements were met. The Authority's failure to maintain sufficient documentation made it difficult to determine whether the Family Self-Sufficiency program met its goal of enabling households to become economically self-sufficient, increased the likelihood of inappropriate households receiving payments, and reduced its ability to monitor and measure the effectiveness of the Family Self-Sufficiency program.

Participation Was Not in Accordance with Requirements

We requested 100 percent of the active files for current participants in the Family Self-Sufficiency program. The Authority was only able to provide 100 of the 103 files requested. Three files could not be located. Of the 100 participant files, 65 files contained one or more of the following discrepancies:

- 45 files did not include a goal of finding and maintaining employment,
- 17 files did not contain a Family Self-Sufficiency notification of escrow funds,
- 5 files had the contracts extended without a written request,
- 2 files did not contain case management assessment summaries, and
- 2 files did not contain initial applications.

The Authority should work with the 45 participants who did not include a goal of finding and maintaining suitable employment to modify those Individual Training and Service Plans.

**The Authority Improperly Paid
\$68,183 in Final Escrow
Payments**

We reviewed 100 percent of the files for participants that had completed the Family Self-Sufficiency program between September 2005 and April 2007. The Authority provided 20 of the 21 files. One file could not be located. Of the 20 participant files, 18 files were missing one or more of the following required documents:

- 14 files did not contain adequate documentation showing that the participants met the goals of the program or include a final goal of finding suitable employment,
- 12 files did not contain annual notification of escrow,
- 5 files did not contain an initial application,
- 3 files did not contain family assessments, and
- 1 file did not contain a contract of participation.

The Authority funds this program through its Housing Choice Voucher program by establishing an interest-bearing escrow account for each participating family. It credits the escrow credit, based on increases in earned income of the family, during the term of the contract. It may make a portion of this escrow account available to the family during the term of the contract to enable the family to complete an interim goal such as education. If the family completes the contract and no member of the family is receiving cash welfare assistance, the amount of the account can be paid to the head of the family. If the Authority terminates the contract or if the family fails to complete the contract before its expiration, the family escrow funds should be forfeited. The objectives of the program include encouraging and supporting families to become self-sufficient and providing ongoing evaluation to address program effectiveness. The Authority improperly paid \$68,183 to 14 program participants without documenting that the participants had successfully completed their goals. A detailed description of the specific criteria governing the program is in appendix C.

**The Authority Improperly Paid
\$15,826 in Interim Escrow
Payments**

Regulations at 24 CFR [*Code of Federal Regulations*] 984.303(d) require the Authority to extend the term of the contract of participation for a period not to exceed two years only when the family requests in writing an extension of the contract, provided that the Authority finds good cause exists for granting the extension. The family's written request for an extension must include a description of the need for the extension. "Good cause" is defined as

circumstances beyond the control of the family, as determined by the Authority, such as a serious illness or involuntary loss of employment. Extension of the contract of participation may entitle the family to continue to have amounts credited to its escrow account. The Authority extended the contracts of five participants without a written request as required. Without the written request for extension, there is no support for the extension and the additional \$15,826 escrowed from the date of the initial completion date.

The Authority Lacked Adequate Procedures and Controls

The Authority failed to exercise proper supervision and oversight of its Family Self-Sufficiency program and lacked adequate procedures and controls to ensure federal requirements were appropriately met. The Authority's deputy executive director of affordable housing and the internal auditor attributed many of the problems with the program to former managers that lacked HUD program knowledge. The completed and active contracts of participation reviewed were awarded under a previous Family Self-Sufficiency coordinator.

Conclusion

The Authority improperly paid \$84,009 in interim and final escrow payments. The Authority's failure to maintain sufficient documentation made it difficult to determine whether the Family Self-Sufficiency program met its goal of enabling households to become economically self-sufficient and increased the likelihood of inappropriate households receiving payments. It also reduced the Authority's ability to monitor and measure the effectiveness of the Family Self-Sufficiency program.

Recommendations

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

- 2A. Reimburse its program \$84,009 from nonfederal funds (\$68,183 for interim and final escrow payments made to tenants whose files did not contain adequate documentation showing that they met goals of the program, and \$15,826 for tenants who did not submit written documentation for extending contracts).
- 2B. Implement procedures and controls over its Family Self-Sufficiency program to ensure that it follows federal requirements.

- 2C. Work with the current Family Self-Sufficiency participants to modify those individual training and service plans that did not include the goal of finding and maintaining suitable employment.

SCOPE AND METHODOLOGY

We performed the audit from June 2007 through January 2008 at the Authority located in Richmond, 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 June 2005 through September 2007. 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 July 1, 2005; HUD program requirements at 24 CFR [*Code of Federal Regulations*] Parts 5, 35, 982, 984, and 985; HUD's Housing Choice Voucher Guidebook 7420.10g and PIH Notice 2005-09.
- The Authority's accounting records, annual audited financial statements for 2005 and 2006, general ledgers, checks, tenant files, computerized databases, policies and procedures, board meeting minutes since September 2005, organizational chart, and program 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.

Using Audit Command Language software from information contained in the Authority's database we determined that the Authority issued 238 vouchers since May 2003. Of the 238 vouchers issued, 111 were issued for the Housing Choice Voucher Tenant-Based Section 8 program. Of the 111 vouchers, 51 vouchers were issued for unsupported reasons, and 59 were absorption of families porting in from other housing authorities.

We determined that the Authority will spend approximately \$3.4 million more of its funding on housing families in the next year. We calculated this by multiplying the average annual voucher payment in 2007 by the projected number of underutilized vouchers in the next year. The annual average housing assistance payment per unit was determined by taking the voucher management system expenses for fiscal year 2007 which were \$16,081,200, and dividing by the average number of housing choice voucher units for fiscal year 2007 of 2,473, giving an average annual voucher payment of \$6,502 for fiscal year 2007. We consider this a conservative number since we expect the cost of issuing vouchers to increase. We used the number of underutilized

vouchers for 2007 and consider this conservative since the problem seemed to be getting worse each year. We expect the number to be greater than the 517 vouchers needed to meet the 95 percent of authorized vouchers since the leased rate decreased between 2006 and 2007 by 5 percent. We calculated 517 vouchers in 2007 by taking the difference between 95 percent of its 3,147 contracted vouchers (2,990) and the 2,473 average number of vouchers leased in 2007. Therefore, we estimate that the Authority will have \$3,361,534 in excess program funds that will be used in the coming year if the Authority implements controls and procedures to increase its utilization rate to 95 percent. This estimate is solely to demonstrate the annual amount of program funds that could be put to better use if the Authority implements our recommendations.

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 management 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 to ensure the maximum number of housing choice vouchers were used, its waiting list was adequately managed, and its Family Self-Sufficiency program was operated in accordance with HUD requirements.

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/
1A			\$3,361,534
1B		\$346,432	
2A	\$84,009		

- 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 Office of Inspector General (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. By implementing adequate controls and procedures to ensure the maximum number of housing choice vouchers are issued, the Authority will provide additional housing to eligible participants thereby, putting approximately \$3.4 million in program funds to better use. When the Authority successfully improves its controls, this will be a recurring benefit. Our estimate reflects only the initial year of these recurring benefits.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

Board of Commissioners
Brian K. Jackson, Chairman

Guenet M.M. Beshah
Elliott M. Harrigan
Cindy A. Mims
Marilyn B. Olds
J. Russell Parker, III
James A. Sties



April 7, 2008

Executive Director
Anthony Scott

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Mr. John P. Buck
Regional Inspector General for Audit
Office of Inspector General for Audit
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Philadelphia, PA 19107-3380

Subject: Office of Inspector General DRAFT Audit Report

Dear Mr. Buck:

This letter responds to the Office of Inspector General DRAFT Audit Report provided on March 19, 2008 on Richmond Redevelopment and Housing Authority's Section 8 Program, Phase I. The following provides a response to this DRAFT Audit Report:

Finding 1: The Authority Significantly Underleased Its Section 8 Housing Choice Voucher Program

Responses to Recommendations:

- 1A. Implement adequate controls and procedures to ensure that housing choice vouchers are fully used to provide housing to the maximum number of eligible participants, thereby putting approximately \$3.4 million in program funds to better use.

The Authority, under the direction of the U.S. Department of Housing and Urban Development Richmond Office, has implemented an approved (February 2008) Corrective Action Plan to ensure the maximum number of eligible participants are being serviced based on the available program funds. As well, the Authority hired a new Deputy Executive Director of Affordable Housing in June 2007 and hired a new HCV Program Manager in April 2007.

- 1B. Provide supporting documentation or reimburse its program \$376,952 for the unsupported housing assistance payments related to the 55 tenants cited in this finding.

Comment 1

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Comment 2

There is the possibility that there were housing assistance payments provided that were unsupported. However, the Authority has provided the OIG with documentation to support a number of the tenants as well as it appears that a portion of the additional data provided to the OIG prior to the issuance of this report was not factored into the total for unsupported housing assistance payments. Therefore the total of 55 tenants cited is likely overstated. The Authority is compiling a detailed analysis of data that was provided to the OIG prior to the issuance of the draft report that was not "factored" into the number provided in the report.

1C. Ensure its programs waiting list is purged, updated and used according to HUD regulations and its administrative plan.

Comment 1

Through the implementation of the approved Corrective Action Plan, the Authority has begun ensuring the waiting list is properly managed. The waiting list was recently purged and updated during the months of December 2007 – March 2008. The Authority is also in the process of updating the Administrative Plan as it relates to the waiting list to ensure full compliance.

1D. Establish a clear audit trail showing how it selects program participants to ensure fairness and consistency.

Comment 1

The Authority was experiencing significant technology problems as it relates to their operating system associated with the waiting list. As a result the Authority temporarily moved the waiting list to an ACCESS data base until the implementation of a new software system. The Authority implemented Visual Homes Software to manage the waiting list in April 2008. This allows for a clear audit trail regarding applicant activity and allows fairness and consistency in the process.

1E. Develop a formal training plan to identify needed training and provide employees with current and adequate training.

Comment 1

In November of 2007 the Housing Choice Voucher and Tenant Selection Office Staff received a 5-day formal on-site training through Nan McKay which included a certification exam. All Housing Choice Voucher Program Specialists are now certified. The Managers of both units monitor the performance of staff to determine if additional training as needed. Additionally, training deficiencies are addressed during regularly scheduled staff meetings.

1F. Develop a landlord outreach program to keep current landlords informed of program changes and to encourage new landlord into the program.

Comment 1

HCV Management is aware of this need and will be implementing a landlord outreach program for the Authority.

Finding 2: The Authority Failed to Operate Its Family Self-Sufficiency Program in Accordance with Federal Regulations

Responses to Recommendations:

- 2A. Reimburse its program \$84,009 from nonfederal funds (\$68,183 for interim and final escrow payments made to tenants whose files did not contain adequate documentation showing that they met goals of the program, and \$15,826 for tenants who did not submit written documentation for extending contracts).**

At this time the Authority cannot agree to the amounts provided in the report until we complete our research of the clients associated with the recommendation. We are currently reviewing each of the client files associated with this recommendation in order to confirm what has been reported.

- 2B. Implement procedures and controls over its Family Self-Sufficiency program to ensure that it follows federal requirements.**

The FSS Coordinator that was employed with the Authority during the audit scope is no longer with the Authority. The current Coordinator has received from current management the appropriate direction in order to ensure that proper procedures and controls are followed as it relates to federal requirements.

- 2C. Work with the current Family Self-Sufficiency participants to modify those individual training and service plans that did not include the goal of finding and maintaining suitable employment.**

Under the direction of the HCV Program Manger, the current FSS Coordinator has met with the current participants in the program to modify their individual training and service plans with the goal of finding and maintaining suitable employment. As well the FSS Coordinator is actively monitoring the process associated with the goals and meeting as required with program participants.

Comment 2

Comment 1

Comment 1

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During the "resolution period" we will continue to work with OIG and HUD to timely resolve all recommendations. We will be providing a detailed response to all recommendations during the "resolution period".

Sincerely



Anthony Scott
Executive Director

Cc: Ms. Isiko Tepketey
Mr. William D. Tamburrino
Mr. Robert Jennings
Ms. Amy Edison
Mr. Jeffrey Green
Mr. John Hill
Ms. LaTanja Davenport

OIG Evaluation of Auditee Comments

- Comment 1** We are encouraged that the Authority has acknowledged the problems associated with its administration of the Section 8 Housing Choice Voucher program and is actively working to correct the problems discussed in this report.
- Comment 2** We have performed a thorough review of the Authority's files related to our audit sample and we have evaluated and factored into our audit conclusions all of the documentation the Authority has provided to date.

Appendix C

CRITERIA

Finding 1

24 CFR [*Code of Federal Regulations*] 982.204(a) states that except for special admissions, participants must be selected from the PHA [public housing agency] waiting list. The PHA must select participants from the waiting list in accordance with admission policies in the PHA administrative plan.

24 CFR [*Code of Federal Regulations*] 982.204(b) states that the PHA must maintain information that permits the PHA to select participants from the waiting list in accordance with the PHA admission policies.

24 CFR [*Code of Federal Regulations*] 982.203(a)(2) states that the PHA may admit a family that is not on the PHA waiting list or without considering the family's waiting list position. The PHA must maintain records showing that the family was admitted with HUD-targeted assistance.

Notice PIH 2005-9 states that PHAs are provided a fixed amount of funds to assist as many families as possible, provided that on December 31, 2005, the number of unit months leased [vouchers issued] for the calendar year does not exceed the cumulative number of unit months available [vouchers authorized for use] for the same period.

Notice PIH 2006-03 states that excess budget authority disbursed to PHAs that is not utilized to pay Housing Assistance Payments (HAP) may only be used to assist additional families up to the number of units [vouchers] under contract. This Notice provides that any unused ACC reserves remaining after December 31, 2005, will be reduced to zero. Additionally, this notice provides that any budget authority provided to PHAs in calendar year 2005 that exceeds actual program expenses for the same period must be maintained in a PHA's undesignated fund balance account in accordance with Generally Accepted Accounting Principles. HUD will closely monitor both overutilization and underutilization of funds and will take appropriate action to assure appropriated funds are being used to serve as many families up to the number of vouchers authorized under the program.

Notice PIH 2007-14 (HA) continues to provide that any budget authority provided to the PHA in calendar year 2007 that exceeds actual program expenses for the same period must be maintained in the PHA's undesignated fund balance account in accordance with Generally Accepted Accounting Principles.

The Authority's Section 8 administrative plan:

Chapter 4, section A, states that the PHA will maintain information that permits proper selection from the waiting list. Additionally, the waiting list will contain the following information for

each applicant listed: applicant name, family unit size, date and time of application, qualification for any local preference, racial or ethnic designation of the head of household.

Chapter 4, section I, states that the PHA's method for selecting applicants from a preference trail leaves a clear audit trail that can be used to verify that each applicant has been selected in accordance with the method specified in the administrative plan. The plan also states that among applicants with equal preference status, the waiting list will be organized by computer random selection.

Chapter 4, section L, states that the waiting list will be purged approximately every two years by a mailing to all applicants to ensure that the waiting list is current and accurate. The mailing will ask for written confirmation of continued interest by returning the attached update form in the provided self-addressed envelope.

Finding 2

United States Code, title 42, chapter 8, subchapter I, subsection 1437u(a) states the purpose of the Family Self-Sufficiency program established under this section is to promote the development of local strategies to coordinate use of public housing and assistance under the certificate and voucher programs under section 1437f of this title with public and private resources to enable eligible households to achieve economic and self-sufficiency.

The *United States Code*, title 42, chapter 8, subchapter I, subsection 1437u(c)(1), provides that each public housing agency carrying out a local program under this section shall enter into a contract with each leaseholder receiving assistance under the voucher program of the public housing agency that elects to participate in the self-sufficiency program under this section. The contract shall establish specific interim and final goals by which compliance with and performance of the contract may be measured and shall specify the resources and supportive services to be made available to the participating household.

24 CFR [*Code of Federal Regulations*] 984.303(a) states that each family that is selected to participate in a Family Self-Sufficiency program must enter into a contract of participation with the PHA that operates the Family Self-Sufficiency program in which the family will participate. The contract of participation shall be signed by the head of the Family Self-Sufficiency family.

24 CFR [*Code of Federal Regulations*] 984.303(b)(4) states the head of the Family Self-Sufficiency program household is required under the contract of participation to seek and maintain suitable employment during the term of the contract.

24 CFR [*Code of Federal Regulations*] 984.303(d) states that the PHA shall, in writing, extend the term of the contract of participation for a period not to exceed two years for any Family Self-Sufficiency program family that requests in writing an extension of the contract, provided that the PHA finds that good cause exists for granting the extension. The family's written request for an extension must include a description of the need for the extension. As used in this paragraph, "good cause" means circumstances beyond the control of the Family Self-Sufficiency program

family, as determined by the PHA, such as a serious illness or involuntary loss of employment. Extension of the contract of participation will entitle the Family Self-Sufficiency program family to continue to have amounts credited to the family's Family Self-Sufficiency program account in accordance with section 984.304.

24 CFR [*Code of Federal Regulations*] 984.303(f) states that the Authority and the Family Self-Sufficiency program family may mutually agree to modify the contract of participation. The contract of participation may be modified in writing with respect to the individual training and services plans, the contract term, and the designation of the head of the family.

24 CFR [*Code of Federal Regulations*] 984.303(g) states the contract of participation is considered to be completed, and a family's participation in the Family Self-Sufficiency program is considered to be concluded, when the Family Self-Sufficiency program family has fulfilled all of its obligations under the contract of participation on or before the expiration of the contract term, including any extension thereof.

The Family Self-Sufficiency program contract of participation states that the head of family must seek and maintain suitable employment after completion of the job training programs listed in the individual training and services plan.

The Family Self-Sufficiency program contract of participation states that the head of the family and those family members, who have decided, with Authority agreement, to execute an individual training and services plan, must

- Complete the activities within the dates listed in each individual training and services plan.
- Provide the Authority and HUD with the information about the family's participation in the program in order to help the Authority and HUD evaluate the program.

The instructions for the Family Self-Sufficiency program contract of participation state that any change/s to the individual training and services plan must be included as a revision to the individual training and services plan (attachment) to which the change applies. The revision must include the item changed, signatures of the participant and an Authority representative, and the date signed.

Under the terms of the Family Self-Sufficiency program contract of participation, the Authority can extend the term of the contract up to two years if the family gives the Authority a written request for an extension and the Authority finds that good cause exists for the extension.