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Audit Report Number	2008-CH-1005
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TO: Steven E. Meiss, Director of Public Housing Hub, 5APH

FROM:  Heath Wolfe, Regional Inspector General for Audit, 5AGA

SUBJECT: The Peoria Housing Authority, Peoria, Illinois, Did Not Effectively Administer Its Section 8 Housing Choice Voucher Program

HIGHLIGHTS

What We Audited and Why

We audited the Peoria Housing Authority's (Authority) Section 8 Housing Choice Voucher program (program). The audit was part of the activities in our fiscal year 2007 annual audit plan. We selected the Authority based upon our analysis of risk factors relating to the housing agencies in Region V's jurisdiction. Our objective was to determine whether the Authority administered its program in accordance with the U.S. Department of Housing and Urban Development's (HUD) requirements. This is the second of two audit reports on the Authority's program.

What We Found

The Authority's program administration regarding housing assistance payment calculations, the Family Self-Sufficiency Program, and zero-income households was inadequate. The Authority overpaid more than \$52,000 and underpaid nearly \$1,000 in housing assistance and utility allowances due to calculation errors. Based on our statistical sample, we estimate that over the next year, the Authority will net overpay more than \$242,000 in housing assistance and utility allowance payments based on calculation errors.

The Authority failed to administer its Family Self-Sufficiency Program according to the *United States Code*, HUD's requirements, and its family self-sufficiency

action plan. As a result, it received more than \$72,000 in Housing Choice Voucher - Family Self-Sufficiency/Homeownership Coordinator (Coordinator) grant funds but did not ensure that its Family Self-Sufficiency Program was managed effectively and efficiently, overfunded and underfunded its participants' escrow accounts by nearly \$18,000, and inappropriately paid more than \$14,000 in final escrow payments.

Further, the Authority failed to comply with its program administrative plan regarding zero-income household reviews. It did not effectively use HUD's Enterprise Income Verification system or other third-party verification methods to determine whether households reporting zero income had unreported income. As a result, it unnecessarily paid housing assistance totaling nearly \$75,000 for households that were required to meet their rental obligations.

We informed the Authority's executive director and the Director of HUD's Chicago Office of Public Housing of minor deficiencies through a memorandum, dated March 31, 2008.

What We Recommend

We recommend that the Director of HUD's Chicago Office of Public Housing require the Authority to reimburse its program from nonfederal funds for the improper use of nearly \$185,000 in program funds, provide documentation or reimburse its Coordinator program more than \$72,000, and implement adequate procedures and controls to address the findings cited in this audit report. These procedures and controls should help ensure that more than \$296,000 in program funds is spent on program administration that meets HUD's requirements over the next year.

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 issued because of the audit.

Auditee's Response

We provided our review results and supporting schedules to the Director of HUD's Chicago Office of Public Housing and the Authority's executive director during the audit. We also provided our discussion draft audit report to the Authority's executive director, its board chairman, and HUD's staff during the audit. We held an exit conference with the Authority's executive director on March 20, 2008.

We asked the Authority's executive director to provide comments on our discussion draft audit report by April 1, 2008. The Authority's executive director provided written comments dated, April 1, 2008. The executive director generally agreed with our findings and recommendations with the exception of the

Authority's use of Coordinator grant funds. The complete text of the written comments, except for four attachments consisting of 17 pages of documentation that were not necessary to understand the Authority's comments, along with our evaluation of that response, can be found in appendix B of this report. A complete copy of the Authority's comments plus the documentation was provided to the Director of HUD's Chicago Office of Public Housing.

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BACKGROUND AND OBJECTIVE

The Peoria Housing Authority (Authority) was established by the State Housing Board of Illinois in August 1936 under the laws of the State of Illinois to provide decent, safe, and sanitary housing. The Authority is governed by a five-member board of commissioners (board) appointed by the mayor to five-year staggered terms. The board's responsibilities include overseeing the Authority's operations, as well as the review and approval of its policies. The board appoints the Authority's executive director. The executive director is responsible for coordinating established policy and carrying out the Authority's day-to-day operations.

The Authority administers a Section 8 Housing Choice Voucher program (program) funded by the U.S. Department of Housing and Urban Development (HUD). It provides assistance to low- and moderate-income individuals seeking decent, safe, and sanitary housing by subsidizing rents with owners of existing private housing. As of February 2, 2008, the Authority had 1,942 units under contract with annual housing assistance payments totaling more than \$7.9 million in program funds. The Authority also received Housing Choice Voucher - Family Self-Sufficiency/Homeownership Coordinator (Coordinator) grant funds to pay the salary and fringe benefits of its Family Self-Sufficiency Program coordinator.

Our objective was to determine whether the Authority administered its program in accordance with HUD's requirements to include determining whether the Authority (1) accurately calculated housing assistance and utility allowance payments, (2) complied with HUD's requirements regarding the administration of its Family Self-Sufficiency Program, and (3) appropriately verified whether reported zero-income households had income. This is the second of two audit reports on the Authority's program. The first audit report (report number 2007-CH-1014, issued on September 24, 2007) included one finding. That finding was not repeated in this audit report.

RESULTS OF AUDIT

Finding 1: Controls over Housing Assistance and Utility Allowance Payments Were Inadequate

The Authority failed to comply with HUD's requirements and its program administrative plan regarding housing assistance and utility allowance payments. It incorrectly calculated housing assistance and utility allowance payments. This noncompliance occurred because the Authority lacked adequate procedures and controls to ensure that HUD's requirements and its program administrative plan were appropriately followed. As a result, the Authority overpaid more than \$52,000 and underpaid nearly \$1,000 in housing assistance and utility allowances. Based upon our statistical sample, we estimate that over the next year, the Authority will net overpay more than \$242,000 in housing assistance.

The Authority Miscalculated Housing Assistance and Utility Allowance Payments

From the 1,140 active program households as of August 27, 2007, we statistically selected 67 households' files by using data mining software. The 67 files were reviewed to determine whether the Authority had documentation for and correctly calculated households' housing assistance and utility allowance payments for the period January 2006 through July 2007. Our review was limited to the information maintained by the Authority in its households' files.

The Authority's miscalculations resulted in overpayments of \$30,454 and underpayments of \$947 in housing assistance and utility allowances. The Authority incorrectly calculated housing assistance and/or utility allowance payments for 32 of the 67 (48 percent) households in one or more of the certifications reviewed. The 32 files contained the following errors:

- 14 had inappropriate utility allowances for one or more certifications;
- 13 had annual income calculation errors for one or more certifications;
- 13 had incorrect payment standards for one or more certifications;
- Six had incorrect dependent allowances for one or more certifications;
- Four did not use the correct minimum rent for one certification; and
- One had incorrect child care costs.

The following are examples of the types of errors found:

- ▶ The Authority used an incorrect voucher size and payment standard for household 62. The household members included the head of household and her son and daughter, both under age six. According to the Authority's

program administration plan, separate bedrooms are allocated to persons of the opposite sex, other than adults who have a spousal relationship and children under age six. Therefore, the household was entitled to a two-bedroom voucher and payment standard. However, the Authority used a three-bedroom voucher and payment standard. As a result, it overpaid \$4,524 in housing assistance and utility allowances.

- ▶ The Authority miscalculated the annual income for household 34 by not including all of the household's earned annual income. The head of household reported child support income, and the Authority received third-party verification of the income. However, it failed to include the \$6,037 in child support income when calculating the housing assistance payment. As a result, it overpaid \$1,650 in housing assistance.

When the Authority discovered households had unreported income through the use of HUD's Enterprise Income Verification system (system) or other similar third-party verification, it did not pursue repayment agreements with the households. According to the program administrative plan, the Authority will make every effort to collect when households owe it money. Of the 67 household files reviewed, eight contained documentation showing that the households had unreported income resulting in \$22,283 of total overpaid housing assistance and utility allowances. The Authority did not attempt to recover the overpayments.

Appendix D of this report details the housing assistance and utility allowance payment errors that resulted from the Authority's incorrect calculations.

The Authority's Procedures and Controls Had Weaknesses

The housing assistance and utility allowance payments were erroneously calculated because the Authority lacked adequate procedures and controls to ensure that it appropriately followed HUD's requirements and its program administrative plan. In addition, it did not consistently use HUD's system or other similar third-party income verification (see finding 3).

Further, the Authority failed to exercise proper supervision and oversight of its certification process. Specifically, it did not follow its administrative plan for the quality control review process. The plan requires audits of 25 percent of annual certifications. However, the Authority was unable to determine the percentage of certifications audited in 2005, less than 4 percent of certifications were audited in 2006, and no certifications were audited in 2007. The Section 8 director said she was unaware of the percentage of annual certifications that needed to be completed as required in the Authority's administrative plan. She also said that the Authority was unable to perform quality control reviews of its certification process in 2007 due to our two audits of the Authority's program.

Conclusion

The Authority improperly used its program funds when it failed to comply with HUD's requirements and its program administrative plan. As previously mentioned the Authority overpaid \$52,737 (\$34,454 plus \$22,283) and underpaid \$947 in housing assistance and utility allowances for a net overpayment of \$51,790. Of the 67 files reviewed, 32 had incorrect housing assistance payment calculations.

In accordance with 24 CFR [*Code of Federal Regulations*] 982.152(d), HUD is permitted to reduce or offset any program administrative fees paid to a public authority if it fails to perform its administrative responsibilities correctly or adequately under the program. The Authority received \$14,603 in program administrative fees related to the inappropriate payments for the 32 program households with incorrect housing assistance payment calculations.

HUD lacks assurance that the Authority used its program funds efficiently and effectively since it overpaid \$52,737 and underpaid \$947 in housing assistance and utility allowances. If the Authority does not correct its certification process, we estimate that it could net overpay more than \$242,000 in excessive housing assistance and utility allowances over the next year. Our methodology for this estimate is explained in the Scope and Methodology section of this audit report. The Authority could put these funds to better use if proper procedures and controls are put in place to ensure the accuracy of housing assistance and utility allowance payments.

Recommendations

We recommend that the Director of HUD's Chicago Office of Public Housing require the Authority to

- 1A. Reimburse its program \$52,737 from nonfederal funds for the overpayment of housing assistance and utility allowances cited in this finding.
- 1B. Reimburse the appropriate households \$947 for the underpayment of housing assistance and utility allowances cited in this finding.
- 1C. Reimburse its program \$14,603 from nonfederal funds for the inappropriate administrative fees related to the 32 households in this finding.
- 1D. Implement adequate procedures and controls to ensure that its housing assistance and utility payment calculations comply with HUD's requirements and its program administrative plan to ensure that an

estimated \$242,202 in net program funds is appropriately used for future payments over the next year.

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

The Authority failed to operate its Family Self-Sufficiency Program according to the *United States Code*, HUD's requirements, and its family self-sufficiency action plan. This noncompliance 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 followed. As a result, participants did not receive the needed support to achieve economic independence and self-sufficiency; and the Authority overfunded participants' escrow accounts by more than \$17,000 and inappropriately paid more than \$14,000 in final escrow payments to participants that did not reach their self-sufficiency goals.

The Authority Improperly Operated Its Family Self-Sufficiency Program

The Authority inappropriately administered its Family Self-Sufficiency Program by failing to ensure that participants' escrow credits were accurate and all required documents were properly maintained and executed for the participating households and failed to maintain an effective program coordinator.

Escrow Account Credits Were Inaccurate

We reviewed the escrow accounts for the 29 Family Self-Sufficiency Program participants that had escrow balances or were active participants as of January 1, 2005, to determine whether the Authority correctly calculated the monthly escrow credits and maintained the escrow accounts in compliance with HUD's requirements. Of the 29 participants reviewed, 23 had incorrect escrow account calculations. The family self-sufficiency escrow accounts were overfunded by \$17,126 for 10 participants and underfunded by \$787 for six participants.

In addition, the Authority inappropriately paid \$14,576 in escrow funds to seven Family Self-Sufficiency Program participants. Of the seven participants, two received \$12,081 in escrow funds although they did not reach their family self-sufficiency goals and five were overpaid \$2,495 because the escrow accounts were overfunded.

The Authority Failed to Ensure That Required Documentation Was Properly Maintained and/or Executed

As previously mentioned, we reviewed the files of 29 Family Self-Sufficiency Program participants who had escrow balances or were active participants as of January 2005. Of the 29 participant files reviewed,

- 19 files contained late escrow account credit worksheets,
- 16 files contained incorrect escrow account credit worksheets,
- 16 files contained incorrect contracts of participation,
- Seven files were missing escrow account credit worksheets, and
- Eight files were missing annual participant update reports.

According to the Family Self-Sufficiency Program Escrow Account Credit Worksheet, HUD Form 52652, escrow credits must be determined at each reexamination and interim determination occurring after the effective date of the Family Self-Sufficiency Program contract of participation while the family is participating in the Family Self-Sufficiency Program. For the 29 files reviewed, 19 files contained one or more HUD forms 52652 that were completed on average 122 days after the effective dates of the certifications, 16 files contained one or more incorrectly calculated HUD forms 52652, and seven files were missing one or more HUD forms 52652. In addition, HUD's Housing Choice Voucher Guidebook 7420.10, chapter 23, section 5, states that the public housing authority must compute escrow credits any time it conducts an annual or interim reexamination of income for a family self-sufficiency participant during the term of the contract of participation.

As previously mentioned, because the documentation was incorrect, late, and missing, the Authority made incorrect deposits to the participants' family self-sufficiency escrow accounts. Therefore, the escrow accounts were overfunded by \$17,126 for 10 participants and underfunded by \$787 for six participants, and \$14,576 in escrow funds was overpaid to seven participants. The Authority's Section 8 director said that the family self-sufficiency files were not properly maintained because the coordinator's position had a high turnover rate.

The Authority Failed To Maintain an Effective Committee and Program Coordinator

The Authority did not maintain an effective program coordinating committee (committee) in accordance with HUD's regulations and its family self-sufficiency action plan. HUD regulations at 24 CFR [*Code of Federal Regulations*] 984.202(a) state that each participating housing authority must establish a

program coordinating committee whose function will be to assist the housing authority in securing commitments of public and private resources for the operation of the Family Self-Sufficiency Program. The action plan states that the coordinating committee would establish and maintain a structured program for family self-sufficiency participants that will assess needs, provide leadership development, encouragement in the achievement of identified goals, and aid in skill building techniques. Although the Authority's action plan states that the committee meets on a monthly basis, it could not provide documentation to support that the committee was active from January 2005 through July 2007.

The Authority also failed to maintain an effective coordinator in accordance with HUD's regulations and its family self-sufficiency action plan. The action plan stated that the Authority hired a full-time family self-sufficiency coordinator who was responsible for identifying participants' skills and needs and provided ongoing monitoring and support to participants in meeting their goals. During our audit scope, there were four different family self-sufficiency coordinators and eight months during which the position was vacant. In addition, the coordinators did not effectively oversee the Family Self-Sufficiency Program by failing to ensure that participants established appropriate and attainable goals, received ongoing monitoring and support to reach their goals, and completed all requirements for successful completion of the Family Self-Sufficiency Program. As a result, HUD and the Authority have no assurance the family self-sufficiency participants are receiving the necessary support to reach their goals of self-sufficiency.

HUD awarded the Authority three grants totaling \$141,794 under its Coordinator program for fiscal years 2004 through 2007. These funds were made available to pay the salary and fringe benefit of a coordinator under the stipulation that the Authority administer the Family Self-Sufficiency Program in accordance with federal regulations and HUD's requirements. The Authority used \$72,235 of the Coordinator funds from January 2005 through July 2007. Given that the Authority and the coordinator failed to maintain an effective program and implement its action plan to establish and maintain a structured program for family self-sufficiency participants, the Authority may not have properly used the \$72,235 in Coordinator funds.

The Authority's Procedures and Controls Need Improvement

The Authority needs to improve its procedures and controls over the administration of its Family Self-Sufficiency Program. It failed to exercise proper supervision and oversight of the Family Self-Sufficiency Program. It also lacked adequate procedures and controls to ensure that federal requirements were appropriately followed.

Since the Authority's finance department maintains the escrow accounts for the family self-sufficiency participants and the family self-sufficiency coordinator calculates the escrow deposits, the two departments should coordinate to ensure the accuracy of the participants' escrow accounts. As a result of the family self-sufficiency coordinator's not updating the finance department on changes in escrow credits and participant termination and graduation dates, the incorrect deposits were applied to the participants' escrow accounts, resulting in overfunded or underfunded balances. In addition, the number of family self-sufficiency participants listed in the Authority's systems and HUD's Public and Indian Housing Information Center did not agree. The systems combined listed 50 family self-sufficiency participants. We reviewed the files for all 50 participants listed in the three systems to determine which households were active family self-sufficiency participants. Of the 50 participants, 21 were either never family self-sufficiency participants, did not have escrow activity, or were terminated or graduated before January 1, 2005.

Conclusion

The Authority improperly used funds from the Family Self-Sufficiency Program when it failed to comply with federal requirements and its own policies. Its failure to maintain sufficient documentation in the participants' files (1) made it difficult to determine whether the Family Self-Sufficiency Program met its goal of enabling households to become economically self-sufficient and (2) increased the likelihood that inappropriate participants received payments. It also reduced the Authority's ability to monitor and measure the effectiveness of the Family Self-Sufficiency Program. As a result of its noncompliance, the Authority inappropriately paid \$14,576 in escrow funds, overfunded participants' escrow amounts by \$17,126, and underfunded participants' escrow accounts by \$787.

Unless the Authority improves its procedures and controls over its Family Self-Sufficiency Program, we estimate that it could inappropriately use \$12,271 in program funds for its family self-sufficiency escrow accounts over the next year. Our methodology for this estimate is explained in the Scope and Methodology section of this audit report. The Authority could put these funds to better use if proper procedures and controls are put in place to ensure the accuracy of participants' escrow funds.

Recommendations

We recommend that the Director of HUD's Chicago Office of Public Housing require the Authority to

- 2A. Reimburse its program \$14,576 from nonfederal funds for the escrow funds overpaid to the seven participants cited in this finding.

- 2B. Reimburse its program \$17,126 from nonfederal funds for the overfunding of 10 participants' escrow accounts cited in this finding.
- 2C. Transfer to the six participants' escrow accounts \$787 in Family Self-Sufficiency Program funds for the underfunding of escrow funds cited in this finding.
- 2D. Establish and maintain a committee in accordance with HUD's regulations and its family self-sufficiency action plan.
- 2E. Provide documentation to support its allocation of time spent correctly administering the Family Self-Sufficiency Program or reimburse its Coordinator funds from nonfederal funds the appropriate portion of the \$72,235 used when the Authority's Family Self-Sufficiency Program was incorrectly administered.
- 2F. Implement adequate procedures and controls over its Family Self-Sufficiency Program to ensure that it follows federal requirements and its HUD-approved action plan to prevent Coordinator grant funds from being spent contrary to federal requirements.
- 2G. Implement adequate procedures and controls over its Family Self-Sufficiency Program to ensure that it follows federal requirements and its HUD-approved action plan within the next 12 months to prevent \$12,271 in program funds from being spent contrary to federal requirements.

Finding 3: The Authority's Zero-Income Households Had Unreported Income

The Authority did not effectively use HUD's system or other third-party verification methods to perform periodic reviews to determine that reported zero-income households had unreported income. Of the 136 households reviewed, 47 had unreported income that affected their housing assistance and utility allowance payments. This condition occurred because the Authority lacked adequate procedures and controls to perform appropriate income verifications. As a result, it unnecessarily paid housing assistance and utility allowances totaling more than \$74,000 for households that were required to meet their rental obligations.

Households Had Unreported Income

We reviewed all 136 of the Authority's household files that reported zero income as of August 2007 to determine whether they had income for the period October 1, 2005, through July 31, 2007. The Authority's program administrative plan states that an interim reexamination will be scheduled for households with zero income every 90 days to review for changes in income. However, the Authority did not perform reexaminations every 90 days for the 136 household files we reviewed.

Of the zero-income household files reviewed, 72 had income not reported to the Authority but income information was available through HUD's system. Of the 72 households with unreported income, 47 had a total of \$74,460 in total overpayments of housing assistance and utility allowances. As of January 2008, the Authority had initiated action to recover \$27,841 in overpaid funds for 16 of the 47 households. Therefore, the Authority provided excessive housing assistance and utility allowance payments for 31 households totaling \$46,619 (\$74,460 minus \$27,841). Our review was limited to the information maintained in the household files and HUD's system.

The following are examples of households with unreported income:

- ▶ Household 103 had income, according to HUD's system, totaling \$24,338. Since the household had unreported income, the Authority overpaid \$4,258 in housing assistance from September 1, 2005, through July 31, 2007. There was no evidence in the household file that the Authority accessed HUD's system from October 2005 through July 2007. However, unreported income was listed on HUD's system in February and May 2006 and March and May 2007. If the Authority had conducted periodic reviews every 90 days as stated in its administrative plan or accessed HUD's system while completing annual certifications, it would have found the unreported income and been able to verify the household's employment status by performing a third-party verification.

- ▶ Household 124 had income, according to HUD's system, totaling \$10,540. Since the household had unreported income, the Authority overpaid \$4,640 in housing assistance from June 1, 2006, through July 31, 2007. The household file contained a third-party employment verification received by the Authority on May 8, 2006, stating that a household member was hired on September 6, 2005. However, the Authority did not attempt to recover the overpaid housing assistance.

As previously mentioned, 72 of the 136 files reviewed had income not reported to the Authority but income information was available through HUD's system. Per HUD's upfront income verification monitoring review performed in September 2005, HUD determined that the Authority had successfully implemented the use of HUD's system. In addition, the Authority's administrative plan states up-front income verification is the first method the Authority uses to verify income information. Therefore, the Authority would have discovered the unreported income if it had accessed HUD's system in accordance with its administrative plan while conducting reviews every 90 days. Its executive director said that the Authority was unable to perform the 90 day reviews due to a staffing shortage.

The Authority Lacked Adequate Procedures and Controls

The overpayment of \$74,460 in housing assistance and utility allowances to households that reported zero income but had income occurred because the Authority lacked adequate procedures and controls for performing appropriate income verification. The Authority needs to make full use of HUD's system or perform other third-party income verification for all households at the time of examinations. Periodic quality control reviews are an important step in ensuring that the Authority's housing assistance and utility allowance payments are accurate. If the Authority had conducted periodic reviews every 90 days as stated in its administrative plan, it would have discovered the income information and been able to verify the household's employment status by performing a third party verification.

In addition, of the 136 household files reviewed, 15 contained documentation showing that the households earned income during the periods in which zero income was reported, but the Authority did not attempt to recover the overpaid housing assistance. It did not ensure that its staff took appropriate steps to determine whether households reporting zero income had unreported income. Periodic quality control reviews are an important step in ensuring that the Authority's housing assistance and utility allowance payments are accurate. If the Authority had conducted periodic reviews every 90 days as stated in its administrative plan, it would have found the income information and been able to verify the households' employment status by performing a third-party verification.

As a result of the Authority's failure to properly verify household income for its zero-income households and recover overpaid housing assistance, it improperly paid \$74,460 in housing assistance and utility allowances for households that were required to meet their rental obligations. In addition, the Authority received \$11,225 in program administrative fees for the periods during which periodic reviews would have revealed unreported income for the 47 households reporting zero income.

Conclusion

HUD lacks assurance that the Authority used its program funds efficiently and effectively since it overpaid \$74,460 in housing assistance. If the Authority does not correct its zero-income review process and controls, we estimate that it could overpay \$40,615 in excessive housing assistance over the next year. Our methodology for this estimate is explained in the Scope and Methodology section of this audit report. The Authority could put these funds to better use if proper procedures and controls are put in place to ensure the accuracy of housing assistance payments.

Recommendations

We recommend that the Director of HUD's Chicago Office of Public Housing require the Authority to

- 3A. Pursue collection from the applicable households or reimburse its program \$46,619 from nonfederal funds for the overpayment of housing assistance and utility allowances cited in this finding.
- 3B. Reimburse its program \$11,225 from nonfederal funds for the inappropriate administrative fees related to the 47 households cited in this finding.
- 3C. Implement adequate procedures and controls to ensure that its households reporting zero income do not have income that would result in overpayments of housing assistance and to ensure that \$40,615 in program funds is appropriately used for future payments over the next year.
- 3D. Ensure that it collects \$27,841 in overpaid housing and utility allowances for the 16 households cited in this finding or reimburse its program the applicable amount from nonfederal funds.

SCOPE AND METHODOLOGY

To accomplish our objective, we reviewed

- Applicable laws, regulations; the Authority's 2000 program administrative plan, *United States Code*, Title 42, chapter 8, subchapter I, subsection 1437u; HUD's program requirements at 24 CFR [*Code of Federal Regulations*] Parts 5 and 982; and HUD's Housing Choice Voucher Guidebook 7420.10.
- The Authority's accounting records; annual audited financial statements for 2003, 2004, 2005, and 2006; bank statements; household files; policies and procedures; board meeting minutes for January 2005 through January 2007; organizational chart; and program annual contributions contract with HUD.
- HUD's files for the Authority.

We also interviewed the Authority's employees and board chairman, HUD staff, and program households.

Finding 1

Using data mining software, we statistically selected 67 of the Authority's program households from the 1,140 households on the Authority's program as of August 27, 2007. The 67 households were selected to determine whether the Authority correctly calculated households' housing assistance payments. Our sampling criteria used a 90 percent confidence level with a 50 percent estimated error rate.

Unless the Authority improves its procedures and controls over its calculation of housing assistance, we estimate that it could net overpay \$242,202 in housing assistance and utility allowances over the next year. We determined this amount by multiplying the error rate of 4.92 percent by the total housing assistance (\$4,922,808) paid for the 1,140 program households over 12 months. The error rate was determined by dividing the amount of net overpaid housing assistance (\$28,465) due to incorrect calculations by the total housing assistance (\$578,033) paid to the households in the sample. This estimate is presented solely to demonstrate the annual amount of program funds that will be correctly paid over the next year if the Authority implements our recommendation. While these benefits would recur indefinitely, we were conservative in our approach and only included the initial year in our estimate.

Finding 2

We reviewed the 29 participants that had escrow balances or were active family self-sufficiency participants as of January 1, 2005, to determine whether the Authority correctly calculated the monthly escrow credits and maintained the escrow account in compliance with HUD's regulations. Unless the Authority improves its procedures for its Family Self-Sufficiency Program, we estimate that it could inappropriately use \$12,271 in program funds for its family self-sufficiency escrow accounts over the next year. We determined this amount by multiplying

the average monthly overfunded amount for the family self-sufficiency escrow accounts (\$17,126 divided by 31 months) and the average monthly overpayment of escrow funds (\$14,576 divided by 31 months) by 12 months.

Finding 3

Using data mining software, we statistically selected 46 of the Authority's program households reporting zero income from the 136 zero-income households on the Authority's program as of August 27, 2007. Based on the review results for the 46 households, we expanded the review to the remaining 90 households.

Unless the Authority improves its procedures and controls over its review of reported zero-income households, we estimate that it could overpay \$40,615 in housing assistance over the next year. We determined this amount by multiplying the average monthly overpayment of housing assistance (\$3,384.55) for households that reported zero income but had unreported income by 12 months.

We performed our on-site audit work between August 2007 and January 2008 at the Authority's offices located at 100 South Richard Pryor Place, Peoria, Illinois. The audit covered the period January 1, 2005, through July 31, 2007, but was expanded as determined necessary.

We performed our audit in accordance with generally accepted government auditing standards.

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,
- Validity and reliability of data,
- Compliance with applicable laws and regulations, and
- Safeguarding resources.

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 Weakness

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

- The Authority lacked adequate procedures and controls to ensure compliance with federal requirements and/or its program administrative plan regarding the calculation of housing assistance payments, the administration of its Family Self-Sufficiency Program, and the review of reported zero-income households (see findings 1, 2, and 3).

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	\$52,737		
1B			\$947
1C	14,603		
1D			\$242,202
2A	14,576		
2B	17,126		
2C			787
2D		<u>\$72,235</u>	
2G			12,271
3A	46,619		
3B	11,225		
3C			<u>\$40,615</u>
3D	<u>27,841</u>		
Totals	<u>\$184,727</u>	<u>\$72,235</u>	<u>\$296,822</u>

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or federal, state, or local policies or regulations.
- 2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of 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. In these instances, if the Authority implements our recommendations, it will cease to incur program costs for the overpayment of housing

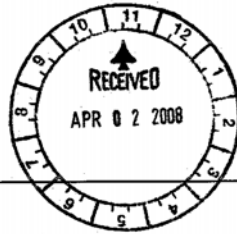
assistance and the inappropriate administration of its Family Self-Sufficiency Program funds and, instead, will expend those funds in accordance with federal requirements. Once the Authority successfully improves its controls, this will be a recurring benefit. Our estimate reflects only the initial year of this benefit.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments



100 S. Richard Pryor Place
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April 1, 2008

Ms. Nikita Irons
Assistant Regional Inspector General for Audit
U.S. Department Housing and Urban Development
Office of Inspector General
477 Michigan Avenue, Room 1780
Detroit, MI 48226-2592

Re: Section 8 Audit Response and Corrective Action Plan

Dear Ms. Irons,

The Peoria Housing Authority is in agreement with the findings from the Office of Inspector General (OIG) for Section 8 Audits for Housing Assistant Payment (HAP) calculations, Family Self-Sufficiency Program and zero income families. Listed below are the corrective action plans, which indicate how each condition has been addressed.

Objective: To implement procedures and controls to ensure that the Section 8 Housing Choice Voucher program is being administered in accordance to the Housing and Urban Development Rules and Regulations and the Peoria Housing Authority Section 8 Administration Plan.

Finding – Controls Over Housing Assistance and Utility Allowance Payments Were Inadequate.

Condition: 67 program household files statistically selected for review, 32 had incorrect housing assistance and/or utility allowance calculations. The 32 files contained the following errors for one or more certifications:

- 14 had inappropriate utility allowances
- 13 had annual income calculation errors
- 13 had incorrect payment standards
- 6 had incorrect dependent allowances
- 4 did not use the correct minimum rent
- 1 had incorrect childcare costs.

Ref to OIG Evaluation

Auditee Comments

Comment 1

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Management Response: Agree with comment.

Audit finding – 13 had incorrect payment standards. The OIG auditors stated that the Housing Authority used the wrong payment standard due to adult siblings of the same sex having separate rooms and allowing children less than 6 years of age that are of opposite sex to have separate rooms.

CFR 982.402 (8) – Subsidy standards.

In determining family unit size for a particular family, the PHA may grant an exception to its established subsidy standards if the PHA determines that the exception is justified by the age, sex, health, handicap, or relationship of family members or other personal circumstances. (For a single person other than a disabled or elderly person or remaining family member, such PHA exception may not override the limitation in paragraph (b) (7) of this section.)

Therefore the Housing Authority respectfully disputes the number of participants with incorrect payment standards.

Recommendation: Reimburse its program \$52,737 from nonfederal funds for the over payment of housing assistance and utility allowances cited in this finding.

Action Plan: The Peoria Housing Authority will request to enter into a repayment agreement in the amount of \$52,737, with a time line and a monthly amount that would be agreeable to both the U. S. Housing and Urban Development and Peoria Housing Authority that would not place a financial hardship upon the Agency.

Recommendation: Reimburse the appropriate households \$947 for the Under payment of housing assistance and utility allowances cited in this finding.

Action Plan: The Housing Authority is in the process of making corrections to participants files for underpayment of housing assistance and utility allowances in the amount of \$947. Participants will be reimbursed for underpayment housing assistance and utility allowances, corrections will be made by April 30, 2008.

Recommendation: Reimburse its program \$14,603 from nonfederal funds for the inappropriate administrative fees related to the 32 households in this finding.

Ref to OIG Evaluation

Auditee Comments

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Action Plan: The Peoria Housing Authority will request to enter into a repayment agreement as a result of overpayment of \$14,603 for the inappropriate administrative fees related to the 32 households in this finding with a time line and a monthly amount that would be agreeable to both the U. S. Housing and Urban Development and Peoria Housing Authority that would not place a financial hardship upon the Agency.

Recommendation: **Implementing adequate procedures and controls to ensure that its housing assistance and utility payment calculations comply with HUD's requirements and its program administrative plan to ensure that an estimated \$242,422 in net program funds is appropriately used for future payments over the next year.**

Action Plan: A Quality Control Specialist was hired on November 29, 2007. This individual has been an employee of the Peoria Housing Authority since August 28, 2000, and has been very successful in previous positions held within the Agency. Prior to becoming an employee of the Peoria Housing Authority, they also performed quality control work. The Quality Control Specialist will perform quality control checks on 25% of annual/ interim recertifications and zero income participants. Quality control checks are currently being performed on 100% of new admissions for the Housing Choice Section 8 Voucher Program. The Quality Control Specialist has implemented a new policy and procedures for zero income clients to ensure that housing assistance and utility reimbursement payment calculations comply with HUD's requirements and our program administrative plan.
(See attachment 1- Quality Control Specialist Job Description and attachment 2 – Zero Income Policy/Procedure)

Finding – 2: **The Authority failed to operate its Family Self-Sufficiency Program in Accordance with Federal Requirements.**

Condition: **Of the 29 family self-sufficiency participant files reviewed, 23 had incorrect escrow account calculations. The accounts were over funded by \$17,126 for 10 participants, under funded by \$787 for six participants, and the Authority inappropriately paid \$14,576 in escrow funds to seven participants. In addition, of the 29 participant files reviewed:**

- 19 contained late escrow account credit worksheets
- 16 contained incorrect escrow account credit worksheets
- 16 contained incorrect contracts of participation
- 7 were missing escrow account credit worksheets

Comment 2

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- 8 were missing annual participant update reports

In addition, the Authority failed to maintain an effective program coordinator committee in accordance with HUD's regulations and its family self-sufficiency action plan. Although the Authority's action plan states that the committee meets on a monthly basis, it could not provide documentation to support that the committee was active from January 2005 through July 2007.

Management Response: Disagree with comment.

The Family Self-Sufficiency Coordinator position had been vacant for approximately 12 months during the auditing Period of January 2005 – July 31, 2007. On July 9, 2007, the position was filled with a current employee that has been with the Housing Authority for approximately 16 years. We are confident that they will bring stability to this position. Escrow accounts and contracts are being monitored on a monthly basis. The Program Coordinator Committee (PCC) has been revamped, and is meeting on a quarterly basis. The Family Self-Sufficiency Action Plan is currently being revised to ensure that the FSS Program is in compliance with HUD's rules and regulations and the Peoria Housing Authority's FSS Action Plan. (See attachment 3 – FSS Meeting Agenda's and attachment 4 – Program Coordinator Committee Members)

Recommendation: We recommend that the Director of HUD's Chicago Office of Public Housing require the Authority to:

- Reimburse its program \$14,576 from nonfederal funds for the escrow funds overpaid to the seven participants cited in this finding.

Action Plan:

The Peoria Housing Authority will request to enter into a repayment agreement in the amount of \$14,576, for overpayment of escrow, with a time line and a monthly amount that would be agreeable to both the U. S. Housing and Urban Development and Peoria Housing Authority that would not place a financial hardship upon the Agency.

Recommendations:

- Reimburse its program \$17,126 from nonfederal funds for the overfunding of 10 participants' escrow accounts cited in this finding.
- Transfer to the six participants' escrow accounts \$787.00 in Family Self-Sufficiency Program funds for the under funding of escrow funds cited in this finding.

Comment 3

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Action Plan:

The Housing Authority has made the necessary adjustments to the participants' escrow accounts in the amount of \$17,126. For participants that are currently active on the Family Self-Sufficiency Program the adjustments have been made to the escrow account and monies have been transferred back into Housing Assistance Payment (HAP) reserves and the participants have been notified of the adjustments. The proper adjustments have been made to the escrow accounts for the 6 families with under funded escrow accounts in the amount of \$787.00.

Therefore the Housing Authority feels there is no need to reimburse its program \$17,126 from nonfederal funds for the over funding of 10 participants' escrow accounts cited in this finding, due to the monies being transferred from the participants' escrow accounts back into its HAP reserves account.

Recommendation:

- **Establish a committee in accordance with HUD's regulations and its family self-sufficiency action plan.**

Action Plan:

The Program Coordinator Committee (PCC) has been revamped, and is meeting on a quarterly basis. The Family Self-Sufficiency Action Plan is currently being revised to ensure that the FSS Program is in compliance with HUD's rules and regulations and the Peoria Housing Authority's FSS Action Plan. (See attachment 3 – FSS Meeting Agenda's and attachment 4 – Program Coordinator Committee Members)

Recommendation:

- **Provide documentation to support its allocation of time spent correctly administering the Family Self-Sufficiency Program or reimburse its Coordinator funds from nonfederal funds the appropriate portion of the \$72,235 used when the Authority's Family Self-Sufficiency Program was incorrectly administered.**

During the auditing time period of January 1, 2005 thru July 31, 2007, the Peoria Housing Authority employed three (3) Families Self-Sufficiency Coordinators. The Administration recognizes there was instability of the Program when the position was vacant during this time period, however the Program was being administered and there was contact with the FSS Participants.

- 2 new participants were added to the program
- 6 participants graduated from FSS Program
- 2 graduated from FSS Program and purchased a home

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Auditee Comments

Comment 4

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- 5 completed schooling and graduated from college
- The Coordinators were meeting with community service providers.
- Families were terminated from the Program for non-compliance

Therefore the Administration respectfully disputes that the Program was ran inefficiently and disagrees with the recommendation to reimburse its Coordinator funds from nonfederal funds the appropriate portion of the \$72,235 used when the Authority's Family Self-Sufficiency Program was incorrectly administered.

Recommendations:

- **Implement adequate procedures and controls over its Family Self-Sufficiency Program to ensure that it follows federal requirements and its HUD-approved action plan to prevent Coordinator grant funds from being spent contrary to federal requirements.**
- **Implement adequate procedures and controls over its Family Self-Sufficiency Program to ensure that it follows federal requirements and its HUD-approved action plan within the next 12 months to prevent \$12,271 in program funds from being spent contrary to federal requirements.**

Action Plan:

The Family Self-Sufficiency Coordinator position had been vacant for approximately 12 months during the auditing Period of January 2005 – July 31, 2007. On July 9, 2007, the position was filled with a current employee that has been with the Housing Authority approximately 16 years. We are confident that they will bring stability to this position. Escrow accounts and contracts are being monitored on a monthly basis. The Program Coordinator Committee (PCC) has been revamped, and is meeting on a quarterly basis. The Family Self-Sufficiency Action Plan is currently being revised to ensure that the FSS Program is in compliance with HUD's rules and regulations and the Peoria Housing Authority's FSS Action Plan. (See attachment 3 – FSS Meeting Agenda's and attachment 4 – Program Coordinator Committee Members)

Finding – 3:

The Authority's Zero Income Households Had Unreported Income.

Condition:

The Authority did not effectively use HUD's Enterprise Income Verification system or other third-party verification methods to determine that reported zero-income households had unreported income. All 136 households

were reviewed reporting zero income as of August 27, 2007, to determine whether the Authority conducted periodic reviews of the zero-income households and whether the households had unreported income according to HUD's system for the certifications effective October 1, 2005, through July 31, 2007. Of the 136 files reviewed, 72 had unreported income, 49 resulted in overpayments of housing assistance.

Management response: Agree

Recommendations: We recommend that the Director of HUD's Chicago Office of Public Housing require the Authority to:

- Pursue collection from the applicable households or reimburse its program \$48,995.00 from nonfederal funds for the overpayment of housing assistance and utility allowances cited in this finding.
- Reimburse its program \$11,267 from nonfederal funds for the inappropriate administrative fees related to the 49 households cited in this finding.
- Implement adequate procedures and controls to ensure that its households reporting zero income do not have income that would result in overpayments of housing assistance and to ensure that \$40,680.00 in program funds is appropriately used for future payments over the next year.
- Insure that it collects \$25,585.00 in overpaid housing and utility allowances for the 15 households cited in this finding or reimburse its program the applicable amount from nonfederal funds.

Action Plan: The Housing Authority is in the process of contacting participants to enter into repayment agreements to reimburse the Housing Authority for Housing Assistance Payments and/or Utility Reimbursement paid on behalf of the participant, due to the participant not properly reporting income.

Participants who exceed the maximum allowable amount to enter into repayment agreements \$3000.00, will be terminated from the Section 8 Housing Choice Voucher Program and referred to legal counsel for wage garnishment.

The Housing Authority is amending its Administrative Plan to reflect policy and procedure on how to use the Enterprise Income Verification system (EIV) and a policy/procedure on

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Auditee Comments

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participants who claim zero income. (See attachment 2 – Zero Income Policy)

The Peoria Housing Authority will request to enter into a repayment agreement as a result of monies being paid in the amount of \$11,267 for the inappropriate administrative fees related to the 49 households in this finding with a time line and a monthly amount that would be agreeable to both the U. S. Housing and Urban Development and Peoria Housing Authority that would not place a financial hardship upon the Agency.

Regarding the minor deficiencies cited, the Housing Authority did not maintain all the required eligibility documentation for its program households and owners. All new admissions are being quality controlled by the Quality Control Specialist to ensure that all necessary documents are in the participant/landlord files and are completed properly.

In closing, the Housing Authority will address all of the Section 8 deficiencies in an effort to improve the efficiency and integrity of the program.

Respectfully submitted,

Ruth Simpkins in absence of Brenda Coates
Brenda Coates
Executive Director

Attachments

OIG's Evaluation of Auditee Comments

Comment 1 We agree with the Authority that HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.402(8) state that in determining family unit size for a particular family, the housing authority may grant an exception to its established subsidy standards if the authority determines that the exception is justified by the age, sex, health, handicap, or relationship of family members or other personal circumstances. (For a single person other than a disabled or elderly person or remaining family member, such housing authority exception may not override the limitation in paragraph (b)(7) of this section.) However, Chapter 5 of the Authority's program administrative plan states the Authority will grant exceptions from the subsidy standards if the family requests and the Authority determines the exceptions are justified by the relationship, age, sex, health, or disability of family members or other individual circumstances.

The Authority did not provide documentation to support that the 13 households requested a larger sized voucher nor its determination that the request was justified. Therefore, no adjustment was made to this audit report.

Comment 2 The Authority did not provide adequate documentation with its written comments to support that it maintained an effective program coordinator committee in accordance with HUD's regulations and its family self-sufficiency action plan from January 2005 through July 2007. The supporting documentation the Authority provided to dispute our finding was three agendas for its program coordinating committee meetings held after July 2007 and a listing of the program committee members. Therefore, no adjustment was made to this audit report.

Comment 3 The Authority did not provide any documentation with its written comments to support that it reimbursed its program \$17,126 from nonfederal funds for the overfunding of 10 participants' escrow accounts. It also did not provide any documentation supporting that it transferred to the six participants' escrow accounts \$787 in Family Self-Sufficiency Program funds for the underfunding of escrow funds. Therefore, no adjustment was made to this audit report.

Comment 4 While the Authority may disagree with the finding, its interest in implementing controls and procedures indicates the Authority's willingness to further address the importance of this issue. The Authority also acknowledges that there was instability of the Family Self-Sufficiency Program when the position was vacant during January 1, 2005, through July 31, 2007. In addition, the Authority did not provide documentation to support its allocation of time was spent correctly administering the Family Self-Sufficiency Program. Therefore, no adjustment was made to this audit report.

Appendix C

FEDERAL REQUIREMENTS AND THE AUTHORITY'S POLICIES

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.54 require the public housing authority to adopt a written administrative plan that establishes local policies for the administration of the program in accordance with HUD requirements. The administrative plan states the public housing authority's policies on matters for which the public housing authority has discretion to establish local policies. The public housing authority must administer the program in accordance with its administrative plan.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.153 state that the public housing authority must comply with the consolidated annual contributions contract, the application, HUD regulations and other requirements, and its program administrative plan.

Finding 1

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 5.240(c) state that the public housing authority must verify the accuracy of the income information received from a household and change the amount of the total tenant payment, tenant rent, or program housing assistance payment or terminate assistance, as appropriate, based on such information.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.516(a)(1) require the public housing authority to conduct a reexamination of family income and composition at least annually. The public housing authority must obtain and document in the household file third-party verification or why third-party verification was not available for the following factors: (1) reported family annual income, (2) the value of assets, (3) expenses related to deductions from annual income, and (4) other factors that affect the determination of adjusted income. At any time, the public housing authority may conduct an interim reexamination of family income and composition.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.308(g)(2) state that if there are any changes in lease requirements governing tenant or owner responsibilities for utilities or appliances tenant-based assistance shall not be continued unless the public housing authority has approved a new tenancy in accordance with program requirements and has executed a new housing assistance payments contract with the owner.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.451 require the public housing authority to determine the amount of the monthly housing assistance payment in accordance with HUD regulations and other requirements.

Chapter 1 of the Authority's program administrative plan states that supervisory staff must audit 25 percent of reexaminations and 35 percent of new applications.

Chapter 5, section A, of the Authority's program administrative plan states that generally, the Authority assigns one bedroom to two people within the following guidelines:

- Persons of different generations, persons of opposite sex (other than spouses), and unrelated adults should be allocated a separate bedroom.
- Separate bedrooms should be allocated for persons of the opposite sex (other than adults who have a spousal relationship and children under age six).

Chapter 5 of the Authority's program administrative plan states that the family may request a larger size certificate or voucher than indicated by the Authority's subsidy standards. Such requests must be made in writing within 10 working days of the Authority's determination of bedroom size. The request must explain the need or justification for a larger bedroom. Documentation verifying the need or justification will be required as appropriate.

Chapter 7 of the Authority's program administrative plan states that verification of full-time student status includes (1) written verification from the registrar's office or other school official and (2) school records indicating enrollment for sufficient number of credits to be considered a full time student by the educational institution.

Chapter 12 of the Authority's program administrative plan states that if the Authority makes a calculation error at admission to the program or at an annual reexamination, an interim reexamination will be conducted, if necessary, to correct the error, but the family will not be charged retroactively. Families will be given decreases, when applicable; retroactive to when the decrease for the change would have been effective if calculated correctly.

Finding 2

United States Code, Title 42, chapter 8, subchapter I, subsection 1437u(a), states that 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 self-sufficiency.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 984.202 state that each participating authority must establish a committee, the functions of which will be to assist the authority in securing commitments of public and private resources for the operation of the Family Self-Sufficiency Program within the authority's jurisdiction, including assistance in developing the action plan and in program implementation.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 984.303(a) state that each family that is selected to participate in the Family Self-Sufficiency Program must enter into a contract of participation with the public housing authority 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.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 984.303(a)(2) state that the individual training and services plan, incorporated in the contract of participation, shall establish specific interim and final goals by which the public housing authority and the family may measure the family's progress toward fulfilling its obligations under the contract of participation and becoming self-sufficient.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 984.303(c) state that the contract of participation shall provide that each family self-sufficiency family will be required to fulfill those obligations to which the participating family has committed itself under the contract of participation no later than five years after the effective date of the contract.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 984.303(d) state that the public housing authority shall, in writing, extend the term of the contract of participation for a period not to exceed two years for any family self-sufficiency family that requests, in writing, an extension of the contract, provided that the public housing authority finds that good cause exists for granting the extension.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 984.305(a)(3) state that each public housing authority will be required to make a report, at least once annually, to each family self-sufficiency family on the status of the family's family self-sufficiency account.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 984.305(b)(3) state that the public housing authority shall not make any additional credits to the family self-sufficiency family's family self-sufficiency account when the family self-sufficiency family has completed the contract of participation or when the contract of participation is terminated or otherwise nullified.

According to the 71 Federal Register 11897, applicants (for the Family Self-Sufficiency Program Coordinator grant funds) must administer the Family Self-Sufficiency Program in accordance with HUD regulations and requirements and must comply with the existing program requirements, notices, and guidebooks.

Finding 3

HUD's Public and Indian Housing Notice 2005-9, section 4(e), states that families can be required to report all increases in income between reexaminations, and the public housing authority may conduct more frequent interim reviews for families reporting no income.

Chapter 12, section C, of the Authority's program administrative plan states that an interim reexamination will be scheduled for households with zero income every 90 days.

Chapter 12, section B, of the Authority's program administrative plan states if tenant rent increases, a 30-day notice is mailed to the family before the anniversary date. If fewer than 30 days are remaining before the anniversary date, the tenant rent increase will be effective on the first of the month following the 30-day notice.

Chapter 12, section E, of the Authority's program administrative plan states that if the family does not report interim changes to the housing authority within 30 days of when the change occurs, the family will have caused an unreasonable delay in the interim reexamination processing, and the following guidelines will apply:

- Increase in tenant rent will be effective retroactive to the date on which it would have been effective had it been reported on a timely basis. The family will be liable for any overpaid housing assistance and may be required to sign a repayment agreement.
- Decrease in tenant rent will be effective on the first of the month following the month during which that the change was reported.

Appendix D

HOUSING ASSISTANCE AND UTILITY ALLOWANCE PAYMENT ERRORS

OIG household identification number	Overpaid housing assistance	Underpaid housing assistance	Improper administrative fees	Error type						
				Utility allowance	Income	Payment standard	Dependent allowance	Minimum rent	Child care costs	Unreported income
1	\$120	\$0	\$120		x					
2	2,046	0	999			x	x			
4	132	(330)	462		x					
5	240	(72)	312	x						
6	14	(45)	59		x					
9	0	(70)	70			x				
13	2,553	0	1,199			x	x			
14	510	0	282			x				
19	14	0	14	x						
21	2,208	0	645	x		x	x			
22	1,755	(10)	1,117	x		x				
23	1,477	0	0							x
25	4	0	4		x					
28	465	0	0							x
29	0	(135)	135	x						
31	4,290	0	1,187			x		x		
32	1,950	0	1,366	x	x					
33	3,707	0	561	x	x			x		x
34	1,650	0	650	x	x					
37	528	0	451			x				
39	8,463	0	12		x		x			x
40	49	0	49						x	
41	108	0	108		x					
42	1,826	0	96	x	x					x
44	168	0	168	x			x			
47	2,967	0	0							x
48	3	0	3	x						
50	279	(285)	564			x	x			
51	60	0	60		x					
54	2,568	0	948	x		x				
55	735	0	0							x
56	3,312	0	0							x
57	136	0	136	x	x					
58	3,069	0	584	x	x	x				
59	300	0	300					x		
62	4,524	0	1,333			x		x		
64	507	0	609			x				
Totals	<u>\$52,737</u>	<u>(\$947)</u>	<u>\$14,603</u>	<u>14</u>	<u>13</u>	<u>13</u>	<u>6</u>	<u>4</u>	<u>1</u>	<u>8</u>

Appendix E

OVERPAID ASSISTANCE FOR ZERO-INCOME HOUSEHOLDS

OIG household identification number	Total unreported income	Overpaid housing assistance	Amount being pursued by Authority
3	\$2,595	\$1,062	\$1,062
12	1,878	940	0
14	3,720	515	163
16	7,691	1,400	1,400
18	12,621	3,802	3,802
19	10,905	1,716	1,716
20	3,520	1,026	1,026
21	8,996	920	920
23	5,637	760	0
29	5,398	1803	109
33	4,851	2,256	2,256
36	13,574	2,262	0
44	6,707	1,485	0
46	3,601	484	484
47	23,292	5,856	0
49	4,295	331	0
52	1,911	528	0
54	5,166	130	130
55	10,949	2,250	0
62	9,426	2,758	2,758
63	87	26	0
67	9,918	2,451	0
77	2,209	84	0
82	17,274	2,908	2,908
83	4,813	436	0
87	12,986	1,794	0
89	2,491	574	0
94	788	326	0
100	5,380	1,026	0
102	8,909	2,349	0
103	24,338	4,258	4,258
106	5,157	1,176	0
107	7,943	1,596	0
109	696	113	0
111	10,047	1,478	1,478
116	2,526	81	0
117	16,914	3,057	3,057
120	17,686	3,323	0
124	10,540	4,640	0
125	3,064	612	0
126	1,166	165	0
127	18,143	3,066	0
128	4,873	314	314
129	9,790	2,088	0
130	529	3	0
131	7,465	1,565	0
133	9,326	2,667	0
Totals		\$74,460	\$27,841