



Issue Date	June 30, 2008
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Audit Report Number	2008-CH-1011
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TO: Thomas S. Marshall, Director of Public Housing Hub, 5DPH

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

SUBJECT: The Portage Metropolitan Housing Authority, Ravenna, Ohio, Needs to Improve Its Section 8 Housing Choice Voucher Program Administration

HIGHLIGHTS

What We Audited and Why

We audited the Portage Metropolitan Housing Authority's (Authority) Section 8 Housing Choice Voucher program (program) under its Moving to Work Demonstration program. The audit was part of the activities in our fiscal year 2008 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 first of two audit reports on the Authority's program.

What We Found

The Authority's program administration regarding housing assistance payment calculations, documentation to support households' eligibility for housing assistance, monitoring of reported zero-income households, and housing quality standards enforcement was deficient. The Authority incorrectly calculated households' payments, resulting in more than \$26,000 in overpayments and nearly \$600 in underpayments for the period January through December 2007. Based on our statistical sample, we estimate that over the next year, the Authority will overpay more than \$593,000 in housing assistance and utility allowances.

The Authority also did not ensure that its households' files contained the required documentation to support its housing assistance and utility allowances. Of the 73 files statistically selected for review, 17 did not contain documentation required by HUD and the Authority's program administrative plan to support more than \$48,000 in housing assistance and utility allowance payments. Further, the Authority's inadequate income verifications and calculations for households reporting zero income resulted in more than \$27,000 in improper housing assistance and utility allowance payments.

The Authority also failed to properly reinspect, abate, and terminate assistance for program units that failed housing quality standards inspections. As a result, it overpaid more than \$12,000 in housing assistance and utility allowances and allowed tenants to reside in units that were not decent, safe, and sanitary.

We informed the Authority's executive director and the Director of HUD's Cleveland Office of Public Housing of minor deficiencies through a memorandum, dated June 19, 2008.

What We Recommend

We recommend that the Director of HUD's Cleveland Office of Public Housing require the Authority to reimburse its program from nonfederal funds for the improper use of more than \$90,000 in funds; provide documentation or reimburse its program more than \$51,000 from nonfederal funds for the unsupported payments cited in this audit report; and implement adequate policies, procedures, and controls to address the findings cited in this audit report to prevent more than \$606,000 in program funds from being spent on excessive housing assistance and utility allowance payments.

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

Auditee's Response

We provided our file review results and supporting schedules to the Director of HUD's Cleveland 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 chairperson, and HUD's staff during the audit. We held an exit conference with the executive director on June 5, 2008.

We asked the executive director to provide comments on our discussion draft audit report by June 19, 2008. The executive director provided written comments, dated June 18, 2008, and he agreed with our recommendations. The complete text

of the written comments, along with our evaluation of that response, can be found in appendix B of this report.

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BACKGROUND AND OBJECTIVE

The Portage Metropolitan Housing Authority (Authority) was created in 1968 pursuant to Section 3735.27 of the Ohio Revised Code to provide safe and sanitary housing to low-income families. In 1977, the Authority began administering federal housing programs, beginning with the Section 8 rental housing assistance program, and expanded its jurisdiction to include all of Portage County. The Authority is a political subdivision of the State of Ohio and is governed by a five-member board of commissioners appointed for five-year terms by local elected officials. The Authority's executive director is appointed by the board of commissioners and is responsible for coordinating established policy and carrying out the Authority's day-to-day operations.

In 1996, Congress authorized the Moving to Work Demonstration (Moving to Work) program as a demonstration program under the U.S. Department of Housing and Urban Development (HUD). The Authority was accepted into the program on March 15, 1999, when HUD's Assistant Secretary for Public and Indian Housing signed the Authority's Moving to Work agreement (agreement). Moving to Work allows certain housing authorities to design and test ways to promote self-sufficiency among assisted families, achieve programmatic efficiency, reduce costs, and increase housing choice for low-income households. Congress exempted the participants from much of the Housing Act of 1937 and associated regulations as outlined in its agreement. The Authority's agreement outlines alternate funding, reporting, occupancy, and rent structure policies for its Section 8 Housing Choice Voucher program (program). The agreement's alternate occupancy and rent structure policies were incorporated into the Authority's program administrative plan.

As of March 2008, the Authority had 1,496 units under contract with annual housing assistance payments totaling more than \$8.3 million in program funds.

Our objective was to determine whether the Authority administered its program in accordance with HUD's requirements, which included determining whether the Authority (1) accurately calculated housing assistance and utility allowance payments, (2) maintained required documentation to support household eligibility, (3) appropriately verified whether reported zero-income households had income, and (4) properly enforced HUD's housing quality standards. This is the first of two audit reports on the Authority's program.

RESULTS OF AUDIT

Finding 1: Controls over Housing Assistance and Utility Allowance Payments Need Improvement

The Authority did not comply with HUD's requirements and its program administrative plan when issuing housing assistance and utility allowance payments. It failed to maintain documentation to support all payments to program landlords and households and consistently compute payments accurately. These deficiencies occurred because the Authority lacked adequate procedures and controls to ensure that its calculations were accurate and that HUD's requirements and its program administrative plan were appropriately followed. As a result, the Authority was unable to support more than \$48,000 in housing assistance and utility allowance payments and overpaid more than \$26,000 and underpaid nearly \$600 in housing assistance and utility allowances. Based upon our statistical sample, we estimate that over the next year, the Authority will overpay more than \$593,000 in net housing assistance and utility allowances.

The Authority Lacked Documentation to Support More Than \$48,000 in Housing Assistance and Utility Allowance Payments

We statistically selected 73 household files from a universe of 1,775 households that received housing assistance payments from January through September 2007 using data mining software. The 73 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 1 through December 2007. Our review was limited to the information maintained by the Authority in its households' files.

The Authority lacked documentation to support housing assistance and utility allowance payments totaling \$48,209 for the period January through December 2007. The documentation was required by HUD's regulations and the Authority's program administrative plan. Of the 73 household files reviewed, 17 files (23 percent) had missing or incomplete documents as follows:

- Six were missing a disclosure of information on lead-based paint,
- Five were missing signed U.S. citizenship certifications,
- Four had incomplete housing assistance payments contracts and/or lease agreements,
- Three were missing a rent reasonableness study,
- Two were missing the households' initial application,
- Two were missing proof of a criminal history check, and
- Two were missing proof of Social Security number.

The Authority obtained new or original documentation for 7 of the 17 household files after we notified it of the missing or incomplete documents during the audit. This resulted in a reduction in recommendation 1A of \$35,599 (\$33,955 in housing assistance and utility allowance payments and \$2,644 in associated administrative fees). For three files, the Authority was unable to obtain the documentation since the households were no longer on the program and could not be located. As a result, the questioned cost cited in recommendation 1A only reflects the missing documentation for the remaining 7 files (17 minus 10).

The Authority Made Incorrect Housing Assistance and Utility Allowance Payments

The Authority's miscalculations and its failure to comply with program requirements resulted in housing assistance and utility allowance overpayments of \$26,912 and underpayments of \$577. Of the 73 files reviewed, 44 (60 percent) contained errors in one or more of the income certifications. The 44 files contained the following errors:

- 25 had calculation errors relating to annual income,
- 18 did not have proper third party verifications of income and/or income deductions and allowances,
- 15 had income certifications that were processed in an untimely manner,
- 12 did not retroactively adjust the housing assistance for households that reported an increase in income in an untimely manner,
- 12 had incorrect utility allowances,
- 10 had inappropriate income deductions and/or allowances, and
- Five had an incorrect payment standard.

The Authority's Procedures and Controls Had Weaknesses

The Authority did not maintain the required program documentation and made incorrect housing assistance and utility allowance payments to program landlords and households because it lacked adequate procedures and controls to ensure that it appropriately followed HUD's regulations and its program administrative plan. The Authority's Section 8 manager admitted that the department had lacked consistent quality control procedures for several years. The Authority also did not have written guidance that incorporated many of its detailed, in-house procedures for its program. The Section 8 manager added that despite the availability of other written guidance, including its administrative plan, many staff members relied on verbal instruction in conducting their daily tasks. As a result of these control weaknesses, many staff members were unaware that they were following improper procedures, and management was unaware of staff errors.

During the audit, the Authority restructured its Section 8 department to add a compliance specialist. The specialist will be responsible for conducting quality control reviews, work with the manager to retrain staff, and develop an in-house procedures manual to address those areas needing clarification and improvement.

Conclusion

As a result of its control weaknesses, the Authority disbursed \$48,209 in housing assistance and utility allowance payments without supporting documentation and overpaid \$26,912 and underpaid \$577 in housing assistance and utility allowances. Unless the Authority implements adequate procedures and controls over its disbursement of payments to ensure compliance with HUD's regulations and its program administrative plan, we estimate that more than \$593,000 in payments will be misspent over the next year. Our methodology for this estimate is explained in the Scope and Methodology section of this audit report.

In accordance with 24 CFR [*Code of Federal Regulations*] 982.152(d), HUD may reduce or offset any administrative fee to public housing authorities in the amount determined by HUD, if the authorities fail to perform their administrative responsibilities correctly or adequately under the program. The Authority received \$1,139 in program administrative fees related to the unsupported payments for the 7 households and \$14,081 in program administrative fees for the 44 households with incorrect housing assistance and utility allowance payments.

Recommendations

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

- 1A. Provide supporting documentation or reimburse its program \$51,490 (\$48,209 in housing assistance and utility allowance payments and \$3,281 in associated administrative fees) from nonfederal funds for the unsupported payments and associated administrative fees cited in this finding, of which \$16,393 (\$14,254 in housing assistance and utility allowance payments and \$1,139 in associated administrative fees) remains to be supported or reimbursed.
- 1B. Reimburse its program \$40,993 (\$26,912 in housing assistance and utility allowance payments and \$14,081 in associated administrative fees) from nonfederal funds for the overpayment of housing assistance and utility allowances cited in this finding.
- 1C. Reimburse the appropriate households \$577 for the underpayment of housing assistance and utility allowances cited in this finding.

- 1D. Implement adequate procedures and controls to ensure that all required file documentation is complete, accurate, and maintained in its household files to support the eligibility of housing assistance and utility allowance payments.

- 1E. Implement adequate procedures and controls to ensure that its staff properly calculates housing assistance and utility allowance payments. By implementing adequate procedures and controls, the Authority should help to ensure that \$593,070 in net program funds is appropriately used for future payments.

Finding 2: The Authority's Zero-Income Households Had Unreported Income

The Authority did not perform periodic reviews to determine whether reported zero-income households had unreported income as required by its program administrative plan. Of the 88 zero-income households reviewed, 14 had earned income that affected their housing assistance and utility allowance payments. This condition occurred because the Authority lacked adequate controls to ensure that it performed periodic reviews. As a result, it unnecessarily paid housing assistance and utility allowances totaling more than \$27,000 for households that were able to meet their rental obligations.

Households Had Unreported Income

We reviewed all 85 households listed as zero income by the Authority from January through September 2007 to determine whether the households had unreported income according to HUD's Enterprise Income Verification system (system). Of the 85 households, HUD's system showed that 27 households had earned income during the time their zero-income certifications were effective. We reviewed the 27 household files further to determine whether the households had unreported income for the period January 2006 through December 2007.

The Authority's program administrative plan states that an interim reexamination will be scheduled for households reporting zero income every 60 days to review for changes in income. However, the Authority did not perform these reexaminations for 25 of 26 households as its plan required. The remaining household did not require a reexamination of income since the household reported new income within the 60-day period.

Nine of the households had unreported income resulting in the Authority providing \$16,886 in excessive housing assistance and utility allowances. Our review was limited to the information maintained in HUD's system and the Authority's household files.

The following are examples of households with unreported income:

- Household 2195-03 had income, according to HUD's system, totaling \$30,328 from January 2006 through December 2007. Since the household had unreported income, the Authority overpaid a total of \$6,936 in housing assistance and utility allowances from January 2006 through December 2007. There was no evidence in the household file that the Authority conducted a reexamination every 60 days as stated in its administrative plan.
- Household 0104-03 had income, according to HUD's system, totaling \$9,458 from October 2006 through September 2007. Since the household had

unreported income, the Authority overpaid a total of \$2,971 in housing assistance and utility allowances from December 2006 to December 2007. There was no evidence in the household file that the Authority conducted a reexamination every 60 days as stated in its administrative plan.

In addition to conducting reexaminations every 60 days, the Authority developed a checklist on which households report at each income review how the family pays for its daily living expenses. The form was intended to uncover sources of income that the household might not be reporting to the Authority. Where applicable, this checklist was only consistently present in one file. The Section 8 manager said that she was aware that staff was not conducting the reexaminations because of the additional time required to review household income every 60 days. By conducting the reviews and verifying income as required by its program administrative plan, the Authority could have significantly increased its chances of detecting unreported income.

The Authority also could have reduced the amount of excess housing assistance and utility allowance payments resulting from households' unreported income if it had more aggressively pursued access to HUD's system. Due to data transfer limitations between the Authority's software and HUD data systems, the Authority lacked the ability to obtain data from HUD's income verification system until early 2007. However, the Authority did not seriously pursue access to the system until November 2007 and successfully obtained access in April 2008—almost one year later. Although the Authority could thoroughly verify household income, the delay in obtaining access to the income verification system allowed several households to receive months of excessive housing assistance and utility allowance.

The Authority Did Not Process Income Changes Correctly

For 7 of the 27 households reviewed, the Authority failed to properly verify and/or adjust annual income and the housing assistance and utility allowance payments after the household that reported a change. According to HUD's regulations at 24 CFR [*Code of Federal Regulations*] 5.240(c), public housing authorities must verify the accuracy of the income information received from program households 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. As a result of the improper verifications and adjustments to income, the Authority overpaid \$10,172 in housing assistance and utility allowances. The seven household files contained the following errors:

- Five did not retroactively adjust the housing assistance for households that reported an increase in income in an untimely manner,
- Three did not have proper third-party verifications of income, and
- Two had an incorrect payment standard.

Errors of these types are noted in finding 1 in this report.

Conclusion

As a result of the Authority's failure to properly verify household income for its zero-income households and identify unreported income, it improperly paid more than \$27,000 (\$16,886 plus \$10,172) in housing assistance and utility allowances for households that were able to meet their rental obligations. If the Authority does not implement adequate controls over its zero-income households, we estimate that it could pay more than \$13,000 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.

In accordance with 24 CFR [*Code of Federal Regulations*] 982.152(d), HUD may reduce or offset any administrative fee to public housing authorities, in the amount determined by HUD, if the authorities fail to perform their administrative responsibilities correctly or adequately under the program. The Authority received \$6,514 in program administrative fees related to the 16 (9 plus 7) households with missing income reviews and improper processing of reported household income.

Recommendations

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

- 2A. Pursue collection from the applicable households or reimburse its program \$16,886 from nonfederal funds for the overpayment of housing assistance and utility allowances cited in this finding.
- 2B. Reimburse its program \$10,172 from nonfederal funds for the overpayment of housing assistance and utility allowances due to not including household reported income.
- 2C. Reimburse its program \$6,514 from nonfederal funds for the administrative fees related to the 16 households with missing income reviews and improper processing of reported household income.
- 2D. Implement adequate controls to ensure that it follows its administrative plan for monitoring zero-income households to minimize the chance that it will overpay housing assistance and utility allowances. These controls should help to ensure that an estimated \$13,529 in housing assistance and utility allowances is not overpaid during the next year.

Finding 3: The Authority Failed to Enforce Housing Quality Standards for Reinspections, Abatements, and Terminations

The Authority did not comply with HUD's requirements and its program administrative plan when enforcing housing quality standards. It failed to properly reinspect, abate, and terminate housing assistance for program units that failed housing quality standards inspections. This condition occurred because the Authority lacked adequate policies, procedures, and controls to ensure that HUD's regulations and its program administrative plan were appropriately followed. As a result, it overpaid more than \$12,000 in housing assistance and utility allowances from January through December 2007, and households resided in units that were not decent, safe, and sanitary.

The Authority Failed to Abate Program Assistance for Units Failing Reinspections

From the Authority's database listing all program units that had housing quality standards inspections conducted from January through December 2007, we reviewed all inspections to determine whether the Authority properly enforced housing quality standards for performing reinspections, abatements, and terminations. We separated our review into two timeframes to account for the Authority's new computer software implemented in October 2007, which changed the procedure for processing abatements.

The Authority improperly processed abatements and terminations for 45 of the 61 units (74 percent) that failed reinspections between January and September 2007. The most common error was staff failing to begin abatements at the proper time allowing most units to pass a second reinspection before the scheduled abatement began. The Authority also did not abate housing assistance when units with emergency violations failed a reinspection.

The Authority implemented new computer program software in October 2007 that changed the procedure for processing abatements. However, it continued to improperly process abatements and terminations in 14 of the 19 units (74 percent) that failed reinspections between October and December 2007. It also did not always notify households and owners of an abatement or termination. In addition, the abatements or terminations processed by the Authority did not match the notification letters sent in 12 of the 42 cases reviewed (29 percent) from January to September 2007 and in 8 of 15 cases reviewed (53 percent) from October to December 2007.

The Authority Did Not Always Reinspect Units in a Timely Manner

The Authority did not always perform timely reinspections for units failing a housing quality standards inspection. It contracted with Housing Authority Services (contractor) to perform housing quality standards inspections. Although the contractor generally performed timely reinspections of units failing for nonemergency violations, the contractor did not follow the Authority's administrative plan or its contract when reinspecting units with emergency violations. For 8 of the 24 units cited as having emergency violations, the contractor took an average of three days to reinspect the units. According to chapter 10.D of the Authority's administrative plan and the contract between the Authority and its contractor, emergency violations must be corrected and reinspected within 24 hours.

In addition, the contractor took an average of 36 to 51 days to reinspect units when a member of the household was not present on the contractor's first inspection attempt. The contractor also did not perform a second reinspection for units in abatement status for an average of 45 to 52 days after the first reinspection. HUD's regulations and the Authority's administrative plan state that units with nonemergency violations will be reinspected within 30 days. The administrative plan also states that the abatement will continue for 30 days before termination is initiated.

The Authority Improperly Paid Housing Assistance for Units That Were Not Decent, Safe, and Sanitary

As a result of improper abatements, terminations, and reinspections, the Authority improperly paid \$12,650 in net housing assistance and utility allowances from January through December 2007. Specifically, for units that failed reinspections between January and September 2007, the Authority overpaid \$13,890 in housing assistance and utility allowances, underpaid owners \$1,000 in housing assistance, and underpaid households \$202 in utility allowances. After its implementation of the new computer software and procedures for processing abatements in October 2007, the Authority only overpaid \$1,088 in housing assistance and utility allowances and underpaid owners \$1,126 for units that failed reinspections between October and December 2007. As a result, households resided in units that were not decent, safe, and sanitary.

The Authority Did Not Properly Train and Monitor Its Staff

The improper abatements, terminations, and reinspections occurred because the Authority lacked adequate procedures and controls over the enforcement of housing quality standards. The Authority's Section 8 management failed to adequately train and monitor the staff processing abatements and terminations and did not monitor the timeliness of reinspections. The Authority also lacked policies that adequately addressed when staff should execute an abatement and/or termination based on a missed or failed inspection. According to several Section 8 staff, the Authority started processing abatements in late 2006 or early 2007, and the staff responsible for initiating the abatements was not aware of their responsibilities and/or did not understand how to process abatements. The Section 8 manager also said that there was no regular quality control over abatements, terminations, or reinspections.

The implementation of the Authority's new software in October 2007 streamlined the abatement and termination processes, which reduced the opportunity for calculation errors. This change caused the dollar amount of the error occurring per abatement to decrease. However, the Authority's staff continued to make errors by not following the program administrative plan's guidance regarding when to start and stop abatements.

Conclusion

As a result of control weaknesses in the abatement, termination, and reinspection processes, the Authority improperly paid \$12,650 in net housing assistance and utility allowance payments from January through December 2007.

In accordance with 24 CFR [*Code of Federal Regulations*] 982.152(d), HUD may reduce or offset any administrative fee to public housing authorities in the amount determined by HUD, if the authorities fail to perform their administrative responsibilities correctly or adequately under the program. The Authority received \$1,327 in program administrative fees related to the 53 households (45 plus 8) cited in this finding.

Recommendations

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

- 3A. Reimburse its program \$14,978 (\$13,890 plus \$1,088) from nonfederal funds for the overpayment of housing assistance and utility allowances for the units cited in this finding.

- 3B. Reimburse the owners of the units cited in this finding \$2,126 (\$1,000 plus \$1,126) in housing assistance payments that were inappropriately abated.
- 3C. Reimburse the appropriate households \$202 in utility allowance payments that were inappropriately abated.
- 3D. Reimburse its program \$1,327 from nonfederal funds for the related administrative fees received for the units cited in this finding that had improper reinspections, abatements, and terminations.
- 3E. Revise its program administrative plan to clearly explain when and under what circumstances the Authority will abate and terminate housing assistance due to failed or missed housing quality standards inspections.
- 3F. Implement adequate procedures and controls to ensure that its enforcement of housing quality standards meets HUD's requirements and its program administrative plan.

SCOPE AND METHODOLOGY

To accomplish our objective, we reviewed

- Applicable laws; regulations; and HUD's program requirements at 24 CFR [*Code of Federal Regulations*] Parts 5 and 982, HUD's Public and Indian Housing Notices 2000-9 and 2003-12, and HUD's Housing Choice Voucher Guidebook 7420.10.
- The Authority's accounting records, annual audited financial statements for fiscal years 2005 and 2006, general ledgers, bank statements, board meeting minutes from January 2006 through December 2007, organizational chart, program household files, program annual contributions contract with HUD, Moving to Work agreement and amendments effective from March 1999 through March 2006, and program administrative plan effective October 2006.
- HUD's reports and files for the Authority's program.

We also interviewed the Authority's employees and HUD staff.

Finding 1

We statistically selected 73 household files from a universe of 1,775 households that received housing assistance payments from January through September 2007 using data mining software. The 73 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 through December 2007. Our sample selection included households receiving both tenant and project-based voucher assistance and included a 90 percent confidence level.

Unless the Authority implements adequate procedures and controls over the disbursement of housing assistance and utility allowance payments to ensure compliance with HUD's regulations and its program administrative plan, we estimate that more than \$593,000 in payments will be misspent over the next year. We determined this amount by multiplying the error rate of 7.1 percent (the total net excess housing assistance and utility allowances paid for the 73 households divided by the total housing assistance and utility allowance paid for the 73 households) times \$6,264,829 (the total payments for the population of households served from January through September 2007). The resulting amount was annualized to cover estimated net overpayments during the next 12 months. This estimate is presented solely to demonstrate the annual amount of program funds that could be put to better use for appropriate payments if the Authority implements our recommendation. While these benefits could recur indefinitely, we were conservative in our approach and only included the initial year in our estimate.

Finding 2

We reviewed all 85 households reporting zero income from January through September 2007 as shown in HUD's Public and Indian Housing Information Center to determine whether the

households had unreported income according to HUD's system. Of the 85 household files reviewed, the system showed that 27 households earned income during the time their zero-income certifications were effective. We conducted further review of the 27 files to determine whether the households had unreported income during the period January 2006 through December 2007 and whether the Authority conducted periodic reviews of the zero-income households and processed any reported income changes according to HUD's requirements and its program administrative plan.

If the Authority does not implement adequate controls over its zero-income households, we estimate that it could pay more than \$13,000 in excessive housing assistance and utility allowances over the next year. We determined this amount by dividing the total excess housing assistance and utility allowances paid for zero-income households with incorrect or unreported income calculations (\$27,058 paid over 24 months from January 2006 through December 2007) by 24 months to determine the average monthly overpayment of housing assistance and utility allowances. This monthly amount was annualized to cover estimated overpayments during the next 12 months. This estimate is presented solely to demonstrate the annual amount of program funds that could be put to better use for appropriate payments if the Authority implements our recommendation. While these benefits could recur indefinitely, we were conservative in our approach and only included the initial year in our estimate.

We performed our on-site audit work from September 2007 through May 2008 at the Authority's program office located at 2832 State Route 59, Ravenna, Ohio. The audit covered the period January 1 through December 31, 2007, but was expanded as 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,
- Reliability of financial reporting,
- 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 regarding household eligibility; calculation of household income, housing assistance, and utility allowances; income verification and processing for reported zero-income households; and enforcement of housing quality standards (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		<u>\$51,490</u>	
1B	\$40,993		
1C			\$577
1E			593,070
2A	16,886		
2B	10,172		
2C	6,514		
2D			13,529
3A	14,978		
3B			2,126
3C			<u>202</u>
3D	<u>1,327</u>		
Totals	<u>\$90,870</u>	<u>\$51,490</u>	<u>\$609,504</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 recommendations 1E and 2D, it will ensure that program funds are spent according to federal requirements. Once the Authority successfully improves its procedures and 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



Portage Metropolitan Housing Authority

June 18, 2008

Mr. Ronald Farrell
Assistant Regional Inspector General for Audit
U.S. Department of HUD- Office of Inspector General
200 North High Street, Room 334
Columbus, OH 43125

Dear Mr. Farrell:

Re: Audit Report Number 2008-CH-100X

Thank you for the opportunity to review and comment upon the discussion draft audit report for the Portage Metropolitan Housing Authority.

The Authority appreciates the professionalism of the Inspector General auditors and staff in performing their work relating to this case. As with any audit or review, there is disruption in routine activities to provide records for review. Auditors performed their duties cognizant of this fact and to the best of their ability minimized the disruption so as to not interfere with the continuing program activities involved with providing housing assistance to nearly 1,500 households in Portage County.

The Authority's commitment to a successful use of Federal dollars to meet housing needs in Portage County is strengthened by the audit process. Although disappointed to learn that there are areas in need of improvement in our Housing Choice Voucher Program, Portage Metropolitan Housing Authority's board members and staff recognize that this review will assist in strengthening the program and ensuring low-income families receive the aid they need in obtaining and maintaining safe, sanitary and decent affordable permanent housing. We also recognize that the audit offers us the opportunity to become more effective and efficient in using the taxpayers resources entrusted to the Authority.

The comments that follow offer our response to issues and findings identified in the draft report provided to the Authority on May 20, 2008. As noted below, we have already begun steps to cure issues identified in the report. Some issues are discussed below with the awareness that solutions will require additional planning and implementation times outside the scope of the 30 days provided between report and the end of the comment period.

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Finding 1: Controls over Housing Assistance and Utility Allowance Payments Need Improvement

The audit reports indicates that the Authority lacked documentation to support some housing assistance and utility allowance payments, made incorrect payments, and had weakness in procedures and controls.

The Authority acknowledges that auditors found selected files lacked documentation needed to demonstrate appropriate program eligibility and assistance levels. As of this writing, the Authority has already obtained or recovered documentation supporting more than \$20,000 of the \$48,000 unsupported costs and continues work to reduce this sum to \$0.

PMHA is in process of implementing Recommendation 1D. PMHA is creating and ensuring usage of job aids and improving quality assurance efforts to eliminate the opportunity for similar errors to be made in the future. The report correctly notes that PMHA has already begun instituting procedures and controls to ensure all required file documentation is complete, accurate and maintained in household files.

The Authority is also in process of ensuring improved performance in staff calculations for determining rental and utility payments. The Authority's move to a new software system allows for better automated procedures for calculating housing assistance as determined under the special regulations permitted through Moving to Work. A greater emphasis on using printed reference materials, such as the Administrative Plan and HUD guidebooks, in training activities will ensure that employees are well-grounded in the program policies, while acknowledging the need and importance of reinforcing written materials with presentations and similar training. The Authority is also planning to develop a procedures manual to guide consistent training and job activity. Finally, one initiative under the Moving to Work program is to simplify rent calculations to make the process and calculations easier to perform and easier for clients and the public to understand.

Finding 2: The Authority's Zero Income Households Had Unreported Income

The audit report indicates that households had unreported income and the Authority did not process income changes correctly.

PMHA is now using the Enterprise Income Verification (EIV) System described in the report. PMHA had been unable to utilize this system for providing third-party income verification available to other housing authorities for several years, as the Authority had been unable to submit Form HUD-50058 through the PIH

Information Center (PIC). Operating under the Moving to Work Demonstration Program, the Authority compiled household data for several years under an alternate form permitted by HUD. In mid-2007, HUD provided a consistent format for Moving to Work agencies to submit household data on a Form 50058 to PIC that could then be utilized for income matching in the EIV system. Efforts to ensure full and continuing compliance with PIC submission took precedence by management over implementing EIV as a form of income verification, as EIV is dependent upon accurate data in the PIC system. In May 2008, all staff working with collecting and completing Form 50058 data attended HUD-sponsored training and they are now using the EIV system as one method of verifying household income. Because the Authority recognizes the value of EIV as a verification tool, it calls for the use of the system in the Administrative Plan.

The Authority acknowledges that by conducting additional reviews of households declaring zero income, the chances of detecting unreported income would have been higher. Although the Department of Housing and Urban Development does not require interim reviews for households declaring zero income, the Authority did set that higher standard for itself and did not succeed in its implementation. Failing to conduct those reviews, however, does not excuse the households who failed to report income to the housing authority. The Authority accepts the auditor's recommendation to pursue collection from applicable households for \$17,037 in overpayment of assistance through the tools of repayment agreements and/or prosecution and civil action.

The Authority, through its Moving to Work participation, is required to "establish a reasonable rent policy that is designed to encourage employment and self-sufficiency by participating families" (Amended and Restated MTW Agreement). In addition to the goals of encouraging employment and self-sufficiency, the Authority is working to implement a reasonable rent policy that better discourages households from falsifying income information and creates a simpler, more transparent rent calculation system. The first step in this process was to establish a minimum rent that requires households to contribute towards their housing and utilities costs regardless of their income. Additionally, the Authority has established an income disallowance for increases in employment income. This provision would allow households to experience employment income changes without a corresponding change in their housing payment until the next annual income verification. As a result, households have less incentive to withhold information about income changes.

Finding 3: The Authority Failed to Enforce Housing Quality Standards for Reinspections, Abatements and Terminations

The audit report indicates that PMHA failed to abate program assistance for units failing inspection, did not always reinspect units in a timely manner and improperly paid assistance for units that were not decent, safe and sanitary, and did not properly train and monitor staff.

Comment 1

PMHA is in process of reviewing and adopting revisions to policies and procedures related to enforcement of housing quality standards in the Housing Choice Voucher Program. PMHA has already improved abatement practices through improved staff training and a change in computer software. The audit reports a significant improvement in handling housing assistance payments under the new software system, even as users become fully accustomed to the software and its features. The Authority is also preparing continuing education for owners to reduce the number of units that become subject to inspection failures, abatements and terminations. A successful effort leading to more units passing inspection on the first try is expected to best improve housing quality available to Housing Choice Voucher participants and save money for the Authority in re-inspection costs and file processing.

Training, as noted as well, is addressed on a weekly basis through departmental meetings used to discuss current issues and train on different program elements, including abatements. In addition, PMHA provides opportunities for training for individual training conducted by experienced and well-regarded industry representatives to deepen employees' knowledge of all program elements.

PMHA has also improved and is formalizing a quality control process with dedicated staff that provides additional review of activity to ensure that the agency is fully completing its responsibilities related to housing quality standards. These improvements include the implementation of new software, and also adjusting the duties of employees to provide sufficient monitoring to prevent and detect individual errors in operations.

In conclusion, we look forward to working with the Cleveland Field Office staff at HUD and the IG to demonstrate our commitment and ability to solve the issues identified in Audit Report 2008-CH-100X. As a result of efforts described above, the Authority intends to disprove your estimate that more than \$590,000 in payments will be misspent over the next year and that citizens will be served with an effective use of their tax dollars.

Sincerely,



Fred Zawilinski
Executive Director

OIG Evaluation of Auditee Comments

Comment 1 The actions taken, in process, and proposed by the Authority, if fully implemented, should improve its program operations.

Appendix C

FEDERAL REQUIREMENTS AND AUTHORITY'S PROGRAM ADMINISTRATIVE PLAN

Finding 1

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 5.216(a) state that each assistance applicant must submit the complete and accurate Social Security number assigned to the applicant and to each member of the household who is at least six years of age. The documentation necessary to verify the Social Security number of an individual is a valid Social Security number issued by the Social Security Administration or such other evidence of the Social Security number as HUD and, where applicable, the authority may prescribe in administrative instructions.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 5.240(c) state that public housing authorities must verify the accuracy of the income information received from program households 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*] 5.508(a) and (b) require each family member, regardless of age, to submit the following evidence to the responsible entity:

(1) For U.S. citizens or U.S. nationals, the evidence consists of a signed declaration of U.S. citizenship or U.S. nationality. The responsible entity may request verification of the declaration by requiring presentation of a U.S. passport or other appropriate documentation, as specified in HUD guidance.

(2) For noncitizens who are 62 years of age or older or who will be 62 years of age or older and receiving assistance under a Section 214-covered program on September 30, 1996, or applying for assistance on or after that date, the evidence consists of a signed declaration of eligible immigration status and proof of age document.

(3) For all other noncitizens, the evidence consists of a signed declaration of eligible immigration status, one of the documents referred to in section 5.510, and a signed verification consent form.

(c) Declaration: (1) For each family member who contends that he or she is a U.S. citizen or a noncitizen with eligible immigration status, the family must submit to the responsible entity a written declaration, signed under penalty of perjury, by which the family member declares whether he or she is a U.S. citizen or a noncitizen with eligible immigration status. For each adult, the declaration must be signed by the adult. For each child, the declaration must be signed by an adult residing in the assisted dwelling unit who is responsible for the child.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 5.901(a) include requirements that apply to criminal conviction background checks by public housing authorities that administer Section 8 and public housing programs when they obtain criminal conviction records, under the

authority of section 6(q) of the 1937 Act (*United States Code* 42.1437d(q)), from a law enforcement agency to prevent admission of criminals to public housing and Section 8 housing and to assist in lease enforcement and eviction.

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.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.158(a) state that the public housing authority must maintain complete and accurate accounts and other records for the program in accordance with HUD requirements in a manner that permits a speedy and effective audit. The authority must prepare a unit inspection report. During the term of each assisted lease and for at least three years thereafter, the authority must keep (1) a copy of the executed lease, (2) the housing assistance payment contract, and (3) the application from the family. The authority must keep the following records for at least three years: records that provide income, racial, ethnic, gender, and disability status data on program applicants and participants; unit inspection reports; lead-based paint records as required by part 35, subpart B, of this title; records to document the basis for authority determination that rent to owner is a reasonable rent (initially and during the term of a contract); and other records specified by HUD.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.305(b)(1) state that before the beginning of the initial term of the lease for a unit, the landlord and the tenant must have executed the lease (including the HUD-prescribed tenancy addendum), and the lead-based paint disclosure information as required in section 35.92(b) of this title.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.308(d) state that the lease must specify all of the following: (1) the names of the owner and the tenant, (2) the unit rented (address, apartment number, and any other information needed to identify the contract unit), (3) the term of the lease (initial term and any provisions for renewal), (4) the amount of the monthly rent to owner, and (5) a specification of what utilities and appliances are to be supplied by the owner and what utilities and appliances are to be supplied by the family.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.451(a)(2) state that the term of the housing assistance payments contract is the same as the term of the lease.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.505(B)(4) state that if the payment standard amount is increased during the term of the contract, the increased payment standard amount shall be used to calculate the monthly housing assistance payment for the family beginning at the effective date of the family's first regular reexamination on or after the effective date of the increase in the payment standard amount.

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

examinations must be conducted in accordance with policies in the authority's administrative plan.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.54(a) state that the authority must administer the program in accordance with its administrative plan.

The Authority's administrative plan states,

Chapter 5, Section A. The Authority assigns one bedroom units to two people within the following guidelines: persons of different generations, persons of the opposite sex (other than spouses), and unrelated adults should be allocated a separate bedroom. The family may request a larger size voucher than indicated by the Authority's subsidy standards. Such request must be made in writing within five business days of the Authority's determination of bedroom size. The request must explain the need or justification for a larger bedroom size.

Chapter 6, Section A. The Authority's deductions from annual income for dependents are as follows: \$480 each for family members (other than the head or spouse) who are minors and for family members who are 18 and older who are full-time students or who are disabled. This allowance is not to exceed \$960, except that current residents as of April 23, 1999, will have an allowance of \$480 each for family members (other than the head or spouse) who are minors and for family members who are 18 and older who are full-time students or who are disabled, as of June 1, 2000. A \$500 deduction will be offered to families whose head of household, co-head, or spouses are full time students in post-secondary education. To qualify, a student must show satisfactory progress toward graduation with a degree and maintain a minimum 2.0 grade point average (4.0 scale). Only one education deduction will be permitted per family. A \$500 deduction will be offered to families whose head of household, co-head, or spouse is employed 32 hours per week or more on a permanent basis.

Chapter 6, Section A. Families who experience a permanent increase in employment earnings grossing in excess of \$100 per month over prior earned income will be eligible for a phased rent increase as follows: (1) for the first two months following the increase in employment earnings, no rent adjustment will be made; (2) in the third month, rent will be increased by half of the regular rent increase amount (this new rent level will be maintained for the third and fourth months); and (3) in the fifth month following the increase in employment earnings, the full rental charge will implemented.

Chapter 6, Section G. Regular alimony and child support payments are counted as income for calculation of total tenant payment. If the amount of child support or alimony received is less than the amount awarded by the court, the Authority must use the amount awarded by the court unless the family can verify that it is not receiving the full amount. The Authority will accept that the family is receiving an amount less than the award if, (1) it receives verification from the agency responsible for enforcement or collection or (2) the family furnishes documentation of child support or alimony collection action filed through a child support enforcement/collection agency or has filed an enforcement or collection action through an attorney. It is the family's responsibility to supply a certified copy of the divorce decree.

Chapter 6, Section H. Lump-sum payments caused by delays in processing periodic payments (unemployment or welfare assistance) are counted as income. In order to determine amount of

retroactive tenant rent that the family owes as a result of the lump sum receipt, the Authority will calculate prospectively if the family reported the payment within 10 business days and retroactively to date of receipt if the receipt was not reported within that time frame.

Chapter 7, Section A. The Authority will verify information through the four methods of verification acceptable to HUD in the following order: (1) up-front income verification (UIV) whenever available; (2) third-party written; (3) third-party oral; (4) review of documents; and (5) certification/self-declaration.

Chapter 7, Section D. Items to be verified include the full-time student status including high school students who are 18 or over. Section E. Only the first \$480 of the earned income of full time students, other than head or spouse, will be counted towards family income.

Chapter 9, Section C. The Authority will review the lease, particularly noting the approvability of optional charges and compliance with regulations. Responsibility for utilities, appliances and optional services must correspond to those provided on the Request for Tenancy Approval.

Chapter 12, Section C. Reporting Interim Changes

Increases in Income: The Authority will conduct interim reexaminations when families have an increase in income. Families will be required to report all increases in income/assets of the all household members to the Authority in writing within 5 business days of the increase.

Section E. Timely Reporting of Changes in Income (and Assets)

Standard for Timely Reporting of Changes: The Authority requires that families report interim changes to it within five business days of when the change occurs. Any information, document or signature needed from the family which is needed to verify the change must be provided within 10 business days of the change.

Procedures when the Change is not Reported by the Tenant in a Timely Manner:

If the family does not report the change as described under Timely Reporting, the family will have caused an unreasonable delay in the interim reexamination processing and the following guidelines will apply:

Decreases in the Tenant Rent are effective the first of the month following that in which the change occurred. However, no rent reductions will be processed until all the facts have been verified, even if a retroactive adjustment results.

Increase in Tenant Rent will be effective retroactive to the date 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 or make a lump sum payment. The change will not be made until the third party verification is received.

Chapter 13, Section C. In a move, assistance stops at the old unit at the end of the month in which the tenant ceased to occupy, unless proper notice was given to end a lease mid-month. Assistance will start on the new unit on the effective date of the lease and contract. Assistance payments may overlap for the month in which the family moves.

Chapter 14, Section A. The term of the housing assistance payments contract is the same as the term of the lease. The contract between the owner and the Authority may be terminated by the Authority or by the owner or tenant terminating the lease. No future subsidy payments on behalf of the family will be made by the Authority to the owner after the month in which the contract is terminated. The owner must reimburse the Authority for any subsidies paid by it for any period

after the contract termination date. The contract for the new unit may begin during the month in which the family moved from the old unit.

Chapter 15, Section C. The Authority will deny a family's request to add additional family members who are persons who have been part of a family whose assistance has been terminated under the certificate or voucher program.

Chapter 21, Section C. All standard Section 8 program requirements, including but not limited to, client Section 8 eligibility, housing quality standards compliance, rent reasonableness, and fair housing requirements will apply to project-based owners.

Finding 2

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 5.609(c)(11) state that annual income does not include earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household and spouse).

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.505(c)(5) state that irrespective of any increase or decrease in the payment standard amount, if the family unit size increases or decreases during the housing assistance payments contract term, the new family unit size must be used to determine the payment standard amount for the family beginning at the family's first regular reexamination following the change in family unit size.

The Authority's administrative plan requires the following:

Chapter 1, Section P. All zero income participants shall be recertified every 60 days

Chapter 6, Section D. Families who report zero income are required to complete a written certification every 60 calendar days.

Chapter 7, Section E. Families claiming to have no income will be required to execute verification forms to determine that forms of income such as unemployment benefits, Temporary Assistance for Needy Families, Supplemental Security income, et cetera, are not being received by the household.

Chapter 12, Section C. An interim reexamination will be scheduled for families with zero income every 60 days.

The Authority's *Zero Income Checklist and Worksheet* was created in October 2004. The Checklist states that the Head of Household must complete the form at annual or interim income examinations when reporting zero income.

Finding 3

Federal Regulations at 24 CFR [*Code of Federal Regulations*] 982.404(a)(2) state that if the owner fails to maintain the dwelling unit in accordance with housing quality standards, the authority must take prompt and vigorous action to enforce the owner obligations. Authority

remedies for such breach of the housing quality standards include termination, suspension or reduction of housing assistance payments and termination of the housing assistance payments contract. Section (3) states that the authority must not make any housing assistance payments for a dwelling unit that fails to meet the housing quality standards unless the owner corrects the defect within the period specified by the authority and the authority verifies the correction. If a defect is life threatening, the owner must correct the defect within no more than 24 hours. For other defects, the owner must correct the defect within no more than 30 calendar days (or any authority approved extension). Section (4) states that the owner is not responsible for a breach of the housing quality standards that is not caused by the owner, and for which the family is responsible, which is outlined in part (b) of the regulation. Part (b)(3) states that if the family has caused a breach of the housing quality standards, the authority must take prompt and vigorous action to enforce the family obligations. The authority may terminate assistance for the family in accordance with Section 982.552.

The Authority's administrative plan requires the following:

Chapter 10, Section D. If the emergency repair item(s) are not corrected in the time period required by the Authority, and the owner is responsible, the housing assistance payment will be abated and the housing assistance payments contract will be terminated. If the emergency repair item(s) are not corrected in the time period required by Authority, and it is a housing quality standards breach which is a family obligation, Authority will terminate the assistance to the family and the owner's payment will not be abated for the breach of housing quality standards.

Chapter 10, Section C. If the family does not contact the Authority to reschedule the inspection, or if the family misses 2 inspection appointments, the Authority will advise the owner. The Authority will consider the family to have violated a family obligation and their assistance will be terminated in accordance with the termination procedures in the plan.

Chapter 10, Section E. When it has been determined that a unit on the program fails to meet housing quality standards, and the owner is responsible for completing the necessary repair(s) in the time period specified by Authority, the assistance payment to the owner will be abated.

Chapter 10, Section E. A Notice of Abatement will be sent to the owner, and the abatement will be effective from the day after the date of the failed inspection. The notice is generally for 30 days, depending on the nature of the repair(s) needed.

Chapter 10, Section E. The Authority will inspect abated units within 3 days of the owner's notification that the work has been completed. If the owner makes repairs during the abatement period, payment will resume on the day the unit passes inspection. The family will be notified of the reinspection date and requested to inform the owner. No retroactive payments will be made to the owner for the period of time the rent was abated and the unit did not comply with housing quality standards. The notice of abatement states that the tenant is not responsible for Authority's portion of rent that is abated.

Chapter 10, Section E. If the owner is responsible for repairs, and fails to correct all the deficiencies cited prior to the end of the abatement period, the owner will be sent a housing assistance payments contract proposed termination notice. Prior to the effective date of the termination, the abatement will remain in effect. If repairs are completed before the effective

termination date, the termination will be rescinded by Authority if the tenant chooses to remain in the unit. Only one housing quality standards inspection will be conducted after the termination notice is issued.

Chapter 10, Section G. If the tenant is responsible and corrections are not made, the housing assistance payments contract will terminate when assistance is terminated.

Chapter 14, Section D. The term of the housing assistance payments contract terminates when the lease terminates, when the Authority terminates program assistance for the family, and when the owner has breached the housing assistance payments contract. Any of the following actions will be considered a breach of contract by the owner...the owner has violated any obligation under the housing assistance payments contract for the dwelling unit, including the owner's obligation to maintain the unit to housing quality standards, including any standards authority has adopted in this policy. Authority will provide the owner and family with at least thirty days written notice of termination of the contract.

Chapter 15, Sections C & D. Family Obligations require that the family allow the authority to inspect the unit. The family may be sent a Notice of Termination of Assistance for failure to allow the housing authority to inspect the unit. For most purposes in this plan, the family will be given two opportunities before being issued a notice of termination.