



Issue Date	May 8, 2008
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Audit Report Number	2008-FW-1009
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TO: Cheryl J. Williams  
Director, Office of Public Housing, 6HPH  
*Gerald R. Kirkland*

FROM: Gerald R. Kirkland  
Regional Inspector General for Audit, Fort Worth Region, 6AGA

SUBJECT: The Shreveport Housing Authority, Shreveport, Louisiana, Made Excessive Housing Assistance Payments in Its Section 8 Housing Choice Voucher Program

## **HIGHLIGHTS**

### **What We Audited and Why**

As part of the Office of Inspector General's strategic plan, we audited the Shreveport Housing Authority's (Authority) Section 8 Housing Choice Voucher program (Section 8 program). Our objective was to determine whether the Authority ensured that it made housing assistance payments in accordance with the U. S. Department of Housing and Urban Development's (HUD) Section 8 program requirements.

### **What We Found**

The Authority's contracted Section 8 program administrator, Pendleton Development Corporation (Pendleton), made errors in 96 of 107 (90 percent) statistically selected sample tenant files out of 3,717 files. The errors included, incorrectly calculating family income, paying assistance after families vacated units, using incorrect payment standards, miscalculating utility allowances, and making other errors that resulted in incorrect assistance payments. Pendleton also made errors that did not affect assistance payments but need corrective action. This condition occurred because neither the Authority nor Pendleton had adequate

management controls to ensure compliance with requirements. As a result, the Authority paid \$18,517 in excess assistance and overcharged families \$1,767. Further, we estimate that from September 1, 2005, to September 30, 2007, the Authority made excess assistance payments of more than \$320,000. Additionally, the Authority's Section Eight Management Assessment Program (SEMAP) scores for fiscal year 2006 were inaccurate.

### **What We Recommend**

We recommend that the Director of the Office of Public Housing, New Orleans, Louisiana, require the Authority to recertify, within the next six months, all families receiving assistance and at the time of the recertifications, review their files for any errors occurring within the previous 12 months. The Authority should repay its Section 8 program or the families as appropriate for any assistance payment errors for the 12 months. The Director should also require the Authority to repay, from nonfederal funds, its Section 8 program \$18,517 for overpayments and reimburse families \$1,767 for underpayments identified in the audit, and implement adequate procedures and controls over its Section 8 program to ensure that tenant eligibility and assistance payments are supported and determined in accordance with HUD requirements to avoid paying more than \$153,000 in excess assistance during the next 12 months.

We also recommend that the Director increase oversight of the Authority by entering into a memorandum of agreement with the Authority, reduce the Authority's fiscal year 2006 SEMAP scores, and ensure that the Authority submits accurate SEMAP scores in the future.

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

### **Auditee's Response**

We provided our discussion draft report to the Authority on April 23, 2008, and held the exit conference on April 29, 2008. We requested a written response by May 7, 2008. The Authority provided an 18-page written response along with attachments on May 6, 2008. The Authority's response along with our evaluation of the response can be found in Appendix B of this report. We did not include the attachments submitted with the response, but they are available for review upon request.

The Authority agreed with our finding and recommendations in the report.

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## **BACKGROUND AND OBJECTIVES**

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The Housing Authority of the City of Shreveport (Authority) was established in 1940 to provide decent, safe, and sanitary housing for low-income families. The Authority is governed by a mayor-appointed five-member board of commissioners serving staggered five-year terms. The board of commissioners appoints the executive director who is charged with the responsibility of overseeing the day-to-day affairs of the Authority.

The Authority operates a Section 8 Housing Choice Voucher (Section 8) program consisting of approximately 2,500 Section 8 vouchers. It entered into the first annual contributions contract with the U. S. Department of Housing and Urban Development (HUD) in the mid 1970s. The Authority has never operated its Section 8 program with its own staff; rather, it has contracted the program administration. Since 1990, it has contracted with Pendleton Development Corporation (Pendleton) as its Section 8 program administrator.

During the audit, the Authority's administrative coordinator monitored file actions and housing assistance payments. The Authority terminated its contract with Pendleton on January 31, 2008, and took over the day-to-day Section 8 program administration.

The Authority's fiscal year is from October 1 through September 30. It made assistance payments of more than \$13.7 million and \$13.3 million for fiscal years 2006 and 2007, respectively.

This is our second audit report on the Authority's Section 8 program. On November 28, 2007, we issued audit report 2008-FW-1002, regarding the Authority's failure to ensure that Section 8 units met housing quality standards. Our objective for this audit was to determine whether the Authority ensured that it made housing assistance payments in accordance with HUD's Section 8 program requirements.

## RESULTS OF AUDIT

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### Finding: The Authority Made Excessive Housing Assistance Payments in Its Section 8 Program

Pendleton made errors in 96 of 107, (90 percent), statistically selected sample tenant files out of 3,717 files. The errors included, incorrectly calculating family income, paying assistance after families vacated units, using incorrect payment standards, miscalculating utility allowances, and making other errors that resulted in incorrect assistance payments. Pendleton also made errors that did not affect assistance payments but need corrective action. This condition occurred because neither the Authority nor Pendleton had adequate management controls to ensure compliance with requirements. As a result, the Authority paid \$18,517 in excess assistance and overcharged families \$1,767. Further, we estimate that from September 1, 2005, to September 30, 2007, the Authority made excess assistance payments of more than \$320,000. Additionally, the Authority's Section Eight Management Assessment Program (SEMAP) scores for fiscal year 2006 were inaccurate.

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#### Ninety-Six of the Tenant Files Contained Errors

Of the 107 tenant files reviewed, 96, or 90 percent of the sample, contained at least one error.<sup>1</sup> The Authority paid \$18,517 in excess assistance and overcharged families \$1,767 for the 96 corresponding vouchers. The table below shows the types of errors, the amounts overpaid/overcharged, and the number of files with errors.

Type of error	Amount overpaid	Amount families overcharged	Number of files
Incorrectly calculated family income	\$ 8,792	\$ 1,119	8
Assistance paid after families vacated units	5,496		10
Use of incorrect payment standards	2,330	168	11
Miscalculation of utility allowance	1,069		77
Other errors	<u>830</u>	<u>480</u>	20
<b>Total overpaid/overcharged</b>	<b>\$ 18,517</b>	<b>\$ 1,767</b>	

<sup>1</sup> Some files contained multiple errors. We only counted these as one tenant file in arriving at our total of 96 files with errors.

Projecting the results of the sample to the universe of 3,717 vouchers for the period, we estimate that the Authority paid at least \$320,640 in excess assistance from September 1, 2005, through September 30, 2007.

Pendleton incorrectly calculated family income. Pendleton did not correctly calculate the family income for five families when it converted the reported incomes to annual amounts.<sup>2</sup> Further, the Authority did not verify the reported income for three families. We verified the correct income amount and counted the difference as ineligible. These errors resulted in excess assistance payments of \$8,792 and overcharges to families of \$1,119.

The Authority paid \$5,496 in assistance after families vacated units. HUD requires that assistance payments only be paid to the owner during the lease term and while the family is residing in the unit.<sup>3</sup> HUD further requires that the housing assistance contract terminate automatically when a family vacates the unit.<sup>4</sup> The Authority failed to comply with the requirements. Even though the files contained documents showing that 10 families had vacated their units, the Authority continued to make assistance payments to the property owners. The Authority inappropriately paid a total of \$5,496 in assistance for the 10 families' units.

Pendleton miscalculated utility allowances. Pendleton miscalculated the utility allowance in 77 instances because it incorrectly included a utility assessment tax on water, gas, and electricity. The Louisiana legislature repealed the utility tax assessment, effective July 2003. The Authority was aware that the assessment had been repealed and stated that Pendleton was aware of the repeal. However, the Authority did not verify that Pendleton made the necessary adjustments to the utility allowance calculations. As a result, the Authority paid \$1,069 in excessive utility allowance payments.

Pendleton used incorrect payment standards. The Authority's administrative plan requires that payment standards be consistent with the most recent payment standards approved by the Authority's board of commissioners. However, Pendleton did not use the correct payment standards when it calculated the housing assistance payments for 11 families. As a result, the Authority overpaid owners \$2,330 and overcharged families \$168.

Other errors affecting assistance payments. Pendleton did not correctly adjust the incomes for three families and paid assistance in excess of the lease amounts for another two families. As a result, the Authority paid \$830 in excess assistance.

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<sup>2</sup> 24 CFR (*Code of Federal Regulations*) 5.609(d) and 24 CFR 982.516(f).

<sup>3</sup> 24 CFR 982.311(a).

<sup>4</sup> Housing assistance payments contract, part B6(c).

Further, Pendleton did not correctly determine utility rates for 15 families, resulting in overcharges to the families of \$480.<sup>5</sup>

Other errors did not affect assistance payments but needed corrective actions. Pendleton made other errors, such as failing to terminate assistance after 180 days of zero assistance payments. Pendleton also did not always conduct annual certifications in a timely manner. Further, 18 of the sampled tenant files did not contain required documents.

Four families remained on the Authority's assistance register after 180 days of zero assistance. Some families remained on Authority's assistance register from nine to eleven months. This condition occurred because Pendleton did not have a system to track when families attained zero assistance status.<sup>6</sup> Since the Authority receives administrative fees based on the current number of assisted families, it needs to correctly administer its assistance register to avoid causing HUD to pay excess administrative fees. In addition, failure to remove the families from the assistance register prevents the Authority from providing a voucher to another family in a timely manner.

Pendleton generally conducted annual recertifications<sup>7</sup> in a timely manner and complied with HUD requirements for determining tenant eligibility. However, we identified three case files in our sample where Pendleton did not conduct the recertifications in a timely manner.

Pendleton did not always ensure that the tenant files contained required documentation to support its housing assistance and utility allowance payments.<sup>8</sup> Of the 107 files reviewed, 18 did not contain documentation required by HUD and the Authority's administrative plan to support housing assistance and utility allowance payments.

### **The Authority and Pendleton Lacked Effective Management Controls**

The errors occurred because neither the Authority nor Pendleton had adequate management controls. Although the Authority contracted with Pendleton to administer its Section 8 program, the Authority is required by its annual contribution's contract with HUD to ensure that housing assistance payments are calculated in accordance with HUD requirements. However, the Authority did not have adequate management controls to ensure that Pendleton complied with

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<sup>5</sup> This does not include the utility allowance errors that resulted from incorrectly including the utility tax assessment.

<sup>6</sup> 24 CFR 982.455.

<sup>7</sup> 24 CFR 982.516(a.)

<sup>8</sup> 24 CFR 982.158(f).

the requirements. The Authority's written policies and procedures were weak, outdated, and ignored by both Authority and Pendleton staff. In addition, the Authority did not provide adequate oversight of Pendleton. The Authority did not believe that it needed to monitor Pendleton because Pendleton had considerable experience and had administered the Authority's Section 8 program since 1990. Further, the Authority's administrative plan was its only policy document for processing certifications. However, the administrative plan had not been updated since 2001.

The Authority reviewed Pendleton's case file certifications, which had been previously reviewed by Pendleton's quality control staff. However, when the Authority found errors and sent the case files back to Pendleton for corrections, Pendleton did not correct the errors.

Lastly, Pendleton did not have adequate management controls or systems to ensure compliance with HUD regulations and the administrative plan regarding the processing of assistance, utility allowances, and payment standards. Further, Pendleton did not ensure that its staff responsible for processing certifications had adequate knowledge of procedures, such as how to correctly use HUD's Enterprise Income Verification system, an Internet source that public housing agencies use to improve the income verification processes. Although Pendleton had changes in staffing levels and hired new staff, including temporary staff, it did not have written policies and procedures regarding processing certifications. Further, the computer system used by Pendleton was outdated.

### **The Authority's SEMAP Scores Were Inaccurate**

HUD sets performance standards for key areas of Section 8 program management to measure whether a public housing agency administers its program properly and effectively. Pendleton claimed credit for achieving high performer status for the Authority on its 2003, 2004, and 2005 SEMAP scores. The Authority's SEMAP scores had reflected a standard or high performer since 2002. However, there had been no recent monitoring by HUD to confirm those scores. In addition, documents maintained by the Authority's staff as well as the Authority's annual audit reports showed performance problems by Pendleton in administering the Authority's Section 8 programs. The Authority received a final SEMAP score of 78 or a standard rating for its fiscal year ending September 30, 2006. The Authority reported to HUD that it scored a five out of a possible five for each of the following indicators: utility allowance schedule, payment standard, and assistance calculation.<sup>9</sup> However, based the errors identified in this finding, the Authority's scores did not accurately reflect the Authority's true performance.

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<sup>9</sup> Pendleton did the SEMAP evaluation and provided results to the Authority.



## Conclusion

Neither the Authority nor Pendleton had effective management controls. As a result, the Authority paid \$18,517 in excess assistance and overcharged families \$1,767. Further, we estimate that from September 1, 2005, to September 30, 2007, the Authority made excess assistance payments of \$320,640. Additionally, the Authority's SEMAP scores for fiscal year 2006 were inaccurate. The Authority should, within the next months, recertify all families receiving assistance to ensure that assistance payments are correct. Further, at the time of the recertifications, the Authority should review the files for any errors in assistance payments made during the previous 12 months and repay any amounts to its Section 8 program or the families as appropriate. Further, the Authority should develop and implement policies, procedures, and controls that ensure compliance with requirements, thereby avoiding unnecessary costs of an estimated \$153,907 over the next 12 months.<sup>10</sup>

## Recommendations

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

- 1A. Within six months, recertify all families receiving assistance and, at the time of the recertifications, review their files for any errors occurring within the previous 12 months.
- 1B. Repay, from non federal funds, its Section 8 program or the families as appropriate for any assistance payment errors identified during its file reviews pursuant to recommendation 1A.
- 1C. Repay its Section 8 program, from non federal funds, \$18,517 for excess assistance payments.
- 1D. Reimburse tenants, from non federal funds, \$1,767 in underpayments or reprogram the funds in accordance with generally accepted accounting principles and HUD requirements.
- 1E. Implement adequate procedures and controls over its housing assistance payments to ensure that tenant eligibility and subsidy payments are supported and determined in accordance with HUD requirements to avoid paying \$153,907 in excess assistance during the next 12 months.

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<sup>10</sup> Refer to the Scope and Methodology section of this report for an explanation of the estimate.

We also recommend that the Director

- 1F. Increase oversight of the Authority by entering into a memorandum of agreement with the Authority.
- 1G. Reduce the Authority's fiscal year 2006 SEMAP scores and ensure that the Authority submits accurate SEMAP scores in the future.

## SCOPE AND METHODOLOGY

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To achieve our objectives, we reviewed

- Applicable laws, regulations, and other HUD program requirements;
- The Authority's and Pendleton's policies, procedures, and internal controls relative to the administration of its Section 8 program; and
- Files and documents obtained from the Authority and Pendleton.

In addition, we interviewed appropriate officials and staff.

We reviewed a sample of 107 tenant files from a universe of 3,717 tenant files. We used data maintained by Pendleton in the September 2005 to September 2007 housing assistance payments registers for background information and in selecting our sample files.

The review generally covered the period September 1, 2005, through September 30, 2007. We revised the review period as necessary to accomplish our objective. We performed our on-site work from October 2007 through January 2008 at the Authority's office located at 2500 Line Avenue, Shreveport, Louisiana. We conducted the audit in accordance with generally accepted government auditing standards.

### Statistical Sample Selection and Methodology

We used a representative random statistical sample and projected our results to the universe of 3,717 Section 8 vouchers for the period September 2005 to September 2007. We determined that an error was a case file that did not meet the minimal HUD requirements.

To obtain our statistical sample, we numbered the Section 8 tenant files from 1 to 3,717. The Office of Inspector General's (OIG) Information Systems Audit Division calculated the sample size to be 107, using unrestricted variable sampling techniques, a 90 percent confidence interval, and a 10 percent sampling precision. We used the random number generator feature of Audit Control Language software to select 107 random numbers from 1 to 3,717.

We used EZ Quant software to project the results of the 96 case files with errors to the universe of 3,717 case files. The results showed that the lower limit is 83.7 percent x 3,717 = 3,111 case files with errors.

Based on the sample results, we used U. S. Department of Health and Human Services software to project the dollar value of overpayments to the universe. Using a confidence level of 90 percent, we projected that the Authority made excess payments of at least \$320,640 from

September 1, 2005, through September 30, 2007. Further, we estimated that the Authority could avoid \$153,907 in unnecessary cost during the next 12 months.<sup>11</sup>

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<sup>11</sup>  $(\$320,640/25 \text{ months} = \$12,826 \text{ per month}) \times 12 \text{ months} = \$153,907.$

## **INTERNAL CONTROLS**

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

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

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

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### **Relevant Internal Controls**

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

- Effectiveness and efficiency of program operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Compliance with laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resources are used consistent with laws and regulations.

We assessed the relevant controls identified above.

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

### **Significant Weaknesses**

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

- The Authority lacked adequate procedures and controls to ensure compliance with HUD regulations and its administrative plan for processing and calculating housing assistance payments.

## APPENDIXES

### Appendix A

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

Recommendation number	Ineligible <u>1/</u>	Funds to be put to better use <u>2/</u>
1C	\$18,517	
1D		\$ 1,767
1E		153,907
Totals	\$18,517	\$155,674

- 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/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an OIG recommendation is implemented. This includes reductions in outlays, deobligation of funds, withdrawal of interest subsidy costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings which are specifically identified. In this instance, the amount represents funds that the Authority needs to remit to the tenants or reprogram in accordance with generally accepted accounting principles and HUD requirements and costs that can be avoided in the next 12 months by implementing the OIG recommendations.

# Appendix B

## AUDITEE COMMENTS AND OIG'S EVALUATION

### Ref to OIG Evaluation

### Auditee Comments

### Comment 1



*Housing Authority*  
OF THE  
*City of Shreveport*

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2500 Line Avenue  
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29 April 2008

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EXECUTIVE DIRECTOR

BOBBIE R. BROWN  
ASST. EXECUTIVE  
DIRECTOR

Mr. Gerald R. Kirkland  
Regional Inspector General for Audit  
U. S. Department of Housing and Urban Development  
Region VI, Office of Inspector General  
819 Taylor Street, Room 13A09  
Fort Worth, Texas 76102

**ATTN: Ms. Theresa A. Carroll**

**RE: Office of Inspector General Audit Report Number 2008-FW00100X**

Dear Mr. Kirkland:

The Authority acknowledges receipt of the Draft Audit Report under cover letter dated 23 April 2008, as produced by the U. S. Department of Housing and Urban Development's Office of Inspector General with respect to the aforementioned.

In response thereto, the Authority respectfully dispatches the enclosed Corrective Action and Improvement Plan for implementation to minimize and/or prevent reoccurrence of indicated findings.

There is no opposition presented in the Corrective Action/Improvement Plan on behalf of the Authority with regard to the context of the Draft Audit Report.

Please express and extend the Authority's sincere thanks and appreciation to the review staff for their professionalism extended to the Authority's staff during their visits and exit conference.

Should you have questions, concerns, or need further information, please contact our office at the above listing.

Sincerely,

**HOUSING AUTHORITY OF THE  
CITY OF SHREVEPORT**

  
Donzetta H. Kimble  
Executive Director

DHK/jow

Enclosure

cc: Members of the Authority's Board of Commissioners  
Authority's Executive Director  
Authority's Section 8 Staff  
Authority's Legal Counsel  
File

EQUAL HOUSING OPPORTUNITY



HOUSING AUTHORITY OF THE CITY OF SHREVEPORT  
(SHA)  
2500 LINE AVENUE  
SHREVEPORT, LOUISIANA 71104

CORRECTIVE ACTION AND IMPROVEMENT PLAN  
TO  
THE U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
OFFICE OF INSPECTOR GENERAL'S  
DRAFT AUDIT REPORT NUMBER 2008-FW-100X

29 APRIL 2008



SHA  
ADMINISTRATION

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**LEGAL COUNSEL**

ROBERT U. GOODMAN	ATTORNEY AT LAW
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**PLAN PREPARED BY:** THE SHA SPECIAL PROGRAMS AND DEVELOPMENT  
DEPARTMENT'S STAFF

**TYPED BY:** JANIFER O'NEAL-WASHINGTON

**DISTRIBUTION:** MEMBERS OF THE BOARD OF COMMISSIONERS  
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SECTION 8 DEPARTMENT  
HUD NEW ORLEANS FIELD OFFICE

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## **INTRODUCTION**

During the period of October 2007 – April 2008, the SHA's Section 8 Programs' Administration was audited by the U. S. Department of Housing and Urban Development's (HUD) Office of Inspector General (OIG) with a written draft report rendered to the SHA on 24 April 2008 and followed by an exit conference on Tuesday, 29 April 2008 with members of the OIG Team: Ava Roussell and Darlene Haniak (in person) and Terresa Carroll (via telecommunication) to verbally present the result of the Audit and allow the SHA's staff an opportunity for feedback on the Draft Audit Report as presented.

The OIG's Draft Audit Report as issued incorporated findings and recommendations for implementation by the SHA to enhance the performance of the Section 8 Programs' Administration under the supervision of HUD's New Orleans Field Office.

This report is being prepared to illustrate and illuminate initiatives undertaken by the SHA since the Audit commencement that were endorsed and executed to improve the overall performance and effectiveness in the SHA's Section 8 Programs' Administration.

## BACKGROUND

The SHA had contracted the administration of its Section 8 Programs (Certificates, Moderate Rehabilitation, Rental Rehabilitation, Single Room Occupancy, Bootstrap, Continuum Care, Housing Choice Voucher, Katrina Disaster Housing Assistance Program, Disaster Voucher Program, Disaster Housing Assistance Program, etc.) to a private Section 8 Contract Administrator since the inception of the Section 8 Program by the U. S. Department of Housing and Urban Development in 1975 under Section 8 of the U. S. Housing Act of 1937 until 31 January 2008. To paraphrase the aforementioned, the SHA has never operated the Section 8 Program with its own staff and has always out-sourced its administration.

The SHA's current Section 8 Housing Choice Voucher Programs baseline inventory consist of approximately 3,274 units.

In the process of its previous quality control during contract administration, the SHA always employed two (2) staff persons to monitor the day-to-day operations with respect to administration, maintenance of participants files, and Housing Quality Standards (HQS) Compliance.

Members of the SHA's Board of Commissioners have always expressed an interest and long-range goal to eliminate the professional service of a Contract Administrator and provide all aspects of the Section 8 Programs' Administration with an in-house SHA staff.

This expressed endeavor became a reality under Resolution No. 3228-08 as adopted by the SHA's Board of Commissioners on **Tuesday, 22 January 2008**, which terminated the Section 8 Contract Administrator contract and commenced the administration of the Section 8 Programs on 1 February 2008 using the SHA's staff.

Prior to and after 1 February 2008, the SHA executed various transactions in preparation to transition Section 8 Administration in-house (dispatched selected existing public housing staff to Section 8 training, thereby cross-training from public housing to Section 8, recruited and employed persons to administer the Program in the capacity as receptionist, clerk, inspectors, case managers, additional training in Housing Quality Standards, Section 8 Occupancy, eligibility, rent calculation and regulations, occupied its facility located 623 Jordan Street, Shreveport, Louisiana for Section 8 Administration, purchased computer hardware and software program, received training on software programs, purchased handheld computers for inspectors, purchased office equipment, materials, supplies furnishing, leased automotive equipment from public housing, processed monthly HAP and utility reimbursement, revising and amending the Section 8 Administrative Plan reducing

time and cost in the Programs' Administration, in an effort to best serve families in the provision of decent, safe, sanitary and affordable housing in a community of their own choosing, employed a contract consultant to assist with the 100% inspections mandated by HUD New Orleans Field Office on the Section 8 units for HQS Compliance, inspection on new units entering the Program for HQS compliance, review on 100% of the participants' files for accuracy to include, but not limited to: eligibility, income determination required documents and rent calculations, solicited and secured an independent entity upon HUD approval to conduct HQS inspections and rent reasonableness analysis on SHA-owned units, solicited and received technical assistance from HUD New Orleans Field Office in the implementation of the Section 8 Programs' Administration, etc.).

## RESULTS OF AUDIT

**FINDING:** The Authority Made Excessive Housing Assistance Payments in Its Section 8 Programs

Pendleton incorrectly calculated family income.

The Authority paid \$5,496 in assistance after families vacated units.

Pendleton miscalculated utility allowances.

Pendleton used incorrect payment standards.

Other errors affecting assistance payments.

Other errors did not affect assistance payments but needed corrective actions.

### RECOMMENDATIONS

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

- 1A. Within six months, recertify all families receiving assistance and, at the time of the recertifications, review their files for any errors occurring within the previous 12 months.
- 1B. Repay, from non federal funds, its Section 8 Program or the families as appropriate for any assistance payment errors identified during its file reviews pursuant to recommendation 1A.
- 1C. Repay its Section 8 Program, from non federal funds, \$17,583 for excess assistance payments.
- 1D. Reimburse tenants, from non federal funds, \$1,767 in under-payments or reprogram the funds in accordance with generally accepted accounting principles and HUD requirements.
- 1E. Implement adequate procedures and controls over its housing assistance payments to ensure that tenant eligibility and subsidy payments are supported and determined in accordance with HUD requirements to avoid paying \$146,450 in excess assistance during the next 12 months.

**SHA**

**CORRECTIVE ACTION AND IMPROVEMENT PLAN  
TO**

U. S. Department of Housing and Urban Development Office of Inspector General's Audit Report Number: 2008-FW-100X		
<b>SHA'S FISCAL YEAR:</b> 2008	<b>RESPONSIBLE PERSON</b> Donzetta H. Kimble, Executive Director	
<b>FINDING:</b> The Shreveport Housing Authority, Shreveport, Louisiana, made excessive Housing Assistance Payments in its Section 8 Housing Choice Voucher.		
<b>CONDITION AND CAUSE:</b> Excessive Housing Assistance Payment (HAP) due to incorrect calculation of family income, paying HAP on vacated units, using incorrect payment standards, miscalculating utility allowances and other errors that resulted in incorrect assistance payments.		
<b>RECOMMENDATION: 1A.</b> Within six months, re-certify all families receiving assistance and, at the time of the re-certification, review their files for any errors occurring within the previous 12 months.		
<b>QUESTIONED COSTS:</b>		
<b>SHA GOAL:</b> Administer the Section 8 Programs in accordance with the Administrative Plan and regulations set forth by HUD to include, but not limited to: 24 CFR 982.54(d)(1), 982.204(a), 982.4, 982.54(d)(15), 982.158(f)(7), 982.507, Part 5, Subpart F, 982.516, 982.517, 982.405(b), 982.404, 982.54(d)(5), 982.153(b)(3) and (b)(4), 982.301(a), 982.301(b)(4) and (b)(12), 982.503, 982.516, 982, Subpart K, 982.305, 982.405(a), 984.105, 984.305, etc.		
<b>SHA TASKS AND STRATEGIES:</b>	<b>GOAL DATE</b>	<b>COMPLETION DATE</b>
Issue a directive to the Section 8 Administrative staff to review 100% of the existing participants' files to validate and acknowledge compliance or non-compliance with HUD Regulations and Administrative Plan. Those files out of compliance shall be corrected to comply with regulations. Noted in <b>Attachment A</b> .	24 April 2008	24 April 2008
Conduct a comprehensive screening and review on 100% of the existing participants' file minus the 107 reviewed by the OIG Audit Team and implement corrective action for those out of compliance to comply with regulations to include eligibility based on family composition and income, rent calculation, required and executed documents, etc.	24 April 2008	23 October 2008
Existing participants' file out of compliance shall be updated to bring in compliance by completing the required and necessary transactions to include any disbursement and reimbursement activities on behalf of the SHA, family or owner.	24 April 2008	23 October 2008

If the comprehensive file review reveals that a debt is assessed against the family(ies) due to misrepresentation/non-reporting of information, the SHA shall use every effort to recover the debt, including but not limited to: Lump sum payment, civil suits, payment agreement, collection agencies, credit bureau, etc.	24 April 2008	On-going
Should the comprehensive file review reveals that the owner(s) has /have received and retained housing assistance that the Owner is not entitle to, the SHA shall reclaim the amounts from future HAP owed the Owner for any unit(s) under contract(s). If future HAP is insufficient to reclaim the amount owned, the SHA shall use the following collection tools: Request lump sum payment, civil suits, payment agreement, collection agencies, and credit bureau. As a last resort, the SHA may restrict the Owner from future participation. Sample family/owner payment agreement in <b>Attachment B</b> .	24 April 2008	On-going
Adhere to the participant's file compilation checklist of documents to ensure the presence of all required HUD documents are inclusive of the participant's file at the time of admission and recertification.	24 April 2008	On-going
Assign staff persons to review the information compiled by the initial preparer in each participant's file for completeness and accuracy as quality control to minimize or prevent the reoccurrence of the finding.	24 April 2008	On-going
Compile each participant file in accordance with the checklist in <b>Attachment C</b> .	24 April 2008	On-going
Compute participant's income and rental payment using the worksheets described in <b>Attachment D</b> .	24 April 2008	On-going
Monitor tasks and strategies for adherence and compliance through quality control procedures. Take appropriate action to rectify any and all deficiencies.	24 April 2008	On-going
Provide training and retrain staff for job proficiency in all facets of the Section 8 Administration.	January 2008	On-going
Instill in the Section 8 staff to be conscious of the fact that the data compiled in the Section 8 Programs' Administration will be used to support documentation in completing the SEMAP Certification, which is a report card in the Section 8 performance.	24 April 2008	On-going



**SHA**  
**CORRECTIVE ACTION AND IMPROVEMENT PLAN**  
**TO**

U. S. Department of Housing and Urban Development Office of Inspector General's Audit Report  
 Number: 2008-FW-100X

<b>SHA'S FISCAL YEAR:</b> 2008	<b>RESPONSIBLE PERSON</b> Donzetta H. Kimble, Executive Director
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**FINDING:** The Shreveport Housing Authority, Shreveport, Louisiana, made excessive Housing Assistance Payments in its Section 8 Housing Choice Voucher.

**CONDITION AND CAUSE:** Excessive Housing Assistance Payment (HAP) due to incorrect calculation of family income, paying HAP on vacated units, using incorrect payment standards, miscalculating utility allowances and other errors that resulted in incorrect assistance payments.

**RECOMMENDATION:** **1B.** Repay, from non-federal funds, its Section 8 Program or the families as appropriate for any assistance payment errors identified during its file review pursuant to recommendation 1A.

**QUESTIONED COSTS:**

**SHA GOAL:** Administer the Section 8 Programs in accordance with the Administrative Plan and regulations set forth by HUD to include, but not limited to: 24 CFR 982.54(d)(1), 982.204(a), 982.4, 982.54(d)(15), 982.158(f)(7), 982.507, Part 5, Subpart F, 982.516), 982.517), 982.405(b), 982.404), 982.54(d)(5), 982.153(b)(3) and (b)(4), 982.301(a), 982.301(b)(4) and (b)(12), 982.503, 982.516, 982, Subpart K, 982.305, 982.405(a), 984.105, 984.305, etc.

<b>SHA TASKS AND STRATEGIES:</b>	<b>GOAL DATE</b>	<b>COMPLETION DATE</b>
Upon completion of the 100% review on participants' files, the Executive Director shall prepare resolution(s) for adoption by the SHA's Board of Commissioners to make restitution to the Section 8 Program and participants as applicable for any and all eligible payments due as a result of SHA's errors from non-federal funds.	24 April 2008	23 October 2008
Adopt a resolution directing and authorizing the SHA's Legal Counsel to act on behalf of the SHA and execute the appropriate action for the enforcement of the provision in the former Section 8 Contract Administrator (PDC) Contract to hold accountable and liable for any and all miscalculation in Housing Assistance Payment and recover any liability to the SHA resulting therefrom.	October 2008	Upon finalization by appropriate court action or other means

**SHA**

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<b>SHA'S FISCAL YEAR:</b> 2008	<b>RESPONSIBLE PERSON</b> Donzetta H. Kimble, Executive Director
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**FINDING:** The Shreveport Housing Authority, Shreveport, Louisiana, made excessive Housing Assistance Payments in its Section 8 Housing Choice Voucher.

**CONDITION AND CAUSE:** Excessive Housing Assistance Payment (HAP) due to incorrect calculation of family income, paying HAP on vacated units, using incorrect payment standards, miscalculating utility allowances and other errors that resulted in incorrect assistance payments.

**RECOMMENDATION: 1C.** Repay its Section 8 Program, from non-federal funds, \$17,593 for excess assistance payments.

**QUESTIONED COSTS:** \$17,593.00

**SHA GOAL:** Administer the Section 8 Programs in accordance with the Administrative Plan and regulations set forth by HUD to include, but not limited to: 24 CFR 982.54(d)(1), 982.204(a), 982.4, 982.54(d)(15), 982.158(f)(7), 982.507), Part 5, Subpart F, 982.516), 982.517), 982.405(b), 982.404), 982.54(d)(5), 982.153(b)(3) and (b)(4), 982.301(a), 982.301(b)(4) and (b)(12), 982.503, 982.516, 982, Subpart K, 982.305, 982.405(a), 984.105, 984.305, etc.

<b>SHA TASKS AND STRATEGIES:</b>	<b>GOAL DATE</b>	<b>COMPLETION DATE</b>
The SHA's Executive Director shall craft a resolution for the adoption by the SHA's Board of Commissioners during their regular meeting on Tuesday, <b>27 May 2008</b> , to reimburse the Section 8 Program <b>\$17,593.00</b> for excessive housing assistance (incorrect calculation of family income, HAP paid on vacated units, use of incorrect payment standards, miscalculation of utility allowance and incorrect adjustment of families income) from a source other than federal funds. The proposed resolutions are described in <b>Attachment E</b> .	24 April 2008	27 May 2008
Adopt a resolution during the meeting of the SHA's Board of Commissioners on Tuesday, <b>27 May 2008</b> , to employ the SHA's Legal Counsel to implement legal action against the former Section 8 Contract Administrator (Pendleton Development Corporation) to recover liability to the SHA resulting from their contractual obligation and performance.	27 May 2008	27 May 2008

Use all measures at the SHA's disposal to recoup funds vested, resulting from the former Section 8 Contract Administrator's (PDC) performance resulting in a cost to the SHA	27 May 2008	Until finalized by court or other means
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**SHA**  
**CORRECTIVE ACTION AND IMPROVEMENT PLAN**  
**TO**

U. S. Department of Housing and Urban Development Office of Inspector General's Audit Report  
 Number: 2008-FW-100X

<b>SHA'S FISCAL YEAR:</b> 2008	<b>RESPONSIBLE PERSON</b> Donzetta H. Kimble, Executive Director
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**FINDING:** The Shreveport Housing Authority, Shreveport, Louisiana, made excessive Housing Assistance Payments in its Section 8 Housing Choice Voucher.

**CONDITION AND CAUSE:** Excessive Housing Assistance Payment (HAP) due to incorrect calculation of family income, paying HAP on vacated units, using incorrect payment standards, miscalculating utility allowances and other errors that resulted in incorrect assistance payments.

**RECOMMENDATION:** 1D. Reimburse tenants, from non-federal funds, \$1,767 in under payments or reprogram the funds in accordance with generally accepted accounting principles and HUD requirements.

**QUESTIONED COSTS:**

**SHA GOAL:** Administer the Section 8 Programs in accordance with the Administrative Plan and regulations set forth by HUD to include, but not limited to: 24 CFR 982.54(d)(1), 982.204(a), 982.4, 982.54(d)(15), 982.158(f)(7), 982.507, Part 5, Subpart F, 982.516, 982.517, 982.405(b), 982.404, 982.54(d)(5), 982.153(b)(3) and (b)(4), 982.301(a), 982.301(b)(4) and (b)(12), 982.503, 982.516, 982, Subpart K, 982.305, 982.405(a), 984.105, 984.305, etc.

<b>SHA TASKS AND STRATEGIES:</b>	<b>GOAL DATE</b>	<b>COMPLETION DATE</b>
The SHA's Executive Director shall craft a resolution for the adoption by the SHA's Board of Commissioners during their regular meeting on Tuesday, <b>27 May 2008</b> , to reimburse selected Section 8 Program participants <b>\$1,767.00</b> for excessive housing assistance (incorrect calculation of family income, use of incorrect payment standards, and incorrect adjustment of families income) from a source other than federal funds. The proposed resolutions are described in <b>Attachment E</b> .	24 April 2008	7 May 2008
Adopt a resolution during the meeting of the SHA's Board of Commissioners on Tuesday, <b>27 May 2008</b> , to employ the SHA's Legal Counsel to implement legal action against the former Section 8 Contract Administrator (Pendleton Development Corporation) to recover liability to the SHA resulting from their contractual obligation and performance.	27 May 2008	27 May 2008

Use all measures at the SHA's disposal to recoup funds vested, resulting from the former Section 8 Contract Administrator's (Pendleton Development Corporation) performance resulting in a cost to the SHA.

27 May 2008

Until finalized by court or other means

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 Number: 2008-FW-100X

<b>SHA'S FISCAL YEAR:</b> 2008	<b>RESPONSIBLE PERSON</b> Donzetta H. Kimble, Executive Director
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**FINDING:** The Shreveport Housing Authority, Shreveport, Louisiana, made excessive Housing Assistance Payments in its Section 8 Housing Choice Voucher.

**CONDITION AND CAUSE:** Lack of effective management controls and requirements compliance.

**RECOMMENDATION:** 1E. Implement adequate procedures and controls over its housing assistance payments to ensure that tenant eligibility and subsidy payments are supported and determined in accordance with HUD requirements to avoid paying \$146,450 in excess assistance during the next 12 months.

**QUESTIONED COSTS:**

**SHA GOAL:** Administer the Section 8 Programs in accordance with the Administrative Plan and regulations set forth by HUD to include, but not limited to: 24 CFR 982.54(d)(1), 982.204(a), 982.4, 982.54(d)(15), 982.158(f)(7), 982.507, Part 5, Subpart F, 982.516, 982.517, 982.405(b), 982.404, 982.54(d)(5), 982.153(b)(3) and (b)(4), 982.301(a), 982.301(b)(4) and (b)(12), 982.503, 982.516, 982, Subpart K, 982.305, 982.405(a), 984.105, 984.305, etc.

<b>SHA TASKS AND STRATEGIES:</b>	<b>GOAL DATE</b>	<b>COMPLETION DATE</b>
In undertaking the administration of the Section 8 Program in-house, it is the SHA's goal to exercise every meaningful and useful measure to effectively administer the Program in accordance and compliance with HUD rules and regulations and the SHA's Administrative Plan.	1 February 2008	On-going
Recruit and employ capable persons to adequately staff the Section 8 Programs' Administration.	1 February 2008	On-going
Provide Section 8 staff with the appropriate resources and tools to effectively administer the Section 8 Programs.	1 February 2008	On-going
Train, cross-train and retrain Section 8 staff in all facets of the Section 8 Programs' Administration.	January 2008	On-going
Update and revise the Administrative Plan to incorporate amendments as the need exists to complement the Programs' Administration.	1 February 2008	Ongoing

Adhere to established policies, procedures and regulations which will enhance the performance in SEMAP indicators, thereby automatically producing an effective Section 8 Programs' Administration.	1 February 2008	On-going
Maintain data and documents for use to compile and support SEMAP Certification (Form HUD-52648).	1 February 2008	On-going
Enforce Quality Control (Completeness and accuracy) in the Section 8 Programs' Administration for compliance with HUD regulations.	1 February 2008	On-going
Maintain records for a period of at least three years before disposal.	February 2008	On-going

## Comment 1

### CONCLUSION

Undertaking the Section 8 Programs Administration in-house by the SHA is and has been a tremendous challenge. However, it is the intent and ultimate goal of the SHA to administer the Programs in such a manner to provide decent, safe and sanitary housing to eligible families in the local community who are renting in the private real estate market and achieve maximum scores on the fourteen (14) Section Eight Management Assessment Program (SEMAP) Indicators (Selection from the Waiting List, Reasonable Rent, Determination of Adjusted Income, Utility Allowance Schedule, HQS Quality Control Inspections, HQS Enforcement, Expanding Housing Opportunities, Payment Standards, Annual Reexaminations, Correct Tenant Rent Calculation, Pre-Contract HQS Inspection, Annual HQS Inspections, Lease-up and Family Self-Sufficiency Enrollment, thereby, providing assurance that there is no material evidence of serious deficiencies in the SHA's Section 8 Administration performance.

In the process of tailoring the Section 8 operations to ensure compliance with SEMAP, the activities implemented, included reviewing of utility allowances and adjust annually (if needed), conduct rent reasonableness analysis every two-years, conduct on-going training with case managers on processing files and inspectors on HQS Compliance, conducting in-house audits on files to make sure criteria are being met in an annual re-exam, calculating rents, and monitoring HQS annual inspections to make sure they are being conducted in a timely manner.

All of the SHA's staff assigned to administer the Section 8 Programs day-to-day operations shall be trained and qualified to carry out their assigned duties and responsibilities in accordance with positions and job descriptions. The SHA will further require the staff to cross train from case managers to inspectors and from inspectors to case managers, thereby producing a versatile staff with technical and proficiency competency to carry out the intended functions of the Section 8 Programs' Administration without interruptions.

In administering the Section 8 Program, the SHA's approach was and has been to commence from ground zero and move forward adhering to and abiding by all regulations promulgated by HUD for the use in Section 8 Programs's administration. The SHA has further requested and secure the technical assistance of HUD New Orleans Field Office in the administration of the Section 8 Programs to ensure compliance with applicable guidelines and regulations to include PIH Notices, memorandums, etc.

The SHA's ultimate goal is to improve and maintain standards in its Section 8 Housing Choice Voucher Programs' Administration in accordance with HUD Regulations, thereby providing housing assistance to eligible participants housed in units that are in compliance with HQS, recruit, encourage, and increase property owners' participation, and increase the leasing schedule to the maximum capacity of the baseline inventory.



### **OIG Evaluation of Auditee Comments**

**Comment 1** The Authority agreed with our finding and provided a Corrective Action and Improvement Plan. We are encouraged that the Authority is taking steps to correct the conditions. We did not make any changes to the draft report based on the Authority's comments; however, we changed some of the dollar amounts in the report due to additional information identified in one of the tenant files.