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Audit Report Number	2008-LA-1005

TO: K.J. Brockington, Director, Los Angeles Office of Public Housing, 9DPH

Joan S. Hobbs

FROM: Joan S. Hobbs, Regional Inspector General for Audit, Region IX, 9DGA

SUBJECT: The Anaheim Housing Authority, Anaheim, California, Did Not Always Operate Its Section 8 Housing Choice Voucher Program Effectively

HIGHLIGHTS

What We Audited and Why

We audited the Anaheim Housing Authority's (Authority) tenant eligibility and reexamination policies and procedures for its Section 8 Housing Choice Voucher program (program) based on a suggestion from the Los Angeles U.S. Department of Housing and Urban Development (HUD) Office of Public Housing. HUD requested that we review the Authority's reexamination process after a recent admission by the Authority's executive director that the Authority was experiencing problems with its eligibility and reexamination activities. HUD had also identified problems with the Authority's rent reasonableness determinations.

The objective of the audit was to determine whether the Authority followed HUD rules and regulations in determining tenant eligibility, rent calculations, and rent reasonableness.

What We Found

Although we did not identify any tenants that were not eligible for the Authority's program in the sample of 10 tenant files reviewed (three of which were new admissions),

we determined that the Authority incorrectly calculated housing assistance payments and processed annual recertifications without ensuring that all HUD requirements were met. We identified a total of \$6,097 in housing assistance overpayments and \$90 in housing assistance underpayments related to tenant reexaminations. In addition, although we noted that the Authority had significantly improved its rent reasonableness practices since late 2006, the Authority's rent reasonableness procedures were not in accordance with all HUD rules and regulations.

What We Recommend

We recommend that the Director of HUD's Los Angeles Office of Public Housing require the Authority to reimburse the program \$6,097 from nonfederal funds for the overpayment of housing assistance; reimburse the appropriate tenant \$90 from program funds for the underpayment of housing assistance; provide support for the use of the "energy efficient" utility allowance schedule for one tenant and the rent amounts for two tenants or adjust the housing assistance payments as necessary; ensure that the new administrative plan is properly implemented throughout the organization; and implement additional procedures and controls over eligibility, quality control reviews, and rent reasonableness determinations.

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 the Authority the draft report on December 14, 2007, and held an exit conference with the Authority on December 20, 2007. The Authority generally agreed with our report.

We received the Authority's response on January 10, 2008. The complete text of the auditee's response can be found in appendix B of this report.

TABLE OF CONTENTS

Background and Objectives	4
Results of Audit	
Finding 1: The Authority Did Not Determine Housing Assistance Payments in Accordance with HUD Rules and Regulations	5
Finding 2: The Authority Did Not Fully Document Rent Reasonableness in Accordance with HUD Rules and Regulations	9
Scope and Methodology	12
Internal Controls	13
Appendixes	
A. Schedule of Questioned Costs and Funds to Be Put to Better Use	14
B. Auditee Comments	15
C. Schedule of Tenant Eligibility Errors Noted in Tenant Files	17
D. Criteria	18

BACKGROUND AND OBJECTIVES

The Anaheim Housing Authority (Authority) was established in 1975 and is a subdivision of the Housing Services Division of the Community Development Department of the city of Anaheim. The Authority is the largest subdivision, and it has more employees than the combined total of the other three subdivisions. The Authority is governed by a five-member board, which also acts as the Anaheim City Council.

The Anaheim Housing Services Division provides affordable housing opportunities to eligible residents in the community and aims to preserve, improve, and expand the supply of affordable housing in the city by providing direct financial assistance to renters, homeowners, and affordable housing development. The Housing Services Division receives funding from several federal housing programs, including the Section 8 Housing Choice Voucher program and the HOME program.

The Authority administers a tenant-based Housing Choice Voucher Section 8 program (program) and currently has 6,216 Section 8 tenant-based assistance vouchers. The Authority does not own or operate any conventional public housing units.

On April 16, 2007, The U.S. Department of Housing and Urban Development (HUD) lowered the Authority's Section Eight Management Assessment Program (SEMAP) score for 2006 and put the Authority under troubled status, based on a recent admission by the Authority's executive director that the Authority was experiencing problems with its eligibility and reexamination activities, including using housing assistance payments to pay the tenants' portion of rent. As a result, HUD suggested that we review the Authority's reexamination process. Before our entrance conference, the Authority provided HUD with a list of all questioned costs associated with the Authority's paying the tenants' portion of rent. On August 31, 2007, HUD required the Authority to pay back \$421,329 in questioned costs to the program.

In addition, the Authority had previously received zero points for its rent reasonableness SEMAP indicator for 2006. HUD had not yet conducted its follow-up review to determine whether the Authority had corrected these practices.

The objective of the audit was to determine whether the Authority followed HUD rules and regulations in determining tenant eligibility, rent calculations, and rent reasonableness.

RESULTS OF AUDIT

Finding 1: The Authority Did Not Determine Housing Assistance Payments in Accordance with HUD Rules and Regulations

Although we did not identify any tenants that were not eligible for the Authority's program in the sample of 10 tenant files we reviewed (three of which were new admissions), we determined that the Authority incorrectly calculated housing assistance payments and processed annual recertifications without ensuring that all HUD requirements were met. We reviewed 10 files and identified problems in six of the files, four of which resulted in overpayment and underpayment of housing assistance. These errors were a result of the Authority's failure to maintain and follow an updated administrative plan that followed all HUD rules and regulations. As a result, HUD improperly made \$6,097 in housing assistance overpayments and \$90 in housing assistance underpayments.

Reexamination Errors Resulted in the Overpayment and Underpayment of Housing Assistance

Our review of the Authority's initial and annual examinations for 10 tenant files identified errors in four files that resulted in overpayment or underpayment of housing assistance, as follows:

- In two files, the Authority did not conduct an interim reexamination after the tenant reported a significant increase in income. Regulations at 24 CFR [*Code of Federal Regulations*] 982.516(b)(3) provide that "interim examinations must be conducted in accordance with policies in the PHA [public housing agency] administrative plan," and the Authority's administrative plan instructs staff to conduct an interim reexamination when families have an increase in income of more than \$300 per month. The Authority's failure to conduct an interim reexamination resulted in its overpaying \$4,760 in housing assistance. Also, in one of the two files, the Authority did not obtain any new income or asset documentation at the time of the reexamination.
- In one file, the Authority miscalculated tenant income during two separate annual reexaminations and used the incorrect number of dependents for one annual reexamination, resulting in overpayments of \$564 in housing assistance for the tenant during our audit period. In addition, the Authority used the "energy efficient" utility allowance schedule without any supporting documentation as to how the unit qualified as "energy efficient," which further impacted the housing assistance payment amounts. The "energy efficient" utility allowance schedule

provides a lower utility allowance in light of the energy-efficient appliances and setup of the unit.

- In one file, the Authority issued a duplicate check and, therefore, double paid one month of housing assistance totaling \$773. The Authority also miscalculated the tenant's income, which resulted in underpayments of housing assistance from May 1, 2006, through January 31, 2007, totaling \$90.

Other Reexamination Issues Were Identified during File Reviews

We identified various other errors during our file reviews of the tenant's initial and/or annual reexamination (see appendix C for a schedule of discrepancies). In these instances, there was no impact to the housing assistance payment amount and/or we were able to verify that the housing assistance payments were acceptable upon further follow-up. However, these types of issues generally impact the housing assistance payment calculations and, therefore, represent problems with the Authority's eligibility and reexamination practices.

- The Authority did not sufficiently verify full-time student status.
- The Authority used the incorrect payment standard when completing rent calculations for two separate reexaminations.
- The Authority did not obtain source income documents and instead relied on income information obtained from HUD's Enterprise Income Verification system. The system is intended to be used in conjunction with family-provided documents as verification of income and, therefore, should not be the sole source of all income calculations.
- The Authority did not complete sufficient third-party verification of income relating to annual child support payments.

Additionally, the Authority did not complete the reexamination within sufficient time to give the tenant 30 days' notice of rent increase in four files. This delay resulted in the ineligible use of housing assistance payments for the tenants' portion of rent from October 2004 through January 2007. However, HUD learned of this issue before our audit, and the Authority paid back \$421,329 in funds related to this problem on October 22, 2007 (see the Background and Objectives section of this report).

Policies and Procedures Were Inadequate

The tenant eligibility issues occurred because the Authority did not maintain updated comprehensive policies and procedures, nor did it follow its administrative plan to ensure that its initial and annual examinations were performed in accordance with HUD rules and regulations. Specifically, it did not maintain its administrative plan to ensure that policies and procedures were updated in accordance with HUD regulations and that staff was informed of all the details necessary to perform essential duties relating to the calculation of housing assistance payments and to ensure compliance with HUD requirements.

Further, the Authority's quality control review practices failed to detect reexamination errors. We identified seven quality control reviews applicable to our sample of tenant files, each with no findings. The quality control reviews were performed by the supervisor of the staff members who conducted the reexamination. We noted errors in four of the applicable reexaminations, including the use of an incorrect payment standard, miscalculated income, and incorrect number of dependents (see appendix C).

The Authority had not updated its administrative plan since June 28, 2004. As a result, its staff did not correctly calculate tenant income and made other errors that resulted in \$6,097 in overpayments and \$90 in underpayments of housing assistance for the four files reviewed. During the course of our audit, the Authority issued a revised version of the administrative plan in July 2007. The new administrative plan was much more detailed and inclusive of HUD rules and regulations than the outdated plan, which should help address most of the reexamination discrepancies. The Authority needs to ensure that the new plan is properly implemented throughout the organization. We noted no changes in the Authority's quality control review procedures.

Recommendations

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

- 1A. Reimburse its program \$6,097 from nonfederal funds for overpayment of housing assistance.
- 1B. Reimburse the appropriate tenant \$90 from program funds for the underpayment of housing assistance.
- 1C. Provide support for the use of the "energy efficient" utility allowance schedule for tenant S2 or adjust the housing assistance payments as necessary.

- 1D. Follow-up with the errors noted in this report and make corrections to the housing assistance payments for the periods outside our audit scope.
- 1E. Ensure that the new administrative plan is properly implemented throughout the organization to ensure that Authority staff follows the administrative plan, including the issues identified in the audit finding.
- 1F. Implement procedures and controls to ensure that quality control reviewers provide accurate and complete quality control reviews.

Finding 2: The Authority Did Not Fully Document Rent Reasonableness in Accordance with HUD Rules and Regulations

Although the Authority had significantly improved its rent reasonableness practices since late 2006, we identified instances in which rent reasonableness determinations were not fully documented. The incomplete rent reasonableness reviews were a result of the Authority's failure to maintain an updated administrative plan that followed all HUD rules and regulations. As a result, HUD may have improperly made at least \$200 in housing assistance overpayments. In addition, HUD faces an inherent risk that incomplete rent reasonableness reviews could result in paying more rent for units than is reasonable.

The Authority Initiated New Rent Reasonableness Practices to Correct Prior Deficiencies

We reviewed four files from our statistical sample and confirmed that the Authority had previously not followed HUD's rent reasonableness requirements under 24 CFR [*Code of Federal Regulations*] 982.507 or HUD's Housing Choice Voucher Guidebook 7420.10G, chapter 9, to ensure that tenant rent was reasonable. It had previously only obtained one comparable and did not necessarily perform the rent reasonableness review at the time of the rent increase request. In addition, the Authority had not documented its analysis of the comparables' factors (such as amenities, square footage, age, condition, and services) in accordance with 24 CFR 982.507(b). Further, the Authority did not include documentation to support the source of the comparable in the tenant's file.

However, the Authority had improved its rent reasonableness practices after subscribing to a Web-based database in August 2006. The rent reasonableness data are updated and evaluated by Pierce-Eislen, an independent company. The database provides more detailed documentation of the comparables than the Authority had previously documented in the tenant files. The Authority now obtains three comparables and uses a new form that compares various factors for the unit and the comparables.

Rent Reasonableness Determinations Were Not Always Fully Documented

To determine whether the Authority met rent reasonableness requirements, we reviewed five files from our statistical sample. We were able to confirm that the Authority implemented the new practices identified above, which significantly improved the quality

and support for the Authority's rent reasonableness determinations. However, we noted some procedural issues with the Authority's current rent reasonableness practices.

- The rent reasonableness documentation for one file (tenant S1) was incomplete and unsigned and did not fully support the \$50 rent increase, effective June 1, 2007.
- Review of the five files showed that the Authority did not document its comparison of assisted unit rent to unassisted units within the same complex in accordance with 24 CFR [*Code of Federal Regulations*] 982.507 and Housing Choice Voucher Guidebook 7420.10G, chapter 9.2, to ensure that the owner did not charge a higher rent than the comparable unassisted units on the premises. Authority management confirmed that it did not document this information unless it was completing a new request for tenancy approval for a tenant. In one case, the proposed \$880 rent for a new admission (tenant S10) exceeded the comparable unassisted unit rent of \$780 identified by the owner on its request for tenancy approval by \$100 per month. The Authority approved it without justification documented in the file, so it is unclear whether the additional \$200 paid through the end of our audit period (\$100 per month for March and April 2007) was reasonable.
- Although the Authority obtained amenity information, it did not document its comparison of the amenities. Regulations at 24 CFR 982.507(b) state that the Authority must consider amenities in its rent reasonableness determinations.

Policies and Procedures Were Inadequate

As in finding 1, the rent reasonableness issues existed because the Authority did not maintain updated comprehensive policies and procedures, nor did it follow its administrative plan to ensure that its rent reasonableness reviews were performed in accordance with HUD rules and regulations. As a result, there was an inherent risk that HUD or the program participants would pay more rent for units than was reasonable.

During the course of our audit, the Authority issued a revised version of the administrative plan in July 2007. The new administrative plan included detail on how the rents were to be determined and set forth policy regarding the use of rent data provided by a third-party provider. However, the plan did not require the verification of the rent charged for unassisted comparable units on the premises during all rent reasonableness reviews.

Recommendation

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

- 2A. Provide support to justify the rent increases for S1 and S10 or adjust the housing assistance payments and reimburse the program from nonfederal funds as necessary (at least \$200).
- 2B. Ensure that the new administrative plan is properly implemented throughout the organization to ensure that Authority staff follows the administrative plan when determining rent reasonableness procedures.
- 2C. Implement procedures to ensure that Authority staff verify and document that the rent charged for unassisted comparable units on the premises does not exceed the rent of the assisted unit during all rent reasonableness reviews and that the comparison of unit amenities is documented in the tenant files.

SCOPE AND METHODOLOGY

We performed our on-site audit work from May through September 2007 at the Authority's office in Anaheim, California. The audit generally covered the period May 1, 2006, through April 30, 2007. We expanded our audit period as needed to accomplish our objectives.

To accomplish our audit objectives, we

- Reviewed applicable HUD regulations, including 24 CFR [*Code of Federal Regulations*] Part 982 and Housing Choice Voucher Guidebook 7420.10G.
- Reviewed the Authority's last updated administrative plan, dated 2004.
- Interviewed personnel from the HUD Office of Public Housing, Los Angeles field office.
- Interviewed Authority supervisors and staff to determine their job responsibilities and their understanding of tenant eligibility and rent reasonableness.
- Reviewed paper and electronic records maintained by HUD pertaining to the Authority.
- Reviewed the Authority's financial audit reports for fiscal years 2005 and 2006, as well as its staff listing and organizational chart.
- Reviewed data from HUD's Public Housing Information Center and Enterprise Income Verification systems regarding tenants in our statistical sample.
- Reviewed a portion (10 tenant families) of a statistical sample to determine whether the Authority followed HUD rules and regulations in determining tenant eligibility and rent calculations.
- Reviewed a portion of a statistical sample to determine whether the Authority had previously followed HUD rules and regulations in determining rent reasonableness before new procedures became effective in 2006 (reviewed four tenant families) and since new procedures became effective in 2006 (reviewed five tenant families).

Using the universe of Section 8 housing assistance payments, we statistically selected a sample of payments that the Authority made on behalf of its program tenants. The universe contained 5,917 tenants whose property owners received \$46.4 million on their behalf during our audit period, represented by 67,610 individual transactions. We obtained a statistical sample of 53 tenants to review during our survey and audit phases, based on a confidence level of 90 percent. Our statistical sample consisted of 53 tenants who were paid \$407,032 during our audit period, represented by 597 individual transactions. However, after reviewing 10 of the 53 files (almost 19 percent of our sample), we decided to stop our audit at the survey phase, due to the low severity of the errors and the corrective actions the Authority had already taken.

We performed our review 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, and
- Compliance with applicable laws and regulations.

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

Relevant Internal Controls

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

- Policies and procedures to ensure that housing assistance payments and rent reasonableness reviews are complete and accurate.
- Policies and procedures to ensure that active tenants are eligible.
- Policies and procedures to ensure that adequate tenant/financial management and tenant record-keeping systems are in place.

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 did not have adequate policies and procedures to ensure that housing assistance payments (finding 1) or rent reasonableness reviews (finding 2) were complete and accurate.

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	\$6,097		
1B			\$90
2A		\$200	

- 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 this instance, if the Authority implements our recommendations, it will ensure that tenants are reimbursed for personal funds they should not have expended as the Authority underpaid the amount of assistance they were entitled to receive under the Section 8 Housing Choice Voucher program. Once the Authority successfully improves its controls, this will be a recurring benefit.

Appendix B

AUDITEE COMMENTS



City of Anaheim
ANAHEIM HOUSING AUTHORITY

January 10, 2008

Joan S. Hobbs
Regional Inspector General for Audit
U.S. Department of Housing and Urban Development
Office of Inspector General
Region IX
611 West Sixth Street, Suite 1160
Los Angeles, CA 90017-3101

Dear Ms. Hobbs:

Thank you for the opportunity to respond to the recent audit of Anaheim Housing Authority's ("AHA") Housing Choice Voucher program by your office.

In general, my staff and I concur with the findings itemized in your report. As you know, we have diligently been correcting many of these areas, but understand that we need to continue our efforts. We acknowledge the areas of our operation that need improvement and corrections are being implemented. The following are additional recent actions taken to improve our program:

- As you noted, a new Administrative Plan was adopted in May 2007. The new plan eliminates some non-regulatory requirements. As an example, the audit noted that we did not follow the interim re-exam policy in our old plan which stated that we would conduct an interim re-exam when a family had an increase in income of \$300 or more a month. The language contained in the previous plan was not required by HUD and proved to be administratively burdensome. The language was eliminated in the new plan.
- Income verification training has been provided to AHA staff. The audit mentions several areas where verification of income or family status needed improvement. The new Administrative Plan contains a chapter dedicated wholly to verifications. Additionally, an internal file audit guidebook was finalized and distributed to staff in August 2007. The guidebook provides specific guidance to staff regarding documentation and income verification needed in each tenant file. Training on both documents was conducted in August 2007. Additional training on verification issues is ongoing in monthly work unit meetings.
- A revised Quality Control ("QC") process for file audits was implemented in July 2007. Under the new system, additional reviewers have been added to the rotation and a uniform QC format has been adopted. The new format is based on SEMAP requirements.

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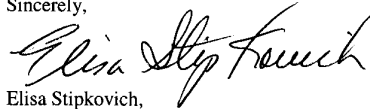
Joan S. Hobbs
Regional Inspector General for Audit
U. S. Department of Housing and Urban Development
January 10, 2008
Page 2

- Additional resources have been acquired to aid in rent reasonableness review. As of January 2007, AHA utilizes the services of Pierce Einslen, a web-based solution, to gather rent data on multi-family complexes in Anaheim. In 2008, AHA is investing in an additional web-based service to assist in comparison of additional factors that affect rents including amenities. Also, our new computer software will generate forms that will more adequately identify ratings for amenities and other relevant factors.
- AHA is currently converting to a new housing system (May 2008). The new housing system will help eliminate the 50058 transmission delays noted in the audit.

We will comply with all your recommendations and reimburse HUD Six Thousand Ninety-seven Dollars (\$6,097) from non-federal funds.

I would like to express my appreciation for your acknowledgement of program improvements we currently have in place. We feel confident that all remaining issues will be resolved.

Sincerely,



Elisa Stipkovich,
Executive Director

Appendix C

SCHEDULE OF TENANT ELIGIBILITY ERRORS NOTED IN TENANT FILES

Tenant	S1	S2	S3	S4	S5	S6	S7	S8	S9	S10	Total
Reexamination not timely		X	X			X		X			4
No income documents obtained	X		X								2
No reexamination after significant increase in income	X						X				2
Miscalculated tenant income		X						X			2
Double paid one month of housing assistance								X			1
No asset documents obtained	X										1
No/Insufficient third-party verification of income	X										1
Unexplained "energy efficient" unit		X									1
Incorrect number of dependents		X									1
Insufficient support to verify full-time student status		X									1
Incorrect payment standard			X								1
Total errors	4	5	3	0	0	1	1	3	0	0	17
Quality control review(s)	0	2	1	0	1	1	0	1	1	0	7
Overpayments	\$2,744	\$564					\$2,016	\$773			\$6,097
Underpayments								\$90			\$90

Appendix D

CRITERIA

The following sections of the *Code of Federal Regulations* apply to tenant eligibility and housing assistance payment calculations (finding 1), as well as rent reasonableness reviews (finding 2):

- 24 CFR [*Code of Federal Regulations*] 982.54(a) requires the public housing authority to adopt a written administrative plan that establishes local policies for administration of the program in accordance with HUD requirements.
- 24 CFR [*Code of Federal Regulations*] 982.54(b) specifies that the administrative plan must be in accordance with HUD requirements and requires the public housing authority to revise the administrative plan if needed to comply with HUD requirements.

The following sections of the *Code of Federal Regulations* apply to tenant eligibility and housing assistance payment calculations (finding 1):

- 24 CFR [*Code of Federal Regulations*] 5.609(c)(11) states that annual income does not include earnings in excess of \$480 for each full-time student 18 years old or older.
- 24 CFR [*Code of Federal Regulations*] 5.611(a)(1) states that the public housing authority must deduct \$480 for each dependent when determining adjusted income.
- 24 CFR [*Code of Federal Regulations*] 982.153 states 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.
- 24 CFR [*Code of Federal Regulations*] 982.505(a) explains that a payment standard is used to calculate the monthly housing assistance payment for a family and that the payment standard is the maximum monthly housing assistance payment.
- 24 CFR [*Code of Federal Regulations*] 982.505(c)(4) states 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 on the effective date of the family's

first regular reexamination on or after the effective date of the increase in the payment standard amount.

- 24 CFR [*Code of Federal Regulations*] 982.516(a) requires the public housing 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.
- 24 CFR [*Code of Federal Regulations*] 982.517(a) requires the public housing authority to maintain a utility allowance schedule for all tenant-paid utilities, for cost of tenant-supplied refrigerators and ranges, and for other tenant-paid housing services. The authority must give HUD a copy of the utility allowance schedule, and the authority must provide any information or procedures used in preparation of the schedule when requested.

The following sections of the *Code of Federal Regulations* apply to rent reasonableness reviews (finding 2):

- 24 CFR [*Code of Federal Regulations*] 982.54(d)(15) states that the public housing authority administrative plan must cover policies for the method of determining that rent to owner is a reasonable rent (initially and during the term of a housing assistance payments contract).
- 24 CFR [*Code of Federal Regulations*] 982.158(f)(7) requires the public housing authority to keep records to document the basis for the authority's determination that rent to owner is a reasonable rent (initially and during the term of a housing assistance payments contract) for at least three years.
- 24 CFR [*Code of Federal Regulations*] 982.507(a) states that the authority may not approve a lease until the authority determines that the initial rent to owner is a reasonable rent. The authority must redetermine the reasonable rent (i) before any increase in the rent to owner, (ii) if there is a 5 percent decrease in the published fair market rent in effect 60 days before the contract anniversary (for the unit size rented by the family) as compared with the fair market rent in effect one year before the contract anniversary, or (iii) if directed by HUD. The authority may also redetermine the reasonable rent at any other time, and at all times during the assisted tenancy, the rent to owner may not exceed the reasonable rent as most recently determined or redetermined by the authority.
- 24 CFR [*Code of Federal Regulations*] 982.507(b) requires the authority to determine whether the rent to owner is a reasonable rent in comparison to rent for other comparable unassisted units. To make this determination, the authority must consider (1) the location, quality, size, unit type, and age of the contract unit

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

- 24 CFR [*Code of Federal Regulations*] 982.507(c) states that by accepting each monthly housing assistance payment from the public housing authority, the owner certifies that the rent to owner is not more than rent charged by the owner for comparable unassisted units on the premises. The owner must give the authority information requested by the authority on rents charged by the owner for other units on the premises or elsewhere.

In addition, HUD's Housing Choice Voucher Guidebook 7420.10G, section 9.2, requires that before any proposed increase in the rent to owner is approved, the public housing authority must determine and document whether the proposed rent is reasonable compared to similar units in the marketplace and not higher than those paid by unassisted tenants on the premises.