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MEMORANDUM NO:
2009-FW-0801

May 28, 2009

MEMORANDUM FOR: David Vargas
Associate Deputy Assistant Secretary
Office of Public Housing and Voucher Programs

Gerald R. Kirkland

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

SUBJECT: Tenant Confirmation for Disaster Housing Assistance Program for
March and April 2009

INTRODUCTION

The Office of Public and Indian Housing (PIH) requested that the Office of the Inspector General (OIG) perform a limited review of a sample of March and April 2009 Disaster Housing Assistance Program (DHAP) payments for Hurricane Katrina and Hurricane Rita evacuees. The objective was to verify whether the authorized tenants lived in the residences in March and April 2009. This memorandum includes the results of the review.

METHODOLOGY AND SCOPE

We reviewed 112 randomly selected sample Hurricane Katrina and Hurricane Rita evacuee tenants at five of the ten largest public housing agencies (agency) administering DHAP in Texas and Louisiana. We selected five agencies located within the local commuting area of OIG office locations to provide a more timely review. The five agencies selected were Houston Housing Authority (TX005), Dallas Housing Authority (TX009), Harris County Housing Authority (TX441), Housing Authority of New Orleans (LA001), and East Baton Rouge Parish Housing Authority (LA003). We obtained a February 2009 Disaster Information System register (register) from PIH that contained tenant and landlord data. From the register, we randomly selected at least 20 tenants at each of the five agencies. We attempted to contact each of the tenants in March and attempted to interview them at their units. In April 2009, we attempted by phone, to determine whether the 112 tenants continued to reside in their units during April 2009. We also obtained March and April 2009 registers and verified whether the units received assistance in March and April 2009.

Before initiating the review, we reached agreement with PIH on the objective, scope, and methodology. This review and its results were subject to the following limitations:

- Although we used due professional care and performed an independent and objective review, our work was limited and was not conducted in accordance with generally accepted government audit standards.
- We did not assess the reliability of the electronic registers provided by PIH. Instead, we performed limited testing on them and found indications of problems.
- We used the February 2009 register to select our samples, but we used the March and April 2009 registers to determine whether the landlords received assistance for each of the samples.
- Our testing did not determine whether the payments were appropriate or properly calculated or whether the units met standards.
- We did not test internal controls at the agencies to determine whether controls over payments were present or effective.
- We did not perform a statistical sample. Therefore, the testing results can only be used to describe the payments tested. The results cannot be used to project whether any payments not tested are appropriate or make any other determinations.
- We did not conclude whether any of the payments were fraudulent. In those instances in which we identified potential fraud, we made the appropriate referrals to the Office of Investigation.

BACKGROUND

DHAP was a Federal Emergency Management Agency (FEMA)-funded “temporary long-term housing rental assistance and case management” program for individuals and families displaced from their homes due to federally declared disasters. FEMA estimated that 45,000 individuals and households displaced by hurricanes Katrina and Rita needed assistance at a cost of about \$565 million. On July 26, 2007, FEMA executed an interagency agreement with the U. S. Department of Housing and Urban Development (HUD) to design, implement, and administer DHAP on FEMA’s behalf because FEMA recognized that HUD had experience in administering various federal housing programs. The duration of the assistance was not to exceed March 1, 2009. However, on February 19, 2009, FEMA and HUD amended the interagency agreement to create a transitional closeout plan that would transition families to HUD’s Housing Choice Voucher program or return them to self-sufficiency by August 31, 2009. The transitional closeout plan reduced rental subsidies for DHAP tenants by \$100 per month, effective March 1, 2009, with an additional \$100 reduction for each subsequent month. The reductions were to continue until the transitional payments were zero or until August 31, 2009, whichever came first.

PIH expressed concerns that tenants may have moved out of their DHAP residences pursuant to a notification that DHAP would be terminated at the end of February 2009, while their landlords continued to accept the assistance payments. PIH requested that OIG review a sample of tenants at the largest agencies in Texas and Louisiana for March and April 2009. At a March 13, 2009, meeting, OIG and PIH staff reached preliminary agreements on the review objective and the

work that OIG would perform. OIG's agreement with PIH in performing the limited review resulted in agreed-upon procedures for the DHAP-tenant confirmation memorandum, dated March 18, 2009, and the review was limited to the agreed-upon procedures.

RESULTS OF REVIEW

Testing identified 20 instances of potentially ineligible payments totaling \$9,478 and some other matters that warrant PIH's attention. The 20 payments were potentially ineligible because they were for tenants who did not live in their assisted units during March and/or April 2009 while their landlords were paid for those units for those months. Of the 112 samples, there were 14 potentially ineligible payments totaling \$7,448 in March 2009 and six potentially ineligible payments totaling \$2,030 in April 2009.

During March 2009, 101 of the 112 sample tenants were contacted and their assistance verified for March. The remaining 11 tenants (9.8 percent of the sample) could not be contacted, and their residence in their DHAP-assisted units during March and/or February 2009 could not be verified. Of the 101 sample tenants that could be contacted and for whom assistance could be verified, 14 (13.9 percent) did not live in their units in March and/or February 2009, yet the landlords received \$7,448 in payments for those units in March. The March payments for the remaining 87 tenants appeared to be proper.

During April 2009, 94 of the 112 sample tenants were contacted and/or their assistance verified for April. The remaining 18 tenants (16.1 percent of the sample) could not be contacted, and their residence in DHAP-assisted units during April 2009 could not be verified. Of the 94 tenants that could be contacted and/or for whom assistance could be verified, six (6.4 percent) did not live in their units in April 2009, yet the landlords received \$2,030 in payments for those units in April. The April payments for the remaining 88 tenants appeared to be proper.

The test results are summarized in the table below.

	March testing				April testing			
	Samples	Exception	No exception	Unable to determine	Samples	Exception	No exception	Unable to determine
Tenants	112	14	87	11	112	6	88	18
Payments	\$46,754	\$7,448	\$33,845	\$5,461	\$29,125	\$2,030	\$18,053	\$9,042

The most significant of the 20 possible ineligible payments are summarized below.

1. A New Orleans tenant told the auditor that his assisted unit burned in August 2008 and he had to move. He said he was awaiting approval for benefits. The auditor verified the fire in a newspaper article. The auditor also drove by the unit, and it appeared to have been repaired and reoccupied. The \$675 that the agency sent the landlord for March 2009 may have been ineligible. The payments for September 2008 through February 2009 may also

have been ineligible (see LA001, sample 9, FEMA identification number (ID) 921158668). There was a payment for this tenant at a different unit in April 2009. The April payment was not classified as an exception because the tenant was not interviewed at the new unit. Therefore, this was a single exception for March (one exception).

2. A New Orleans tenant told the auditor that she had transferred to a Section 8 unit at a different address on January 7, 2009. The \$1,425 that the agency sent the landlord for March 2009 may have been ineligible, as would the payment for February 2009 (see LA001, sample 20, FEMA ID 940797068). There was no payment for this tenant in April 2009. Therefore, this was a single exception for March (one exception).
3. An East Baton Rouge tenant claimed that her unit was not DHAP assisted and that her landlord did not accept DHAP. An agency representative told auditors in March that the agency had not made a payment to the landlord for this unit since November 2008. However, a review of the March 2009 and April 2009 registers showed that the agency paid the landlord \$750 in March 2009 and \$650 in April 2009 for this unit. Further, a review of the February 2009 register showed that the agency paid the landlord \$850 for this unit in February 2009. Based on the agency representative's statements, any payments for December 2008 and January 2009 may also have been questionable (see LA003, sample 6, FEMA ID 939592582). Therefore, this was an exception for both March and April (two exceptions).
4. In Houston, a tenant died on January 12, 2009. The auditor confirmed the death date in the obituary column of a Louisiana newspaper. A review of the deceased tenant's file showed that the tenant did not have any family members living in the unit. The \$585 that the agency paid the landlord for March 2009 may have been ineligible. The payment for February 2009 may also have been ineligible (see TX005, sample 2, FEMA ID 939534825). There was no payment for this tenant in April 2009. Therefore, this was a single exception for March (one exception).
5. In another Houston case, according to a representative in the apartment management's office, a tenant moved out on November 10, 2008. A review of the March 2009 register showed that there was no payment for the tenant. However, a review of the February 2009 register showed that the landlord received a possibly ineligible payment for February 2009. Payments for December 2008 and January 2009, if made, may also have been ineligible (see TX005, sample 20, FEMA ID 939730378). There was no payment for this tenant in April 2009. Therefore, this was a single exception for March (one exception).
6. In Harris County, an assisted tenant moved out of her unit in June 2008. The \$180 that the agency paid the landlord in March 2009 may have been ineligible. Payments for July 2008 through February 2009 may also have been ineligible. According to an agency representative, the agency was attempting to recover \$3,472 in ineligible DHAP payments from the landlord for the period July 2008 through February 2009 (see TX441, sample 14, FEMA ID 939489138). There was no payment for this tenant in April 2009. Therefore, this was a single exception for March (one exception).

7. In Harris County, an assisted tenant was evicted on March 24, 2009, for nonpayment of the tenant portion of the rent. According to the landlord, the tenant owed \$4,532 in past rents and late fees, indicating that the landlord may have violated program rules by accepting the DHAP payment as the full payment for the unit and not requiring the tenant to pay his portion of the rent (see TX441, sample 16, FEMA ID 921181343). The landlord received an April payment, which would be an exception because the tenant was evicted on March 24 (one exception).

In the remaining 12 exceptions, the tenants moved out of their units in January, February, or March. Therefore, the possible ineligible payments had only lasted for a month or two. For more information, see our spreadsheet, which is encrypted and provided in a separate e-mail.

During the review, other matters were uncovered that may require your attention.

- Analyses of the database showed that there were numerous instances of multiple payments for the same tenant during February 2009. Two or three payments for the same tenant during a single month might be expected as “catch-up” payments for prior months. However, there were five payments for one of the replacement samples that were not tested. This sample is not in the spreadsheet because it was not tested (see FEMA ID 921303358).
- The database contained incorrect addresses for 3 of the 101 tenants tested. See the following samples in the spreadsheet: (1) TX005, sample 5, FEMA ID 921184365; (2) TX009, sample 15, FEMA ID 939402162; and (3) TX441, sample 19, FEMA ID 912005105.
- In two cases, assistance paid according to the agency did not match assistance paid according to the register. In the first case, a Harris County Housing Authority representative told the auditor that the agency sent a landlord a \$50 payment for March 2009. The March 2009 register did not show the payment. For the second case, see the East Baton Rouge example in number 3 above (see (1) TX441, sample 10, FEMA ID 939536807 and (2) LA003, sample 6, FEMA ID 939592582).
- One Houston unit’s exterior was in very poor condition (see TX005, sample 17, FEMA ID 911900713).

We provided a draft of this memorandum, which described the test results and recommendations for improving the program, to the Associate Deputy Assistant Secretary, Office of Public Housing and Voucher Programs on May 21, 2009. He generally agreed with the memorandum and indicated that PIH would put together a plan to implement the recommendations.

RECOMMENDATIONS

We recommend that PIH work with the agencies to

- 1A. Determine whether the \$9,478 in possibly ineligible payments to landlords found during the review are both supported and eligible. If found to be either ineligible or unsupported, PIH should require the agencies to repay FEMA from nonfederal funds.
- 1B. Develop and implement controls to ensure that the agency and register records match with respect to amounts paid to landlords, identify and prevent duplicate payments, and ensure that addresses are accurate.
- 1C. Develop and implement a policy to contact a random sample of tenants each month to verify whether the tenants remain in their assisted units, and if unable to contact any tenant, cease assistance payments for that tenant until his/her residence in the assisted unit can be confirmed.
- 1D. Use the results of the random testing to design controls to identify when tenants vacate their assisted units. For example, a periodic review of death notices would identify deceased tenants, and periodic phone calls to tenants would help to identify whether those tenants have vacated their units.

Please advise me if you have any questions. You can reach me at (817) 978-9309, or via e-mail at gkirkland@hudoig.gov.