



Issue Date:
May 20, 2009

Audit Report Number
2009-FW-1008

TO: Justin R. Ormsby
Director, Office of Public and Indian Housing, 6APH
Gerald R. Kirkland

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

SUBJECT: Housing Authority of the City of El Paso, El Paso, Texas, Administered its
Housing Choice Voucher Program in Accordance with Requirements

HIGHLIGHTS

What We Audited and Why

As part of our strategic plan objective to assist the U. S. Department of Housing and Urban Development's (HUD) efforts to reduce rental assistance overpayments, we audited the Housing Authority of the City of El Paso's (Authority) Housing Choice Voucher program (program). In response to a congressional request, we previously audited the Authority's procurement function. As a result of that work, we decided to perform an audit of the Authority's program. The purpose of our audit was to determine whether the Authority properly administered its overall program. Specifically, we wanted to determine whether the Authority properly verified and calculated tenant income and eligibility.

What We Found

The Authority properly administered its program and adequately verified tenant income and eligibility. In most instances, the Authority used HUD's Enterprise Income Verification (EIV) system to determine tenant income. However, in 3 of 22 randomly selected files the Authority did not use EIV, resulting in less than

\$6,000 in potential overpayments. HUD explained that there could be timing differences between the income information reflected in the summary EIV report and the income reflected on HUD Form-50058.

What We Recommend

We recommend that the Director of the Fort Worth Office of Public and Indian Housing require the Authority to repay \$2,841 for the overpayment for two tenants and obtain support or repay \$3,147 for the potential overpayments for one tenant.

Auditee's Response

We provided a draft to the Authority on April 28, 2009, and held an exit conference on May 7, 2009. The Authority provided written comments on May 15, 2009. The complete text of the auditee's response, along with our evaluation of that response, can be found in Appendix B of this report.

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BACKGROUND AND OBJECTIVES

The Housing Authority of the City of El Paso (Authority) was established in 1938 to provide safe, decent, and sanitary housing for assisted families at or below 80 percent of median income. The Authority is governed by a five-member board of commissioners appointed by the mayor of El Paso with one member representing the residents of the Authority. The Authority's executive director reports to the board of commissioners. The Authority has a budgeted staff of 450 in 10 major divisions. It is located at 5300 East Paisano Drive, El Paso, Texas.

The Authority administers more than 5,000 vouchers annually, pursuant to an annual contributions contract with the U. S. Department of Housing and Urban Development (HUD). Under the Housing Choice Voucher program (program), HUD pays rental subsidies so that eligible families can afford decent, safe, and sanitary housing. For calendar year 2008 the Authority received more than \$24 million in program funding and more than \$2 million in administrative funding.

Our objective was to determine whether the Authority properly administered its program. Specifically, we wanted to determine whether the Authority properly verified and calculated tenant income and eligibility.

RESULTS OF AUDIT

Finding: The Authority Administered Its Program in Accordance with Requirements

The Authority properly administered its program and adequately verified tenant income and eligibility. In all but a few instances, the Authority verified tenant income when performing reexaminations. In most instances, it identified all unreported tenant income. It did not identify all unreported income because it did not always use EIV reports to recalculate tenant income in prior periods. In 2 of the 22 randomly selected files, the Authority did not use EIV, resulting in \$2,841 in overpayments. In another case, it may have overpaid \$3,147.

EIV Not Always Used

Overall, the Authority used the EIV system and properly verified tenant income. In all but a few instances, it verified tenant income when performing reexaminations. In the majority of 22 tenant files reviewed, the Authority considered the income information contained in the EIV system when calculating tenant income. However, in 2 of the 22 randomly selected files, it did not use EIV, resulting in \$2,841 in overpayments. In another case, it may have overpaid \$3,147. Specifically,

Case No. 1 – An EIV report generated for the 2008 examination showed \$18,573 in wages for 2006. However, the tenant reported only \$3,523 in wages for that year. The notes in the tenant's file indicated that the tenant was going to go to the Social Security office to report that her identity had been stolen. However, there was no documentation in the file showing that the tenant took steps to report identity theft or that the Authority implemented a repayment agreement. Recalculation of the voucher, including the \$18,573 in wages, resulted in an overpayment of \$1,953 in housing assistance from January through July 2007.

Case No. 2 – An EIV report generated for a 2009 examination showed \$6,170 in wages for 2008 that was not reported by the tenant. The notes in the tenant's file indicated that the tenant would need to set up a repayment agreement if she did not provide proof of her income. However, the file did not document if the tenant provided proof of her income or entered into a repayment agreement. The tenant reported \$0 income for 2008. Recalculation of the voucher, including the \$6,170 in wages, resulted in an overpayment of \$888 in housing assistance from February through September 2008.

Case No. 3 – An EIV report generated for the 2009 examination reflected wages for both 2007 and 2008 that had not been reported by the tenant. The tenant did not report wages for either of those years. Recalculation of the voucher, including the income, resulted in a possible overpayment of \$3,147 in housing assistance (\$1,845 from April 2007 through March 2008 and \$1,302 from March through September 2008).¹

According to HUD regulations,² the Authority “must establish procedures that are appropriate and necessary to assure that income data provided by the applicant or participant families is complete and accurate.” Further, the Authority’s administrative plan stated that tenant income will be verified using the best source available. Neither of these documents specifically required the use of HUD’s EIV system. However, the EIV reports were included in the tenant files and reflected income not reported by the tenants.

In reviewing the tenant files, there were five instances in which the tenant’s file contained indications of identity theft, which explained the higher income reported in EIV. However, only four of these files contained documentation reflecting steps taken by the tenants to report their identity as having been stolen. The documentation provided by the tenants included police reports and reports filed with the Social Security Administration reflecting the employers and income that was not earned by the tenant. In the other instance, the only indication of identity theft was notes made by the Authority in the file stating that the tenant’s identity had been stolen. The Authority may want to assist families that have been victimized by identity theft by aiding in reporting and providing supporting documentation of the crime to other authorities.

Conclusion

Overall, the Authority did a good job in verifying tenant income and eligibility. The majority of the time, the Authority used the EIV system to ensure that tenant income was reported correctly and accurately. However, we found three instances in which EIV reflected income that was not reported by the tenant, resulting in \$5,988 in potential housing assistance overpayments.

¹ According to the Authority, this issue will be addressed when the tenant comes in for the 2009 annual reexamination. Therefore, this amount will be considered unsupported until the completion of the 2009 reexamination.

² 24 CFR 982

Recommendations

We recommend that the Director of the Fort Worth Office of Public and Indian Housing require the Authority to:

- 1A. Collect from the tenants and repay its program \$2,841 for the two overpayments.
- 1B. Support or collect from the tenant and repay its program \$3,147 for the one overpayment.

SCOPE AND METHODOLOGY

Our objective was to determine whether the Authority properly administered its program. Specifically, we wanted to determine whether the Authority properly verified and calculated tenant income and eligibility. Our audit scope was January 1, 2007, to September 30, 2008. We performed our work from October 2008 to March 2009. To accomplish the objective, we

- Interviewed Authority and HUD staff,
- Analyzed information from HUD and Authority systems,
- Sampled tenant files, and
- Used computer audit techniques to analyze electronic program data.

Data Analysis and Sample Selection

During the audit, we obtained and analyzed data obtained from HUD's PIC (PIH Information Center) and electronic data files from the Authority in order to determine the universe and select a sample of files for review. Our analysis of PIC included:

- Review of HUD's EIV system to determine households that potentially underreported income by at least 5 percent. This analysis resulted in 475 households with potential for unreported income.
- Review of PIC to determine households that were potentially overhoused. This analysis resulted in 191 potentially overhoused tenants.
- Review of PIC also revealed one tenant who was deceased. It appeared that the housing assistance was still being paid for this individual.

Our analysis of electronic data file provided by the Authority included:

- Review and validation of the Social Security numbers within its voucher data. Results of this analysis resulted in 275 households who were identified with an alternate identification number ("H" number).

Initially, we selected six files to review to confirm the data and the extent of potential issues. Based upon the initial results, we selected an additional 30 files for review. The sample was a representative, non-statistical sample of files³ and included 20 files to review for income verification purposes and 10 files to review for an alternate identification number for the head of household.

Also, we analyzed the Authority's financial data to determine whether the Authority's general ledger, bank account, and voucher data were properly recorded. Using Audit Command Language software and other computer-assisted audit techniques, we analyzed the files to

³ We used RAT-STATS, a program developed by the Department of Health and Human Services, to select the sample.

determine whether there were errors or omissions in the data. We found no material or significant differences in the data.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

INTERNAL CONTROLS

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

- Program operations,
- Relevance and reliability of information,
- Compliance with applicable laws and regulations, and
- Safeguarding of assets and resources.

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

Relevant Internal Controls

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

- Procedures used to verify tenant income and eligibility.

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

Our review did not reveal significant weaknesses in the controls over the verification procedures for tenant income or tenant eligibility.

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS

Recommendation number	Ineligible <u>1/</u>	Unsupported <u>2/</u>
1A	\$2,841	
1B		\$3,147

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 the 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.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments



May 14, 2009

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

Re: Audit of HACEP Housing Choice Voucher Program

Dear Mr. Kirkland –

Thank you for providing the Housing Authority of the City of El Paso, Texas (“HACEP”) with a draft of the audit (“Draft Audit”) conducted by Senior Auditor [REDACTED] on the administration of HACEP’s Housing Choice Voucher Program. HACEP staff and I enjoyed working with [REDACTED] and appreciate the time that she took to carefully review our work. The Draft Audit brought several items to our attention that we will continue to monitor.

Comment 1

I respectfully request that you reconsider whether there is a need for HACEP to repay funds and that HACEP be given some time to work these issues out with the program participants involved. Our agency is still working with two of the participants to collect documentation to complete the files. If the participants cannot provide needed documentation, HACEP will take steps to collect the amounts in question. I ask that you consider changing the report to permit HACEP to support or collect from the participants the \$4,035 currently categorized as overpayments for Participant 2 (\$888) and Participant 3 (\$3,147).

Comment 2

As you know, income documentation can be very difficult if the program participants do not follow up with HACEP staff and appear for scheduled appointments. This was the case for two of the files that Ms. Cantu reviewed – the participants did not appear at appointments to execute repayment agreements or to provide the further documentation needed to make an accurate determination concerning income. The participants described in Cases No 2 and 3 will be receiving initiation of termination of assistance notices and HACEP will be seeking a repayment agreement as a part of the termination process. HACEP staff are following up with that participant described in Case No. 1 to complete the documentation dealing with the identity theft and to substantiate the claim of identity theft based on new guidance from HUD in August of 2008. With respect to that participant, the HACEP staff followed the procedures in place

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5300 E. Paisano Dr., El Paso, Texas 79905-2931
P.O. Box 9895 • El Paso, Texas 79995-2895 • (915) 849-3742 VOICE/TDD

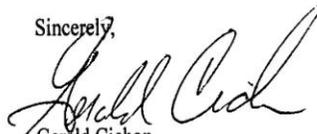
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at the time this participant claimed identity theft and received third-party income verification as required. While procedures have advanced since then and are more involved, HACEP does not believe that there was an overpayment for this participant.

Comment 3

Thank you again for providing HACEP with this opportunity to comment. Please feel free to contact me to discuss.

Sincerely,



Gerald Cichon
Executive Director

OIG Evaluation of Auditee Comments

- Comment 1** We appreciate the assistance and cooperation that you and your staff extended to my staff.
- Comment 2** The Authority will need to work with HUD to resolve the repayment of funds.
- Comment 3** We agree with the Authority's action to seek repayment agreements for Cases 2 and 3. As stated in the body of the report, for Case 1, the Authority should have addressed the additional income for 2006 reflected on the EIV report generated in 2008, and we maintain the overpayment of HAP of \$1,953.