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TO: Michael A. Williams, Director, Office of Public Housing, Greensboro, NC,  
4FPH

//signed//

FROM: James D. McKay, Regional Inspector General for Audit, Atlanta Region,  
4AGA

SUBJECT: The Housing Authority, City of Wilson, NC, Mismanaged Its Section 8 Program

## **HIGHLIGHTS**

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

We audited the Housing Authority of the City of Wilson's (Authority) Section 8 Housing Choice Voucher program. We elected to perform the audit after finding indicators of Section 8 deficiencies during our review of the Authority's capacity to administer capital funds awarded under the American Recovery and Reinvestment Act of 2009 (Audit Report 2010-AT-1007).

Our objective was to determine whether the Authority complied with U.S. Department of Housing and Urban Development (HUD) requirements for administering its Housing Choice Voucher program, including its special Section 8 programs comprised of a Family Self Sufficiency program and a homeownership program.

### **What We Found**

The Authority failed to comply with many of HUD's Section 8 program requirements. It mismanaged its program funds, improperly selected tenants for

assistance, improperly terminated tenants, made improper housing assistance payments, and had other areas of noncompliance. By not establishing and following basic internal controls the Authority incurred \$109,778 in ineligible costs and made \$14,568 in unsupported payments. In addition, some families may have been unnecessarily removed from the program and HUD lacked assurance that the Authority's resources were efficiently and effectively used to benefit its Section 8 tenants.

Our inspection of 23 units showed that none met minimum housing quality standards and 6 were in material noncompliance. In addition, the Authority failed to ensure that quality control inspections were performed in accordance with HUD requirements. This condition occurred because the Authority's management did not implement adequate controls to ensure that its program units met the required standards. As a result, tenants lived in units that were not decent, safe, and sanitary, and the Authority made housing assistance payments for units that did not meet standards.

The Authority mismanaged two special Section 8 programs, its Family Self Sufficiency and homeownership programs, established to help participants self-improve. It did not maintain accurate accountability of participant funds or comply with HUD's administrative requirements for its Section 8 Family Self-Sufficiency program. It also did not ensure that it complied with administrative requirements for its Section 8 homeownership program. As a result, the Authority paid ineligible self-sufficiency and homeownership expenses, and family self-sufficiency participants did not reap the full benefits of the program. These deficiencies occurred because the Authority did not follow its own procedures or consistently provide trained and capable staff familiar with the program requirements.

## What We Recommend

We recommend that the Director of the Greensboro Office of Public Housing require the Authority to follow its existing controls as well as develop and implement additional controls where needed to ensure that it complies with all Section 8 program requirements. These controls must be designed to ensure that

- HUD housing assistance funds are efficiently and effectively used;
- Tenants are properly selected for and removed from the program;
- Housing assistance payments are properly made;
- Housing units comply with HUD's housing quality standards;
- Rents to owners are abated when necessary;
- Requirements for the Family Self-Sufficiency and homeownership programs are complied with; and
- A competent and well-trained staff is maintained.

The Authority must repay \$109,778 in ineligible expenses from non-Federal funds and provide documentation showing that \$14,568 in unsupported expenses was eligible or repay that amount from non-Federal funds.

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 discussed the findings with the Authority and HUD officials during the audit. We provided the draft report to the Authority on November 17, 2010, and discussed the findings with Authority officials at an exit conference on December 2, 2010. The Authority provided its written comments on December 10, 2010. Authority officials agreed with parts of the report but disagreed with some of our conclusions and recommendations.

The complete text of the Authority'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

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The Housing Authority of the City of Wilson (Authority) was established in 1953 pursuant to the North Carolina Housing Authority's Law. Its primary objective is to maintain a stock of good, affordable housing to meet the needs of its citizens while providing an environment in which families can live, raise their children, and feel safe. The Authority's records are located at 213 Broad Street, Wilson, NC.

A five-member board of commissioners appointed by the mayor of Wilson governs the Authority. Mr. Thomas Eatmon is the chairman of the board, and Mr. Edward Jagnandan has been the executive director since January 22, 2007.

The Authority receives U.S. Department of Housing and Urban Development (HUD) funds to administer approximately 550 units funded under the Housing Choice Voucher program. It uses the funds to provide rental assistance to eligible Wilson families. HUD's Greensboro, NC, Office of Public Housing oversees the Authority. HUD provided funds for the Authority's program as follows:

<b>Fiscal Year</b>	<b>Amount</b>
2008	\$2,030,256
2009	\$2,285,101
2010	\$2,101,958
<b>Total</b>	<b><u>\$6,417,315</u></b>

Our objective was to determine whether the Authority complied with U.S. Department of Housing and Urban Development (HUD) requirements for administering its Housing Choice Voucher program, including its special Section 8 programs comprised of a Family Self Sufficiency program and a homeownership program.

## RESULTS OF AUDIT

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### Finding 1: The Authority Mismanaged Its Section 8 Program

The Authority mismanaged its Section 8 Housing Choice Voucher program. The Authority

- Mismanaged its program funds,
- Improperly selected tenants for assistance,
- Improperly terminated tenants,
- Made improper housing assistance payments,
- Failed to comply with all lease requirements, and
- Did not maintain a housing assistance payments register.

The Authority also failed to comply with HUD's housing quality standards requirements and the requirements for its Family Self Sufficiency and homeownership programs. These deficiencies are presented separately in findings 2 and 3 of this report. This noncompliance occurred because Authority management failed to establish and follow basic internal controls needed to ensure compliance with program requirements. As a result, the Authority spent \$88,511 on ineligible items and made \$14,568 in unsupported payments. In addition, some families may have been unnecessarily removed from the program, and HUD lacked assurance that the Authority's resources were efficiently and effectively used to benefit its Section 8 tenants.

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#### **The Internal Control System Was Deficient**

Management failed to exercise its responsibility to establish appropriate internal controls in the form of adequate policies and procedures and ensure that they were followed. Financial administration standards at 24 CFR (Code of Federal Regulations) 85.20 require the Authority to maintain effective control and accountability of assets. Missing or ineffective controls created an environment resulting in or contributing to the significant areas of noncompliance detailed in this report. Examples of the kind of internal control deficiencies encountered during the audit included

- Existing controls that were not followed by staff,
- Nonexistent written procedures for some functions,
- Inadequately trained staff,
- An ineffective information system,
- Excessive staff turnover,
- Lack of effective communication between staff functions, and
- Lack of proper staff supervision.

In response to our questions during the audit, Authority staff tended to place blame for deficiencies on such factors as the use of temporary staff, excessive workloads, information system deficiencies, human error, or a lack of communication between functions. Such factors present control challenges but should be managed through implementation of an effective internal control system.

### **The Authority Mismanaged Its Program Funds**

The Authority mismanaged funds for its 550 unit program. It failed to perform the required program analysis and monitor its spending. As a result, the number of families receiving assistance fluctuated widely due to overutilization or underutilization, and some families may have been removed from the program unnecessarily.

During 2008, the Authority overutilized its program by spending \$272,245 more in housing assistance than its annual program budget authority permitted. As a result, the Authority terminated 113 families as of December 31. The following year it maintained as few as 361 of its 550 baseline units under lease, resulting in underutilization of its funds. In response to the underutilization, the Authority conducted a large lease-up effort during the second half of 2009, which added 189 families to the roster by December 2009. However, it still remained, on average, underutilized for the year. As of September 30, 2010, the Authority was once again overutilizing available funding.

The Authority failed to follow HUD requirements and its own administrative plan which required it to maintain a system to ensure that it would be able to make housing assistance payments for all participants within the amounts agreed to under its annual contributions contract. HUD Guidebook 7420.10G, chapter 24, details the methodology the Authority should have used to analyze its program to ensure the maximum use of available funds. The Authority's administrative plan required staff to compare its annual budget authority to the annual total housing assistance payment needs on a monthly basis. The total housing assistance payment needs for the calendar year should have been projected by establishing the actual housing assistance payment costs year to date.

Not performing the required financial analysis of its program appears to have contributed to widely fluctuating utilization of the program and the termination of such a large number of families from a small program. Management acknowledged that the program analysis had not been performed in accordance with the administrative plan but attributed the Authority's utilization problems to a lack of communication between the finance and Section 8 departments and inconsistent funding from HUD. However, the current chief financial officer agreed that too many families had been removed from the program. She stated that it should have been necessary to terminate assistance for only about 20

families, instead of 113, if previous staff had correctly performed the analysis and used the available funding. HUD had been monitoring the Authority since April 2010 to ensure that no more families would have to be forcibly removed from the program.

### **Applicants Were Improperly Selected for Assistance**

The Authority maintained multiple waiting lists, failed to include required information on its waiting list, and failed to properly advertise its waiting list. This occurred because the Authority failed to follow the applicable requirements for maintaining its waiting list and selecting applicants, and failed to adequately supervise temporary workers. As a result, during 2009, the Authority improperly granted housing assistance to at least 46 recent applicants, when other eligible applicants had been waiting several years.

The regulations (24 CFR 982.204) required the Authority to maintain and select applicants from a single waiting list. Instead, it selected applicants from two separate spreadsheets it had developed based on waiting list openings occurring during 2007 and 2009. In addition, of the 365 entries on the 2009 waiting list, 99 (27 percent) did not include all required information. HUD regulations (24 CFR 982.204(b)) require that, for each tenant, the family unit size, date/time of application, qualification for local preference, and the family's ethnic designation be documented on the waiting list. The Authority also failed to follow its own policy when advertizing the opening of its program waiting list. Although its administrative plan required a 14-day advance notice, the Authority advertised the opening of its program waiting list only 1 week before accepting applications on July 13, 2009.

The housing director stated that when a lease-up effort began at the end of 2009, the intention was to give first priority to the 113 families forcibly removed from the program in December 2008. The next selections were to be families from the 2007 waiting list, followed by selections from the 2009 waiting list. However, Authority records showed that the staff selected at least 46 applicants from the 2009 list before selecting from the 2007 list. The housing director blamed the deficiencies on mistakes made by temporary workers and insufficient time for consolidating the waiting lists. However, it is management's responsibility to see that staff has the written procedures and supervision necessary to ensure that the HUD requirements are met.



## **Termination of Assistance Procedures Were Not Followed**

Review of 9 of the 69 tenant assistance terminations occurring between January 2009 and July 2010 showed that the Authority failed to properly follow its procedures in eight cases. Specifically, termination letters did not contain all of the required information, tenants were not always given a proper informal appeal hearing, and files did not contain proper documentation.

The administrative plan required that specific information be included in the termination of assistance letters sent to families. The Authority included all of the required information except for a statement permitting the family an informal hearing to protest the decision and a copy of the hearing procedures.

The Authority's policy stated that informal hearings were required to be conducted by a person or persons approved by the Authority, other than the person who made or approved the decision or a subordinate of the person who made or approved the decision. The Authority designated an outside individual as its informal hearing officer but failed to consistently follow other procedures. For example, two tenants' files showed that the informal hearings had been conducted by Authority management in violation of the procedure. When asked why the hearing officer was not used for these cases, the program manager was unable to tell us. Another file showed that a tenant sent two letters and called requesting an informal hearing; however, the hearing was not granted and the tenant was removed from the program. In another case, a tenant who had been given a termination letter for missing scheduled inspections provided the Authority an appeal letter requesting an informal hearing. The hearing was not granted, but the tenant was not removed from the program. In the resulting confusion, the tenant's unit did not pass inspection for more than a year because the inspector thought that the tenant's assistance had been terminated.

The tenants' files did not always contain all termination-of-assistance information required by the administrative plan. Two of the files did not contain documentation indicating the reason for termination. Another file showed that the tenant had requested in writing to be removed from the program but contained no follow-up documentation. As outlined in the Authority's policy, staff should have sent a confirmation notice to the family and the owner within 10 days of the family's request but no later than the termination effective date.

The Authority's administrative plan contained adequate policies and procedures for the termination process; however, staff had either disregarded the procedures or been unaware of them. As a result, the Authority has not provided HUD assurance that it treated all tenants fairly or in a consistent manner.

## Assistance Payments Were Improper

The Authority sometimes made housing assistance payments to landlords without having a properly executed housing assistance payments contract, without verifying the owner's eligibility, without inspecting or passing the unit, and without making a determination that the rent was reasonable.

We reviewed 86 unexecuted housing assistance payments contracts where the Authority paid \$85,675 in ineligible housing and utility assistance payments. HUD regulations (24 CFR 982.305(c)(2)) state that the Authority may not make a housing assistance payment to the owner until the housing assistance payments contract has been executed. In addition, of the 86 contracts, 11 remained unexecuted more than 60 days after the beginning of the lease period. HUD requires (24 CFR 982.305(c)(1)) that housing assistance payments contracts remaining unexecuted within 60 calendar days from the beginning of the lease term be voided. We provided this information to management during the review so that the Authority could execute new contracts and stop the ineligible payments. The Authority was successful in executing new contracts, but the \$56,211 already paid under the unexecuted contracts was ineligible.

None of 17 tenant files we reviewed contained verification of owner eligibility before their participation in the program. Chapter 11 of HUD Handbook 7420.10G states that the owner's eligibility must be verified before the execution of a housing assistance payments contract. Without a verification of eligibility the Authority had no way of knowing whether it had contracted with ineligible owners. The Authority's program manager confirmed that owner eligibility had not been verified. Following our inquiries, Authority staff successfully verified the eligibility of all owners participating in the program.

Of 17 tenant files we reviewed, five showed that the Authority paid housing assistance for units that had not passed a housing quality standards inspection. HUD regulations (24 CFR 982.305(a)) prohibit the execution of a housing assistance payments contract before a satisfactory housing quality standards inspection. For example, one tenant received housing assistance payments beginning in December 2009, when the unit did not pass inspection until February 2010. The Authority made \$2,836 in ineligible payments for the five units.

In 5 of 17 cases, the Authority failed to follow HUD's requirements for determining rent reasonableness. The regulations (24 CFR 982.507) require that housing authorities determine that the rent is reasonable before approving leases. The regulations and the Authority's administrative plan explain the process for determining rent reasonableness through a survey of comparable unassisted units. For these families, the Authority had no basis for assuring HUD that funds were not wasted on inflated rents or that families were not inappropriately restricted as to where they could live.

The Authority's administrative plan contained all the needed policies and procedures for ensuring housing assistance payments were proper. However, staff were either unaware of the correct procedures or chose to ignore them. Management stated that some of the contracts were unexecuted because they had "fallen through the cracks" during the recent lease-up effort. It is management's responsibility to ensure that staff is aware of the proper procedures and follow them.

### **Lease Requirements Were Not Followed**

The Authority sometimes failed to provide HUD-required tenancy addendums to tenants, failed to retain copies of leases in the files, and failed to ensure lease terms ran concurrently with housing assistance payment contracts.

None of the 17 files reviewed contained documentation showing that the Authority provided form HUD-52641-A (tenancy addendum) to the tenants or that it was included as part of the tenants' lease with the owner as required. The tenancy addendum contains specific terms explaining the rights and obligations of all parties to a housing assistance payments contract that must prevail over any other provisions of the lease. The housing manager stated that she understood that the tenancy addendum was required but was not sure whether it had been provided to tenants. After we brought the matter to management's attention, the Authority mailed all program participants a copy of the tenancy addendum and instructed them to retain it as part of their lease agreement.

The Authority failed to retain a copy of the lease between the owner and the tenant in 7 of 17 cases. HUD regulations (24 CFR 982.158(e)) require that the Authority retain a copy of the executed lease during the term of each assisted lease and for at least 3 years thereafter. When we questioned the Authority about this matter, staff was able to obtain leases from the landlords for four of the seven tenants. The Authority made \$14,568 in unsupported payments on behalf of the three tenants still lacking leases as of April 1, 2010.

For 10 of 17 tenants, the Authority failed to ensure that housing assistance payments contract terms ran concurrently with lease terms. HUD requires (24 CFR 982.309(b)(1)) that the term of the housing assistance payments contract begin on the first day of the lease term and end on the last day of the lease term. The Authority's administrative plan also included this requirement. The Authority's housing director stated that the Authority was trying to correct the problem.

The Authority's administrative plan contained adequate policies and procedures for ensuring the lease requirements were met. However, management had not ensured that staff had complied with the policies and procedures. Management

either blamed the problems on the workload caused by the recent large lease-up effort or could offer no explanation.

### **Housing Assistance Payment Register Was Not Maintained**

The Authority failed to maintain a housing assistance payment register as required by the regulations (24 CFR 982.158(a) and HUD Handbook 7420.10G (chapter 11.11)). The Authority's independent public accountant's 2008 audit report also disclosed this deficiency. The register is used to record data necessary for making and tracking housing assistance payments and adjustments made to owners each month. Since no housing assistance payment register was maintained, Authority staff was unable to provide us with an accurate number of housing units under contract. The housing director stated that the housing management system did not provide for such a register.

### **Conclusion**

Mismanagement of the Authority's program resulted in significant deficiencies across the Section 8 program. Management must begin to take meaningful action immediately to bring its program into an acceptable level of compliance with HUD's requirements. It must improve its controls to ensure that existing written policies and procedures are followed and new ones are created and implemented where needed. It must maintain a capable, adequately trained, and well-supervised staff. Taking these measures will better assure HUD that its funding is efficiently and effectively used, tenants are fairly selected for assistance and fairly removed when necessary, assistance payments are eligible, and other program requirements are met.

### **Recommendations**

We recommend that the Director of HUD's Greensboro, NC, Office of Public Housing require the Authority to

- 1A. Conduct utilization projections as outlined in the Authority's administrative plan to determine whether there is adequate funding to issue vouchers or continue to fund current participants.
- 1B. Consolidate and purge its waiting list and include all required information.
- 1C. Implement existing policies and make any necessary adjustments to its Section 8 administrative plan to ensure that tenants from the waiting list are selected in the correct order and the opening of its waiting list is advertised according to its administrative plan.

- 1D. Implement existing procedures to ensure that termination letters include the required information, tenants are given a hearing after an appeal has been requested, and impartial appointed hearing officers are used.
- 1E. Document the applicable tenant files with all of the required information detailing the termination of assistance process.
- 1F. Develop and implement controls to ensure
  - 1. Housing assistance payments contracts are executed before housing assistance payments are made,
  - 2. Landlords are properly screened for eligibility and files are properly documented,
  - 3. Assisted units pass housing quality standards inspections before the commencement of housing assistance payments,
  - 4. Rent reasonableness studies are performed before a lease is approved and files are properly documented.
- 1G. Repay its Housing Choice Voucher program from non-Federal funds \$88,511 for housing assistance payments without a properly executed housing assistance contract and housing assistance payments made prior to units passing housing quality standards inspections.
- 1H. Develop and implement controls to ensure
  - 1. Tenants are provided a copy of the tenancy addendum,
  - 2. Tenant files are properly documented with an executed lease,
  - 3. Terms for leases and housing assistance payment contracts run concurrently.
- 1I. Provide adequate documentation or repay \$14,568 spent on housing assistance payments for tenants whose files did not contain an executed copy of the lease.
- 1J. Maintain a housing assistance payments register in accordance with the requirements.

## Finding 2: Tenants Lived in Units That Were Not Decent, Safe, and Sanitary

Our inspection of 23 units showed that none met minimum housing quality standards and 6 were in material noncompliance. In addition, the Authority failed to ensure that quality control inspections were performed in accordance with HUD requirements. This noncompliance occurred because the Authority's management did not implement adequate controls to ensure that its program units met the requirements. As a result, tenants lived in units that were not decent, safe, and sanitary, and the Authority made housing assistance payments for units that did not meet standards. The Authority paid property owners \$14,119 in housing assistance for the 6 units in material noncompliance and \$3,481 for 11 units for which it should have abated the housing assistance payments.

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### **The Authority's Units Did Not Meet HUD's Housing Quality Standards**

We inspected a sample of 23 units from 545 program units under contract as of March 2010 for compliance with HUD's housing quality standards. An Authority inspector accompanied us on the inspections and generally agreed with our results. None of the inspected units met minimum housing quality standards. We provided copies of our inspection forms to the Authority so that it could ensure that the property owners corrected all deficiencies.

HUD regulations (24 CFR 982.401(a)(3)) require that assisted units meet housing quality standards both at commencement of assisted occupancy and throughout the assisted tenancy.

The 23 units had a total of 164 housing quality standards violations, and 6 units were in material noncompliance with housing quality standards because they had one or more material deficiencies that existed at the time of the Authority's previous inspection. The Authority paid property owners \$14,119 in housing assistance for the six units in material noncompliance. The following table lists the most frequently occurring deficiencies.

Type of deficiency	Number of deficiencies	Number of units	Percentage of units
Electrical hazards	31	15	65
Walls	17	11	48
Windows	16	12	52
Exterior surfaces	16	10	43
Floors	13	8	35
Stairs, handrails, porches	13	10	43

Electrical violations were the most frequently occurring deficiency. Of the 23 failing units, 15 had one or more such deficiencies. Examples of deficiencies are shown below.



Exposed wiring on an exterior light fixture that the Authority failed to report during its previous inspection.



Hole in wall at electrical outlet and exposed wiring not in conduit that the Authority failed to report on its previous inspection.



Evidence of a roach infestation that the Authority failed to report on its previous inspection.



Rotting soffit that the Authority failed to report on its previous inspection.





Tripping hazard caused by unsecured carpet on front porch/steps.



Leaking bathroom ceiling patched with tape by tenant.

### **The Authority Had Not Implemented Adequate Internal Controls**

Authority management had not placed appropriate emphasis on housing quality standards requirements. The Authority's written procedures for quality control inspections were inadequate in some areas and not properly followed in others. In addition, the inspectors had received only limited training.

HUD requires (24 CFR 982.405(b)) that authorities conduct supervisory quality control inspections. HUD Guidebook 7420.10G further requires that authorities conduct quality control housing quality standards inspections of a sample of Section 8 units under contract at the end of the authority's previous fiscal year. The sample must include all types of inspections, a cross section of neighborhoods where program units are located, and inspections completed by all inspectors. The Authority did not design its inspection sample to meet these requirements. In addition, it did not adequately document the inspection results or use them to improve inspector performance or housing quality.

All 11 of the quality control inspections reviewed had deficiencies related to consistency with the previously completed housing quality standards inspection, completeness, or both. For example, quality control inspection forms sometimes

- Lacked complete tenant or unit information;
- Failed to indicate that all of the unit's rooms had been inspected;
- Indicated the presence of windows when the Authority inspector indicated that no window existed; and
- Failed to note that the identified deficiencies were emergency issues requiring repair within 24 hours.

Authority officials attributed the inconsistencies and incompleteness of the quality control inspections to human error.

The Authority had no written policies or procedures detailing how the results of the quality control inspections were to be used and did not use the inspection results to improve housing quality. Quality control inspections are an essential tool for ensuring that housing is decent, safe, and sanitary. They can be used to determine formal or informal training needs and provide timely feedback to the inspectors to improve the quality of future inspections and, thus, the level of compliance with the standards.

The Authority had 1 inspector for its 545 program units. When the inspector was unable to inspect all of the units as required, another Authority employee was assigned to perform some of the inspections. The inspector told us that he had received no training since 2004 and was not a certified inspector. An employee who sometimes assisted the inspector had received some housing quality standards training about 20 years ago. The Authority sent the inspector to housing quality standards inspection training during the audit after we inquired about the lack of recent training.

### **The Authority Did Not Always Abate Housing Assistance Payments as Required**

Based on our review of 38 tenant files, the Authority paid \$3,481 for 11 units for which it should have abated the housing assistance payments. HUD requires (24 CFR 982.404(a)(3)) landlords to repair nonhazardous deficiencies within 30 days and emergency items within 24 hours. If the landlord fails to make the required repairs on a timely basis, the Authority is required to abate the housing assistance payment. This condition occurred because the Authority lacked specific written procedures detailing the rent abatement process. While the Authority's administrative plan addressed its abatement policy generally, it did not have the specific procedures that Authority staff needed to ensure compliance.

## Conclusion

Because Authority management did not place sufficient emphasis on housing quality standards requirements and did not implement adequate internal controls, (1) HUD funds were used to make housing assistance payments for units that were in material noncompliance with standards, (2) quality control inspections were not completed in accordance with the requirements, and (3) rents were not abated as required. Management must provide tenants the opportunity to live in decent, safe, and sanitary conditions by implementing appropriate policies and procedures and ensuring that they are followed.

## Recommendations

We recommend that the Director of the Greensboro Office of Public Housing require the Authority to

- 2A. Repay its Housing Choice Voucher program \$14,119 from non-Federal funds for housing assistance payments made for units that were in material noncompliance with housing quality standards.
- 2B. Repay its Housing Choice Voucher program \$3,481 from non-Federal funds for housing assistance payments made to owners that were delinquent in completing required repairs.
- 2C. Inspect the 23 units that did not meet minimum housing quality standards to verify that the landlords took appropriate corrective actions to make the units decent, safe, and sanitary. If appropriate actions were not taken, the Authority should abate the rents or terminate the contracts.
- 2D. Develop and implement an internal control plan and make any necessary adjustments to its Section 8 administrative plan and/or any other Authority policies or procedures to better ensure that (1) its units meet HUD's housing quality standards, (2) supervisory quality control housing quality standards inspections are properly performed, and (3) rents are abated as required.
- 2E. Perform a special inspection of a representative sample of its units to determine the extent of housing quality standards noncompliance. The Authority should report the results of these inspections to you, along with an explanation of how the results were used to develop its new internal control plan.

## Finding 3: The Authority Mismanaged Its Special Section 8 Programs

The Authority mismanaged its Family Self Sufficiency and homeownership programs established to help participants self-improve. The Authority did not maintain accurate accountability of participant funds or comply with HUD's requirements for the Section 8 Family Self-Sufficiency program. It also did not ensure that it complied with administrative requirements for the Section 8 homeownership program. The Authority paid monthly mortgage assistance without a signed statement of home ownership obligations and did not correctly calculate monthly mortgage subsidies. These deficiencies occurred because the Authority did not follow its own procedures or consistently provide trained and capable staff familiar with the program requirements. As a result, the Authority paid \$3,667 in ineligible self-sufficiency and home ownership expenses, and family self-sufficiency participants did not reap the full benefits of the program

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### **The Family Self-Sufficiency Program Was Mismanaged**

The Authority did not administer the Section 8 Family Self-Sufficiency program in accordance with the regulations (24 CFR Part 984) and the family-self sufficiency action plan contained within its administrative plan. HUD implemented the program to assist families in obtaining employment and breaking the cycle of reliance on government assistance. Housing authorities rely on community partnerships through which opportunities and supportive services such as job readiness training, parenting skills, and homeownership classes are made available to families that volunteer to participate. Participating families enter into a contractual agreement with the Authority for up to 5 years.

We reviewed the files for 4 of the 12 participants and found that the Authority did not maintain accurate accountability of participant funds and comply with administrative requirements. The Authority's files did not show that any of the participants received the appropriate support needed to aid them in becoming self-sufficient. There was little documentation for provision of supportive services or follow-up on the goals outlined in individual training and services plans. This condition occurred because Authority staff was inadequately trained and not familiar with program requirements. Consequently, the participants did not reap the full benefits of the program.

#### Inaccurate Accountability of Participant Funds

The Authority did not maintain accurate accountability of participant funds. The Authority was required to maintain an escrow account for each participant, track fund increases and decreases and beginning and ending balances, and record participant funds held by the Authority in the bank.

For the four files in our sample, the Authority did not correctly calculate Self-Sufficiency program credits for two participants. Participants earn credits when their income increases, thus increasing their share of the rent and decreasing the Federal contribution. Credits earned allow the participant's escrow account balance to increase. The Authority used an incorrect income amount for one participant and the incorrect initial tenant's rent share for the other participant. This error caused one participant's account to be overfunded by \$783 and the other's to be underfunded by \$114.

The Authority did not have an accurate accounting of participant funds deposited in the bank. After the computer system maintaining the escrow accounts failed, the resident services coordinator and chief financial officer each kept an unofficial record of the participants' funds on deposit. However, the unofficial amounts did not reconcile to each other or to the bank balance. For example, the coordinator's record showed a \$22,902 balance as of December 31, 2009, whereas the bank records reported that the balance was \$39,073, a difference of \$16,171. The Authority did not detect this discrepancy because it did not implement an alternate reconciliation control method, such as requiring the staffs to coordinate.

The Authority did not maintain escrow accounts for all participants or adjust the escrow accounts for changes in participation. The Authority's escrow accounts showed only one of the four current participants reviewed. We also found \$3,742 in the subsidiary ledger for a participant who had died. Regulations require that such funds be moved from the escrow account to the Authority's Section 8 general fund.

The Authority did not provide any of the four participants with meaningful annual escrow account reports. None of the 2008 or 2009 annual escrow reports showed activity in the accounts as required by the regulations and the Authority's administrative plan. The reports only showed end-of-year balances. Without reports showing the increases and decreases to the fund balances, participants would be unable to measure their success in the program or alert the Authority to inaccuracies.

#### Noncompliance With Program Administration Requirements

The Authority did not maintain complete case management files. We reviewed the four files and found that case managers did not always document monthly contacts and the results of the meetings as required by the Authority's administrative plan. The participant files and correspondence stored in the Authority's computer system noted that meetings were held and new ones scheduled but contained little regarding individual goals, milestones, and the status of measures taken to assist the participants to become self-sufficient.

The Authority did not consistently enforce the requirement (24 CFR 984.303(b)(4)) that the head of household seek and maintain suitable employment while in the program. In January of 2010, the Authority established a work search form for unemployed individuals to record employment search efforts. The form

stated that failure to meet the requirement could cause a denial of escrow funds or termination from the program. One participant had not submitted the work search form since March 2010, and another with periods of unemployment had also not submitted the form.

#### Inadequately Staffed Program

The Authority's Self-Sufficiency program had gone through frequent periods of short staffing since it began in November of 2007. As of September 30, 2010, the program was being managed by the resident services coordinator. For the 8 months before her October 2009 appointment, the position was vacant. The coordinator had no prior experience when she was hired but attended training in November 2009 and February 2010. She was responsible for administering the Self-Sufficiency programs for both public housing and Section 8 until June 2010 when the Authority hired a full-time coordinator for the Section 8 Self-Sufficiency program. That full-time coordinator resigned in August 2010, leaving the resident services coordinator to once again manage both the public housing and Section 8 programs. Over the course of the audit, both coordinators stated that they were not fully aware of all of the Self-Sufficiency program requirements.

### **The Section 8 Homeownership Program Was Mismanaged**

The Authority did not ensure that Section 8 homeownership program administrative requirements were met. The homeownership program allowed the Authority to provide monthly mortgage assistance to Section 8 families that were eligible to purchase a home under the terms of the program. The Authority's Section 8 administrative plan contained procedures for its homeownership program, but staff did not always follow them.

We reviewed the files for all three participants in the Authority's homeownership program and found that none of the statements of home ownership obligations specifying the participant's responsibilities were signed before the participant received assistance as required. One participant received monthly mortgage assistance for more than 7 months before signing the statement. The \$3,667 that the Authority paid before having signed statements was ineligible.

Authority staff did not correctly calculate the monthly mortgage subsidies for two of the three program participants. The Authority's administrative plan required it to use a form to document the monthly subsidy calculation for mortgage principal and interest, homeowner's insurance, property taxes, repair reserves, and utility allowance. We recalculated the subsidies and found that one participant had been underpaid \$309 and another had been overpaid \$234. We were unable to compare our calculations to the Authority's calculations because staff did not prepare the required forms for two of the three participants. After we showed Authority staff

our calculations, the staff correctly recalculated the subsidies and reimbursed the underpaid participant.

## **Conclusion**

The Authority mismanaged its Family Self Sufficiency and homeownership programs because it failed to maintain effective control over the programs. Authority management must act immediately to improve its program compliance by ensuring that the controls in its Section 8 administrative plan are followed. It must also ensure that these programs are run by well-supervised, knowledgeable staff. Taking these measures will better ensure that the Authority can help participants fully achieve self-improvement through meaningful employment and home ownership.

## **Recommendations**

We recommend that the Director of HUD's Greensboro, NC, Office of Public Housing require the Authority to

- 3A. Strengthen internal controls of the Family Self-Sufficiency program by providing adequate training to staff responsible for administering the program, implementing existing written policies, and developing written procedures as needed to ensure that participants are provided appropriate supporting services as required and the files are documented.
- 3B. Implement written policies and procedures for the Section 8 homeownership program to ensure that the statement of home ownership obligations is executed before paying mortgage assistance and monthly subsidies are correctly calculated.
- 3C. Recalculate escrow credits and maintain an accurate subsidiary ledger for all active family self-sufficiency participants to ensure that correct credits are set aside.
- 3D. Reconcile corrected escrow balances to the family self-sufficiency bank account and remove any excess funds to the appropriate general fund to be used for program expenses.
- 3E. Repay the Section 8 program \$3,667 in ineligible Section 8 homeownership program mortgage assistance payments from non-Federal funds.

## SCOPE AND METHODOLOGY

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Our objective was to determine whether the Authority complied with U.S. Department of Housing and Urban Development (HUD) requirements for administering its Housing Choice Voucher program, including its special Section 8 programs comprised of a Family Self Sufficiency program and a homeownership program.

To accomplish our objective, we reviewed

- Financial management regulations at 24 CFR 85.20, program regulations at 24 CFR Parts 982 and 984, HUD Guidebook 7420.10G, Rental Integrity Monitoring Guide, HUD's amended annual contributions contract with the Authority, and HUD's Greensboro Office of Public Housing's correspondence and files pertaining to the Authority.
- The Authority's policies and procedures manuals, program-assisted units, program participants' files, program applicants' files, housing assistance payments, utility assistance payments, family self-sufficiency action plan, family self-sufficiency files, Section 8 homeownership program participant files, Authority-reported data in the Public and Indian Housing Information Center, board minutes, staffing assignments, job descriptions, and organizational charts.

We also interviewed the Authority's employees and HUD's Greensboro staff involved with oversight of the Authority. We selected several non-statistical samples as described below. The results from these samples pertain only to the items sampled and were not projected to the universe as a whole.

We selected a non-statistical sample of 15 program participant files for general review from a universe of 545 program participants as of March 2010. We chose 11 participant files from among those participants who first received assistance during 2009, 1 from 2007, and 3 from 2008. As the review progressed, we found indicators of deficiencies in two more participant files and expanded our sample to 17 participant files.

The Authority had a total of 545 program participants at the time of our housing quality standards sample selection. We selected a non-statistical sample of 26 program units for inspection. The first 17 were randomly selected using a random number generator, and 9 were a non-statistical selection based on information obtained during the audit. Three tenants were removed from our sample due to their termination from the program. We inspected the remaining 23 units for housing quality standards compliance.

We selected a sample of 15 tenant files to evaluate the Authority's compliance with abatement requirements. A non-statistical random sample of 10 tenant files was selected from a universe of 31 tenants having potentially unabated rent. The 31-tenant universe identified using computer-assisted auditing techniques had housing quality standards inspections with pass dates greater than 30 days following the original inspection date. The remaining five of the sample were a non-statistical selection from the housing quality standards inspections that we conducted.



We selected a non-statistical sample of nine tenant files to test for compliance with termination procedures from a universe of 69 tenants that the Authority reported to have been terminated between January 2009 and July 2010. The sample was designed to ensure terminated tenants' files were selected from each quarter or represented each Housing Choice Voucher manager's tenure at the Authority during our audit period. We added an additional file to the sample that was not included in the universe but was found during a cursory test for timely housing quality standards requirements.

We selected a sample of four Family Self-Sufficiency program participants from the universe of 22 participants. All four tenants were a non-statistical selection designed to ensure that the reviewed participants had gone through a reexamination and had escrow credits calculated.

The Authority had three Section 8 homeownership program participants during our audit scope. We reviewed files for all three participants.

All electronic data relied upon during the review were tested during the performance of the various review steps. We found a significant portion of the electronic data to be unreliable. For example, the Authority did not maintain a housing assistance payment register or a complete and accurate listing of tenants and provided outdated information to HUD's Public and Indian Housing Information Center due to the unreliability of its housing management software and the information it contained.

We performed our onsite work from March 2010 through September 2010 at the Authority's office located at 213 Broad Street, Wilson, NC. The audit covered the period January 1, 2008, through June 30, 2010, and was expanded as determined necessary.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# INTERNAL CONTROLS

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Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

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

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls 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.

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## Relevant Internal Controls

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

- Program operation – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Reliability of data – Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.
- Compliance with laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

## Significant Deficiencies

Based on our review, we believe that the following items are significant deficiencies:

- The Authority did not have controls for effective Section 8 administration (findings 1-3).
- The Authority did not have internal controls in place to ensure that Section 8 units met housing quality standards (finding 2).
- The Authority did not have controls for effective administration of its Family Self Sufficiency and homeownership programs (finding 3).

## APPENDIXES

### Appendix A

#### SCHEDULE OF QUESTIONED COSTS

<u>Recommendation number</u>	<u>Ineligible 1/</u>	<u>Unsupported 2/</u>
1G	\$88,511	
1I		\$14,568
2A	14,119	
2B	3,481	
3E	<u>3,667</u>	
Total	<u>\$109,778</u>	<u>\$14,568</u>

1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.

2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of 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

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### Ref to OIG Evaluation

### Auditee Comments



WILSON HOUSING AUTHORITY  
213 BROAD STREET  
P.O. BOX 185  
WILSON, NC 27894-0185  
252-291-2245  
FAX 252-291-0984

EXECUTIVE DIRECTOR  
Edward R. Jagnandan

December 9, 2010

Mr. James D. McKay, Regional Inspector General  
US Department of Housing and Urban Development  
Region 4 Office of Inspector General  
Richard B. Russell Federal Building  
75 Spring Street, SW, Room 330  
Atlanta, GA 30303-3388

Dear Mr. McKay:

This letter is a follow up to the meeting held in this office on December 2, 2010 to discuss the preliminary OIG Audit findings.

It was nice to see your staff and the HUD field office officials again.

We appreciate the professionalism and efforts of your staff in conducting the audit of our Housing Choice Voucher Program and their identification of weaknesses in the management of the program.

We ask that you keep in mind the unusual circumstances experienced by the housing authority that contributed significantly to the audit findings.

Attached are the detailed response and supporting documentation to the individual findings of the OIG audit.

We thank you in advance for your understanding of the problems we faced and our resolve to correct these problems and establish stronger quality control measures so that this does not happen in the future.

If you have any questions or if I can be of any further assistance to you, please don't hesitate to call our office at 252-291-2245.

Sincerely,

A handwritten signature in black ink, appearing to be 'E. Jagnandan', is written over a horizontal line. Below the signature, the name and title are printed.

Edward R. Jagnandan  
Executive Director

Wilson Housing Authority  
Response to OIG  
Housing Choice Voucher Program Audit Findings

WHA has always operated its Housing Choice Voucher department in a manner consistent with HUD regulations. In fact, prior to the audit WHA was rated as a high performer under SEMAP.

Most of the audit findings can be attributed to the problems encountered by WHA as a result of erroneous information and incompetent staff that indicated that WHA funding under the voucher program was not sufficient to sustain the number of families under lease. As a result, WHA removed 113 participants from its voucher program. Subsequently, WHA voucher staff learned that the need to reduce the lease-up in its program was based on faulty data. WHA to correct this problem started a massive lease up project to assure full use of its voucher program funding.

During this accelerated lease-up period of time, WHA had issued a large number of vouchers to attain full utilization of its voucher funding. The Section 8 Department had a high volume of staff turnover due to retirement, health problems, personal and family problems and personnel issues. WHA had six HCV Managers, temporary staff and staff from other departments to assist with the overwhelming work load. In addition the system software was not adequate for the program. It could not provide accurate information or data and in some cases could not provide information that was needed to manage the leasing process. The WHA purchased new system software and implemented the new software for the program. WHA was in the middle of the conversion near the end of the audit. WHA strengthened its internal controls over the program. WHA advised the OIG auditors aware of these issues and the OIG acknowledged they could see when the drop in program performance started. With the new system software and stable and competent staff in place and the extra measures taken by WHA, these problems are now under control.

**Comment 1**

During the period of lease up WHA had temporary staff assisting with the process. The HCV Manager did show the additional staff the process for waiting list selection. She held in house meetings to train staff and ensure the process was clear. The 113 families that had been removed from the program were to be first readmitted to the voucher program, followed b the 2007 applicants, and finally the applicants from 2009. The temporary staff started out selecting the families in the proper order but inadvertently selected families that applied in 2009 before the 2007 families were completed. Since, the system software was not working properly an excel spread sheet was used. The new system software (Tenmast) purchased by WHA generates a waiting list and allows staff to select in proper order. WHA only uses one waiting list for the voucher program and all applicants have been placed on the waiting list in order of their application date.

In December 2008 WHA decreased the program by 113 families because of funding. Staff traveled to the HUD office in Greensboro to meet with the HUD officials. Staff that attended the meeting in Greensboro was the Director of Finance, the Housing Director and the Executive Director. The Director of Finance gave an overview of the agencies financial status and the Housing Director gave an overview of the process by which families were selected to be removed from the program. At this time the Director of Finance informed HUD that there were no more reserves. However, upon the arrival of our new Finance Director in October 2009 the agency became aware that there were unrestricted reserves in the amount of \$133,498. If HUD had been aware that the agency still had reserves they would never have approved the removal of the families. No families with disabled children, disabled HOH or elderly HOH were taken off the program. Families were removed based on the length of time they had been on the program. Families that had been on the program the longest were taken off. Internal Controls are now in place between finance and management to do projections on fund utilization and lease up. WHA spread sheets

**Comment 2**

are kept and tracked as well as the mandated HUD automated utilization form that was recently released by HUD. The utilization of funds is tracked against the available funding. The tracking sheet also used to monitor the units leased and the maximum number of vouchers allocated (550).

**Comment 3**

Annual Inspections are done on all assisted units. Staff conducts quality control inspections. As you know, HQS deficiencies caused by residents can occur after the original inspection or in the case of roaches there may not have been signs of roaches during the initial inspection. WHA does place high emphasis on the housing quality standards. Some of the deficiencies found by OIG were not considered failed items by WHA inspectors; some were written up on previous inspections and the owner was required to make repairs. Some of the inspections were done by an inspector that was assisting the regular Section 8 inspector and he had not done HQS inspections in a long time. Quality control inspections are done annually. Previously during the quality control inspections, staff did not take the original inspection booklet with them. Protocol is now in place to take the inspection booklet on the QC inspection to ensure all areas of the property are properly documented. The inspection books will be filled out completely. Any deficiencies will be turned over to the inspector for landlord notification. The HCV Manager will be sent to HQS refresher training as he is a certified HQS inspector.

Unit abatement protocol is as follows: WHA requires that rent on a failed unit be abated, the inspector will send out an informational email to the HCV Manager, the HCV Specialist and the Director of Housing Management giving the address, abatement effective date, landlord, address of the unit, family name. The QC inspector will give the inspection book over to the HCV Manager to abate payment in the computer. The HCV Manager will continue the abatement until the repairs are complete or the unit is terminated.

The WHA experienced a high turnover in staff involved in the voucher program over the last year and a half. The Section 8 department has had six HCV Managers, the finance department had five finance directors during this same period. WHA had to use temporary staff and other support staff from other departments to work in the Section 8 department and help with the increased work load. Before the massive lease up of vouchers and before the retirement of the first HCV Manager we maintained competent staff. The OIG auditors were here during the time of the turnover of staff. While the auditors were here, WHA hired a new HCV FSS Coordinator when WHA was awarded the FSS Grant. The FSS Coordinator was so new we never had time to send her to training. She had just graduated from college. . The Programs Coordinator for WHA who was previously doing the Section 8 FSS program had received Nan McKay FSS Training twice. She was also a relatively new employee. The WHA believes it is important to send staff to training so that they can keep abreast of regulation and policy changes. The HCV Specialist attended the Quadel training for the HCV Program to become certified in November 2007. The Section 8 Inspector attended more than one Housing Quality Standards training in May 2010. The agency will be sending staff to continuous training as appropriate.

As you indicated, WHA did not have an official "Hap Register". However, the finance department did track HCV payments in an excel spread sheet. WHA purchased the Tenmast software that includes an HCV HAP Register. The implementation was delayed because of staff turnover in all departments. Staff was trained on Tenmast and data was validated twice and implementation of Tenmast is underway. This system allows staff to keep and track accurate data on assisted families, payments, applicants, and SEMAP status. Staff is also able to do projections, track issued vouchers, and terminations.

**Comment 4**

Prior to the excessive work load and the high turnover in staff, all termination letters contained all the required information ( the reason the family is being terminated, the effective date of the termination, and the family's right to an informal hearing) and all hearings were granted in a timely manner. Staff is aware of the required language in termination letters. Procedures are now in place to ensure that these policies are followed. All termination letters will be written by the HCV Manager using the template for

termination letters. Letters are reviewed by the Director of Housing Management for compliance. All letters state the means in which a family may request a hearing where applicable.

The agency acknowledges there were unexecuted HAP contracts. The number of contracts was overwhelming. We are now past the massive issuance of vouchers and new admissions. Prior to this time HAP contracts were signed and processed in a timely manner (within the 60 day time period). All new HAP payments are put on hold until all signatures are received and the file is complete. All new HAP contacts are currently processed within the mandated time period.

The agency could not locate the previous HCV Managers print outs of the HUD landlord debarments reviews. All landlords were checked for eligibility again. We did not find any landlords that were on the debarment list. Current HCV staff has the computer generated copies and a file has been set up for retention. The debarment list is checked on all landlords/owners and retained in the HCV Manager's file.

The authority does retain copies of the lease in files. In some instances the files had been purged because they were long time assisted families and the lease was in the older files.

All staff is aware the lease date and the HAP contract date must run concurrently. However, it appears that the temporary staff and new staff were not aware of this requirement that has now been corrected. On all new admissions or transfers the HCV Manger now reviews the file for compliance and to ensure the HAP contract and the lease date are the same. No payment will be made until the file is in compliance. A check list is placed in the file for all re-examinations, transfers, and new admissions.

The current HCV staff is competent and capable of administering the program. WHA as previously stated will continue to send staff to training to ensure proficiency in the Section 8 department. The Director of Housing Management is now more involved in the day to day operations and provides more over sight in the Section 8 department.

***OIG Finding 1A: Conduct utilization projections as outlined in the Authority's administrative plan to determine whether there is adequate funding to issue vouchers or continue to fund current residents***

**WHA Response:** WHA is monitoring fund utilization and conducting utilization projections with the new Tenmast software. Controls are now in place between finance and management to do projections on fund utilization and lease up. WHA spread sheets are kept and tracked as well as the mandated HUD automated utilization form that was recently released by HUD. The utilization of funds is tracked against the available funding. The tracking sheet also used to monitor the units leased and the maximum number of vouchers allocated (550). The Section 8 staff and the finance staff meet monthly to ensure all figures tie back to the HAP register

***OIG Finding 1B: Consolidate and purge its waiting list and include all required information.***

**WHA Response:** The Section 8 department utilizes only one waiting list. The waiting list is now generated through the new Tenmast software and is generated by preference, date and time. The authority could not utilize the previous software waiting list module as it was not working properly; all applicants were kept on a spread sheet. The temporary staff person that was in place during the period that WHA was leasing vouchers inadvertently pulled some 2009 applicants before the 2007 families. The error was caught by staff prior to the OIG auditors arriving.

## Comment 5



**Comment 6**

***OIG Finding 1C: Implement existing policies and make necessary adjustments to its Section 8 administrative plan to ensure that tenants from the waiting list are selected in the correct order and the opening of its waiting list is advertised in according to its administrative plan.***

WHA Response: Families are selected using the new Tenmast software that generates a list of families by selection preference, date and time. Staff no longer uses the excel spread sheet. All advertisements concerning the opening of the waiting list will be done according to the administrative plan two weeks before the waiting list opens. No changes to the administrative plan are necessary.

***OIG Finding 1D: Implement existing procedures to ensure that termination letters include the required information, tenants are given a hearing after an appeal has been required, and impartial appointed hearing officers are used.***

WHA Response: The termination letters were revised to identify the reason the family is being terminated, the effective date of the termination and the family's right to request an informal hearing. Families do have a right to an informal hearing and the policy will be followed as written in the current administrative plan. The agency will continue to use an impartial hearing officer to conduct the hearings.

***OIG Finding 1E: Document the applicable tenant files with all of the required information detailing the termination of assistance process.***

WHA Response: All tenant files are now being documented with the required information including the termination letter, the basis and documentation stating the date violation was reported, the nature of violation, the steps taken by the WHA, all letters to the family and the landlord, and a copy of the hearing officer's decision.

***OIG Finding 1F: Develop and implement controls to ensure:***

- 1. Housing assistance payments contracts are executed before housing assistance payments are made,***
- 2. Landlords are properly screened for eligibility and files are properly documented,***
- 3. Assisted units pass housing quality standards inspections before the commencement of housing assistance payments,***
- 4. Rent reasonableness studies are performed before a lease is approved and files are properly documented.***

WHA Response: Revised internal controls have been put into place. Each Section 8 staff person keeps a copy of the administrative plan, departmental procedures and internal controls at their desk. All internal controls have been reviewed with the Section 8 staff. Also, the finance department and Section 8 department conduct comparisons monthly and review the HAP Register. A check list is done on every re-examination, new admission and transfer. Internal controls are in place for:

1. The Section 8 Specialist as part of new admission lease ups, unit transfer lease ups and program transfers completes a check list. The completed check list is placed in front of all new lease-ups file for ensuring program compliance. The HCV Manager subsequently audits all new admissions lease ups, unit transfer lease ups and program transfers to ensure program compliance, accuracy of file order, presence of all required forms and documentation, rent calculation, affordability determination, rent reasonableness determinations, income verifications, use of proper utility allowances and proper landlord information.

All new admissions and transfers are placed on hold in the computer until the HAP contract is signed and the PHA has received a copy of the lease with the effective date coinciding with the effective date of the HAP contract. Once both are received and reviewed by the HCV Manager the HAP is released for payment. No HAP contract will be executed until a unit meets Housing Quality Standards and is passed by the inspector. No HAP contract will be executed until the Section 8 Specialist or the HCV Manager has received the passed inspection booklet from the inspector. All HAP contract will be generated through the new Tenmast system to ensure the tenancy addendum is generated and a copy is given to the family. A copy of the lease and tenancy addendum will be maintained in the tenant file. A system generated tenancy addendum and HAP contract are automatically generated when a new lease up is processed in the housing software.

2. The HCV Manager ensures landlords/owners are not listed on HUD's debarment list and are properly screened before being accepted in the HCV Program

3. WHA internal controls require that HQS inspections on all assisted units are conducted annually. The inspector is responsible for ensuring that all units are inspected thoroughly and that all failed items are documented and turned into to the landlord/owner for mandated timely repair. Once the inspector determines abatement is required because deficiencies are not corrected, an email will be sent to the Section 8 Specialist and the HCV Manager by the Inspector. The Inspector will give the inspection booklet to the HCV Manager for process. The file will not be returned to the inspector until inspection has been scheduled to pass off repairs (where applicable).

The HCV Manager, management staff or qualified inspector other than the inspector that conducted the original inspection will conduct the required number of housing quality control inspections for SEMAP. Staff will take the original inspection booklet along with them during the quality control inspection to ensure all areas of the property inside and out are properly documented. The inspection book will be filled out in its entirety. Any deficiencies will be turned over to the HQS inspector for landlord notification and compliance.

4. Rent Reasonableness determinations are made for all new admissions and transfers using the Nelrod E Z Rent Reasonableness Program before lease up.

***OIG Finding 1G: Repay its Housing Choice Voucher Program from non-Federal Funds \$88,435 for housing assistance payments without a properly executed housing assistance contract and housing assistance payments made prior to units passing housing quality standards inspections.***

**WHA Response:** The WHA acknowledges that housing assistance payments were made on 86 units even though the HAP contract was not executed. It is important to note that these units were occupied by eligible WHA voucher holders, the units were inspected before the families moved into the units, and rent reasonableness determinations were completed. Subsequently, WHA determined that all of the owners were eligible to participate in the program.

Unfortunately, manpower shortages during a massive lease-up period resulted in the HAP contract being misplaced or overlooked. When this matter was brought to WHA's attention, WHA executed all of the HAP contracts to be effective with the term of the assisted lease.

We trust that the OIG will take these facts into consideration, coupled with the fact that during this period a benefit was realized for the program because these 86 very low income families were housed in housing that meet program requirements. For these reasons, we asked that the OIG drop the requirement that WHA repay the HCV program \$88,435 from non-Federal funds.

## Comment 7

**Comment 8**

***OIG Finding 1H: Maintain a housing assistance payments register in accordance with the requirements.***

**WHA Response:** The WHA purchased new system software that has a HAP Register. The previous software did not have a HAP register in the system. However staff maintained a spread sheet with the family rent to owner, HAP payments, URP payments, and family data.

***OIG Finding 1I: Provide adequate documentation or repay \$14,568 spent on housing assistance payments for tenants whose files did not contain executed copies of the lease.***

**WHA Response:** WHA has retrieved copies of all the missing leases. Copies are attached. Accordingly, WHA should not be required to repay the \$14,568 to the HCV program from non-Federal funds.

***OIG Finding 2A: Repay its Housing Choice Voucher program \$14,119 from non-Federal funds for housing assistance payments made for units that were in material noncompliance with housing quality standards***

**WHA Response:** The agency inspects all assisted units annually. The inspector adheres to the HQS Inspection handbook. There are items written up by the OIG that are not considered HQS deficiencies. There are also items written up that were inspected during the previous inspection that were addressed and passed during that time. Deficiencies can happen between inspections even when they have been corrected previously. The authority places strong emphasis on HQS inspections. The inspector revisits each unit for re-inspection to ensure all repairs are corrected.

**Comment 9**

WHA records indicate that in 5 of the 6 cases of material noncompliance cited by the OIG report the agency did follow procedures related to HQS. During the previous inspections these deficiencies were found and the proper HQS protocol was followed. The deficiencies were then corrected according to HQS requirements. When OIG conducted their inspections months later the deficiencies they found were new occurrences not due to the failure of the agency to enforce HQS. For these reasons, we asked that the OIG drop the requirement that WHA repay the HCV program \$14,119 from non-Federal funds.

***OIG Finding 2B: Repay its Housing Choice Voucher program \$3,481 from non-Federal funds for housing assistance payments made to owners that were delinquent in completing required repairs***

**Comment 10**

**WHA Response:** The agency has repaid the HCV program \$3,481 from non HUD funds for HAP payments made to owners that were delinquent in completing required repairs.

***OIG Finding 2C: Inspect the 23 units that did not meet minimum housing quality standards to verify that the landlords took appropriate corrective action to make the units decent, safe, and sanitary. If appropriate actions were not taken, the Authority should abate the rents or terminate the contracts.***

**WHA Response:** The 23 units inspected by OIG have been re-inspected to ensure that all deficiencies have been corrected. All deficiencies have been corrected. See attached

***OIG Finding 2D: Develop and implement an internal control plan and make any necessary adjustments to its Section 8 administrative plan and/or any other Authority policies and procedures to better ensure that (1) its units meet HUD's housing quality standards, (2) supervisory quality control housing quality standards inspections are properly performed, and (3) rents are abated as required.***

**WHA Response:** Revised procedures have been put in place to ensure all assisted units continue to meet housing quality standards and quality control inspections are performed properly and rents are abated in a timely manner. See attached

**OIG Finding 2E:** *Perform a special inspection of a representative sample of its units to determine the extent of housing quality standards noncompliance. The Authority should report the results of these inspections to you, along with an explanation of how results were used to develop its new internal control plan.*

**WHA Response** The authority is scheduling special inspections of a representative sample of its units to determine the extent of housing quality standards compliance.

**OIG Finding 3A:** *Strengthen internal controls of the Family Self-Sufficiency program by providing adequate training to staff responsible for administering the program, implementing existing written policies, and developing written procedures as needed to ensure that participants are provided appropriate supportive services as required and the files are documented.*

**WHA Response:** Each FSS staff person has a FSS manual. Procedures have been put in place for FSS case-management to ensure the family is receiving the full benefits of the program. All files are being reviewed to determine if the appropriate supportive services are being utilized. Revised internal controls are in place to ensure such.

Staff was not able to enter or track accurate data in the previous housing software. However, staff did document monthly meetings with clients, and track their accomplishments. FSS staff follows the guidance in the FSS Manual and are ensuring family goals are met with the assistance of local agency partners. Escrow accounts were tracked on a spread sheet.

The authority recently hired a new HCV FSS Coordinator and she is scheduled for FSS training with Nan McKay on December 14<sup>th</sup> through December 16<sup>th</sup>, 2010. FSS staff will continue to be trained for professional development.

WHA has now transferred \$3,742.00 to the general fund for the escrow remaining after the death of the Section 8 family.

The escrow accounts were tracked in a spread sheet in the department. With the new software FSS documentation and escrow accounts are able to be tracked in the system.

Random FSS files are checked by the Director of Housing Management for compliance and accuracy and to determine the specific goals and the steps staff is taking to ensure all family goals are met. FSS as previously stipulated has been and will continue to be trained to manage the FSS program and will continue training to remain abreast of any regulatory changes. The Director of Housing Management is more involved in the day to day management of the program and place more over site on program implementation.

***OIG Finding 3B: Implement written policies and procedures for the Section 8 homeownership program to ensure that the statement of homeownership obligations is executed before paying mortgage assistance and monthly subsidies are correctly calculated.***

**WHA Response:** A homeownership manual is being developed. Internal controls are in place to ensure all mandated form are completed and signed prior to any mortgage payment being made.

The authority found the calculation error in the two home ownership participants' files before the OIG arrived at the site. The home ownership consultant was scheduled to come to our agency to assist WHA in correcting the errors. Before the errors could be corrected the OIG staff reviewed the file, we did advise we were aware of the errors and the errors were corrected

***OIG Finding 3C: Recalculate escrow credits and maintain an accurate subsidiary ledger for all active family self sufficiency participants to ensure that correct credits are set aside.***

**WHA Response:** Escrow accounts are currently being added into the Tenmast system to be recalculated for accuracy. Escrow account letters will be sent out to the program participants annually with a breakout by month to ensure the family has a clearer picture of their progress.

***IG Finding 3D: Reconcile corrected escrow balances to the family self sufficiency bank account and remove any excess funds to the appropriate general fund to be used for program expenses.***

**WHA Response:** WHA is currently completing the impletion of the FSS portion into our new computer system, Tenmast. After this information has been reconciled, WHA will open a separate bank account for current balance Section 8 FSS. The agency will then deposit and withdraw monies as specified (current deposits and payments) on a monthly basis.

***IG Finding 3E: Repay the Section 8 program \$3,667 in ineligible Section 8 homeownership program mortgage assistance payments from non-Federal funds.***

**WHA Response:** In the Homeownership Program the two families that were incorrectly calculated were corrected while OIG was on site. Internal controls are in place to ensure all forms are signed and executed before any mortgage assistance is paid. Files are now being reviewed by the HCV Manager before payments are released. A check list will be placed in the homeownership file to ensure compliance. The agency has paid \$3,667 from the Central Office Cost center to the Section 8 program for these errors.

**The Section 8 Homeownership Program was Mismanged**

The OIG stated that the Section 8 Homeownership program was mismanaged. We believe that two errors do not constitute mismanagement of the entire program. The term mismanagement is too strong of a word to define the program for two errors.

**Comment 11**

**Comment 12**

## OIG Evaluation of Auditee Comments

- Comment 1** We acknowledged a decrease in program performance during the Authority's lease up effort to attain full utilization of its program funding. However, we also noted deficiencies during our review that existed prior to this leasing period. The Authority did not maintain a Housing Assistance Payments register, provide tenancy addendums to participants, or perform background checks on landlords prior to the lease up effort to attain full utilization.
- Comment 2** HUD did not approve the removal of 113 families from the program as the Authority's response states. HUD regulations and the Authority's administrative policy dictate that the Authority may terminate the Housing Assistance Payment contract if the Authority determines, in accordance with HUD requirements, that funding under the consolidated Annual Contributions Contract (annual budget authority and restricted reserves) is insufficient to support continued assistance for families in the program. The use, or non-use, of unrestricted reserves (administrative fee reserves) for housing assistance is at the sole discretion of the Authority. Authority management provided HUD field office staff with documentation, prior to the release of the 113 families, indicating the Authority had over \$190,000 in administrative fee reserves. The field office suggested that the Authority utilize all reserves before terminating assistance to the families but the Authority chose not to do so.
- Comment 3** The Authority states that its quality control inspections are done annually. However, the Authority should conduct quality control inspections on a quarterly basis as required by the Housing Choice Voucher Guidebook and its Administrative plan.
- Comment 4** The Authority states that prior to the excessive workload and high turnover of staff, all termination letters contained the required information. Our review of termination letters from this period showed that they lacked the basis for the termination as well as information regarding the hearing process. The more recent letters appeared to address these requirements but still failed to include the hearing process procedures.
- Comment 5** The new policies and procedures the Authority claims to have implemented to address funds utilization, as well as any actions taken to address other recommendations in the report, will be evaluated by the HUD Greensboro field office as part of the recommendation clearance process. The administrative plan should be updated to reflect any new procedures that cause a conflict with the current plan.
- Comment 6** In addition to the termination letter revisions claimed by the Authority, the letters should also provide tenants with an outline of the Authority's hearing process as required by its Section 8 Administrative Plan.

**Comment 7** OIG disagrees with the Authority's request that it not be required to repay \$88,435 in ineligible costs paid owners without an executed housing assistance payment contract. HUD regulations allow housing authorities to pay owners from the beginning of the lease term if the contract is executed within 60 days. Although there was a massive lease up effort, 60 days should have been ample time to properly execute the contracts. In addition, although the Authority stated that it had inspected the units before families moved in, we found that the Authority had paid rents for at least 3 of the 86 units before they had passed inspection.

**Comment 8** The lease documentation provided by the Authority was not sufficient to address all of the findings included in our recommendation II. The Authority should provide the leases with the additional documentation identified in the report to the HUD Greensboro field office in order to clear the entire recommendation.

**Comment 9** The Authority's statement that it inspects all assisted units annually is not correct based on our audit work. For example, OIG inspected the unit located at 1601-F Pecan Court, Wilson, NC 27893 on March 11, 2010. The agency's latest inspection of that unit was performed on January 16, 2009, nearly 14 months earlier. We also found other instances of units not being inspected annually.

The Authority argued that some of OIG identified deficiencies were not housing quality standards violations. For example, the Authority claimed that ant infestations are not housing quality standards violations. The ant infestation in the subject unit was severe and, in our opinion, meets the definition of evidence of infestation on the HUD housing quality standards inspection checklist.

The Authority also claimed that OIG identified items that the Authority had also identified and properly addressed during its previous inspection. The Authority stated that, "Deficiencies can happen between inspections even when they have been corrected previously." While this statement is true, OIG purposely took a conservative position. As stated in the report, "...units were in material noncompliance with housing quality standards because they had one or more material deficiencies that existed at the time of the Authority's previous inspection." As such, the deficiencies cited as being material noncompliant during the OIG inspections were not adequately addressed by the Agency as claimed.

The Authority stated, "The inspector revisits each unit for re-inspection to ensure all repairs are corrected." We assume that the Authority meant to say "...to ensure all repairs are made." OIG cited several deficiencies that were present at the time of the Authority's previous inspection but remained uncorrected, thus we do not agree that the Authority has always ensured that all repairs were made. For example, OIG cited a leak in the bathroom ceiling of a unit. The tenant stated that the leak had not been fixed even though the unit had been inspected by the Authority and the leak was present at the time of the inspection. The leak was not

only present during the Authority's latest inspection performed on October 22, 2009, but was a problem dating back more than two years (the same deficiency was cited in the inspection performed on December 15, 2008).

The Authority's response attempts to make the case that either it followed proper procedures in identifying deficiencies and ensuring that they were adequately addressed, or that the deficiencies cited by OIG somehow occurred during the time from the Agency's last inspection to the date of the OIG inspection. We disagree with the Authority's claims and its request that it not be required to repay the ineligible costs attributable to units in material noncompliance with housing quality standards.

**Comment 10** The documentation the Authority submitted for the repayment of \$3,481 in ineligible housing assistance payments made to owners that were delinquent in completing required repairs was not sufficient to close recommendation 2B. The photocopy of the check showed that it was written from the Authority's general fund; thus, there was no evidence to show a non-Federal source of funds as required by the recommendation. The Authority must provide acceptable evidence of repayment to the Greensboro field office in order to clear the recommendation.

**Comment 11** The documentation the Authority submitted for the repayment of \$3,667 in ineligible homeownership program mortgage assistance payments was not sufficient to close recommendation 3E. The photocopy of the repayment check showed that it was written from the Authority's general fund; thus, there was no evidence to show a non-Federal source of funds as required by the recommendation. The Authority must provide acceptable evidence of repayment to the Greensboro field office in order to clear the recommendation.

**Comment 12** We concluded that the Section 8 homeownership program was mismanaged because the Authority generally failed to follow HUD's administrative requirements for all 3 program participants. Although we agree that the monthly mortgage subsidy was miscalculated for only 2 participants, we believe that level of noncompliance is significant since the entire program consisted of only 3 participants.



## Appendix C

### CRITERIA

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#### **Finding 1**

24CFR85.20(b)(3)

Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

WHA Admin Plan: 16-VIII.B

The WHA will determine whether there is adequate funding to issue vouchers, approve moves to higher cost units and areas, and continue subsidizing all current participants by comparing the WHA's annual budget authority to the annual total HAP needs on a monthly basis. The total HAP needs for the calendar year will be projected by establishing the actual HAP costs year to date. To that figure, the WHA will add anticipated HAP expenditures for the remainder of the calendar year. Projected HAP expenditures will be calculated by multiplying the projected number of units leased per remaining months by the most current month's average HAP. The projected number of units leased per month will take into account the average monthly turnover of participant families. If the total annual HAP needs equal or exceed the annual budget authority, or if the WHA cannot support the cost of the proposed subsidy commitment (voucher issuance or move) based on the funding analysis, the WHA will be considered to have insufficient funding.

24CFR982.204(f)

A PHA must use a single waiting list for admission to its Section 8 tenant-based assistance program. However, the PHA may use a separate single waiting list for such admissions for a county or municipality.

24CFR982.204(b)

The PHA must maintain information that permits the PHA to select participants from the waiting list in accordance with the PHA admission policies. The waiting list must contain the following information for each applicant listed: (1) applicant name; (2) family unit size; (3) date and time of application; (4) qualification for any local preference; and (5) racial or ethnic designation of the head of household.

24CFR982.206(a)(1)

When the PHA opens a waiting list, the PHA must give public notice that families may apply for tenant-based assistance. The public notice must state where and when to apply.

WHA Admin Plan: 4-II.C

The WHA [Authority] will announce the reopening of the waiting list at least 14 days prior to the date applications will first be accepted. If the list is only being reopened for certain categories of families, this information will be contained in the notice.

WHA Admin Plan 16-III.C

Informal hearings will be conducted by a person or persons approved by the WHA, other than the person who made or approved the decision or a subordinate of the person who made or approved the decision.

HUD 7420.10G 15.4

Upon making a decision to terminate assistance, the PHA must give both the owner and the family written notice of termination that states: (1) reason for the termination; (2) effective date of the termination, and (3) family's right to request a hearing.

WHA Admin Plan 16-III.C

The WHA must schedule and send written notice of the informal hearing to the family within 10 business days of the family's request.

24CFR982.305(c)(2)

The PHA may not pay any housing assistance payment to the owner until the HAP contract has been executed.

24CFR982.305(c)(1)

The PHA must use best efforts to execute the HAP contract before the beginning of the lease term. The HAP contract must be executed no later than 60 calendar days from the beginning of the lease term.

24CFR982.305(a)

The PHA may not give approval for the family of the assisted tenancy, or execute a HAP contract, until the PHA has determined that all the following met program requirements: (1) the unit is eligible; (2) the unit has been inspected by the PHA and passes HQS [housing quality standards]; (3) the lease includes the tenancy addendum; (4) the rent to owner is reasonable; and (5) at the time a family initially receives tenant-based assistance for occupancy of a dwelling unit, and where the gross rent of the unit exceeds the applicable payment standard for the family, the family share does not exceed 40 percent of the family's monthly adjusted income.

24CFR982.306(a)

The PHA must not approve an assisted tenancy if the PHA has been informed that the owner is debarred, suspended, or subject to a limited denial of participation.

24CFR982.507(a)(1)

The PHA may not approve a lease until the PHA determines that the initial rent to owner is a reasonable rent.

HUD 7420.10G 11.2

Prior to executing a HAP contract and processing housing assistance payments, the PHA must determine that the owner of the assisted unit is eligible to participate in the Housing Choice Voucher Program.

24CFR982.162(a)

The PHA must use program contracts and other forms required by HUD headquarters, including: (1) the consolidated ACC [annual contributions contract] between HUD and the PHA; (2) the HAP contract between the PHA and the owner; and (3) the tenancy addendum required by HUD (which is included both in the HAP contract and in the lease between the owner and the tenant).

24CFR982.308(f)(2)

All provisions in the HUD-required tenancy addendum must be added word-for-word to the owner's standard form lease that is used by the owner for unassisted tenants. The tenant shall have the right to enforce the tenancy addendum against the owner, and the terms of the tenancy addendum shall prevail over any other provisions of the lease.

24CFR982.158(e)

During the term of each assisted lease, and for at least three years thereafter, the PHA [public housing agency] must keep: (1) a copy of the executed lease; (2) the HAP [housing assistance payments] contract; and (3) the application from the family.

24CFR982.309(b)(1)

The term of the HAP contract begins on the first day of the lease term and ends on the last day of the lease term.

24CFR982.158(a)

The PHA must maintain complete and accurate accounts and other records for the program in accordance with HUD requirements, in a manner that permits a speedy and effective audit. The records must be in the form required by HUD, including requirements governing computerized or electronic forms of record-keeping.

## **Finding 2**

24CFR982.401(a)(3)

All program housing must meet the HQS performance requirements both at commencement of assisted occupancy, and throughout the assisted tenancy.

24CFR982.405(b)

The PHA must conduct supervisory quality control HQS inspections.

HUD 7420.10G 10.9

In addition to monitoring SEMAP [Section Eight Management Assessment Program] compliance, quality control inspections provide feedback on inspectors' work, which can be used to determine if individual performance or general HQS training issues need to be addressed.

24CFR982.404(a)(3)

The PHA must not make any housing assistance payments for a dwelling unit that fails to meet the HQS, unless the owner corrects the defect within the period specified by the PHA and the PHA verifies the correction. If a defect is life threatening, the owner must correct the defect within no more than 24 hours. For other defects, the owner must correct the defect within no more than 30 calendar days (or any PHA-approved extension).

HUD 7420.10G 10.7

The PHA must abate HAP payments to owners who do not comply with notifications to correct HQS deficiencies with the specified time period: 24 hours or 30-days depending on the nature of the deficiency. For valid reasons, the PHA may extend the time period. Placement of abatement must occur by the first of the month following expiration of the notice. Except in the case of life threatening violations requiring corrections within 24 hours, the owner must receive 30-day written notification of the abatement. Therefore, it is important that PHAs include the 30-day notice to abate in the original violations notice.

WHA Admin Plan: 8-II.G

The WHA will make all HAP abatements effective the day after the WHA specified correction period (including any extension).

### **Finding 3**

24CFR984.303(b)(4)

The head of the FSS [Family Self-Sufficiency program] family shall be required under the contract of participation to seek and maintain suitable employment during the term of the contract and any extension thereof. Although other members of the FSS family may seek and maintain employment during the term of the contract, only the head of the FSS family is required to seek and maintain suitable employment.

24CFR984.305(a)(2)(i)

The total of the combined FSS account funds will be supported in the PHA accounting records by a subsidiary ledger showing the balance applicable to each FSS family. During the term of the contract of participation, the PHA shall credit periodically, but not less than annually, to each family's FSS account.

24CFR984.305(a)(3)

Each PHA will be required to make a report, at least once annually, to each FSS family on the status of the family's FSS account. At a minimum, the report will include: (i) the balance at the beginning of the reporting period; (ii) the amount of the family's rent payment that was credited to the FSS account, during the reporting period; (iii) any deductions made from the account for amounts due the PHA before interest is distributed; (iv) the amount of interest earned on the account during the year; and (v) the total in the account at the end of the reporting period.

24CFR984.305(f)(2)(ii)

FSS account funds forfeited by the FSS family will be treated as program receipts for payment of program expenses under the PHA budget for the applicable Section 8 program, and shall be used in accordance with HUD requirements governing the use of program receipts.

HUD 7420.10G 23.4

The contract lists the family's current annual income, the amount of earned income, included in the annual income and the family's total tenant payment when the family begins its FSS participation. During the term of the contract, increases in earned income and total tenant payment are compared to the amounts listed in calculating escrow credits.

24CFR982.633(c)

Before commencement of homeownership assistance, the family must execute a statement of family obligations in the form prescribed by HUD. In the statement, the family agrees to comply with all family obligations under the homeownership option.

24CFR982.635(a)

While the family is residing in the home, the PHA shall pay a monthly homeownership assistance payment on behalf of the family that is equal to the *lower* of: (1) the payment standard minus the total tenant payment; or (2) the family's monthly homeownership expenses minus the total tenant payment.

WHA Admin Plan 18-III.E

The sales contract/purchase agreement must provide for two home inspections. The first inspection will be completed by the Housing Authority to certify that the home has passed the housing quality standards inspection. The second inspection needs to be completed by an independent inspector. The sales contract/purchase agreements must state that the purchaser is not obligated to pay for repairs unless the repairs are approved by the Authority.