



Issue Date April 22, 2008

Audit Report Number 2008-KC-1003

TO: Andrew L. Boeddeker, Director, Office of Public Housing, 7APH

//signed//

FROM: Ronald J. Hosking, Regional Inspector General for Audit, 7AGA

SUBJECT: The Des Moines Municipal Housing Agency, Des Moines, Iowa, Did Not Always Assign Proper Voucher Sizes or Accurately Calculate Overpayments From Unreported Income In Its Section 8 Housing Choice Voucher Program

HIGHLIGHTS

What We Audited and Why

We audited the Des Moines Municipal Housing Agency's (Agency) Section 8 Housing Choice Voucher program. We selected the Agency for an audit based on its ranking in our regional risk analysis of public housing authorities. Our audit objectives were to determine whether the Agency (1) properly considered family composition and reasonable accommodation requests when applying payment standards and (2) took appropriate action when the tenants' files had indications of unreported income.

What We Found

The Agency allowed 59 of the 148 households we reviewed to have units that were larger than permitted by regular subsidy standards. As a result, it made excess subsidy payments totaling more than \$78,000 during our audit period. If the Agency strengthens its controls, it could avoid additional overpayments exceeding \$206,000.

The Agency also improperly processed 16 of the households we reviewed with indications of unreported income. As a result, it did not pursue the proper amount owed from the affected households and overpaid \$20,998 in subsidies.

What We Recommend

We recommend that the Director of the U.S. Department of Housing and Urban Development's (HUD) Kansas City Office of Public Housing require the Agency to reimburse its program from administrative fee reserves and develop and implement procedures to ensure that each tenant receives the proper voucher size.

We also recommend that the Director of HUD's Kansas City Office of Public Housing require the Agency to develop and implement controls to ensure the proper correction for unreported income.

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

Auditee's Response

We provided the draft report to the Agency on March 26, 2008, and held an exit conference on March 28, 2008. Based on our discussions with the Agency during the exit conference, we provided them with a revised draft report on April 8, 2008. The Agency provided its written response on April 15, 2008. The Agency generally disagreed with our audit findings.

The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix B of this report.

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BACKGROUND AND OBJECTIVES

The Des Moines Municipal Housing Agency (Agency) has been an enterprise fund of the City of Des Moines, Iowa, since April 1, 1994. The purpose of the Agency is to administer the public housing programs authorized by the United States Housing Act of 1937, as amended. These programs are subsidized by the federal government through the U.S. Department of Housing and Urban Development (HUD).

The Section 8 program provides rental assistance to low-income families and elderly or disabled individuals who rent from a private landlord. Eligibility for the Section 8 program is determined by family composition, arrest history, past participation in federally subsidized programs, and income guidelines established by HUD, which provides the program's funding. The Agency served approximately 2,900 households participating in the Section 8 program throughout Polk County and spent approximately \$15.4 million during fiscal year 2007 on these tenants.

A housing authority must adopt a written administrative plan that establishes local policies for administration of the Section 8 program in accordance with HUD requirements. The administrative plan states housing authority policy on matters for which the authority has discretion to establish local policies. The authority must administer the program in accordance with its administrative plan.

Housing authorities are ultimately responsible for ensuring that the right people receive the right amount of subsidy, and they must maintain a high degree of accuracy in administering the Housing Choice Voucher program. Nonetheless, errors, omissions, fraud, and abuse will occur, and housing authorities must have measures in place so that any irregularity can be quickly detected and resolved as efficiently, professionally, and fairly as possible. When a housing authority makes an error, HUD requires it to take immediate action to correct the family payment and subsidy amount. HUD requires the housing authority to repay, out of its administrative fee reserves, the amount of overpaid subsidy due to housing authority error or omission.

Our audit objectives were to determine whether the Agency (1) properly considered family composition and reasonable accommodation requests when applying payment standards and (2) took appropriate action when the tenants' files had indications of unreported income.

RESULTS OF AUDIT

Finding 1: The Agency Allowed Households to Have Larger Units Than Justified

The Agency allowed 59 of the 148 households we reviewed to have units that were larger than permitted by regular subsidy standards. The Agency did not have adequate controls and did not provide adequate training to its staff. As a result, it made excess subsidy payments totaling more than \$78,000 during our audit period. If the Agency strengthens its controls, it could avoid additional overpayments exceeding \$206,000.

Larger Units Than Justified

The Agency allowed 59 of the 148 households we reviewed to have units that were larger than permitted by regular subsidy standards without proper justification and approval. HUD's Housing Choice Voucher Guidebook explains that housing authorities should generally assign vouchers for units with the smallest number of bedrooms needed to house a family without overcrowding. The authorities establish their unit size rules based on household composition and can grant exceptions when justified. The Agency's administrative plan requires the director to provide written approval of exceptions to the subsidy standards. The director did not approve any of these exceptions. The various categories of errors observed are displayed in the table below.

Primary errors	Number
Unnecessary extra bedroom allowed for occasional caregiver or live-in aide	14
Family composition errors	13
Lacked nexus between medical note and extra bedroom	16
Other processing errors	12
Extra space not used for approved medical or exercise equipment	5
Total	60*

* One tenant had two errors counted separately.

The Agency unnecessarily granted 14 households extra bedrooms for occasional caregivers and live-in aides. Occasional caregivers live somewhere other than the unit and the documentation did not otherwise explain the need for the extra bedrooms. The Agency did not require the tenants to identify the live-in aides and, consequently, could not conduct the required background investigations.

The Agency also granted larger unit sizes to 13 households because it allowed extra bedrooms for family members who should have been required to share bedrooms. Its administrative plan states that two children of the same gender are required to share a bedroom unless there is a five-year difference in age, and children of the opposite gender are required to share a bedroom if both are three years old or younger. The Agency granted these tenants extra bedrooms, although the children residing in the units did not meet the criteria to have their own bedrooms.

In addition, the Agency granted 16 households larger units, although the tenant's disabilities did not directly justify the extra bedrooms requested. In each case, the documentation provided by the tenants did not establish their need for the extra bedrooms given. In the case of one tenant, the Agency granted her an extra bedroom when she submitted a doctor's note claiming that she had rheumatoid arthritis and Gastro Esophageal Reflux Disease. The medical note did not establish the tenant's need for the extra bedroom, as it did not explain the link between her condition and the extra room.

Further, the Agency made miscellaneous errors when it incorrectly granted extra bedrooms to 12 households. These errors included

- Lack of documentation to support the extra bedroom,
- Failure to change the tenant's unit size when the family composition changed, and
- Granting extra bedrooms when the tenants did not require them but, instead, needed in-home recertifications

In one instance, the tenant lived with her son in a two-bedroom unit. The son passed away, and the Agency should have adjusted her room size to a one-bedroom unit at her next annual recertification exercise. The case manager had a note in the file stating that the tenant would receive a one-bedroom unit at her next annual recertification exercise. However, during the annual recertification, the Agency failed to change the tenant's unit size, and she remained in the two-bedroom unit without documentation justifying the extra bedroom.

Finally, the Agency allowed five households to receive extra bedrooms to accommodate medical or exercise equipment, but the tenants did not use the extra space for the approved purpose. In one instance, the tenant was given extra space for the storage of exercise equipment. During our inspection, she stated that she had exercise equipment which she shared with her mother, who was storing the equipment at her own residence. The tenant was using the extra room as a bedroom and not as an exercise room.

Inadequate Controls and Training

The Agency had inadequate controls and did not adequately train staff. Specifically, it did not provide explicit and detailed instructions to case managers for determining the proper unit size. The Agency also did not adequately oversee its case managers to ensure that errors were detected and promptly corrected. In addition, the Agency did not have staff verify that extra rooms were being used as intended.

The Agency did not provide staff with adequate training that would help them in properly processing reasonable accommodation requests as well as other requests for extra bedrooms. It provided training that did not address the specific areas in which staff members exhibited processing deficiencies.

Potential to Save \$206,000

The Agency made excess subsidy payments totaling more than \$78,000 during our audit period. If the Agency strengthens its controls, it could obtain future savings exceeding \$206,000. This estimate is based on the current monthly excess subsidy payment of \$5,724 times 36 months (average number of months a tenant stays in a unit). The following table identifies the amounts associated with each type of error.

Primary errors	Excess subsidy payments	Future savings
Extra bedroom allowed for occasional caregiver or live-in aide	\$20,127	\$46,188
Family composition errors	\$19,796	\$23,076
Lacked nexus between medical note and extra bedroom	\$23,198	\$72,216
Other processing errors	\$15,228	\$45,684
Extra space not used for approved medical or exercise equipment	\$0	\$18,900
Total	\$78,349	\$206,064

Recommendations

We recommend that the Director of HUD's Kansas City Office of Public Housing ensure that the Agency

- 1A. Reimburses its program \$78,349 in excess housing assistance payments from its administrative fee reserves.
- 1B. Applies the proper payment standard for the households identified as having a higher payment standard than justified.
- 1C. Provides staff administering the voucher program with additional training on HUD and Agency requirements.
- 1D. Develops and implements procedures to ensure that each tenant receives the proper voucher size to avoid \$206,064 in future overpayments.

Finding 2: The Agency Failed to Properly Correct for Unreported Income

The Agency improperly processed 16 of the households we reviewed with indications of unreported income. It did not have adequate controls and training to prevent errors. As a result, it did not pursue the proper amount owed from the affected households and overpaid nearly \$21,000 in subsidies. These errors reduced the amount available in Section 8 funding for future use.

Unreported Income Errors

The Agency did not properly process 16 of the households we reviewed with indications of unreported income. The various categories of errors are displayed in the table below.

Errors	Number
Improperly calculated income and amount owed due to unreported income	11
Improperly determined period during which income was unreported	6
Failed to verify indications of unreported income	4
Total	21*

* The 16 households had a total of 21 errors.

The Agency improperly calculated the income and repayment amounts when it discovered unreported income for 11 households. In one of the files reviewed, the tenant earned unreported income over a period of several months. The Agency calculated the amount earned during those months rather than projecting it over 12 months, which is necessary to obtain an annualized amount before calculating the monthly income. In another file reviewed, the Agency improperly calculated the amount owed by the tenant because it failed to consider the monthly subsidy amount received. The Agency sought to recoup more than it had paid out as monthly subsidies.

The Agency also improperly determined the period during which six tenants had unreported income. Its administrative plan states that when a tenant's income increases, his rent will increase on the first day of the second month after the change was reported. In one of the files reviewed, the Agency discovered that the tenant had unreported income over a seven-month period but only sought repayment for a two-month period. In another file, the Agency started calculating the repayment amount from April 2007 when the tenant's job started in January 2007.

Finally, the Agency failed to verify unreported income when indications existed in the files of four tenants. In one of the files reviewed, the tenant had been receiving supplemental security income since he entered the program in 2006 but had not disclosed it to the Agency. The Agency ran the tenant's Enterprise Income Verification report and discovered that the tenant had \$8,435 in unreported income leading to an overpayment of \$2,136 in housing subsidies. However, the Agency did not initiate proceedings to collect the funds.

Inadequate Controls and Training

The Agency had inadequate controls and did not adequately train its staff. Specifically, it did not provide staff with sufficiently detailed instructions for calculating amounts owed from tenants with unreported income. In addition, it used a worksheet to calculate the amount owed that did not take into account the subsidy amount received by the tenant. Finally, the Agency did not adequately oversee its case managers to ensure that errors were detected and promptly corrected.

The Agency also did not provide its staff with adequate training that would help them in properly processing cases of unreported income.

Effect of Errors

The Agency did not pursue the proper amount owed from the affected households and overpaid nearly \$21,000 in subsidies. These errors reduced the amount available in Section 8 funding for future use.

Recommendations

We recommend that the Director of HUD's Kansas City Office of Public Housing ensure that the Agency

- 2A. Pursue collections of \$20,998 in excess housing assistance payments from tenants with unreported income.
- 2B. Provides staff administering the voucher program with additional training on HUD and Agency requirements.
- 2C. Develops and implements controls to ensure the proper corrections for unreported income.

SCOPE AND METHODOLOGY

To accomplish our audit objective, we

- Interviewed HUD and Agency staff,
- Reviewed independent public accountant reports,
- Reviewed the Agency's policies and procedures,
- Reviewed HUD's monitoring reports concerning the Agency, and
- Reviewed HUD federal regulations and the Housing Choice Voucher Guidebook

To perform our review, we used an Agency spreadsheet of tenants during our audit period, its accounts receivable system, HUD's Public and Indian Housing Information Center system, and its Enterprise Information Verification system to select various samples for testing. We relied upon an Agency spreadsheet, which contained data on housing assistance subsidy payments made during our 14-month audit period for the households that we sampled. We analyzed the data and concluded that the data were sufficiently reliable for our purposes of sample selection and calculating the actual amount of the overpaid housing assistance.

To determine whether the Agency granted units that were too large, we analyzed the data for 2,811 households contained in HUD's Public and Indian Housing Information Center system. We identified 148 households with more bedrooms than authorized by the Agency's administrative plan based on the marital status of the head of household and the ages and genders of the children. We reviewed the files of these households to determine whether there was adequate justification for a larger unit. We also inspected the units of 35 of the households that were allowed an extra bedroom for equipment storage to determine whether they were using the space for the approved purpose. For households that did not have adequate justification for an extra room for one or more recertification periods, we determined the amount of overpaid housing assistance based on data in the Agency's payment spreadsheet. We generally determined the future savings based on the August 2007 overpayment amount and multiplied it by 36 months [$\$5,724 \times 36 \text{ months} = 206,064$]. We used 36 months because this is the average length of time a tenant stays in a unit based on a HUD study.

To determine whether the Agency properly calculated the housing assistance payments made during our audit period, we selected a random sample of 10 households from the Agency's spreadsheet of tenants. We reviewed this sample for all aspects of housing assistance calculations and found that four of the households had indications of unreported income and the Agency did not properly correct for any of them.

We expanded our testing related to unreported income by selecting two additional samples. We selected 12 of the 177 households with high amounts of possible unreported income on a December 2007 Enterprise Information Verification report. We also randomly selected nine households from the Agency's accounts receivable listing. We reviewed the tenant files of these 21 households to determine whether there were indications of unreported income and if there were, whether the Agency properly calculated the amount owed, adjusted the tenant's income amount going forward, and notified the Office of Inspector General (OIG) of overpaid subsidies

exceeding \$3,000. The results of our testing apply only to the items tested and were not projected to the universe.

We performed our audit between September 2007 and February 2008 at the Agency's office located at 100 East Euclid Avenue, Suite 101, in Des Moines, Iowa. Our audit period generally covered July 1, 2006, through August 31, 2007.

We performed our review in accordance with generally accepted government auditing standards.

INTERNAL CONTROLS

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

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

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

Relevant Internal Controls

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

- Controls over the calculation of housing assistance payments.

We assessed the relevant controls identified above.

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

Significant Weaknesses

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

- The Agency did not have adequate controls to ensure the proper payment standard for the appropriate unit size (see finding 1).
- The Agency did not have adequate controls to ensure the proper correction for unreported income (see finding 2).

Separate Communication of Minor Deficiencies

Minor internal control and compliance issues were reported to the auditee by a separate letter dated April 7, 2008.

APPENDIXES

Appendix A

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

Recommendation number	Ineligible 1/	Funds to be put to better use 2/
1A	\$78,349	
1D		\$206,064
2A	\$20,998	
Totals	\$99,347	\$206,064




- 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 polices or regulations.
- 2/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an OIG recommendation is implemented. This includes reductions in outlays, deobligation of funds, withdrawal of interest subsidy costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings which are specifically identified. For recommendation 1B, these funds represent subsidy payments that would not be paid on units that are larger than necessary if the Agency implements our recommendation. These funds would instead be used to house additional Section 8 voucher program participants. Once the Agency improves its controls, this will be a recurring benefit. Our estimate for recommendation 1B reflects the initial three years of this benefit. These amounts do not include potential offsetting costs incurred to implement our recommendations.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

	<p>April 15, 2008</p>
<p>CITY OF DES MOINES HOUSING SERVICES DEPARTMENT PARK FAIR MALL 100 E. EUGLID, SUITE 101 DES MOINES, IOWA 50313-4534 OFFICE (515) 323-4990 FAX (515) 242-2044</p>	<p>Mr. Ronald J. Hosking Regional Inspector General for Audit U.S. Department of Housing and Urban Development Office of Inspector General Regional VII Office of Audit Gateway Tower II – 5th Floor 400 State Avenue Kansas City, Kansas 66101-2406</p>
	<p>Dear Mr. Hosking,</p>
	<p>Enclosed is the Des Moines Municipal Housing Agency's (DMMHA) response to your draft audit report regarding DMMHA's determination of family composition and reasonable accommodation requests when applying payment standards and actions taken when clients' files had indications of unreported income.</p>
	<p>Should you have any questions or need additional information, please feel free to contact me at 515.323.8976.</p>
	<p>Sincerely,</p>
	
	<p>Chris Johansen, Director Des Moines Municipal Housing Agency</p>
	<p>Enclosure</p>
	<p>Cc: Assistant Director Leasing Administrator Occupancy and Program Enforcement Administrator</p>

Comments on Draft Report from the U.S. Department of Housing and Urban Development Office of Inspector General for Audit

On March 26, 2008 the Des Moines Municipal Housing Agency (DMMHA) received the draft report of the compliance audit, which was subsequently discussed during an exit interview on March 28, 2008. The following are this Agency's comments with regard to the draft report as emailed to DMMHA on April 8, 2008.

During the audit period of July 1, 2006 through August 31, 2007 DMMHA was assisting approximately 2850 families through our Section 8 Housing Choice Voucher Program. The auditors identified 148 households as potentially over-subsidized and found errors in 59 of these case files which represents 2% of the families in our program.

The compliance audit did result in two (2) findings:

- Finding 1: The Agency allowed households to have larger units than justified
- Finding 2: The Agency failed to properly correct for unreported income

As noted during the exit interview, the Agency did make some errors in these areas and will take steps to address; however, there are errors cited in the draft report that DMMHA disagrees with. The disagreements are for the following reasons:

- There has been minimal to no guidance from HUD on 24-hour and occasional caregivers.
- DMMHA interprets its Administrative Plan different than OIG. Staff are trained to determine family composition in accordance with our interpretation of our Administrative Plan.
- Reasonable accommodation requests for extra bedrooms are processed and documented in accordance with DMMHA's interpretation of the May 2004 Joint Statement of HUD and DOJ. The Office of Fair Housing & Equal Opportunity conducted an onsite review during the week of September 20, 2004 and had no comments with regards to our reasonable accommodation procedures.
- There has been minimal to no training provided by HUD particularly in the area of reasonable accommodation requests for the disabled.
- Conflicting guidance on how to determine unreported income repayment amounts.

The DMMHA has taken the following steps already to correct these errors:

- Revision of reasonable accommodation procedures will require approval of the accommodation request by a supervisor.
- Clarified language in the Administrative Plan to better define family composition eligibility for an extra bedroom

The following are comments on the draft report and a summary of our review for the case files we disagree with.

Subject Line (page 1)

The subject line states the following: "The Des Moines Municipal Housing Agency, Des Moines, Iowa, Did Not...Pursue Indications of Unreported Income In Its Section 8 Housing Choice Voucher Program".

For the files found with errors we believe there is more discrepancies with the method used to calculate the amount of unreported income owed (17) versus instances of not pursuing unreported income (4). We would suggest replacing "...Pursue Indications of Unreported Income..." with "Accurately Calculate the Amount of Unreported Income Owed..."

Comment 1

Larger Units Than Justified (page 5)

The following language appeared in the draft report received on April 8, 2008 but was not included in our original draft from March 26, 2008. As such, this language was not discussed during the exit interview:

"The Agency's administrative plan requires the director to provide written approval of exceptions to the subsidy standards. The director did not approve any of these exceptions."

Comment 2

The paragraph referenced in our Administrative Plan addresses "emergency situations", not processing of these requests on a daily basis.

Finding #1: The Agency allowed households to have larger units than justified

The report states that the Agency made errors in "59 of the 148 households". The DMMHA fully supports 29 of these staff errors. The remaining 30 errors DMMHA does not believe are in violation of policy or regulation.

Unnecessary extra bedroom allowed for occasional caregiver or live-in aide

The draft report states that there were 14 errors in the files reviewed. The Agency disagrees with 8 of these. All 8 of these are for occasional caregiver, such as respite care and rotating family members. The Agency has not received any guidance that stated this was not allowable, nor do we believe it is in violation of federal regulations. In OIG Audit Report #2007-FW-0001 dated September 28,

Comment 3

2007 it was stated that "HUD's guidance did not address occasional caregivers or the payment of additional subsidy for this purpose."

Furthermore it goes on to say that "HUD should clarify its policies on live-in aides and occasional caregivers."

The Agency does not feel these files were in error because there was no guidance provided on occasional caregivers. We do not know of any requirement stating that tenants identify live-in aides, specifically when respite care is required.

Subsequently, we have begun requiring clients to designate a specific live-in aide so screening can be accomplished. Additionally, guidance from HUD will be sought for respite care and occasional caregivers.

Family Composition Errors

The draft report states 13 errors were in the files reviewed. The Agency disagrees with 7 of these. Our interpretation of our Administrative Plan is the way we trained our staff. Once a child turns 3, if they are sharing a room with the opposite gender, they are allowed to have their own bedroom. This is the case for 6 of these file errors.

We have amended our Administrative Plan to better define this; however, this clarification will not change the eligibility for an extra bedroom for these 6 families for the time frame audited. These were not errors based on our interpretation of our policy.

Lacked Nexus between Medical Note and Extra Bedroom

The draft report states that there were 16 errors in the files reviewed. The Agency disagrees with 14 of these. Our disagreement covers the following 2 main areas: missing doctors' notes when other doctor's notes are present in the file and "medically necessary" statements from doctors.

Doctors' Notes

In 4 of the files stated to have errors it was noted that the files did not have doctor's notes. We do not believe that there is a requirement to have doctor's notes after one is already received for a reasonable accommodation. For the audit period July 1, 2006 through August 31, 2007, our processing of these case files were based on the 2004 Joint Statement of HUD and DOJ states that "... a housing provider may request reliable disability-related information that (1) is necessary to verify that the person meets the Act's definition of disability (i.e., has physical or mental impairment that substantially limits one or more major life activities), (2) describes the needed accommodation, and (3) shows the relationship between the person's disability and the need for the requested accommodation."

Comment 4

Comment 5

We also received further guidance from HUD that states "If a person's disability is obvious or otherwise known to the PHA and if the need for the accommodation is also readily apparent or known, then the PHA may not request any additional information about the requester's disability or the disability related need for the accommodation."

"Medically Necessary"

In 10 of the files stated to have errors it was noted there was no nexus. All of these files had doctor statements stating that it was medically necessary for the extra bedroom. Our review and interpretation of the 2004 Joint Statement of HUD and DOJ is what we trained our staff on. Our interpretation is that if a medical professional states that the accommodation is "medically necessary" this was sufficient documentation for allowing a reasonable accommodation for the extra bedroom.

Comment 6

One of these files stated to have an error was questioned because the disabled client worked outside the home, which we believe is not relevant.

Comment 7

The DMMHA felt our processing and reasonable accommodation procedures were appropriate as our compliance review during the week of September 20, 2004 by the Office of Fair Housing & Equal Opportunity did not recommend otherwise.

This area is very subjective as the auditors that were here even had disagreements among themselves. The auditor stated to staff that we should forward these requests to HUD's Office of Fair Housing and Equal Opportunity for their review and determination. We have not been previously informed of this option. However, we will be including this in our revised procedures.

Other Processing Errors

The draft report states that were 12 errors in the files reviewed. The Agency disagrees with 1 of these. The disagreement is for a missing doctor's note. Our disagreement is for the reasons cited in the above section.

Comment 5

Inadequate Controls and Training (page 7)

Staff was trained on the existing guidance that was available and our interpretation of our own policies.

In the areas where we agree with the file errors found, additional training and added controls are needed and will be developed and implemented. In the areas where we have a disagreement over the file errors, we are not aware of any training that would have prevented these errors as there is disagreement over interpretation and no guidance.

DMMHA firmly supports staff training and believes we take full advantage of any opportunities for any training that is available. Staff is required to attend training as a part of their performance evaluations. Therefore, when any additional training is offered we will take full advantage of these opportunities.

Finding 2: The Agency Failed to Properly Correct for Unreported Income

As stated previously, there is a general disagreement on the method used to calculate the amount of unreported income owed. Our practice to calculate unreported income is to calculate it based on if the family had reported the income in the timeframe required. For example, the Agency allows 10 days from the increase in income to be reported. From that date, the increase in the tenant's portion of rent will be effective the first day of the second month.

Comment 8

During the EIV web cast training on January 16, 2008 by Nicole Faison, HUD's Director of Public Housing Program, the guidance provided on calculating unreported income was that there was no set determined way to annualize/calculate the unreported amounts as long as it could be "rationalized and that it was fair."

Comment 9

For the example given on the bottom of page 9, if the client received an increase in income on January 25, 2007 and did not report it, our existing procedures for unreported income would allow for 10 days notification (February 4, 2007) and the first day of the second month would be April 1, 2007. We are unaware of any guidance that states we should not have used this method. This method is how we trained our staff.

Comment 10

The amount of unreported income used and the calculation method used by OIG for their calculations is not what staff previously has been trained to do. It is evident that we have received conflicting guidance than the OIG on how to calculate unreported income repayment amounts.

We are very willing to work with our Field Office to ensure that our unreported income procedure is in compliance with Federal regulations. However, we do not believe these errors should be findings.

OIG Evaluation of Auditee Comments

Comment 1 We amended the subject line to read “The Des Moines Municipal Housing Agency, Des Moines, Iowa, Did Not Always Assign Proper Voucher Sizes or Accurately Calculate Overpayments From Unreported Income In Its Section 8 Housing Choice Voucher Program”

Comment 2 We disagree that the paragraph referenced in the administrative plan addresses “emergency situations” only and not processing reasonable accommodation requests on a daily basis. The administrative plan states

The criteria and standards prescribed within apply to all families applying for housing; however, reasonable exceptions to the standards listed above may be made in emergency situations, and in some cases, relationship, age, gender, health, or disability of family members may warrant assignment of a larger or smaller unit by DMMHA staff or at the request of the applicant family. Written approval of such cases will be made by the Director.

We believe that this paragraph pertains to the granting of larger units due to age, health, or disability, and not just emergency situations.

Comment 3 Although granting extra bedrooms to occasional caregivers and respite workers does not violate federal regulations, the agency must ensure that all those receiving extra bedrooms actually need them. If an occasional caregiver or respite worker spends a few hours a day helping a tenant and is not expected to sleep in the unit, the extra bedroom is not warranted. In these 8 cases, the Agency did not document that the tenant would have someone regularly sleeping overnight and did not obtain the Director’s prior approval for the extra bedroom.

Comment 4 The Agency’s administrative plan states that “...children of the opposite gender shall be required to share a bedroom if both are three years old or younger.” The policy does not state that children of opposite sexes will receive their own bedrooms once they turn 3. Three years old or younger means that the children will receive their own bedrooms once they turn 4. It does not appear that the Agency always granted 3 year olds their own bedrooms, as we identified several households with children of the opposite sexes 3 years and younger who shared a bedroom. HUD regulations require the Agency to follow its administrative plan.

Comment 5 In these 4 files without a doctor’s note or other such documentation, there is no support for granting the tenant an extra room for that recertification period. The 2004 Joint Statement of the Department of Housing and Urban Development and the Department of Justice states that a tenant “should explain what type of accommodation she is requesting and, if the need for the accommodation is not readily apparent or known to the provider, explain the relationship between the requested accommodation and her disability.” The Agency did not document in the tenant files that they were aware of the tenants’ need for the extra bedroom. Notes in the file for other recertification periods did not show a nexus (see Comment 6).

Comment 6 The 2004 Joint Statement of the Department of Housing and Urban Development and the Department of Justice states

To show that a requested accommodation may be necessary, there must be an identifiable relationship, or nexus, between the requested accommodation and the individual's disability.

A housing provider may not ordinarily inquire as to the nature and severity of an individual's disability... However, in response to a request for a reasonable accommodation, a housing provider may request reliable disability-related information that (1) is necessary to verify that the person meets the Act's definition of disability (*i.e.*, has a physical or mental impairment that substantially limits one or more major life activities), (2) describes the needed accommodation, and (3) shows the relationship between the person's disability and the need for the requested accommodation... In most cases, an individual's medical records or detailed information about the nature of a person's disability is not necessary for this inquiry.

In these 10 cases, while the files had doctor statements that an extra bedroom was necessary (meeting item 2 above), these notes did not show the relationship between the person's disability and the need for an extra bedroom (item 3 above). This can be accomplished without obtaining specific information about an individual's disability. For example, a tenant who requests an extra bedroom so that a spouse can sleep separately in a hospital bed does not have to disclose the particular disability requiring this bed.

Comment 7 We did not cite any error as a result of a disabled tenant working outside of his/her home.

Comment 8 We used the Agency's policy when calculating unreported income as we incorporated the 10 day allowance for reporting and calculated the rent increase as of the first day of the second month after the income should have been reported.

Comment 9 The example mentioned by the Agency was misstated. The tenant started a new job on January 5, 2007, and had 10 days to report the income. The tenant had until January 15 to report the income and the rent increase would have been effective on March 1, 2007, not April 1, 2007. According to the Agency's policy, it should have collected the unreported income starting with March 2007.

Comment 10 While there is no single right way to calculate unreported income, there are incorrect ways. The errors that we reported in our finding could not be rationalized and were not fair. The Agency did not always annualize the tenant's income and therefore did not always calculate the proper unreported income and repayment amounts. In one case, the Agency discovered unreported income totaling \$8,326 over a 7 month period beginning just before the tenant entered the Section 8 program. The Agency mistakenly used this amount as an annual figure and divided it by 12 to calculate the monthly income, which caused it to only calculate a repayment amount of \$500.