



Issue Date	July 23, 2009
Audit Report Number	2009-LA-1012

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

Joan S. Hobbs

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

SUBJECT: The City of Baldwin Park Housing Authority, Baldwin Park, California, Did Not Always Determine Housing Assistance Payments Correctly and Did Not Always Complete Reexaminations in a Timely Manner

HIGHLIGHTS

What We Audited and Why

We audited the City of Baldwin Park Housing Authority's (Authority) Housing Choice Voucher program. We conducted the audit because the Authority received a "near troubled" status and scores of zero on five Section Eight Management Assessment Program indicators for fiscal year 2007. The objective was to determine whether the Authority determined housing assistance payments correctly and completed annual reexaminations in a timely manner.

What We Found

The Authority did not determine housing assistance payments correctly in 29 of the 60 tenant files reviewed. Based on our statistical sample, we estimate that over the next year, the Authority will overpay more than \$24,000 and underpay more than \$13,000 in housing assistance. In addition, the Authority did not complete annual reexaminations in a timely manner for 52 of the 60 tenant files reviewed. Based on our statistical sample, we estimate that over the next year, the Authority will overpay more than \$8,000 in housing assistance.

What We Recommend

We recommend that the Director of the U.S. Department of Housing and Urban Development's (HUD) Los Angeles Office of Public Housing require the Authority to reimburse its program \$19,166 from nonfederal funds for the overpayment of housing assistance and implement quality control procedures to ensure that \$49,163 in housing assistance will be funds put to better use in the future.

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

Auditee's Response

We provided the Authority the draft report on June 26, 2009, and held an exit conference with auditee officials on July 8, 2009. The Authority provided written comments on July 15, 2009. It generally agreed with the audit findings, but disagreed that repayment of funds was warranted.

The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix B of this report. The Authority's response also included two attachments related to one tenant's eligibility and housing assistance payment registers, which are available upon request.

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BACKGROUND AND OBJECTIVES

The City of Baldwin Park Housing Authority (Authority) provides a wide range of services to improve the quality of life for low- to moderate-income residents and neighborhoods employing the Section 8 Housing Choice Voucher program; public housing; home improvement loan/grant program rehabilitation loan program; first-time home buyer program; housing set-aside funds; and Community Development Block Grant/HOME Investment Partnerships Program funding.

The Section 8 Housing Choice Voucher program is a federally funded rental program that assists very low-income families, elderly, and disabled households. Decent, safe, and sanitary housing units are provided to households through rental vouchers. Housing choice vouchers are administered locally by public housing agencies. The agencies receive federal funds from the U.S. Department of Housing and Urban Development (HUD) to administer the voucher program. A housing subsidy is paid to the landlord directly by the agency on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program. Active participants can find their own housing, which includes single-family homes, town houses, and apartments. Further, participants are able to select any housing that meets the requirements of the program and is not limited to units located in subsidized housing projects.

As of fiscal year 2008, the Authority had 715 active clients participating in the Section 8 program and 3,309 applicants on the waiting list. For fiscal years 2008 and 2007, the Authority disbursed annual Section 8 funds of approximately \$4.8 million¹ and \$5.7 million, respectively.

The objective of the audit was to determine whether the Authority determined housing assistance payments correctly and completed annual reexaminations in a timely manner.

¹ HUD reduced the Authority's authorized Section 8 funds for fiscal year 2008 because the Authority had not spent at least 95 percent of its fiscal year 2007 funds.

RESULTS OF AUDIT

Finding 1: The Authority Did Not Always Determine Housing Assistance Payments Correctly

The Authority did not determine housing assistance payments correctly in 29 of the 60 tenant files reviewed. The problem occurred because the Authority did not have written internal control procedures in place to ensure that housing assistance was correctly determined. In addition, the staff performing the determinations did not fully understand all pertinent requirements. As a result, the Authority overpaid \$16,073 and underpaid \$3,855 in housing assistance due to calculation errors. Based on our statistical sample, we estimate that over the next year, the Authority will overpay more than \$24,000 and underpay more than \$13,000 in housing assistance.

The Authority Incorrectly Determined Housing Assistance Payments in 29 of 60 Files

We statistically selected and reviewed 60 Housing Choice Voucher program tenant files from a universe of 746 households receiving housing assistance payments between July 1, 2006, and June 30, 2008. In 29 of the files, the Authority did not correctly determine housing assistance payments. The following errors were identified:

- Tenant income calculation (11 files)
- Erroneous inclusion/deduction of medical insurance (11 files)
- Incorrect payment standards (five files)
- Incorrect utility allowance used (one file)
- Tenant ineligible (one file)

Each of these problems resulted in either over- or underpayments of housing assistance by the Authority. Details of the deficiencies found are discussed below. Appendix C documents the deficiencies in housing assistance payments related to each tenant file.

Incorrect Income Calculation

In 11 of the 60 tenant files reviewed, the Authority did not calculate the tenant's income correctly, such as overestimating tenants' income, and, therefore, incorrectly determined the housing assistance payment amount. Overall, the miscalculation of income resulted in an overpayment of assistance of \$5,677 and an underpayment of \$716.

Erroneous Inclusion/Deduction of Medical Insurance

In 11 of the 60 tenant files reviewed, the Authority erroneously included medical insurance premiums in income and improperly deducted medical insurance premiums to calculate adjusted annual income, which resulted in housing assistance overpayments of \$524 and underpayments of \$1,723.

Incorrect Payment Standard

In 5 of the 60 tenant files reviewed, the Authority used the wrong payment standard to calculate the housing assistance payment. This error resulted in underpayments of housing assistance for all five tenant files amounting to \$1,520.

Incorrect Utility Allowance

For one tenant, the Authority used the wrong utility allowance, which caused an underpayment of housing assistance of \$21 for November and December 2006 and January 2007. In January 2007, there was a change in ownership, and the Authority terminated the housing assistance contract. However, although the new owner did not execute a new housing assistance contract with the Authority, the Authority continued to provide the tenant with a utility allowance with no housing assistance contract in place. Therefore, the Authority made housing assistance overpayments of \$148.

Tenant Ineligible

For one tenant, the Authority incorrectly determined housing assistance for the audit period July 1, 2006, to February 1, 2008. It improperly contracted with the tenant's owner and made housing assistance payments for a unit that was determined ineligible to receive housing assistance. The Authority should have identified that the tenant's unit was not a legal dwelling at the outset of the contract, but it continued to make housing assistance overpayments totaling \$9,724.

In addition, the tenant was not an eligible program participant because she was a relative of the owner. The tenant would have been eligible for assistance if she required a reasonable accommodation due to a disability. The tenant had claimed disability on her application form, making her eligible to receive rental assistance, even though she is related to the owner. However, the Authority did not claim the tenant's disability status when calculating the housing assistance payment. Therefore, we concluded the tenant must not have had a disability, and therefore, was not eligible for assistance.

Conclusion

The Authority did not correctly determine housing assistance in 29 of 60 files reviewed. The problem occurred because the Authority did not have written internal control procedures in place to ensure that housing assistance was correctly determined. The Authority relied on its Administrative Plan for guidance, however, it did not detail the operational procedures needed to properly administer the program. In addition, the staff performing the determinations were either new or temporary staff that did not fully understand all the pertinent requirements. Consequently, the Authority overpaid \$16,073 in

housing assistance (ineligible) and underpaid \$3,855 in housing assistance (funds to be put to better use).

Based on our statistical sample, we estimate over the next year the Authority could realize savings of \$24,112 in overpayments and \$13,015 in underpayments by implementing procedures that would ensure correctness and accuracy of housing assistance. Our methodology is explained in the Scope and Methodology section of this report. The Authority could put these funds to better use if proper procedures and controls are put in place to ensure the accuracy and correctness of housing assistance.

Recommendations

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

- 1A. Reimburse the program \$16,073 from nonfederal funds for the overpayment of housing assistance.
- 1B. Reimburse the appropriate tenants \$3,855 from program funds for the underpayment of housing assistance.
- 1C. Provide staff training to ensure that they fully understand all requirements related to determining housing assistance.
- 1D. Implement internal control procedures to ensure the correctness of future housing assistance payments. Such procedures will ensure that \$37,127 (\$24,112 plus \$13,015) in housing assistance funds isare used correctly in the future.

Finding 2: The Authority Did Not Always Complete Reexaminations in a Timely Manner

The Authority did not complete annual reexaminations in a timely manner for 52 of the 60 tenant files reviewed. The problem occurred because the Authority did not have enough staff to complete the large volume of reexaminations. Quality control procedures were also not followed on a consistent basis to monitor the workload and ensure that reexaminations were completed. As a result of the untimely reexaminations, in 15 of the 52 late reexaminations, the Authority overpaid housing assistance totaling \$3,093, which was not retroactively corrected by the Authority. Based on our statistical sample, the Authority overpaid more than \$8,000 in housing assistance.

Reexaminations Were Not Always Completed in a Timely Manner

In 52 of 60 tenant files reviewed, the Authority did not complete annual reexaminations in a timely manner. The reexaminations were completed from one to five months after the stated anniversary date (see appendix D).

Other Deficiencies That Affected the Timely Completion of the Reexaminations

The reviews of tenants' annual reexaminations also identified various other deficiencies that affected the timely completion of the reexaminations (see appendix C).

- In 23 files, reexamination procedures were not performed within 90 days in advance of the anniversary date, as required by chapter 11-I.B of the Authority's administrative plan.
- In 12 files, the tenant's anniversary date on the Form HUD-50058 did not equal the tenant effective date.
- In 18 files, the Authority did not complete the reexamination in sufficient time to give the tenant 30 days' notice of the rent increase.

Late Annual Reexamination Resulted in Housing Assistance Overpayments

Of 60 tenant files reviewed, 52 contained late reexaminations. The Authority made proper adjustments or corrections to 37 of those tenant files. However, the remaining 15 files contained annual reexaminations that were performed late, and the housing assistance overpayments were not retroactively corrected by the Authority. As a result, the Authority overpaid housing assistance in the amount of \$3,093. Appendix E details the overpayments for each of the 15 tenant files.

Conclusion

The Authority did not complete reexaminations in a timely manner for 52 of the 60 tenant files reviewed. The problem occurred because the Authority did not have enough staff to complete the large volume of reexaminations. It only had two permanent staff members, and periodically temporary staff, to complete nearly 800 vouchers within our audit period, which was not enough staff to complete the volume of annual reexaminations that needed to be performed. The Authority also did not follow quality control procedures on a consistent basis, which contributed to the untimely reexaminations. As a result, the Authority overpaid housing assistance totaling \$3,093. Based on our statistical sample, we estimate that the Authority will overpay \$8,181 in housing assistance over the next year. Our methodology is explained in the Scope and Methodology section of this report.

Recommendations

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

- 2A. Reimburse the program \$3,093 from nonfederal funds for the overpayment of housing assistance (appendix D).
- 2B. Ensure that quality control procedures are consistently followed to monitor the workload and ensure that tenant reexaminations are completed in a timely manner. Such procedures will ensure that overpayments of \$8,181 in housing assistance will be put to better use in the future.
- 2C. Ensure control procedures are followed consistently to make sure changes in the tenants' rent and housing assistance payments are appropriately corrected by the Authority in the event of late tenant reexaminations.

SCOPE AND METHODOLOGY

We performed on-site audit work at the Authority, located in Baldwin Park, California, between October 2008 and May 2009. Our audit generally covered the period July 1, 2006, through June 30, 2008.

To accomplish our audit objectives, we reviewed

- Applicable laws, regulations, the Authority's program administrative plan, HUD's program requirements at 24 CFR (*Code of Federal Regulations*) Parts 5 and 982, and HUD's Housing Choice Voucher Guidebook 7420.10.
- The Authority's accounting records, annual audited financial statements for 2007, policies and procedures, board meeting minutes, organization chart, tenant databases, and HUD's files for the Authority.
- Authority tenant files.

We also interviewed the Authority's employees and supervisors, HUD staff, and program officials.

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

Purpose of the Sampling

The objective of the audit was to determine whether the Authority determined rental and housing assistance payments correctly and completed reexaminations on a timely basis. In support of this objective, we used a statistical sampling plan for the Authority's universe, which would allow statistical projections for the amount of Section 8 housing assistance payments paid to Housing Choice Voucher program participants whose rent/housing assistance payments were calculated incorrectly or not supported by proper documentation. The projected monetary benefits are detailed below.

Since statistical sampling was used, it allowed for monetary projections to be determined based on the questioned costs (appendix A) found during our review of tenant files. The projection was performed at the end of our fieldwork after reviewing 60 individual files.

Housing Assistance Calculation Errors

After analyzing housing assistance payments, we identified a universe of 746 households receiving assistance. The housing assistance payments totaled \$10,003,325 during the period July 1, 2006, through June 30, 2008. We performed a random, stratified, physical unit sample, which suggested a sample size of 76, assuming a desired precision of \$250,000 and minimum desired confidence of 70 percent.

Audit Projection Basis

We used a statistical sampling program to obtain the randomized sample. From the universe of 746 households, we stratified the first 347 lower dollar items as the first sampling stratum. The remaining 399 were considered a higher dollar sampling stratum.

By selecting two strata, more homogenous items were grouped together, improving the statistical accuracy of the final projection beyond the assumptions used to determine the sample size of 76. From the universe of 746 households, we sorted in increasing dollar value and stratified the first 347 individuals as a lower dollar housing assistance files, representing more recent enrollees and those receiving less assistance. This process allowed an evaluation of the housing assistance payment, as well as providing more tenant files with recent eligibility decisions. For the audit phase, the remaining 399 individuals represented more established and higher dollar housing assistance files.

Projected Monetary Benefits

We reviewed 30 files from the low-dollar stratum and 30 files from the high-dollar stratum. Based on the statistical analysis of the results, using difference estimation methodology, the actual results provide 90 percent confidence that the monetary benefits are at least those amounts discussed below.

Overpayment and Underpayment of Housing Assistance Due to Inaccuracies

The Authority did not correctly determine housing assistance in 29 of 60 files reviewed. We identified \$16,073 in housing assistance overpayments and \$3,855 in housing assistance underpayments. Based on our statistical sample, we determined housing assistance overpayments of approximately \$48,224 for the two years sampled to produce the projected monetary benefit for one year of \$24,112. In addition, we determined housing assistance underpayments of approximately \$26,030 for the two years sampled to produce the projected monetary benefit for one year of \$13,015. If the Authority follows our recommendation to implement internal control procedures, it will ensure that \$37,127 (\$24,112 plus \$13,015) in housing assistance funds is used correctly in the future.

Overpayment of Housing Assistance Due to Late Reexaminations

Of the 52 tenant files containing late reexaminations, we determined that 15 of those files contained late reexaminations that were not properly corrected by the Authority. We identified \$3,093 in housing assistance overpayments not corrected by the Authority. The Authority did not make the proper adjustment to the housing assistance payment register for reexaminations that were completed late. Based on our statistical sample, we determined housing assistance overpayments totaling \$16,362 for the two years sampled to produce the projected monetary benefit for one year of \$8,181.

INTERNAL CONTROLS

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

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

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

Relevant Internal Controls

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

- Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives to detect misuse, failure, or errors.
- Policies and procedures that management has implemented to reasonably ensure that reliable data are obtained and that housing assistance payments are correct and timely.
- Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.
- Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.

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 that the following items are significant weaknesses:

- The Authority did not have written internal control procedures in place to ensure that housing assistance was correctly determined and that the staff fully understood the requirements. The Authority relied on its Administrative Plan for guidance, however, it did not detail the operational procedures needed to properly administer the program. (finding 1).
- The Authority did not always follow quality control procedures on a consistent basis to monitor the workload and ensure that reexaminations were completed in a timely basis. (finding 2).

APPENDIXES

Appendix A

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

Recommendation number	Ineligible <u>1/</u>	Funds to be put to better use <u>2/</u>
1A	\$ 16,073	
1B		\$ 3,855
1D		37,127
2A	<u>3,093</u>	
2B		<u>8,181</u>
Total	<u>\$ 19,166</u>	<u>\$ 49,163</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. In this instance, the Authority overpaid housing assistance.
- 2/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, if the Authority implements our recommendations, it will ensure that tenants are reimbursed for personal funds they should not have expended; ensure housing assistance funds is used correctly in the future; and cease program costs for the overpayment of housing assistance to ensure they will be put to better use in the future. Once the Authority successfully improves its controls, this will be a recurring benefit.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments



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

Subject: Response to Review of Draft Audit Report
City of Baldwin Park Housing Authority

Dear Ms. Hobbs:

The Baldwin Park Housing Authority (BPHA) is in receipt of your letter dated June 26, 2009 and has reviewed the findings and recommendations from your agency. The BPHA's response to each finding is as follows:

Finding 1 – The HA Did Not Always Determine Housing Assistance Payments Correctly.

OIG Recommendations:

- 1A. Reimburse the program \$16,073 from nonfederal funds for the overpayment of housing assistance.
- 1B. Reimburse the appropriate tenants \$4,128 from program funds for the underpayment of housing assistance.
- 1C. Provide staff training to ensure that they fully understand all requirements related to determining housing assistance.
- 1D. Implement internal control procedures to ensure the correctness of future housing assistance payments.

HA Response:

Because the BPHA is solely supported by Federal funds, there are no nonfederal funds available to reimburse the program. Also, it is the opinion of the BPHA that such reimbursement is not warranted at this time. The majority of the errors discovered were

Comment 1

Comment 2

caused by staff that is either no longer with the agency or by staff that was newly hired and in the process of receiving training. The current staff has completed several trainings and staff members completing annuals have successfully passed the Housing Specialist Certification Training. Staff continues to implement all the necessary corrective actions for any errors found to have been committed during that time period.

Comment 3

One of the corrective actions completed by BPHA staff included the tenant deemed ineligible pertaining to the overpayment of \$9,724. It was the BPHA that discovered the error approving an ineligible unit that was made in 2004 and immediately ceased payment and terminated the contract upon discovery in 2007. The determination of the OIG Auditor that this unit was ineligible would not have been possible without the BPHA's first discovery and documentation in the file regarding the termination of the contract. Also in question was if the tenant was considered disabled. Per all documentation in the file received by the initial agency (please see Attachment 1), the tenant was designated as disabled. However, because the deduction for elderly and disabled are the same, staff failed to check disabled as well as elderly in the system causing the error in the initial BPHA 50058. The tenant received the allowable deduction under elderly and because the deductions are the same for either disabled or elderly, there was no error in the HAP calculations.

Comment 4

Therefore, the BPHA is requesting a reconsideration of the repayment in the amount of \$9,724 for this tenant.

Internal control procedures are being developed to ensure the correctness of all program procedures.

Finding 1 – The HA Did Not Always Complete Reexaminations in a Timely Manner

OIG Recommendations:

- 2A. Reimburse the program \$3,093 from nonfederal funds for the overpayment of housing assistance.
- 2B. Ensure that quality control procedures are consistently followed to monitor the workload and ensure that tenant reexaminations are complete in a timely manner.
- 2C. Ensure that quality control procedures are followed consistently to make sure changes in the tenants' rent and housing assistance payments are appropriately corrected by the Authority in the event of late tenant reexaminations.

HA Response:

Comment 1

Because the BPHA is solely supported by Federal funds, there are no nonfederal funds available to reimburse the program. Also, it is the opinion of the BPHA that such reimbursement is not warranted at this time. As previously stated, the majority of the

Comment 2

errors discovered were caused by staff that is either no longer with the agency or by staff that was newly hired and in the process of receiving training. The current staff has completed several trainings and staff members completing annuals have successfully passed the Housing Specialist Certification Training. Staff continues to implement all the necessary corrective actions for any errors found to have been committed during that time period.

Comment 5

The BPHA completely agrees that the reexaminations were not completed in a timely manner during the evaluation period. With the hiring and training of the new staff members, since December 2008 the BPHA has completed reexaminations no later than 45 days before the effective date of the annual.

Comment 6

The BPHA is also reviewing the files identified in "Appendix E" of the OIG Audit report. It is the opinion of the BPHA that a number of files listed as "Uncorrected Housing Assistance Overpayments" were in fact, corrected through adjustments with the exception of S29, S31 and S47. Please see Attachment 2 for the HAP Registers reflecting the adjustments made for the remaining 12.

The BPHA appreciates your reconsideration of the above-mentioned items and awaits your response. If you have any questions or require additional information please contact Suzie Ruelas, Housing Manager at (626) 960-4011 ext 496.

Sincerely,



Vijay Singhal
Executive Director

OIG Evaluation of Auditee Comments

- Comment 1:** Since the Authority was responsible for the errors that led to the housing assistance overpayments, we believe it is appropriate for the Authority to repay such overpayments. The Authority can work with HUD on identifying any available nonfederal funds that can be used or other alternatives if no nonfederal funds are available.
- Comment 2:** We commend the Authority for taking steps to implement the recommendations and ensure the staff obtains the needed training. This will help ensure that housing assistance is determined correctly in the future.
- Comment 3:** We evaluated the documentation provided, but concluded that it was inadequate to change our position on this tenant. The Authority asserted that the client has claimed disability since the initial port-in from a prior housing authority and that supplemental security income received for the tenant is for disability. However, as acknowledged by the Authority, the disability status was not used in calculating the housing assistance payments, and instead, recorded the tenant under an elderly status. While we agree that this would not affect the housing assistance payment amount, it does affect the tenant's eligibility for the program, since she is a relative of the unit's owner. Further, the tenant file documentation did not provide any details on the tenant's disability and what reasonable accommodation was needed to justify why it was necessary for the tenant to live with a relative. Without this information, we contend that the tenant was not eligible for housing assistance. Further, regardless of the disability status, the unit is still considered ineligible under housing quality standards. The unit is considered a guesthouse and not a legal unit, under City ordinances. Therefore, the \$9,724 in housing assistance paid out during our audit period is ineligible and should be repaid.
- Comment 4:** We commend the Authority for taking measures to develop and implement internal control procedures. The development and implementation of such controls will help ensure future housing assistance payments are completed correctly.
- Comment 5:** We commend the Authority for taking steps to ensure that reexaminations will be completed timely in the future.

Comment 6: We evaluated the documentation and concluded that it did not adequately support that the retroactive adjustments were indeed made, so we did not make any changes to the report. The housing assistance registers do show proper adjustments for tenants involving rent increases on reexaminations that were completed late. These adjustment payments, however, do not appear to amend the housing assistance payments made to the owner. If these adjustments were made to amend the owner's portion of the housing assistance, then such adjustments do not appear in the register. If the Authority has additional documentation supporting the adjustments, it can provide them to HUD during the audit resolution process.

Appendix C

SCHEDULE OF TENANT CALCULATION ERRORS

Tenants*	Incorrect income calculation	Incorrect payment standard	Incorrect utility allowance	Erroneous inclusion/deduction of medical insurance in income	Tenant ineligible to receive housing assistance	Total housing assistance overpayments	Total housing assistance underpayments
S2		X					\$ (12)
S6	X					\$ 636	
S8	X					\$ 402	\$ (364)
S9	X					\$ 358	\$ (159)
S11	X					\$ 2,200	
S13	X					\$ 422	
S14	X						\$ (35)
S16	X					\$ 711	\$ -
S17				X			\$ (153)
S19					X	\$ 9,724	\$ -
S21				X			\$ (117)
S29				X			\$ (315)
S30				X			\$ (205)
S31				X		\$ 114	\$ (102)
S34			X			\$ 148	\$ (21)
S36				X		\$ 264	\$ (18)

* Under the "Tenants" column above, the "S" identifies the Section 8 tenant that was sampled in sequential order for the audit.

Tenants*	Incorrect income calculation	Incorrect payment standard	Incorrect utility allowance	Erroneous inclusion/deduction of medical insurance in income	Tenant ineligible to receive housing assistance	Total housing assistance overpayments	Total housing assistance underpayments
S40		X					\$ (1,314)
S41		X		X			\$ (125)
S43	X					\$ 948	
S45				X		\$ 114	\$ (142)
S48	X						\$ (34)
S49				X		\$ 32	\$ (162)
S50		X					\$ (20)
S51	X						\$ (54)
S53							
S54	X						\$ (70)
S57				X			\$ (180)
S58		X					\$ (49)
S59				X			\$ (204)
Total	11	5	1	11	1	\$ 16,073	\$ (3,855)

Appendix D

SCHEDULE OF DELINQUENT ANNUAL REEXAMINATIONS

Tenants	Effective date	Anniversary date	Date reexamination completed	Days late
S1	December 20, 2007	December 20, 2007	February 12, 2008	54
S2	April 1, 2008	April 1, 2008	June 25, 2008	85
S4	May 1, 2006	May 1, 2006	June 27, 2006	57
S5	April 1, 2007	April 1, 2007	May 17, 2007	46
	April 1, 2008	April 1, 2008	April 17, 2008	16
S6	February 1, 2007	February 1, 2007	March 28, 2007	55
	February 1, 2008	February 1, 2008	March 20, 2008	48
S7	June 1, 2008	June 1, 2008	July 9, 2008	38
S8	January 1, 2007	January 1, 2007	January 30, 2007	29
S9	July 1, 2007	July 1, 2007	July 30, 2007	29
S10	November 1, 2006	November 1, 2006	February 28, 2007	119
S13	February 1, 2007	February 1, 2007	March 29, 2007	56
	February 1, 2008	February 1, 2008	May 19, 2008	108
S14	April 19, 2007	April 19, 2007	May 30, 2007	41
	April 1, 2008	April 1, 2008	June 24, 2008	84
S15	May 15, 2006	May 15, 2006	June 27, 2006	43
S16	January 1, 2007	January 1, 2007	March 16, 2007	74
	January 1, 2008	January 1, 2008	April 14, 2008	104
S17	October 1, 2007	October 1, 2007	March 1, 2008	152
S20	April 1, 2008	April 1, 2008	July 1, 2008	91
S21	June 1, 2007	April 1, 2007	May 23, 2007	52
	April 1, 2008	April 1, 2008	April 16, 2008	15
S22	April 27, 2007	April 27, 2007	May 30, 2007	33
	April 1, 2008	April 1, 2008	April 17, 2008	16
S23	October 26, 2007	October 26, 2007	January 22, 2008	88
S24	February 1, 2007	February 1, 2007	March 7, 2007	34
	February 1, 2008	February 1, 2008	April 14, 2008	73
S26	November 22, 2005	November 22, 2005	April 13, 2006	142
S27	September 25, 2007	September 25, 2007	November 14, 2007	50
S29	October 1, 2006	September 1, 2006	September 19, 2006	18
	September 1, 2007	September 1, 2007	September 5, 2007	4

Tenants	Effective date	Anniversary date	Date reexamination completed	Days late
S30	June 1, 2007	April 1, 2007	May 23, 2007	52
	May 1, 2008	April 1, 2008	April 18, 2008	17
S31	January 1, 2007	January 1, 2007	February 12, 2007	42
S32	November 1, 2006	November 1, 2006	January 29, 2007	89
	November 1, 2007	November 1, 2007	March 20, 2008	140
S33	April 1, 2008	December 1, 2007	February 21, 2008	82
S35	March 1, 2007	March 1, 2007	April 25, 2007	55
	August 1, 2008	March 1, 2008	June 12, 2008	103
S36	January 1, 2007	January 1, 2007	February 28, 2007	58
	January 1, 2008	January 1, 2008	May 13, 2008	133
S37	January 1, 2007	January 1, 2007	February 28, 2007	58
	January 1, 2008	January 1, 2008	April 11, 2008	101
S38	March 1, 2007	March 1, 2007	April 25, 2007	55
	March 1, 2008	March 1, 2008	June 6, 2008	97
S39	August 1, 2007	August 1, 2007	August 27, 2007	26
S40	September 1, 2007	September 1, 2007	November 8, 2007	68
S41	January 1, 2007	January 1, 2007	February 28, 2007	58
S42	January 1, 2007	January 1, 2007	February 22, 2007	52
S43	January 1, 2007	January 1, 2007	February 22, 2007	52
	January 1, 2008	January 1, 2008	February 5, 2008	35
S44	September 1, 2007	September 1, 2007	September 21, 2007	20
S45	January 1, 2007	January 1, 2007	January 12, 2007	11
	January 1, 2008	January 1, 2008	February 25, 2008	55
S46	April 1, 2007	April 1, 2007	April 30, 2007	29
	April 1, 2008	April 1, 2008	April 16, 2008	15
S47	December 1, 2006	October 1, 2006	November 14, 2006	44
S48	June 1, 2007	June 1, 2007	October 12, 2007	133
	June 1, 2008	June 1, 2008	July 15, 2008	44
S49	September 1, 2006	September 1, 2006	November 7, 2006	67
S50	January 1, 2007	January 1, 2007	January 18, 2007	17
	January 1, 2008	January 1, 2008	May 27, 2008	147
S51	December 1, 2006	December 1, 2006	February 2, 2007	63
	December 1, 2007	December 1, 2007	April 14, 2008	135
S52	February 1, 2007	October 1, 2006	February 1, 2007	123
	October 1, 2007	October 1, 2007	January 7, 2008	98

Tenants	Effective date	Anniversary date	Date reexamination completed	Days late
S53	November 1, 2006	November 1, 2006	November 28, 2006	27
S54	January 1, 2008	January 1, 2008	May 16, 2008	136
S55	September 1, 2007	July 1, 2007	July 24, 2007	23
S56	October 1, 2006	October 1, 2006	January 18, 2007	109
	October 1, 2007	October 1, 2007	December 13, 2007	73
S57	April 1, 2007	April 1, 2007	April 26, 2007	25
S58	August 1, 2007	August 1, 2007	August 28, 2007	27
S59	July 1, 2007	July 1, 2007	July 17, 2007	16
S60	March 1, 2007	March 1, 2007	April 2, 2007	32

Appendix E

SCHEDULE OF UNCORRECTED HOUSING ASSISTANCE OVERPAYMENTS

Tenant sample	Correct effective date	Incorrect effective date	A			B		A*B
			Difference in effective dates (in months)	Correct assistance (most recent)	Incorrect assistance (prior amount)	Difference in housing assistance amounts	Total housing assistance overpayment	
S10	Nov. 1, 2006	Feb. 1, 2007	3	\$ 791	\$ 827	\$ (36)	\$ (108)	
S16	Jan. 1, 2007	Apr.1, 2007	3	195	350	(155)	(465)	
	Jan. 1, 2008	June 1, 2008	5	179	274	(95)	(475)	
S21	Apr. 1, 2007	June 1, 2007	2	469	482	(13)	(26)	
S29	Sept. 1, 2006	Oct. 1, 2006	1	390	401	(11)	(11)	
S31	Jan. 1, 2007	Mar. 1, 2007	2	665	691	(26)	(52)	
S33	Dec. 1, 2007	Apr. 1, 2008	4	1,458	1,490	(32)	(128)	
S35	Mar. 1, 2008	July 1, 2008	4	382	655	(273)	(1,092)	
S37	Jan. 1, 2007	Apr. 1, 2007	3	593	596	(3)	(9)	
	Jan. 1, 2008	May 1, 2008	4	634	640	(6)	(24)	
S41	Jan. 1, 2007	Apr. 1, 2007	3	659	672	(13)	(39)	
S45	Jan. 1, 2007	Feb. 1, 2007	1	696	717	(21)	(21)	
S47	Oct. 1, 2006	Dec. 1, 2006	2	579	586	(7)	(14)	
S49	Sept. 1, 2006	Dec. 1, 2006	3	613	633	(20)	(60)	
S51	Dec. 1, 2006	Mar. 1, 2007	3	613	614	(1)	(3)	
S52	Oct. 1, 2006	Feb. 1, 2007	4	888	952	(64)	(256)	
S55	July 1, 2007	Sept. 1, 2007	2	569	724	(155)	(310)	
Total							\$ (3,093)	

Appendix F

CRITERIA

The following sections of the *Code of Federal Regulations* and Housing Choice Voucher Guide Book apply to housing assistance payment calculations (finding 1) and timeliness of annual reexaminations (finding 2):

- 24 CFR 982.503(a)(1): The Housing Authority must adopt a payment standard schedule that establishes voucher payment standard amounts for each fair market rent area in the Housing Authority jurisdiction. For each fair market rent area, the Public Housing Authority must establish payment standard amounts for each “unit size.” Unit size is measured by number of bedrooms.
- 24 CFR 982.505: How to calculate housing assistance payments. (4) Increase in the payment standard amount during the housing assistance contract term. If the payment standard amount is increased during the term of the housing assistance contract, the increased payment standard amount shall be used to calculate the monthly housing assistance payment for the family beginning at the effective date of the family’s first regular reexamination on or after the effective date of the increase in the payment standard amount.
- 24 CFR 982.516(a)(1): (a) Housing Authority responsibility for reexamination and verification. (1) The Housing Authority must conduct a reexamination of family income and composition at least annually.
- 24 CFR 982.517(b)(4): The utility allowance schedule must be prepared and submitted in accordance with HUD requirements on the form prescribed by HUD.
- 24 CFR 5.611(3)(i): Adjusted income means annual income of the members of the family residing or intending to reside in the dwelling unit, after making: (3) The sum of the following, to the extent the sum exceeds three percent of annual income: (i) unreimbursed medical expenses of any elderly family or disabled family.
- 24 CFR 985.3(j)(2): Annual reexaminations. This indicator shows whether the Housing Authority completes a reexamination for each participating family at least every 12 months. (24 CFR 5.617). (2) HUD verification method: Multifamily Tenant Characteristic System report--Shows percent of reexaminations that are more than 2 months overdue. The 2-month allowance is provided only to accommodate a possible lag in the Housing Authority’s electronic reporting of the annual reexamination on Form HUD-50058 and to allow the processing of the data into the report. The 2-month allowance provided here for rating purposes does not mean that any delay in completing annual reexaminations is permitted.

- 24 CFR 516(d)(2): Effective date of reexamination. (2) At the effective date of a regular or interim reexamination, the Authority must make appropriate adjustments in the housing assistance payment. (For a voucher tenancy, the housing assistance payment shall be calculated in accordance with Sec. 982.505. For a certificate tenancy, the housing assistance payment shall be calculated in accordance with Sec. 982.518.)
- Chapter 5, Housing Choice Voucher Guidebook: Once the Housing Authority knows and verifies all sources of income are known and verified, the Housing Authority must convert reported income to an annual figure. Convert periodic wages to annual income using the following:
 - a. Multiply hourly wages by the number of hours worked per year (2080 hours for full-time employment with a 40 hour work week and no overtime).
 - b. Multiply weekly wages by 52.
 - c. Multiply bi-weekly wages (paid every other week) by 26.
 - d. Multiply semi-monthly wages (paid twice each month) by 24.
 - e. Multiply monthly wages by 12.
- Chapter 7.3, Housing Choice Voucher Guidebook: Prior to the effective date of any new fair market rents, the Housing Authority must review its payment standard schedule and amend it as needed to ensure that the payment standards remain within the basic range (90 percent to 110 percent of the new fair market rent). If the fair market rent increases, the Housing Authority must be sure that the payment standards for each unit size are at least 90 percent of the new fair market rent. Similarly, if the fair market rent decreases, the Housing Authority must be sure that the payment standards are not more than 110 percent of the new fair market rent.
- Chapter 8.9, Housing Choice Voucher Guidebook, Leases Between Relatives: The Housing Authority must not approve the tenancy if the owner of the unit is the parent, child, grandparent, grandchild, sister, or brother of any member of the assisted family, unless approving the tenancy would provide reasonable accommodation for a family member who is a person with disabilities. This restriction only applies at the time the family initially receives housing choice voucher assistance for occupancy of a particular unit, but does not apply to a unit currently under an assisted lease.
- Chapter 12.4, Housing Choice Voucher Guidebook: The Housing Authority should initiate reexamination procedures 90 to 120 days before the date reexamination results are to take effect. This allows the Housing Authority ample time to obtain all required verifications and provide reasonable advance notice to both the family and the property owner of any change in the family share and housing assistance.