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FROM: for John A. Dvorak, Regional Inspector General for Audit, Boston Region,  
1AGA

SUBJECT: The State of Massachusetts, Department of Housing and Community  
Development, Boston, MA Properly Administered Its Section 8 Project-  
Based Voucher Program

## **HIGHLIGHTS**

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

We audited the Section 8 Project-Based Voucher program operated by the State of Massachusetts, Department of Housing and Community Development (DHCD), as part of our annual audit plan.

Our objective was to determine whether the DHCD properly administered its Project-Based Voucher program in compliance with U.S. Department of Housing and Urban Development (HUD) requirements.

### **What We Found**

The DHCD generally administered its program in compliance with HUD requirements. Our audit testing determined that the DHCD's contracts with administering agencies were properly administered, tenants were eligible participants, and the rental units were eligible under the program. In addition,

tenant rental and housing assistance payments were calculated correctly, rental units were inspected for compliance with housing quality standards, and the DHCD sufficiently monitored its administering agencies.

### **What We Recommend**

This report contains no recommendations, and no action is necessary

### **Auditee's Response**

An exit conference was held with the DHCD on December 9, 2009. This report did not require a response from the auditee.

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## BACKGROUND AND OBJECTIVES

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The Department of Housing and Community Development (DHCD) is a department of the State of Massachusetts. Its mission is to strengthen cities, towns, and neighborhoods to enhance the quality of life of Massachusetts residents. The DHCD operates 55 different programs to promote (1) safe, decent, and affordable housing opportunities; (2) the economic vitality of communities; and (3) sound municipal management. Our audit focused on the Section 8 Project-Based Voucher program, which was operated by the DHCD's Bureau of Rental Assistance.

The DHCD operates a Housing Choice Voucher program with more than 18,000 units governed by an annual contributions contract and Moving to Work Demonstration program agreement. The Section 8 Housing Choice Voucher program allows public housing authorities, such as the DHCD, to use 20 percent of their annual contributions contract for housing assistance payment contracts with third parties to provide funding for units in specific buildings. When this type of housing assistance payment is tied to a specific building, the associated vouchers are called project-based vouchers. Project-based vouchers are a subset of Housing Choice Voucher program. The DHCD received Section 8 Housing Choice Voucher program funding totaling more than \$635 million during the period July 1, 2006, to June 30, 2009, of which it could have used up to 20 percent, or \$127 million, for project-based vouchers. The DHCD oversees the management of 717 project-based vouchers.

Generally, tenant-based vouchers allow very low-income families to lease safe, decent, and affordable privately owned rental housing. Project-based vouchers, as a general rule, follow the same regulations as those for the Housing Choice Voucher program. Under the Project-Based Voucher program, a public housing agency (such as the DHCD) may use amounts provided under an annual contributions contract for the Housing Choice Voucher program to enter into a housing assistance payments contract that is assigned to a particular project or building. Tenant-based vouchers, by contrast, are assigned to a family and stay with the family should it move to another apartment.

While project-based vouchers are a subset of the Housing Choice Voucher program, there are differences between the two voucher types. Some of these differences are

- Provisions on issuance or use of a voucher. A project-based voucher may only be used at the assigned project.
- Provisions on portability. Project-based vouchers are not portable and remain with the project, not with the family should it move to an apartment in another project. However, tenant families in good standing may apply for a standard (tenant-based) voucher after completing 1 year with the project-based voucher.
- Project-based vouchers are not to be used in shared housing, cooperative housing, manufactured home space rental, or the homeownership option of the program.

Our primary objective was to determine whether the DHCD operated its Section 8 Project-Based Voucher program in an efficient and effective manner and in accordance with HUD

guidelines and requirements. Specifically, we concentrated on examining the DHCD's operating environment and controls over operations for the program.

## RESULTS OF AUDIT

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The DHCD generally administered the Section 8 Project-Based Voucher program in compliance with HUD's requirements. Our review did not identify any significant deficiencies in the areas of contracts with administering agencies, eligibility of units, eligibility of tenants, the calculation of tenant rent and housing assistance payments, the inspection of units to ensure compliance with housing quality standards, or the monitoring of its regional administering agencies.

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### **The Program's Budget Authority Was Limited**

Under the Section 8 Project-Based Voucher program, authority for the program is limited to 20 percent of the amount of budget authority in the Section 8 tenant-based program. Congressional funding provides HUD authority for the Section 8 tenant-based program. HUD uses a formula to assign budget authority to each housing authority, such as the DHCD (for the Commonwealth of Massachusetts). The DHCD complied with this requirement by correctly limiting the number of project-based vouchers each year although the budget authority changed each year.

### **The DHCD Used Regional Administering Agencies**

The DHCD used nine regional administering agencies to administer its project-based vouchers. Each agency managed the Section 8 tenancy in a specific geographic area within the State. Each agency had a contract with DHCD that specified its duties and responsibilities, and that incorporated 24 CFR (Code of Federal Regulations), Part 982 Section 8 tenant-based assistance, the Housing Choice Voucher program, and the 24 CFR Part 983 Project-Based Voucher program as criteria for administering the vouchers. These agencies confirmed the eligibility of tenants, calculated housing assistance payments, and ensured that housing quality standards were met. The authorized units in the contracts represented all housing choice vouchers including the subset of the project-based vouchers. We examined the contracts for the nine regional administering agencies, and each contract had a defined scope, defined geographic locations, and a defined period. The authorized units in each contract represented all housing choice vouchers, and the project-based vouchers did not follow separate requirements.

### **The DHCD Provided Assistance for Eligible Units**

We verified that the DHCD did not provide Project-Based Voucher program assistance for ineligible units. Projects generally went through several reviews because the projects generally received multiple sources of funds and the project was required to meet multiple groups of criteria.

### **Tenants Were Eligible and Rents Were Correctly Calculated**

We examined a random sample of 12 tenant families at three of the administering agencies. The sample tenant files contained sufficient and relevant evidence to support the eligibility of families and the calculation of the family's portion of the rent and applicable housing assistance payment.

### **Housing Quality Standards Were Maintained**

Housing quality standards identify performance and acceptability criteria for these key aspects of housing quality:

- Sanitary facilities,
- Food preparation and refuse disposal,
- Space and security,
- Thermal environment,
- Illumination and electricity,
- Structure and materials,
- Interior air quality,
- Water supply,
- Lead-based paint,
- Access,
- Site and neighborhood,
- Sanitary condition, and
- Smoke detectors.

For our sample tenant families, we confirmed that the units were appropriately inspected by qualified personnel to ensure that the units met housing quality standards. Units were inspected before the tenancy and annually thereafter.

### **Contract Administrators Were Properly Monitored**

The DHCD monitored the performance of its administering agencies through review of the Voucher Management System and Public Housing Information Center delinquency reports. These reviews included the use of funding, leasing of units, and evaluation of inspection reports. Some of the agencies owned the properties that they administered. When the agency owned the property, the DHCD required the agency to hire a third party to conduct the inspections for housing quality standards. When the DHCD had concerns with the performance of an agency, the DHCD took action to ensure that performance was improved to an acceptable level.

### **Conclusion**

Our review found no significant deficiencies with the operations of project-based vouchers at the DHCD.

### **Recommendations**

There are no recommendations based on our review, and no action is necessary.



## SCOPE AND METHODOLOGY

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We performed an audit of the Project-Based Voucher program, a subset of the Housing Choice Voucher program, operated by the DHCD. Our fieldwork was completed at the DHCD's offices at 100 Cambridge Street, Boston, MA, and at three contract agencies' offices: (1) Community Teamwork, Inc. at 167 Dutton Street, Lowell, MA, (2) South Shore Housing Development Corporation, 169 Summer Street, Kingston MA and (3) HAP, Inc, 322 Main Street, Springfield MA. Our audit generally covered the period July 1, 2006, to June 30, 2009. To accomplish our audit objective, we

- Reviewed applicable enabling legislation, Code of Federal Regulations, Federal Register Notices, Public and Indian Housing Handbooks, Public and Indian Housing Notices.
- Reviewed the DHCD's administration plan, Moving-to-Work agreements, annual financial statements and HUD monitoring reports to gain an understanding of the DHCD's program financial resources, operational environment, and internal controls.
- Reviewed standard reports from the Voucher Management System, Public Housing Information Center, and the Line of Credit Control Subsystem to gain an understanding of the DHCD's program financial resources, voucher usage, and operational environment.
- Evaluated the internal controls and conducted tests to determine whether specific controls were functioning as intended.
- Interviewed key personnel at the DHCD and at three administering agencies for procedures, patterns, and performance
- Reviewed applicable land records from the sample counties in Massachusetts to determine ownership of apartments that received project based vouchers.
- Tested a random sample of 12 tenant families for eligibility of families, calculation of housing assistance payments, and HQS inspection of units. These 12 families received \$30,243 in housing assistance payments during our audit period. The total amount of housing assistance payments to the department for the Housing Choice Voucher Program during this period was \$635,068,834.

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

# INTERNAL CONTROLS

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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.

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## Relevant Internal Controls

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

- Properly administering contracts with administering agencies,
- Ensuring that tenants and rental units were eligible,
- Correctly calculating tenant rent and housing assistance payments,
- Ensuring that minimum housing quality standards were met, and
- Properly monitoring the performance of contract program administrators.

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 did not identify any significant internal control weaknesses.