



Housing Authority of the City of Durham, NC

Section 8 Housing Choice Voucher Program



To: Michael A. Williams, Director of Public and Indian Housing, Greensboro, NC, 4FPH

From: //signed//
Nikita N. Irons, Regional Inspector General for Audit, 4AGA

Subject: The Housing Authority of the City of Durham, NC, Did Not Always Comply With HUD's and Its Own Section 8 Housing Choice Voucher Program Requirements

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the Housing Authority of the City of Durham's Section 8 Housing Choice Voucher Program.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 404-331-3369.



Audit Report Number: 2015-AT-1011

Date: September 30, 2015

The Housing Authority of the City of Durham, NC, Did Not Always Comply With HUD's and Its Own Section 8 Housing Choice Voucher Program Requirements

Highlights

What We Audited and Why

We audited the Housing Authority of the City of Durham's Section 8 Housing Choice Voucher program based on a hotline citizen complaint and as part of the activities in our fiscal year 2015 annual audit plan. Our objective was to determine whether the Authority administered its program in accordance with the U.S. Department of Housing and Urban Development's (HUD) and its own requirements and whether the complaint was valid.

What We Found

The Authority did not always comply with HUD's requirements and its own administrative plan regarding the administration of its program, and some of the allegations in the complaint were valid. The Authority did not always (1) maintain required eligibility documentation, (2) correctly calculate housing assistance payments, (3) void a housing assistance payments contract as required, (4) perform reexaminations and housing quality standards inspections in a timely manner, (5) properly administer zero-income program households, and (6) limit annual unit rent increases in accordance with its administrative plan. These conditions occurred because Authority staff failed to always follow HUD's and the Authority's requirements for administering the program. As a result of this noncompliance, the Authority paid more than \$31,800 in unsupported housing assistance, received more than \$2,600 in unsupported administrative fees, paid more than \$13,500 in ineligible housing assistance, and received more than \$1,500 in ineligible administrative fees.

What We Recommend

We recommend that HUD require the Authority to (1) reimburse its program more than \$15,000 for ineligible housing assistance payments and administrative fees from non-Federal funds, (2) support or reimburse its program more than \$34,000 in unsupported housing assistance payments and administrative fees from non-Federal funds, (3) determine and reimburse its program from non-Federal funds for the overpayment of any housing assistance due to approval of rent increases contrary to its requirements, (4) develop and implement program controls to address deficiencies cited in this report.

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Background and Objective

The Housing Authority of the City of Durham, NC, was established under chapter 456 of the public laws of 1935 as amended. The Authority's mission is to be a leader for affordable housing in Durham County by serving as a housing safety net, promoting individual self-sufficiency, leveraging core housing competency to support the Authority's mission, managing real estate, and facilitating and participating in mixed-income housing development.

The Authority is a nonprofit municipal corporation governed by a seven-member board of commissioners. The board is comprised of active public servants who are appointed by the Durham City Council. The board's responsibilities include setting policies and appointing the Authority's chief operating officer, who is in charge of the Authority's day-to-day operations.

The Authority administers public housing and Section 8 Housing Choice Voucher programs funded by the U.S. Department of Housing and Urban Development (HUD). The Section 8 Housing Choice Voucher program provides assistance to low- and moderate-income individuals seeking decent, safe, and sanitary housing by subsidizing rents with owners of private housing. The Authority administers nearly 2,500 housing choice vouchers and received more than \$92 million in program funding for fiscal years 2010 through 2014.

We audited the Authority based on a complaint alleging program mismanagement. The complaint alleged (1) files were missing required documents, (2) landlords were paid without properly executed subsidy contracts, and (3) annual rent increases at one property were approved in excess of the Authority's limit. Our objective was to determine whether the Authority administered its program in accordance with HUD's and its own requirements. Specifically, we wanted to determine whether the Authority (1) obtained and maintained required documents to determine household eligibility, (2) correctly calculated housing assistance and utility allowance payments, and (3) whether the citizen complaint allegations were valid.

Results of Audit

Finding: The Authority Did Not Always Comply With Program Requirements

The Authority did not always comply with HUD's requirements and its own administrative policies and procedures when administering its Section 8 Housing Choice Voucher program. In addition, some of the allegations in the citizen complaint were valid. Specifically, the Authority did not always (1) maintain required eligibility documentation, (2) correctly calculate and process housing assistance payments, (3) void a housing assistance payments contract as required, (4) perform reexaminations and housing quality standards inspections in a timely manner, (5) properly administer zero-income program households, and (6) limit annual rent increases as required. These conditions occurred because Authority's staff failed to always follow HUD's and the Authority's requirements for administering the program. As a result of this noncompliance, the Authority paid more than \$31,800 in unsupported housing assistance, received more than \$2,600 in unsupported administrative fees, paid more than \$13,500 in ineligible housing assistance, and received more than \$1,500 in ineligible administrative fees.

The Authority Lacked Documentation To Support Households' Eligibility

We reviewed 14¹ program household files to determine whether the Authority maintained the required documentation to support households' eligibility for the program. Six (43 percent) household files were missing one or more documents needed to determine household eligibility. Specifically,

- Four files were missing evidence of criminal background checks,²
- One was missing a citizenship certification for all family members,³ and
- One was missing an executed form HUD-9886, Authority for the Release of Information.⁴

Because 43 percent of the files were missing required eligibility documentation, HUD and the Authority lacked assurance that the households were eligible for the program. As a result,

¹ The sample selection methodology for the statistical sample is explained in the Scope and Methodology section of this audit report.

² Regulations at 24 CFR (Code of Federal Regulations) 5.855(a) and 5.856 and section 3-III.D of the Authority's administrative plan required that a criminal background check be performed at initial screening and at reexaminations for all household members 18 years of age or older.

³ 24 CFR 5.508(b)(1)

⁴ 24 CFR 5.230 and 982.516(g)

\$25,590 in housing assistance was unsupported. In addition, because there was no support showing that the Authority ensured that the household members were eligible for the program in accordance with HUD's requirements, \$2,275 in administrative fees received by the Authority was also unsupported.

Housing Assistance Payments Were Not Always Calculated Correctly

We reviewed 14 certifications for the 14 households to determine whether the Authority correctly calculated housing assistance payments for the period January 1, 2013, through April 30, 2015. Our review was limited to the information maintained by the Authority in its household files. For the 14 certifications, 3 (21 percent) had incorrectly calculated housing assistance. The annual income was not calculated correctly in two instances,⁵ and the utility allowance was miscalculated in one instance.⁶ These errors resulted in \$672 in overpayment of housing assistance. Because the housing assistance was incorrectly calculated, the Authority inappropriately received \$574 in administrative fees for the three households.

Payments Were Made on an Overdue Contract

For 1 of the 14 household files reviewed, the Authority paid housing assistance on an overdue housing assistance payments contract. Both HUD's and the Authority's requirements⁷ state that any housing assistance payments contract that is executed after 60 calendar days from the beginning of the lease term is void and no payments may be made to the owner. In this instance, the contract was executed 92 days after the beginning date of the lease agreement. As a result, the Authority paid \$10,228 in housing assistance on an overdue contract that should have been voided. Because the Authority failed to ensure that the housing assistance payments contract was executed within the required timeframe, it inappropriately received \$503 in administrative fees.

Interim Recertifications and Annual Unit Inspections Were Late

The Authority failed to adjust housing assistance in a timely manner when 2 of the 14 households' incomes increased by at least \$5,200 in accordance with its own requirements.⁸ The Authority was 5 and 3 months late, respectively, in performing the required recertification and recalculating the households' housing assistance payments. As a result, it overpaid \$537 in housing assistance for the two households. Because the Authority failed to complete interim recertifications in a timely manner, it inappropriately received \$140 in administrative fees.

⁵ 24 CFR 982.515

⁶ 24 CFR 982.517

⁷ 24 CFR 982.305(c)(4) and chapter 6 of the Authority's administrative plan

⁸ Section 11-II.C of the Authority's administrative plan

In addition, the Authority failed to conduct unit inspections in a timely manner to ensure that units were eligible and met program requirements.⁹ A review of 10¹⁰ of the 193 households listed as having late housing quality standards unit inspections performed in HUD's Public and Indian Housing Information Center system determined that

- For nine of the units, the Authority did not ensure that the inspection forms were completed;
- For four of the units, the Authority did not ensure that it updated and provided correct information in HUD's system;
- For three of the units, the Authority did not stop paying housing assistance for units that failed housing quality standards inspections and were not documented as having been repaired or when the Authority failed to perform an annual inspection of the unit to ensure that it was eligible to remain on the program; and
- For two of the units, the Authority did not ensure that a description was provided for all failing conditions.

As a result, the Authority could not support whether \$6,223 in housing assistance was provided for units meeting program requirements. In addition, the Authority inappropriately received \$326 in administrative fees.

Zero-Income Households Were Not Administered Properly

We reviewed 10¹¹ of 110 households listed as zero-income households in HUD's system and determined that the Authority did not comply with its own requirements¹² for the administration of the zero-income households. Specifically the Authority did not

- Require a zero-income affidavit for nine households;
- Perform quarterly reexaminations for eight households;
- Obtain and review applicable income reports when conducting reexaminations for eight households;
- Recalculate and adjust the housing assistance to reflect increases in income in a timely manner for two households; and

⁹ 24 CFR 982.405(a) and sections 8-II.C and 8-II.G of the Authority's administrative plan

¹⁰ The sample selection methodology for the random sample is explained in the Scope and Methodology section of this audit report.

¹¹ The sample selection methodology for the random sample is explained in the Scope and Methodology section of this audit report.

¹² Section 7-III.I of the Authority's administrative plan outlined the procedures for administering zero-income program households.

- Conduct a credit check for all family members age 18 or older reporting income less than \$1,200 for one household.

Because the Authority failed to adjust the housing assistance to reflect increases in income in a timely manner, it overpaid \$2,152 in housing assistance and inappropriately received \$345 in administrative fees.

Excessive Rent Increases Were Approved

The Authority inappropriately approved annual unit rent increases in excess of its 3.5 percent annual limit. The Authority's administrative plan limited the annual rent increases for its Housing Choice Voucher program units to a maximum of 3.5 percent.¹³ However, based on the information provided by the Authority, it had approved rent increases exceeding the 3.5 percent limit for more than 100 program participants at the property identified in the complaint. Based on the Authority's report, the excessive percentage of annual rent increases ranged from a low of 3.56 percent to a high of 19.08 percent. Our review was limited to the audit scope, January 1, 2012, through April 30, 2015, and only for the landlord in the complaint; however, this condition may have existed previously and for other landlords.

An Additional Deficiency Was Noted During the Review

HUD required the Authority to run the deceased tenants report available in its Enterprise Income Verification system monthly.¹⁴ The Authority's program director stated that there were no written policies or procedures for reviewing the deceased tenant report monthly, but that a report was run monthly as part of normal business practices. We reviewed all four program participants listed on the report as deceased as of May 19, 2015, and found no problems with the Authority's handling of the deceased tenants' housing assistance payments. All four deceased program participants' housing assistance had stopped as required. Although the Authority ran the report monthly as good business practice, it should incorporate the requirement into its policy to ensure continued compliance with HUD's requirements.

Conclusion

The Authority did not always comply with HUD's or its own requirements when administering its Housing Choice Voucher program. Specifically, it did not always (1) calculate housing assistance payments correctly, (2) conduct reexaminations and unit inspections in a timely manner, and (3) administer zero-income households in accordance with its requirements. In addition, we determined that allegations in the citizen complaint were valid, to include (1) lack of documentation to support household eligibility, (2) timely execution of housing assistance payments contract, and (3) approval of excessive rent increases for one landlord. These conditions occurred because Authority staff failed to always follow HUD's and its own requirements for administering the program. As a result, HUD lacked assurance that the Authority used program funds efficiently and effectively since it paid housing assistance

¹³ Section 8-III.B of the Authority's administrative plan limited the annual rent increases to 3.5 percent of the unit's total contract rent.

¹⁴ Office of Public and Indian Housing (PIH) Notice PIH 2010-19

payments of over \$31,800 and over \$13,500 that were unsupported and ineligible, respectively and received over \$2,600 and over \$1,500 in associated administrative fees.

Recommendations

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

- 1A. Support or reimburse its program \$34,414¹⁵ from non-Federal funds for the unsupported payment of housing assistance due to missing eligibility documentation.
- 1B. Reimburse its program \$15,151¹⁶ from non-Federal funds for the deficiencies cited in the finding.
- 1C. Reimburse its program from non-Federal funds for the overpayment of any housing assistance for approval of rent increases on program units contrary to its requirements.
- 1D. Develop and implement program controls to help ensure that rent increases are authorized only in accordance with its requirements.
- 1E. Amend its administrative plan to include requirements for running the deceased tenants report monthly to ensure compliance with HUD's requirements.
- 1F. Develop and implement program controls to help ensure that, Authority staff follows both HUD's and the Authority's program requirements in the future.

¹⁵ \$25,590 + \$6,223 in housing assistance payments + \$2,275 + \$326 in associated administrative fees.

¹⁶ \$672 + \$10,228 + \$537 + \$2,152 in housing assistance payments + \$574 + \$503 + \$140 + \$345 in associated administrative fees.

Scope and Methodology

We performed our onsite audit work between May and July 2015 at the Authority's central office located at 330 East Main Street, Durham, NC. The audit covered the period January 1, 2012, through April 30, 2015.

To accomplish our audit objective, we interviewed HUD program staff and the Authority's employees. In addition, we obtained and reviewed the following:

- Applicable laws; HUD's regulations at 24 CFR Parts 5, 982, and 984; Office of Public and Indian Housing notices; and HUD's Guidebook 7420.10G.
- The Authority's accounting records; bank statements; general ledger; policies and procedures; 5-year plan; annual audited financial statements for 2012, 2013, and 2014; annual funding notices; board meeting minutes for January 2013 through April 2015; organizational chart; and HUD monitoring reports.
- HUD's Public and Indian Housing Information Center and Enterprise Income Verification systems.

We statistically selected a stratified random sample of 90 monthly housing assistance payments¹⁷ from the Authority's 64,196 monthly disbursements to landlords from January 2013 through April 2015 (28 months). We reviewed the first 14 records of the selected sample to determine whether the Authority correctly calculated the housing assistance payments, appropriately determined households' eligibility for program participation, and conducted recertifications in a timely manner. We selected and reviewed additional random samples to determine whether the Authority properly administered (1) zero-income households, (2) deceased tenants, and (3) housing quality standards inspections. Specifically,

- (1) As of May 19, 2015, HUD's Public and Indian Housing Information Center system listed 110 households that had zero income for the period January 1, 2013, through April 30, 2015. We randomly selected record 82 and every 11th record thereafter to obtain a sample of 10 households for review. We reviewed the 10 households to determine whether the Authority administered zero-income households in accordance with its administrative plan.
- (2) As of May 19, 2015, HUD's Public and Indian Housing Information Center system listed 193 households as having had their most recent unit inspection conducted 13 or more months earlier. We randomly selected record 4 and every 19th record thereafter to obtain

¹⁷ The 90 monthly housing assistance payments were from the 90 household certifications, which represented 89 households.

a sample of 10 units for review. We reviewed the household files to determine whether unit inspections were conducted in a timely manner.

In addition, we reviewed all four of the households' files that were listed as deceased in HUD's Enterprise Income Verification system as of May 19, 2015. We reviewed the household files to determine whether housing assistance had stopped for deceased individuals in accordance with HUD's requirements.

The review results for the sampled items were limited to the specific items reviewed and cannot be projected to the universe of items from which the samples were selected.

The calculation of administrative fees was based on the administrative fees received by the Authority from HUD and the number of vouchers the Authority reported through HUD's Voucher Management System. The fees were considered inappropriately received for each month in which the housing assistance was incorrectly paid and household eligibility was unsupported. We limited the inappropriate administrative fees to the amounts of housing assistance payment calculation errors for the household files that had administrative fees exceeding the housing assistance payment errors.

We relied in part on computer-processed data contained in the Authority's systems to achieve our audit objective. Although we did not perform detailed assessments of the reliability of the data, we performed minimal levels of testing and found the data to be adequately reliable for our purposes. The tests for reliability included but were not limited to comparing computer-processed data to housing assistance payments, information in the sample household files, and other supporting documentation.

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(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Internal Controls

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

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

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

Relevant Internal Controls

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

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

We assessed the relevant controls identified above.

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

Significant Deficiency

Based on our review, we believe that the following item is a significant deficiency:

- The Authority did not always comply with HUD's requirements and its own administrative plan regarding the administration of its Section 8 program (see finding 1).

Appendixes

Appendix A

Schedule of Questioned Costs

Recommendation number	Ineligible 1/	Unsupported 2/
1A		\$34,414
1B	\$15,151	
Totals	\$15,151	\$34,414


- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.
- 2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.

Appendix B

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments



DHA
Durham Housing Authority

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P.O. Box 1726
Durham, NC 27701
(919) 683-1551
FAX: (919) 683-1237
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durhamhousingauthority.org
A Commitment to Quality Living

September 10, 2015

Ms. Nikita N. Irons
Regional Inspector General for Audit
U. S. Department of Housing and Urban Development
Office of Inspector General
Office of Audit (Region IV)
75 Spring Street SW., Room 330
Atlanta, GA 30303

RE: OIG draft audit report titled, "The Housing Authority of the City of Durham, NC, Did Not Always Comply With HUD's and Its Own Section 8 Housing Choice Voucher Program Requirements."

Dear Ms. Irons:

The Housing Authority of the City of Durham ("DHA") reviewed the above referenced draft audit report and appreciates this opportunity to submit its comments and corrective actions to address the finding listed. DHA has taken action throughout the audit period to implement additional internal controls to ensure that Authority staff follows both the U.S. Department of Housing and Urban Development ("HUD") and the Authority's program requirements in the future.

The Authority exists to provide decent, safe, and sanitary housing for low-income families of Durham in accordance with the rules and regulations prescribed by HUD and other federal agencies. The primary source of external funding for the Authority is supplied by HUD, which provides funding for a variety of programs including the Housing Choice Voucher Program ("HCV").

As you are aware, HUD provides housing authorities with an annual budget for Housing Assistance Payments ("HAP") and for HCV administrative fees. HAP funding is pass-through funding intended for landlords. The funds pass through the Authority, which is responsible for administering the program at the local level, before payment to landlords. The Authority is required to account for any excess funds separately as they may only be used to fund HAP payments to landlords should a deficit exist in the funding provided by HUD. In 2014, HUD restored funding for the program after prorating the amounts available to only 94% of eligibility during 2013. HCV administrative fees are paid by HUD to the Authority to provide funding for the administrative costs to operate the program. During 2014, HUD set funding at approximately 79% of the amount the funding formula indicates is necessary for efficient and effective operation of the program. As a result, DHA decreased staffing for its program by 38 percent. The continued low funding levels have a negative impact on the ability of the Authority to

Comment 1

**Ref to OIG
Evaluation**

Auditee Comments

Comment 2

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Ms. Nikita Irons
September 10, 2015

operate this program in compliance with HUD regulations and a variety of other requirements as well as customer and participant expectations. In short, these are difficult times.

During the survey and on-site review, HUD staff relied in part on computer-processed data contained in the Authority's systems to achieve its audit objective. It should be duly noted, during this time, DHA was engaged in the transition stage of migrating to an updated version of its proprietary software used for operations and reporting purposes. As such, DHA discovered a number of data discrepancies requiring corrective action, which it reported to its vendor.

DHA is acting upon the recommendations provided by your agency and making additional changes to its operating procedures to ensure required compliance.

Respectfully,



Dallas J. Parks
Chief Executive Officer

Enclosure: Comments and Response

**Ref to OIG
Evaluation**

Auditee Comments

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF THE INSPECTOR GENERAL**

COMMENTS AND RESPONSES

Date: September 10, 2015
Response to OIG Review Report Dated: August 28, 2015
PHA Name: HOUSING AUTHORITY OF THE CITY OF DURHAM

FINDING: #1

Finding No 1: The Authority Did Not Always Comply With Program Requirements.

The Authority did not always comply with HUD's requirements and its own administrative policies and procedures when administering its Section 8 Housing Choice Voucher program. In addition, some of the allegations in the citizen complaint were valid. Specifically, the Authority did not always (1) maintain required eligibility documentation, (2) correctly calculate and process housing assistance payments, (3) void a housing assistance payments contract as required, (4) perform reexaminations and housing quality standards inspections in a timely manner, (5) properly administer zero-income program households, and (6) limit annual rent increases as required. These conditions occurred because Authority's staff failed to always follow HUD's and the Authority's requirements for administering the program.

SURVEY COMMENT # 1

The Authority Lacked Documentation To Support Households' Eligibility.

PHA Strategies To Address Survey Comment # 1:	Goal Date	Completed Date
To the extent practicable, staff in the HCV Program have attempted to implement additional quality control checks and to identify problems to determine whether systemic issues exist or whether staff may need additional training. Due to the underfunding of the administrative fee, the Authority has achieved only minor progress in these areas, though work to implement improvements continues. DHA proposes substantial changes to its administrative plan to address deficiencies in determining eligibility. The changes proposed support the Authority's challenge to lessen the burden of document collection and streamline operations.	9/23/2015	

Comment 2

**Ref to OIG
Evaluation**

Auditee Comments

Comment 2

Comment 2

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT OFFICE OF THE INSPECTOR GENERAL		
COMMENTS AND RESPONSES		
<u>SURVEY COMMENT # 2</u>		
Housing Assistance Payments Were Not Always Calculated Correctly.		
PHA Strategies To Address Survey Comment # 2:	Goal Date	Completed Date
DHA concurs with the survey assessment. DHA is in the planning stage of revising its internal control structure for the HCV program to better ensure the payments remitted are properly calculated. DHA management has planned monthly training exercises for its HCV employees to strengthen the core competencies of the existing staff. DHA held the first training session in the series on August 31, 2015.	6/30/2016	
<u>SURVEY COMMENT # 3</u>		
Payments Were Made on an Overdue Contract.		
PHA Strategies To Address Survey Comment # 3:	Goal Date	Completed Date
DHA admits executing the HAP contract exception captured during the survey outside of the 60-day window. The Authority will revise its processes to ensure staff is following HUD regulations and its policy regarding HAP contract execution within 60 days of the effective date of the lease agreement and related statutory requirements. DHA has staff training planned on October 30, 2015 to review the HAP contract and activities related to its execution.	10/30/2015	

**Ref to OIG
Evaluation**

Auditee Comments

Comment 2

Comment 2

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT OFFICE OF THE INSPECTOR GENERAL		
COMMENTS AND RESPONSES		
<u>SURVEY COMMENT # 4</u>		
Interim Re-certifications and Annual Unit Inspections Were Late.		
PHA Strategies To Address Survey Comment # 4:	Goal Date	Completed Date
DHA concurs with the survey assessment. Consistent with Comment # 2, DHA plans to revise its internal control structure to better monitor interim and annual activities.	6/30/2016	
<u>SURVEY COMMENT # 5</u>		
Zero-Income Households Were Not Administered Properly.		
PHA Strategies To Address Survey Comment # 5:	Goal Date	Completed Date
DHA concurs with the survey assessment. DHA policy requires families who report nominal income to attend a quarterly interview. The updates are scheduled on the last Wednesday of January, April, July and October. Due to staff turnover the interviews did not occur as expected. In addition, after reviewing the file sample test exceptions, staff did not always collect all of the required documentation. DHA management reassigned this duty to the Recertification Supervisor, who is responsible for overseeing this quarterly activity.	10/28/2015	

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF THE INSPECTOR GENERAL

COMMENTS AND RESPONSES

SURVEY COMMENT # 6

Excessive Rent Increases Were Approved.

PHA Strategies To Address Survey Comment # 6:	Goal Date	Completed Date
DHA approved rent increases for a property outside of the threshold limit included in its Administrative Plan. Due to staff turnover, DHA did not always process rent increases for the property cited in the survey in a timely manner. As such, the owner requested an increase to re-align the rents. As noted, DHA discovered a huge disparity between rent charged at the complex for comparable, unassisted units with similar amenities and facilities. DHA proposes changes to its policy that do not place a restriction on rent increases proposed by multi-family properties consisting of 4 or more dwelling units, when the proposed increased is determined rent reasonable.	9/23/2015	

Comment 3

SURVEY COMMENT # 7

An Additional Deficiency Was Noted During the Review.

PHA Strategies To Address Survey Comment # 7:	Goal Date	Completed Date
DHA does not concur with the assessment of an additional deficiency in this circumstance. DHA complies with HUD Notice 2010-19 by downloading and retrieving PIC reports monthly. DHA added the recommended language in its 2015-2016 draft annual plan and administrative plan proposed revisions, scheduled for adoption October 1, 2015. DHA plans to include the update in its HCV procedures which are currently in the draft stage. PHAs are required to monitor certain EIV reports on a monthly and others on a quarterly basis to ensure awareness of potential subsidy payment errors. The notice does not require the PHA to revise its policy. PHAs are directed to adhere to the changes discussed in the notice.	9/23/2015	

Comment 4

OIG Evaluation of Auditee Comments

- Comment 1 The Authority attributed its failure to comply with HUD's and its own requirements to HUD's funding of its program administrative fees at less than 100 percent. While HUD may not have fully funded the program administrative fees, the Authority was not excused from its responsibility to administer its program in compliance with HUD's and its own program requirements. Further, HUD recognized the issue caused by reduced funding and provided alternate means to facilitate housing authorities' ability to continue, without interruption and with minimal burden, the delivery of rental assistance to eligible families in their communities. Specifically, Public and Indian Housing Notices 2013-03, 2013-26, and 2015-04 detail the administrative assistance provided by HUD. We commend the Authority for acting upon the recommendations included in this report and encourage it to consider initiating the administrative processes provided by HUD to offset the cost burden associated with continued program compliance.
- Comment 2 We commend the Authority for its proposed actions to address the findings cited in this report. The Authority should work with HUD to ensure that the revisions and updates to its administrative plan and policies and procedures are appropriate and the new policies are fully implemented.
- Comment 3 The Authority proposed to change its policy to not place a restriction on rent increases when the increases are determined to be rent reasonable. According to HUD's requirements, the Authority must administer the program in accordance with its administrative plan.¹⁸ Therefore, it must determine the amount of any overpayment in housing assistance for the approval of rent increases contrary to its own requirements while the restriction existed in its requirements as noted in recommendation 1C of this report.
- Comment 4 Although the Authority asserted that it did not have to update its policy, it stated that it will update its 2015-2016 annual and administrative plan to be effective October 1, 2015, which will include requirements for downloading and retrieving the required data from HUD's Enterprise Income Verification system. We commend the Authority for implementing the update to its administrative plan. The Authority should work with HUD to ensure that the updated plan is appropriate and the new policies are fully implemented.

¹⁸ 24 CFR 982.54(a)-(b)