Housing Authority of the City of South Bend,

South Bend, IN

Section 8 Housing Choice Voucher Program

Office of Audit, Region 5
Chicago, IL

Audit Report Number: 2015-CH-1008
September 25, 2015

To: Patricia S. Tyus, Program Center Coordinator, 5HPH

//signed//

From: Kelly Anderson, Regional Inspector General for Audit, Chicago Region, 5AGA

Subject: The Housing Authority of the City of South Bend, IN, Did Not Always Comply with HUD Requirements and Its Own Policies Regarding the Administration of Its Section 8 Housing Choice Voucher Program

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 South Bend, IN'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 312-353-7832.

Audit Report Number: 2015-CH-1008
Date: September 25, 2015

The Housing Authority of the City of South Bend, IN, Did Not Always Comply with HUD Requirements and Its Own Policies Regarding the Administration of Its Section 8 Housing Choice Voucher Program

Highlights

What We Audited and Why

We audited the Housing Authority of the City of South Bend, IN's Section 8 Housing Choice Voucher program based on our analysis of risk factors related to the public housing agencies in Region 5's jurisdiction[1] and the activities included in our fiscal year 2015 annual audit plan. Our audit objectives were to determine whether the Authority (1) correctly calculated and paid housing assistance and utility allowances, (2) obtained and maintained eligibility documentation required to support the admission and continued occupancy of its program households, and (3) appropriately managed its Family Self-Sufficiency program.

What We Found

The Authority did not always comply with HUD's requirements and its own administrative plan regarding its program household files. Specifically, it did not (1) correctly calculate and process housing assistance payments and (2) obtain and maintain required eligibility documentation. As a result of these weaknesses, HUD lacked assurance that the Authority used its program funds appropriately. If the Authority does not correct its certification process, it could overpay $753,728 and underpay $67,153 in housing assistance over the next year.

The Authority also failed to appropriately manage its Family Self-Sufficiency program. Specifically, it did not ensure that (1) participants were connected to needed supportive services, (2) services included in participants' contracts of participation were provided, and (3) participants' escrow accounts were properly maintained. As a result of these weaknesses, the Authority inappropriately received Family Self-Sufficiency program coordinator grant funds.

What We Recommend

We recommend that HUD require the Authority to (1) reimburse its program nearly $80,000 from non-Federal funds for the ineligible housing assistance and utility allowance payments, (2) support or reimburse its program more than $411,000 from non-Federal funds for the unsupported payments, (3) reimburse HUD more than $24,000 for the unearned Family Self-Sufficiency grant funds, and (4) implement adequate controls to address the findings cited in this audit report.

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[1] Region 5 includes the States of Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin.

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Background and Objective

The Housing Authority of the City of South Bend was established under the laws of the State of Indiana to provide decent, safe, and sanitary housing. The Authority is governed by a five-member board of commissioners appointed by the mayor of South Bend. The board's responsibilities include performing the duties and functions as required by the Authority or the by-laws or rules and regulations of the Authority. According to the by-laws, a director must be employed to have general supervision over the administration of the business and affairs of the Authority and management of the housing projects of the Authority.

The Authority administers the Section 8 Housing Choice Voucher program funded by the U.S. Department of Housing and Urban Development (HUD). The program provides assistance to low- and moderate-income individuals seeking decent, safe, and sanitary housing by subsidizing rents with owners of existing private housing. As of February 2015, the Authority had 2,124 vouchers and in fiscal year 2014 it received more than $10 million in program funds.

The Family Self-Sufficiency program promotes the development of local strategies to coordinate public and private resources to help Housing Choice Voucher program participants and public housing tenants obtain employment that will enable participating families to achieve economic independence. The Family Self-Sufficiency program is administered by public housing agencies with the help of program coordinating committees. The program coordinating committees usually consist of representatives of local government, employment and job training agencies, welfare agencies, nonprofit providers, local businesses, and assisted families. The major components of the program include a contract of participation between the public housing agency and the family, an individual training and services plan for each participating family member, and an interest-bearing escrow account.

The program establishes an escrow account for each family that is funded by the Housing Choice Voucher program's housing assistance payments. The family's annual income, earned income, and family rent at the beginning of the program are used to determine the amount credited to the escrow account based on increases in earned income. The full amount of the escrow account not owed to the public housing agency becomes available to the family when it has fulfilled its obligations under the contract and certified that no family member currently receives welfare assistance.

Our audit objectives were to determine whether the Authority (1) correctly calculated and paid housing assistance and utility allowances, (2) obtained and maintained required eligibility documentation to support the admission and continued occupancy of its program households, and (3) appropriately managed its Family Self-Sufficiency program.

Results of Audit

Finding 1: The Authority Did Not Always Comply with HUD's and Its Own Requirements for Section 8 Program Household Files

The Authority did not always comply with HUD's requirements and its own administrative plan regarding the administration of its program household files. Specifically, it did not (1) correctly calculate and process housing assistance payments, and (2) maintain required documentation to determine household eligibility. The weaknesses occurred because the Authority lacked a sufficient understanding of HUD's and its own requirements and failed to implement an adequate quality control process. As a result, it overpaid more than $81,000 and underpaid more than $6,300 in housing assistance. In addition, the Authority was unable to support nearly $400,000 in housing assistance. Based on our statistical sample, we estimate that over the next year, the Authority will overpay nearly $754,000 and underpay more than $67,000 in housing assistance.

The Authority Miscalculated Housing Assistance Payments

We reviewed 90 statistically selected[2] certifications for 88[3] of the Authority's program household files to determine whether the Authority correctly calculated housing assistance payments for the period February 2013 through January 2015. Our review was limited to the information maintained by the Authority in its household files.

The Authority overpaid more than $45,000 in housing assistance due to calculation errors.

For the 90 certifications, 69 (77 percent) had incorrectly calculated housing assistance. The 69 certifications contained 1 or more of the following deficiencies:

- 52 had incorrect payment standards,
- 42 had incorrect utility allowances,
- 21 had incorrect income calculations, and
- 10 had incorrect allowances.

[2] Our methodology for the statistical sample is explained in the Scope and Methodology section of this audit report.
[3] The 90 monthly housing assistance payments were form the 90 household certifications, which represent 88 households.

In addition, of the 90 certifications reviewed, 8 contained errors that had no impact on the housing assistance calculations. The errors included incorrect utility allowances, payment standards, and income calculations.

The Authority did not properly use program funds when it failed to correctly calculate housing assistance payments for the 69 certifications in accordance with HUD's requirements and its administrative plan. The errors resulted in $45,093 in overpayments and $4,292 in underpayments of housing assistance. In addition, the Authority had unsupported calculations, which resulted in $2,418 in unsupported payments of housing assistance.

Because the housing assistance was incorrectly calculated, the Authority improperly received $18,370 in administrative fees. If the Authority does not correct its certification process, it could overpay $753,728 and underpay $67,153 in housing assistance over the next year.[4]

The Authority could overpay more than $753,000 and underpay more than $67,000 over the next year.

Additionally, 12 of the 88 household files contained third-party verifications or Enterprise Income Verification reports showing that the households had unreported income. However, the Authority failed to issue repayment agreements for the overpaid subsidies. As a result, the households' housing assistance was overpaid by $16,648.

Further, for the 90 certifications maintained for the 88 households, we compared the housing assistance and utility allowance payments from the Authority's housing assistance payment register to the amounts calculated on the households' annual and interim certifications. The Authority disbursed housing assistance and utility allowance payments that did not agree with 1 or more of the certifications and related housing assistance payments contracts for 6 of the 88 households. As a result, it overpaid housing assistance by $2,900 and utility allowances by $605 for four households and underpaid utility allowances by $550 for three households.

The Authority Did Not Provide Appropriate Voucher Sizes

For the 90 certifications reviewed, the Authority issued inappropriate voucher sizes, which resulted in the use of incorrect payment standards for 35 certifications. We reviewed an additional 11 household files to determine whether the Authority provided the appropriate voucher sizes in accordance with HUD's and its own requirements. Based on the review, the Authority did not always provide the appropriate voucher sizes. Of the 11 additional files reviewed, 8 (73 percent) households received vouchers for units with more bedrooms than the maximum allowed based on the Authority's administrative plan.[5] Because the households received inappropriate voucher sizes, the Authority used the incorrect payment standards to calculate housing assistance payments. As a result of using the incorrect payment standards,

[4] Our methodology for this estimate is explained in the Scope and Methodology section of this audit report.
[5] Chapter 5, section 5-II.B, of the Authority's administrative plan.

housing assistance was overpaid by $15,816 for eight households, and underpaid by $1,488 for one household.

The Authority Lacked Documentation to Support Households' Eligibility

We reviewed 88 of the Authority's household files to determine whether it maintained the required documentation[6] to support the households' eligibility for the program. Of the 88 household files reviewed, 82 (93 percent) were missing 1 or more documents needed to determine household eligibility. The 82 household files were missing the following eligibility documentation:

- 72 were missing copies of the original household applications,
- 54 were missing a rent reasonableness determination,
- 49 were missing support showing that one or more criminal background checks were performed,
- 39 were missing one or more citizenship declaration forms,
- 21 were missing lead-based paint certifications,
- 19 were missing executed leases,
- 19 were missing requests for tenancy approval,
- 18 were missing proof of landlord ownership of the assisted units,
- 17 were missing housing assistance payments contracts,
- 12 were missing full support for 1 or more household members, and
- 6 were missing verification of 1 or more Social Security numbers.

In addition, the Authority executed eight housing assistance payments contracts more than 60 days from the date the lease was executed.[7] Further, it allowed one household to move into a unit that was not affordable.[8] Because the household was allowed to move into an unaffordable unit, it made payments toward rent totaling $2,286 in excess of 40 percent of its adjusted monthly income. The Authority was also unable to provide move-in certifications for 15 households to determine whether the units were affordable.

During the audit, the Authority was able to provide copies of unsupported eligibility documentation. However, 76 of the 82 household files were still missing 1 or more required eligibility documents as of September 10, 2015. For each household file reviewed, the table below shows the number of documents originally unsupported, documents provided during the audit, and documents that remained unsupported.

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[6] See appendix C for criteria.
[7] Regulations at 24 CFR (Code of Federal Regulations) 982.305(c)(4) state that any housing assistance payments contract that is executed after 60 calendar days from the beginning of the lease term is voice and no payments may be paid to the owner.
[8] Regulations at 24 CFR 982.508 state that at the time the Authority approves initial occupancy of a dwelling unit, the family share must not exceed 40 percent of the family's adjusted monthly income.

Document	Originally unsupported	Provided during audit	Remaining unsupported
Original applications	72	-	72
Rent reasonableness determinations	54	25	29
Criminal background checks	67	66	1
Citizenship declaration forms	69	37	32
Lead-based paint certifications	21	5	16
Executed leases	19	3	16
Requests for tenancy approval	19	1	18
Proof of landlord ownership	18	9	9
Housing assistance payments contracts	17	3	14
Full support for household members	17	-	17
Verification of Social Security number	10	2	8
Totals	**383**	**151**	**232**

Because 76 household files were missing required eligibility documentation, HUD and the Authority lacked assurance that the households were eligible for the program. As a result, $395,299 in housing assistance was unsupported. In addition, because there was no support to show that the Authority ensured that the household members were eligible for the program in accordance with HUD's requirements, $13,665 in administrative fees received by the Authority was unsupported.

The Authority Lacked an Understanding of HUD's and Its Own Requirements

The Authority lacked a sufficient understanding of HUD's and its own requirements. For example, of the 90 household files reviewed, 52 (57.7 percent) had payment standard errors. Of the 52 errors, 35 occurred because the Authority did not issue the correct voucher size for the households in accordance with its administrative plan. The remaining 17 (52-35) payment standard errors occurred because the Authority reduced the payment standard on the first annual recertification; however, HUD's regulations[9] state that payment standard reductions should occur at the second annual recertification.

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[9] 24 CFR 982.505(c)(3)

The Authority also failed to implement an adequate quality control process. The program directors did not perform quality control reviews to ensure that (1) housing assistance payments were correctly calculated and paid and (2) required eligibility documentation was obtained and maintained. Further, the Authority inappropriately purged documents for households that still participated in its program.

Conclusion

The weaknesses described above occurred because the Authority lacked a sufficient understanding of HUD's and its own requirements. It also failed to implement an adequate quality control process. As a result, the Authority overpaid $81,062 ($45,093 + $16,648 + $15,816 + $2,900 + $605) and underpaid $6,330 ($4,292 + $1,488 + $550) in housing assistance and utility allowances. In addition, the Authority had unsupported payments of $397,717 ($395,299 + $2,418) due to unsupported housing assistance calculations and missing eligibility documentation. Further, the household that the Authority allowed to move into a unit that was not affordable made payments toward rent totaling $2,286 in excess of 40 percent of its adjusted monthly income.

In accordance with 24 CFR (Code of Federal Regulations) 982.152(d), HUD is permitted to reduce or offset any program administrative fees paid to a public housing agency if it fails to perform its administrative responsibilities correctly or adequately under the program. The Authority received $32,035 ($18,370 + $13,665) in program administrative fees related to the inappropriate and unsupported housing assistance payments for the 69 program households with incorrectly calculated housing assistance and 76 program households with missing eligibility documentation.

If the Authority does not correct its certification process,[10] it could overpay $753,728 and underpay $67,153 in housing assistance over the next year.[11] These funds could be put to better use if proper procedures and controls are put into place to ensure the accuracy of housing assistance payments.

Recommendations

We recommend that the program center coordinator of HUD's Indianapolis Office of Public Housing require the Authority to

1A. Reimburse its program $79,884 from non-Federal funds ($45,093 in housing assistance overpayments + $15,816 due to inappropriate voucher size + $605 in overpaid utility allowances + $18,370 in associated administrative fees) for the inappropriate payments cited in this finding.

1B. Reimburse the appropriate households $6,330 ($4,292 in housing assistance underpayments + $1,488 due to inappropriate voucher size + $550 in utility

[10] The certification process is completed at least annually and includes (1) the Authority's review of household provided information, (2) the housing assistance payments calculations, and (3) required eligibility documentation.
[11] Our methodology for this estimate is explained in the Scope and Methodology section of this audit report.

allowance underpayments) from program funds for the inappropriate underpayments cited in this finding.

1C. Implement procedures and controls to ensure that (1) housing assistance payments are correctly calculated and paid and (2) required eligibility documentation is obtained and maintained to ensure that $820,881 ($753,728 in overpayments + $67,153 in underpayments) in program funds is appropriately used for future payments.

1D. Reimburse the appropriate household $2,286 from non-Federal funds for the rent amounts paid in excess of 40 percent of its adjusted monthly income for the unit that was not affordable.

1E. Pursue collection from the applicable households or reimburse its program $16,648 from non-Federal funds for the overpayment of housing assistance due to unreported income.

1F. Review the 15 remaining household files, cited in this finding, to ensure that additional households do not reside in units that are not affordable.

1G. Renegotiate the rents to the owners or require the households to move to units that are affordable, for the households residing in units that are not affordable.

1H. Pursue collection from the applicable landlords or reimburse its program $2,900 from non-Federal funds for the overpayment of housing assistance due to discrepancies in the housing assistance payment register.

1I. Support or reimburse its program $411,382 from non-Federal funds ($395,299 + $2,418 in housing assistance payments + $13,665 in associated administrative fees for the missing eligibility documentation) for the missing eligibility documentation and unsupported housing assistance payments.

1J. Develop and implement adequate quality control procedures to ensure that it (1) correctly calculates and pays housing assistance and (2) obtains and maintains the required eligibility documentation.

1K. Conduct special recertifications for the 43 (35+8) households with vouchers that do not comply with the Authority’s administrative plan and issue the appropriate voucher size.

1L. Review the remaining program household files, determine whether the appropriate voucher sizes were provided, conduct special recertifications for the households with vouchers that do not comply with the Authority’s administrative plan, and issue the appropriate voucher sizes.

Finding 2: The Authority Failed To Appropriately Manage Its Family Self-Sufficiency Program

The Authority failed to appropriately manage its Family Self-Sufficiency program. Specifically, it did not ensure that (1) program participants were connected to needed supportive services, (2) services included in the participants' contracts of participation were provided, (3) and participants' escrow accounts were properly maintained. The weaknesses occurred because the Authority lacked adequate procedures and controls to ensure that it provided supportive services and maintained participant's escrow accounts. As a result, the Authority inappropriately received more than $24,000 in Family Self-Sufficiency grant funds.

The Authority Inappropriately Received Family Self-Sufficiency Grant Funds

HUD's Family Self-Sufficiency program grant was provided to the Authority to fund the salary and fringe benefits of its program coordinator. According to HUD's 2014 Notice of Funding Availability, a program coordinator must (1) work with the program coordinating committee and local service providers to ensure that program participants are linked to the supportive services needed to achieve self-sufficiency; (2) ensure that the services included in the participants' contracts of participation are provided, participants fulfill their responsibilities under the contracts, and escrow accounts are established and properly maintained; and (3) monitor the progress of participants and evaluate the overall success of the program. The Authority's program coordinator was also responsible for completing annual and interim reexaminations for program participants as required under the Housing Choice Voucher program.

In April 2014, the Authority's fulltime Family Self-Sufficiency coordinator left the Authority and the position was not backfilled. However, the Authority continued to receive more than $24,000 in grant funds from HUD between May and December 2014 to pay the salary and fringe benefits of a program coordinator. The Authority reassigned the responsibility of completing the annual and interim reexaminations for its program participants to its housing specialists; however, it did not assign the other responsibilities of the program coordinator such as supportive services, escrow calculations, etc. As of January 2015, the Authority had 32 program participants, and it no longer received program coordinator grant funds.

The Authority Failed To Maintain a Program Coordinator

The weaknesses described above occurred because the Authority lacked adequate procedures and controls to ensure that it provided supportive services and maintained participant's escrow accounts. The Authority failed to maintain a program coordinator to manage its program or reassign the program responsibilities to other staff. According to the Authority's acting co-housing choice voucher director, the Authority could not afford to replace the coordinator. However, it received more than $24,000 to pay the salary and fringe benefits of a program coordinator.

In April 2015, the Authority started to recalculate the escrow balances for all of the program households. In addition, it assigned an employee to perform the program activities part time. According to the Authority's acting program directors, as of July 2015, the part-time family self-sufficiency coordinator had issued introduction letters to the participants and planned to meet with each participant to review his or her goals and escrow balances.

Conclusion

The Authority lacked adequate procedures and controls to ensure that it hat it provided supportive services and maintained participant's escrow accounts. Additionally, it failed to maintain a program coordinator to manage its program or reassign the program responsibilities to other staff. As a result, the Authority inappropriately received $24,088 in Family Self-Sufficiency grant funds from May through December 2014.

Recommendations

We recommend that the program center coordinator of HUD's Indianapolis Office of Public Housing require the Authority to

2A. Reimburse HUD $24,088 from non-Federal funds for the Family Self-Sufficiency grant funds inappropriately received.

2B. Implement adequate procedures and controls to ensure that (1) program participants are connected to needed supportive services, (2) services included in the participants' contracts of participation are provided, (3) and participants' escrow accounts are properly maintained.

Scope and Methodology

We performed our onsite audit work between February and July 2015 at the Authority's main office located at 501 Alonzo Watson Drive, South Bend, IN. The audit covered the period January 1, 2013, through January 31, 2015, but was expanded as determined necessary.

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, board meeting minutes for January 2013 through January 2015, organizational chart, payment standards, and housing assistance payments register.
- HUD's files for the Authority.

Finding 1

We statistically selected a stratified random sample of 90 monthly housing assistance payments[12] from the Authority's 44,470 monthly disbursements to landlords from February 2013 through January 2015 (24 months). Based on the 90 randomly selected housing assistance payments from the audit universe of 44,470 housing assistance payments, we found that the overpayment per household was an average of $46.[13] Therefore, projecting this amount to the audit universe of 44,470 housing assistance payments, the overpayments totaled more than $2 million. Deducting for statistical variance to accommodate the uncertainties inherent in statistical sampling, we can state, with a confidence interval of 95 percent, that at least $1.5 million in housing assistance in the universe was overpaid. Over the next year, this is equivalent to an additional overpayment of $753,728 ($1,507,457 x 12 months / 24 months) in housing assistance.

In addition, based on the 90 randomly selected housing assistance payments, we found that the underpayment per household was an average of $6.[14] Therefore, projecting this amount to the audit universe of 44,470 housing assistance payments, the underpayments totaled nearly $260,000. Deducting for statistical variance to accommodate the uncertainties inherent in statistical sampling, we can state, with a confidence interval of 95 percent, that at least $134,306

[12] The 90 monthly housing assistance payments were from the 90 household certifications, which represent 88 households.
[13] This amount was rounded for reporting purposes.
[14] This amount was rounded for reporting purposes.

in housing assistance in the universe was underpaid. Over the next year, this is equivalent to an additional underpayment of $67,153 ($134,306 x 12 months / 24 months) in housing assistance.

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 data maintained by the Authority in its systems. Although we did not perform a detailed assessment of the reliability of the data, we performed a minimal level of testing and found the data to be adequately reliable for our purposes. We provided our review results and supporting schedules to the acting program center coordinator of HUD's Indianapolis Office of Public Housing and the Authority's acting executive director during the audit.

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 objectives.

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 objectives:

- 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 Deficiencies

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

- The Authority lacked a sufficient understanding of HUD's requirements and failed to implement an adequate quality control process to ensure that it complied with HUD's and its own requirements for managing its Section 8 program household files (see finding 1).
- The Authority lacked adequate procedures and controls to ensure that it provided supportive services and maintained household's escrow accounts appropriately (see finding 2).

Appendixes

Appendix A

Schedule of Questioned Costs and Funds To Be Put to Better Use

Recommendation number	Ineligible 1/	Unsupported 2/	Funds to be put to better use 3/
1A	$79,884		
1B			$6,330
1C			820,881
1D			2,286
1E	16,648		
1H	2,900		
1I		411,382	
2A	24,088		
Totals	**$123,520**	**$411,382**	**$829,497**

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.

3/ 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 (1) ensure that funds are available to provide assistance to eligible families and (2) stop incurring program costs for the overpayment and underpayment of housing assistance and, instead, will spend those funds in accordance with HUD requirements and the Authority's program administrative plan. Once the Authority improves its controls, this will be a recurring benefit. Our estimate reflects only the initial year of this benefit.

Appendix B

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation	Auditee Comments

HOUSING AUTHORITY of SOUTH BEND

Together Building Solid Foundations

September 10, 2015

Kelly Anderson
Regional Inspector General For Audit, Region 5
77 West Jackson BLVD, #2201
Chicago, IL 60604

Dear Ms. Anderson:

In response to your letter dated August 31, 2015, we submit the following.

Finding 1: The Authority Did Not Always Comply with HUD's and Its Own Requirements for Section 8 Program Household Files:

HASB RESPONSE to Finding 1:
The HASB agrees with Finding 1.

Comment 1

HASB RESPONSE to Recommendation 1A:
The HASB agrees with this Recommendation; however, we do not agree with the amount owed, until a new dollar amount is determined by the supporting documentation. See Exhibit A (5 pages).

HASB RESPONSE to Recommendation 1B:
The HASB agrees with this Recommendation.

HASB RESPONSE to Recommendation 1C:
The HASB agrees with this Recommendation.

HASB RESPONSE to Recommendation 1D:
The HASB agrees with this Recommendation.

HASB RESPONSE to Recommendation 1E:
The HASB agrees with this Recommendation.

HASB RESPONSE to Recommendation 1F:
The HASB agrees with this Recommendation.

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Kelly Anderson September 10, 2015

HASB RESPONSE to Recommendation 1G:
The HASB agrees with this Recommendation.

HASB RESPONSE to Recommendation 1H:
The HASB agrees with this Recommendation.

Comment 2

HASB RESPONSE to Recommendation 1I:
The HASB does not agree with this Recommendation. See the supporting documentation. Exhibit B.

HASB RESPONSE to Recommendation 1J:
The HASB agrees with this Recommendation.

HASB RESPONSE to Recommendation 1K:
The HASB agrees with this Recommendation.

HASB RESPONSE to Recommendation 1L:
The HASB agrees with this Recommendation.

Finding 2: The Authority Failed To Appropriately Manage Its Family Self-Sufficiency Program:

HASB RESPONSE to Finding 2:
The HASB agrees with Finding 2.

Comment 3

HASB RESPONSE to Recommendation 2A:
The HASB disagrees with the dollar amount of this Recommendation. The HASB has not billed for this position from February 2015 to the current date.

Comment 4

HASB RESPONSE to Recommendation 2B:
The HASB agrees with this Recommendation, and changes have been implemented.

Please let me know if you have any questions, or if any additional information is needed.

Sincerely,

Tonya D. Robinson
Interim Executive Director

Copy: Virginia Calvin, Chairman, Board of Commissioners

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OIG Evaluation of Auditee Comments

Comment 1 The Authority agreed with recommendation 1A; however, it disagreed with the amount cited in the report. The Authority provided documentation, as exhibit A, which it believed would reduce the amount included in the report. We evaluated the documentation and determined it was not sufficient. Specifically, the Authority provided a copy of its administrative plan, a letter from its consultant regarding the implementation of reduced payment standards, a schedule provided by the audit staff which identified the payment standard errors, and documentation from the acting co-housing choice voucher director stating that one household had a reasonable accommodation; however, we did not cite this household as an error. The acting co-housing choice voucher director also (1) acknowledged the error that was identified by the audit staff for one household and (2) provided an explanation for three households that substantiated that the Authority did not follow its administrative plan. Therefore, the documentation provided by the Authority was not sufficient, and no changes were made to the report.

Comment 2 The Authority did not agree with recommendation 1I; therefore, it provided 585 pages of support documentation. We reviewed the documentation and updated the report and reduced the unsupported costs from $416,499 to $395,299 and the associated administrative fees from $14,581 to $13,665 to reflect our acceptance of the provided documentation, as appropriate. We commend the Authority for providing the eligibility documentation that was not present in the household files. The Authority should work with HUD to ensure that the appropriate eligibility documentation is obtained and maintained in accordance with HUD's requirements.

Comment 3 The Authority did not agree with recommendation 2A. The Authority stated that it has not billed for a family self-sufficiency coordinator from February 2015 to current. The report addressed Family Self-Sufficiency grant funds that the Authority received from May through December 2014. It also mentioned that the Authority no longer received the grant funds.

Comment 4 The Authority agreed with recommendation 2B and stated that it had implemented changes. However, the Authority did not provide details of the changes. The Authority should continue to work with HUD to determine whether its changes are appropriate and fully address the issue(s) cited in the audit report.

Appendix C

Federal and Authority Requirements

Finding 1

Regulations at 24 CFR 5.210(a) state that applicants for and participants in covered HUD programs are required to disclose and submit documentation to verify their Social Security numbers.

Regulations at 24 CFR 5.240(c) state that the responsible entity must verify the accuracy of the income information received from the family and change the amount of the total tenant payment, tenant rent, or program housing assistance payment or terminate assistance, as appropriate, based on such information.

Regulations at 24 CFR 5.508(b)(1) state that for U.S. citizens or U.S. nationals, the evidence of citizenship or eligible immigration status consists of a signed declaration of U.S. citizenship or U.S. nationality. The responsible entity may request verification of the declaration by requiring presentation of a United States passport or other appropriate documentation.

Regulations at 24 CFR 5.855(a) state that a public housing agency may prohibit admission of a household to federally assisted housing under its standards if it determines that any household member is engaging in or has engaged in during a reasonable time before the admission decision (1) drug-related criminal activity; (2) violent criminal activity; (3) other criminal activity that would threaten the health, safety, or right to peaceful enjoyment of the premises by other residents; or (4) other criminal activity that would threaten the health or safety of the agency or owner or any employee.

Regulations at 24 CFR 5.856 state that standards must be established to prohibit admission to federally assisted housing if any member of the household is subject to a lifetime registration requirement under a State sex offender registration program. In the screening of applicants, necessary criminal history background checks must be performed in the State where the housing is located and in other States where the household members are known to have resided.

Regulations at 24 CFR 982.54(a) state that the public housing agency must adopt a written administrative plan that establishes local policies for the administration of the program in accordance with HUD requirements. (b) The administrative plan must be in accordance with HUD regulations and requirements. (c) The public housing agency must administer the program in accordance with the agency's administrative plan.

Regulations at 24 CFR 982.158(a) state that the public housing agency must maintain complete and accurate accounts and other records for the program in accordance with HUD requirements, in a manner that permits a speedy and effective audit.

Regulations at 24 CFR 982.158(e) state that during the term of each assisted lease and for at least 3 years thereafter, the agency must keep (1) a copy of the executed lease, (2) the housing assistance payments contract, and (3) the application from the family. Paragraph (f) states that the agency must keep the following records for at least 3 years: lead-based paint records and records to document the basis for the determination that the rent to the owner is a reasonable rent (initially and during the term of a housing assistance payments contract).

Regulations at 24 CFR 982.158(f) state that the public housing agency must keep the following records for at least 3 years: (1) records that provide income, racial, ethnic, gender, and disability status data on program applicants and participants; (2) an application from each ineligible family and notice that the applicant is not eligible; (3) HUD-required reports; (4) unit inspection reports; (5) lead-based paint records; (6) accounts and other records supporting public housing agency budget and financial statements for the program; (7) records to document the basis for the
Authority's determination that the rent to the owner is a reasonable rent (initially and during the term of the housing assistance payments contract); and (8) other records specified by HUD.

Regulations at 24 CFR 982.302(c) state that the family must submit to the agency a request for approval of the tenancy and a copy of the lease, including the HUD-prescribed tenancy addendum.

Regulations at 24 CFR 982.308(g)(2) state that if there are any changes in lease requirements governing tenant or owner responsibilities for utilities or appliances, tenant-based assistance must not be continued unless the agency has approved a new tenancy in accordance with program requirements and has executed a new housing assistance payments contract with the owner.

Regulations at 24 CFR 982.402(a)(1) state that the public housing agency must establish subsidy standards that determine the number of bedrooms needed for families of different sizes and compositions. (b)(1) The subsidy standards must provide for the smallest number of bedrooms needed to house a family without overcrowding. (3) The subsidy standards must be applied consistently for all families of like size and composition.

Regulations at 24 CFR 982.505(c)(3) state that if the amount on the payment standard schedule is decreased during the term of the housing assistance payments contract, the lower payment standard amount generally must be used to calculate the monthly housing assistance payment for the family beginning at the effective date of the family's second regular reexamination following the effective date of the decrease in the payment standard amount.

Regulations at 24 CFR 982.505(c)(5) state that regardless of any increase or decrease in the payment standard amount, if the family unit size increases or decreases during the housing assistance payments contract term, the new family unit size must be used to determine the payment standard amount for the family beginning at the family's first regular reexamination following the change in family unit size.

Regulations at 24 CFR 982.551(b)(3) state that the family must disclose and verify Social Security numbers and sign and submit consent forms for obtaining information.

Chapter 5, section 5-II.B, of the Authority's administrative plan states that one bedroom is assigned for each two persons within the household, except for live-in aides.

Chapter 7, section 7-II.C, of the Authority's administrative plan states that a birth certificate or other official record of birth is the preferred form of age verification for all family members.

Chapter 7, section 7-II.E, of the Authority's administrative plan states that the Authority requires families to provide information about the student status of all students who are 18 years of age or older.

Chapter 9, section 9-I.B, of the Authority's administrative plan states that the owner and the family must submit two documents to the Authority: a completed Request for Tenancy Approval (form HUD-52517) and a copy of the proposed lease, including the HUD-prescribed Tenancy Addendum (form HUD-52641-A).

Chapter 11, section 11-II.C, of the Authority's administrative plan states that families are required to report all increases in earned income, including new employment, within 10 business days of the date the change takes effect.

Chapter 13, section 13-I.D, of the Authority's administrative plan states that the Authority will enter into a contractual relationship only with the legal owner of a qualified unit. No tenancy will be approved without acceptable documentation of legal ownership.

Finding 2

Regulations at 24 CFR 984.103(b) state that supportive services means those appropriate services that a public housing agency will make available to a Family Self-Sufficiency participant and may include child care, transportation, education, employment, personal welfare, household skills and management, counseling, and other services.

Regulations at 24 CFR 984.104 state that a Family Self-Sufficiency program should be operated in conformity with (b) an action plan, and provide comprehensive supportive services.

Regulations at 24 CFR 984.305(a)(3) state that each public housing agency will be required to make a report, at least once annually, to each participant on the status of the participant's Family Self-Sufficiency account. At a minimum, the report will include (1) the balance at the beginning of the reporting period, (2) the amount of the family's rent payment that was credited to the Family Self-Sufficiency account during the reporting period, (3) any deductions made from the account for amounts due the public housing agency before interest is distributed, (4) the amount of interest earned on the account during the year, and (5) the total in the account at the end of the reporting period.