



# Housing Authority of Fort Worth Fort Worth, TX

## Housing Choice Voucher Program



**To:** Regenia Hawkins, Director, Office of Public Housing, 6APH

**From:** //signed//  
Tracey Carney, CPA  
Acting Regional Inspector General for Audit, Fort Worth Region, 6AGA

**Subject:** The Housing Authority of Fort Worth, Fort Worth, TX, Generally Complied With HUD Regulations When Administering Its Housing Choice Voucher Program and Financial Transactions

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 Fort Worth's Housing Choice Voucher program and financial transactions.

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 (817) 978-9309.



**Audit Report Number: 2016-FW-1002**

**Date: May 24, 2016**

**The Housing Authority of Fort Worth, Fort Worth, TX, Generally Complied With HUD Regulations When Administering Its Housing Choice Voucher Program and Financial Transactions**

## Highlights

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### What We Audited and Why

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In accordance with our audit plan to review public housing programs, we reviewed the Housing Authority of Fort Worth, TX. Our objectives were to determine whether the Authority (1) properly administered its U.S. Department of Housing and Urban Development (HUD) Housing Choice Voucher program and (2) properly used HUD funds and resources for a related entity, FW Hunter Plaza, LP.

### What We Found

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With minor exceptions, the Authority generally followed HUD's requirements and properly administered its voucher program. The minor deficiencies included (1) incorrect participant subsidy calculations, (2) incomplete records, and (3) a mistake in administering its waiting list. Generally, the Authority properly (1) documented and supported its determination of tenant eligibility and calculation of payments, (2) administered its waiting list, and (3) calculated and reported its net restricted assets. Further, the Authority generally ensured that its properties and units were in decent, safe, and sanitary condition. However, owners that accepted voucher participants did not adequately maintain two properties, and one tenant did not follow housekeeping requirements for her unit. These conditions occurred because the Authority did not keep proper records or follow its own policies and procedures and owners and tenants did not meet requirements. These deficiencies resulted in ineligible costs of \$651 and unsupported costs of \$156 and allowing some tenants to live in substandard condition.

Based upon what was reviewed, the Authority properly used HUD funds and resources for a related entity, FW Hunter Plaza, LP, including funds in its interfund transactions.

### What We Recommend

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We recommend that the Director, Office of Public Housing, Fort Worth, TX, require the Authority to support or repay its voucher program \$807 from non-Federal funds for overpayments on behalf of program participants.

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# Background and Objectives

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The Housing Authority of Fort Worth, TX, is a public entity created by the City of Fort Worth in 1938 in accordance with State law. A board of commissioners, composed of five members chosen by the mayor of Fort Worth, governs the Authority. The board selects a president and chief executive officer to direct the activities of the Authority. The U.S. Department of Housing and Urban Development (HUD) funds and oversees the expenditures of the Authority's HUD-funded programs. The main goal of the Authority is to provide fair, acceptable, quality, affordable, and accessible housing that mixes low- and moderate-income individuals and families with the greater community. Another goal is to create financial opportunities for these individuals and families to become self-sufficient.

The Authority managed 5,443 housing choice vouchers. HUD's Housing Choice Voucher program helps low-income participants afford decent, safe, and sanitary housing in the private market. The Authority directly pays landlords and owners on behalf of participants. Table 1 shows the Authority's voucher funding during the scope period.

**Table 1: Housing Choice Voucher funding**

Year	Authorized	Disbursed
2014	\$33,048,768	\$31,048,186
2015	27,555,391	24,078,698
<b>Totals</b>	<b>\$60,604,159</b>	<b>\$55,126,884</b>

In addition to managing the voucher program, the Authority had 45 related entities and properties that it reported on its financial statements. In September 2014, the Authority converted its Hunter Plaza Apartments property to HUD's Rental Assistance Demonstration program and formed a new related entity, FW Hunter Plaza, LP.<sup>1</sup> The Authority completed the rehabilitation and conversion in February 2016.

Our objectives were to determine whether the Authority (1) properly managed its voucher program and (2) properly used HUD funds and resources for a related entity, FW Hunter Plaza, LP.

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<sup>1</sup> The Rental Assistance Demonstration program allows public housing agencies to convert properties funded under the public housing program to long-term project-based rental assistance contracts to preserve and improve these properties, through access to private debt and equity, to address immediate and long-term capital needs.

# Results of Audit

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## **Finding: The Authority Generally Complied With Housing Choice Voucher Program Requirements**

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With minor exceptions, the Authority generally followed HUD's requirements and properly administered its voucher program. The minor deficiencies included (1) incorrect participant subsidy calculations, (2) incomplete records, and (3) an error in maintaining its waiting list. Usually, it properly (1) documented and supported its determination of tenant eligibility and calculation of payments, (2) administered its waiting list, and (3) calculated and reported its net restricted assets. Further, the Authority generally ensured that its properties and units were in decent, safe, and sanitary condition. However, owners did not adequately maintain two properties, and one tenant did not follow housekeeping requirements for her unit.<sup>2</sup> These conditions occurred because the Authority did not keep proper records or follow its own policies and procedures and owners and tenants did not fulfill their requirements. These deficiencies resulted in ineligible costs of \$651 and unsupported costs of \$156 and allowing some tenants to live in substandard conditions.

### **The Authority's Voucher Program Tenant Files Were Generally Compliant**

Generally, the Authority's voucher tenant files complied with requirements and its administrative plan. The Authority's files supported the tenant's eligibility and calculation of payments with minor exceptions. Deficiencies identified included an untimely recertification, a tenant disability misclassification, and four tenant files with incomplete records. For example, the Authority did not process one tenant's annual reexamination in a timely manner, which would have resulted in a \$591 decrease in her subsidy. Instead, the Authority improperly allowed the tenant a 1-month hardship exception,<sup>3</sup> allowing her subsidy to remain at the higher amount. This condition occurred because the Authority did not appropriately interpret and apply its own requirements. These deficiencies resulted in the Authority's overpaying \$807 in rent.

### **The Authority Generally Managed Its Waiting List in Accordance With Requirements**

Generally, the Authority managed its voucher program waiting list in accordance with requirements and its administrative plan. A sample of draws for 1 month included participants selected in order from the waiting list with the exception of those pulled earlier as an identified preference.<sup>4</sup> The Authority's administrative plan identified Shelter Plus Care participants as a preference. One Shelter Plus Care participant pulled from the waiting list indicated that she was

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<sup>2</sup> The Authority corrected the items; therefore, no recommendations were made.

<sup>3</sup> The Authority's administrative plan allows for hardship exceptions to aid tenants when their portion of the rent increases and there are errors at annual recertification. According to the plan, the Authority should not retroactively charge the tenant when this occurs.

<sup>4</sup> All individuals pulled because of an identified preference were Shelter Plus Care participants. HUD funds Shelter Plus Care to assist homeless disabled persons.

not ready to transition into a unit.<sup>5</sup> According to the Authority, this individual should have remained on the waiting list until her name reached the top, but she did not. The Authority stated that it had corrected this error.

### **The Authority Calculated and Reported Its Net Restricted Assets Correctly**

The Authority correctly calculated and reported its net restricted assets balance. The Authority's financial statements reflected a balance of \$276,789 as of December 2014. The Authority's records verified the balance shown in the financial statements.

### **The Authority's Voucher Program Properties and Units Were Generally Decent, Safe, and Sanitary**

Generally, the properties and units were in decent, safe, and sanitary condition with some exceptions. The Authority ensured that the owners corrected all deficiencies identified in its inspection reports for sample units. However, our site visits identified additional deficiencies. Two of the nine properties and one of the units visited did not seem to be in decent, safe and sanitary condition. For example, one property experienced fire damage in one of its units, which spread to a common balcony area near an Authority tenant's unit. The landlord failed to correct the deficiency in a timely manner. As a result, the Authority planned to relocate current tenants at this property, and future tenants would not be approved for tenancy due to safety concerns. The Authority addressed all of these issues during the audit fieldwork.

### **Conclusion**

The Authority generally administered its voucher program in accordance with requirements. However, minor deficiencies included (1) incorrect participant subsidy calculations, (2) incomplete records, and (3) an error in maintaining its waiting list. Further, two owners and one tenant did not adequately follow requirements for decent, safe, and sanitary housing. These deficiencies resulted in incorrect payments of \$807.

### **Recommendations**

We recommend that the Director, Office of Public Housing, Fort Worth, TX, require the Authority to

- 1A. Repay its Section 8 Housing Choice Voucher program \$651 from non-Federal funds for overpayments on behalf of program participants.
- 1B. Support or repay its Section 8 Housing Choice Voucher program \$156 from non-Federal funds for overpayments on behalf of program participants.

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<sup>5</sup> Shelter Plus Care participants receive additional social services not available to voucher program participants.

# Scope and Methodology

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Our scope generally covered the Authority's voucher program and financial transactions from January 1, 2014, through August 31, 2015. We performed the audit from September 2015 to March 2016 at the Authority's and our offices in Fort Worth, TX. To meet the audit objectives, we performed the following:

- Reviewed and obtained an understanding of relevant laws and program regulations, the Authority's policies and procedures, prior Office of Inspector General (OIG) audits and audit resolution activities, and form HUD-50058 (Family Report) guidelines.
- Reviewed and analyzed the Authority's 2014 audited financial statements and administrative and financial operations activities, including its net restricted assets.
- Interviewed applicable HUD and agency officials.
- Reviewed and analyzed the Authority's contract, financial transactions, and relationship with its related entity, Hunter Plaza.
- Identified and reviewed a nonrepresentative sample of unusual or large balances for Hunter Plaza based on statistical analysis to identify outlier transactions of the Authority's general ledger.
- Compared the Authority's voucher data from the Inventory Management System of HUD's Office of Public and Indian Housing Information Center, which included 5,535 participant records, to Enterprise Income Verification system data to determine the extent and impact of deceased tenants, invalid Social Security numbers, income discrepancies, and overhoused households.
- Reviewed the Authority's property inspection reports. We selected and visited a nonrepresentative sample of 10 of the Authority's voucher program units to ensure that landlords had corrected previously identified deficiencies.
- Reviewed 10 nonrepresentative samples selected from the voucher program tenant files and a 1 month nonrepresentative sample of applicants from its waiting list to determine compliance with requirements.
- Gained an understanding of functions and processes and performed external inspections of the nine additional voucher program complexes owned by the Authority.
- Conducted a data reliability assessment using U.S. Government Accountability Office guidelines in the publication GAO-03-273G, Assessing the Reliability of Computer-Processed Data. We determined that the data were sufficiently reliable for meeting the audit objectives.

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

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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:

- Program operations – Policies and procedures in place to reasonably ensure that the program met its objectives.
- Compliance with laws and regulations – Policies and procedures in place to reasonably ensure that resource use was 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.

We evaluated internal controls related to the audit objectives in accordance with generally accepted government auditing standards. Our evaluation of internal controls was not designed to provide assurance regarding the effectiveness of the internal control structure as a whole. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

# Appendixes

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## Appendix A

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**Schedule of Questioned Costs**

<b>Recommendation number</b>	<b>Ineligible 1/</b>	<b>Unsupported 2/</b>
1A	\$651	
1B		\$156
<b>Totals</b>	<b>\$651</b>	<b>\$156</b>

- 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**

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### **Auditee Comments and OIG's Evaluation**

The Authority chose not to provide written comments as it agreed with the report with a minor change.