



# Grand Rapids Housing Commission, Grand Rapids, MI

## Housing Assistance Payments for Rental Assistance Demonstration-Converted Units

**Office of Audit, Region 5  
Chicago, IL**

**Audit Report Number: 2018-CH-1001  
June 11, 2018**



**To:** Douglas C. Gordon, Director of Public Housing Hub, 5FPH

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

**Subject:** The Grand Rapids Housing Commission, Grand Rapids, MI, Did Not Always Correctly Calculate and Pay Housing Assistance for Units Converted Under the Rental Assistance Demonstration

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 Grand Rapids Housing Commission's Rental Assistance Demonstration 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 website. 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) 913-8499.



**Audit Report Number: 2018-CH-1001**

**Date: June 11, 2018**

**The Grand Rapids Housing Commission, Grand Rapids, MI, Did Not Always Correctly Calculate and Pay Housing Assistance for Units Converted Under the Rental Assistance Demonstration**

## Highlights

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### What We Audited and Why

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We audited the Grand Rapids Housing Commission's Rental Assistance Demonstration program (RAD) based on the activities included in our 2017 annual audit plan and our analysis of the housing agencies participating in RAD in Region 5's jurisdiction (States of Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin). Our audit objective was to determine whether the Commission correctly calculated housing assistance payments for the units converted under the program.

### What We Found

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The Commission did not always correctly calculate and pay housing assistance for the units converted under the program. It also did not always maintain documentation to support its calculations of households' housing assistance payments and program eligibility. As a result, the Commission overpaid nearly \$16,000 and underpaid more than \$3,000 in housing assistance and utility allowance reimbursements. In addition, it had unsupported housing assistance payments.

### What We Recommend

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We recommend that the Director of the U.S. Department of Housing and Urban Development's Detroit Office of Public Housing require the Commission to (1) reimburse its program nearly \$9,000 from non-Federal funds due to inappropriate calculations, (2) reimburse the appropriate households or projects more than \$3,000 for underpayment of housing assistance and utility allowances, (3) support or reimburse the appropriate households for unsupported housing assistance payments, (4) pursue collection from applicable households or projects or reimburse its program nearly \$7,000 from non-Federal funds for the overpayment of housing assistance, and (5) implement adequate quality control procedures to ensure that it correctly pays housing assistance.

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# Background and Objective

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The Grand Rapids Housing Commission was established by the Grand Rapids City Commission in 1966, in accordance with the State of Michigan's Housing Facilities Act 18 of 1933, to provide affordable housing for low-income residents and to eliminate substandard housing conditions. The Commission is independently administered and is governed by a five-member board appointed by the city manager and approved by the Grand Rapids City Commission.

In 2012, Congress authorized the Rental Assistance Demonstration program (RAD) to test a new way of meeting the large and growing capital improvement needs of the Nation's aging public housing stock. Through RAD, properties convert their assistance to long-term, project-based Section 8 contracts. These new contracts provide a more reliable source of operating subsidies that allow public housing agencies and owners to safely leverage private capital – typically debt and equity – to finance the property rehabilitation or replacement. The contracts, as well as underlying use restrictions, must be renewed each time they expire, ensuring the long-term affordability of the improved properties.

As of August 2017, the Commission had six developments under RAD. Three of the developments, which included one multiphase project, were closed, and three had been awarded commitments to enter into housing assistance payments contracts. The closed developments included 192 units that were converted from the public housing program to the Project-Based Voucher program. The projects converted under RAD are owned by limited partnerships, which are under the direct control of the Commission. The projects are governed by three-member boards of commissions appointed by the Commission's board.

The Project-Based Voucher program is a component of the Housing Choice Voucher program, and some of the regulatory requirements of the Housing Choice Voucher program also apply to the Project-Based Voucher program. Under the Project-Based Voucher program, a housing subsidy is paid to the project owner by the public housing agency on behalf of the participating family. The family then pays the difference between the actual rent charged by the owner and the amount subsidized by the program. The public housing agency must reexamine the family's income and composition at least annually and must inspect each unit at least annually to ensure that it meets the minimum housing quality standards.

The objective of our audit was to determine whether the Commission correctly calculated the housing assistance payments for the units converted under the program.

# Results of Audit

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## **Finding: The Commission Did Not Always Correctly Calculate and Pay Housing Assistance and Utility Allowances**

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The Commission did not always correctly calculate and pay housing assistance for the units converted under the program. It also did not always maintain documentation to support its calculations of housing assistance payments and household program eligibility. The weaknesses occurred because the Commission lacked adequate procedures and controls to ensure that housing assistance payments were correctly calculated and paid in accordance with the U.S. Department of Housing and Urban Development's (HUD) and its own requirements. As a result, the Commission overpaid nearly \$16,000 and underpaid more than \$3,000 in housing assistance and utility allowance reimbursements. In addition, it had unsupported housing assistance payments.

### **The Commission Miscalculated Housing Assistance**

We reviewed 67 certifications<sup>1</sup> to determine whether the Commission correctly calculated and paid housing assistance from the date of conversion under the program through November 2017. Our review was limited to the information maintained by the Commission in its household files.

Contrary to HUD's requirements,<sup>2</sup> for the 67 certifications reviewed, 24 had incorrect housing assistance payment calculations. The 24 certifications contained 1 or more of the following calculation errors:

- 21 certifications had incorrect income due to miscalculations or a lack of support,
- 7 certifications had incorrect utility allowances, and
- 1 certification had an incorrect minimum rent.

For the households associated with the 24 certifications, the Commission overpaid \$8,735 and underpaid \$2,663 in housing assistance. Because the housing assistance was incorrectly calculated, the Commission inappropriately received \$4,870 in administrative fees. In addition, it had \$44 in unsupported housing assistance payments.

Further, 63 of the 67 certifications contained errors that had no impact on the housing assistance. These errors included incorrect minimum rents, income, asset values, and member codes. For 47 of the 63 certifications reviewed, the Commission did not include the tracking code required on form HUD-50058 under RAD, and for 14 certifications, it used the incorrect section of the form HUD-50058 to calculate housing assistance.

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<sup>1</sup> Our methodology for selecting the 67 certifications, which includes 36 that were statistically selected, is explained in the Scope and Methodology section of this audit report.

<sup>2</sup> See appendix C for criteria.

### **The Commission Incorrectly Paid Housing Assistance**

The 67 certifications reviewed were for 44 households.<sup>3</sup> For the 44 households, we compared the housing assistance and utility allowance payments calculated by the Commission to the amounts paid for the program households. The Commission did not always pay housing assistance and utility allowances in accordance with its calculations. Specifically, it incorrectly (1) overpaid \$5,065 in housing assistance for nine households, (2) underpaid \$177 in housing assistance for three households, and (3) underpaid \$263 in utility allowances for four households.

### **The Commission Did Not Maintain Supporting Documentation**

The Commission's files were missing eligibility documentation<sup>4</sup> for five households. The missing documentation included support for immigration status and birth certificates. Because the household files were missing required eligibility documentation, HUD and the Commission lacked assurance that the households were eligible for the program. In response to the audit, the Commission was able to provide copies of missing eligibility documentation to support the \$21,298 in unsupported housing assistance payments.

In addition, two households had overpaid housing assistance due to unreported income. The unreported income documented in the household files resulted in overpayments of \$1,877 in housing assistance.

### **The Commission Lacked Adequate Procedures and Controls**

The Commission lacked adequate quality control procedures to ensure that housing assistance for the units converted under the program was correctly calculated and paid in accordance with HUD's and its own requirements. According to the director of leased housing for the Commission's Housing Choice Voucher program, before the housing units had been converted under RAD, the Asset Management Department oversaw the properties. Therefore, the property managers and assistants calculated housing assistance payments for the public housing and Project-Based Voucher program participants. After the conversion, the executive director decided that the housing coordinators for the Housing Choice Voucher program should calculate the housing assistance as they were the most knowledgeable.

During the transition, the director of leased housing thought that the Asset Management Department had performed a quality control review of the files. However, based on our audit, she realized that the files had not received a quality control review. Therefore, as of November 2017, the Leased Housing Department had implemented quality control reviews of the housing assistance calculations for the Project-Based Voucher program participants.

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<sup>3</sup> Multiple certifications were reviewed for several households.

<sup>4</sup> See appendix C for criteria.

In addition, according to the director of leased housing, the Commission switched to a new program software and began issuing housing assistance payments using the new software in December 2016. According to the director of asset management and finance, the Commission did not fully implement the automatic adjustment feature of the software until February 10, 2017. Before that date, the system was set up to perform adjustments for new program participants only. Therefore, adjustments for any other reason had to be made manually. However, as part of the manual process, the Commission failed to request manual adjustments for transactions between December 2016 and February 10, 2017.

### **Conclusion**

The Commission lacked adequate procedures and controls for its program to ensure that the housing assistance was correctly calculated and paid for the units converted under RAD. As a result, the Commission overpaid \$15,677 ( $\$8,735 + \$1,877 + \$5,065$ ) and underpaid \$3,103 ( $\$2,663 + \$177 + \$263$ ) in housing assistance. Further, it was unable to support \$44 in housing assistance payments.

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 Commission received \$4,870 in program administrative fees related to the inappropriate housing assistance payments for the 24 program certifications with incorrectly calculated housing assistance.

### **Recommendations**

We recommend that the Director of HUD's Detroit Office of Public Housing require the Commission to

- 1A. Reimburse its program \$13,605 from non-Federal funds ( $\$8,735$  in overpayments of housing assistance and utility allowances +  $\$4,870$  in administrative fees) due to inappropriate calculations.
- 1B. Reimburse the appropriate households \$2,663 from non-Federal funds for the underpayment of housing assistance and utility allowances due to inappropriate calculations.
- 1C. Support or reimburse the appropriate households \$44 from non-Federal funds for the unsupported payments of housing assistance cited in this finding.
- 1D. Pursue collection from the applicable households or reimburse its program \$1,877 from non-Federal funds for the overpayment of housing assistance due to unreported income.
- 1E. Pursue collection from the applicable projects or reimburse its program \$5,065 from non-Federal funds for the overpayment of housing assistance.

- 1F. Reimburse the appropriate projects \$177 from program funds for the underpayment of housing assistance.
- 1G. Reimburse the appropriate households \$263 from program funds for the underpayment of utility allowance reimbursements.
- 1H. Review the payments for all certifications completed between December 2016 and February 2017 for the remaining Housing Choice Voucher and Project-Based Voucher program participants to ensure that adjustments were appropriately paid.
- 1I. Implement adequate quality control procedures to ensure that it correctly pays housing assistance.

We recommend that the Director of HUD's Detroit Office of Public Housing

- 1J. Ensure that the quality controls over the calculation of housing assistance payments implemented by the Commission are sufficient.

# Scope and Methodology

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We performed our onsite audit work between September 2017 and February 2018 at the Commission's offices located at 1420 Fuller Avenue SE, Grand Rapids, MI; 1080 Creston Plaza Drive, Grand Rapids, MI; and 821 Division Avenue, Grand Rapids, MI. The audit covered the period January 1, 2012, through August 31, 2017, but was expanded as necessary.

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

- Applicable laws; HUD's regulations at 24 CFR Parts 5, 982, and 983; HUD's Public and Indian Housing notices; and HUD's Guidebook 7420.10G.
- The Commission's general ledger, policies and procedures, board meeting minutes for January 2012 through August 2017, organization chart, and annual plans.

During our survey, using a random number generator, we selected 10 of 98 households that received Project-Based Voucher housing assistance and resided at the Creston Plaza development as of September 18, 2017. We reviewed the first 5 household files, consisting of 16 certifications. Further, during the audit, we randomly selected and reviewed 10 of 83 households that resided at the Campau Commons development between the conversion date and November 2017. We reviewed 15 certifications for the 10 household files. The results of those reviews are included in the total errors reported in our finding.<sup>5</sup>

For the audit phase, we statistically selected a stratified random sample of 85 household months from a universe of 2,318 monthly RAD subsidy payments to the program participants from October 2015 through September 2017 (24 months). We used a statistical sample so the audit results could be projected to the universe. The 85 household months included five certifications reviewed during the survey. We reviewed an additional 36 certifications for 37 of the 85 household months statistically selected.<sup>6</sup>

However, due to the low dollar value associated with the certifications that had errors, we discontinued our review of the Commission's housing assistance payments calculations. Therefore, we will not project our results to the universe of 2,318 monthly RAD subsidy payments to the program participants from October 2015 through September 2017.

The calculation of administrative fees was based on the administrative fees received by the Commission from HUD and the number of vouchers the Commission reported through HUD's Voucher Management System. The fees were considered inappropriately received for each

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<sup>5</sup> Of the 67 (16 + 15 + 36) certifications reviewed, we determined that 24 had incorrect housing assistance payment calculations.

<sup>6</sup> Two of the household months we reviewed were included in the effective months of one certification.

month in which the housing assistance was incorrectly paid. When applicable, we limited the inappropriate administrative fees to the amounts of the housing assistance payment errors.

We relied in part on data maintained by the Commission 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 Director of HUD's Detroit Office of Public Housing and the Commission's 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 objective.

# 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 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 Commission lacked adequate procedures and controls for its units converted under the program to ensure that the housing assistance payments and utility allowances were correctly calculated and paid (finding).

**Separate Communication of Minor Deficiencies**

We informed the Commission's executive director and the Director of HUD's Detroit Office of Public Housing of minor deficiencies in a separate memorandum, dated June 11, 2018.

# Appendixes

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## Appendix A

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

<b>Recommendation number</b>	<b>Ineligible 1/</b>	<b>Unsupported 2/</b>	<b>Funds to be put to better use 3/</b>
1A	\$13,605		
1B			\$2,663
1C		\$44	
1D	1,877		
1E	5,065		
1F			177
1G			263
<b>Totals</b>	<b>20,547</b>	<b>44</b>	<b>3,103</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.
- 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, implementing our recommendations will ensure that housing assistance payments and utility allowance reimbursements will be correctly calculated and paid.

# Appendix B

## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

Comment 1

Comment 2



GRAND RAPIDS HOUSING COMMISSION

May 7, 2018

Ms. Kelly Anderson  
Regional Inspector General for Audit, Region 5  
United States Department of HUD-Office of Inspector General  
Ralph H. Metcalfe Federal Building  
77 West Jackson Boulevard, Room 2201  
Chicago, Illinois 60604

Dear Ms. Anderson;

Please note that this is a written response to the draft audit report received on April 30, 2018. Based upon the recommendation provided the Housing Commission response and intent is as follows:

**1A. Reimburse Its Program from Non-Federal Funds (overpayments)**

Reimburse its program \$14,203 from non-Federal funds (\$9, 356 in overpayments of housing assistance and utility allowances + \$4,847 in administrative fees) due to inappropriate calculations.

Response: The Grand Rapids Housing Commission will reimburse its program from non-Federal Funds for over payments.

**1B. Reimburse Its Program from Non-Federal Funds (underpayments)**

Reimburse the appropriate households \$2,663 from non-Federal funds for the underpayment of housing assistance and utility allowances due to inappropriate calculations.

Response: The Grand Rapids Housing Commission will reimburse its program from non-Federal funds for underpayments.

**1C. Support or Reimburse Its Program from Non-Federal Funds (unsupported-payments)**

Support or reimburse the appropriate households \$44 from non-Federal funds for the unsupported payments of housing assistance cited in this finding.

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PHONE: (616) 295-2600 • FAX: (616) 235-2860 • WEB SITE: [www.grhousing.org](http://www.grhousing.org)  
1420 FULLER AVENUE, S.E., GRAND RAPIDS, MICHIGAN 49507

## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

Comment 3

Response: The Grand Rapids Housing Commission will reimburse its program from non-Federal funds.

**1D. Support or Reimburse Its Program from Non-Federal Funds (missing eligibility documents)**

Support or reimburse its program \$21,298 from non-Federal funds for the housing assistance paid for the certifications with missing eligibility documentation.

Comment 4

Response:

Exhibit A- the Grand Rapids Housing Commission has provided requested documentation on ID Number #13.

Exhibit B- the Grand Rapids Housing Commission has provided requested documentation on ID Number #19.

Exhibit C- the Grand Rapids Housing Commission has provided requested documentation on ID Number #'s 34a, 34b and 34c.

**1E. Pursue Collection or Reimburse Its Program (overpayment-due to unreported income)**

Pursue collection from the applicable households or reimburse its program \$1,877 from non-Federal funds for the overpayment of housing assistance due to unreported income.

Comment 5

Response: the Grand Rapids Housing Commission is in agreement and will collect the funds from the appropriate household(s).

**1F. Pursue Collection or Reimburse Its Program (over payment-housing assistance)**

Pursue collection from the applicable projects or reimburse its program \$5,065 from non-Federal funds for the overpayment of housing assistance.

Comment 6

Response: the Grand Rapids Housing Commission is in agreement and will collect the funds from the appropriate project.

**1G. Reimburse Appropriate Projects (underpayment of housing assistance).**

Reimburse the appropriate projects \$177 from program funds for the underpayment of housing assistance.

Comment 7

Response: the Grand Rapids Housing Commission is in agreement and will reimburse the funds.

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## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

Comment 8

**II. Reimburse Appropriate Households (underpayment utility allowance reimbursements)**

Reimburse the appropriate households \$263 from program funds for the underpayment of utility allowance reimbursements.

Response: the Grand Rapids Housing Commission is in agreement and will pay for the underpayment of utility.

**II. Review Payments**

Review the payments for all certifications completed between December 2016 and February 2017 for the remaining Housing Choice Voucher and Project-Based Voucher program participants to ensure that adjustments were appropriately paid.

Comment 9

Response: the Grand Rapids Housing Commission is in agreement and will review payments for all certifications completed between December 2016 and February 2017 for the remaining Housing Choice Voucher and Project-Based Voucher program participants to ensure that adjustments were appropriately paid.

**II. Implement Adequate Quality Control**

Implement adequate quality control procedures to ensure that it correctly pays housing assistance.

Comment 10

Response: the Housing Commission is in agreement and is working to implement adequate quality control procedures to ensure correct payment for housing assistance.

The Grand Rapids Housing Commission acknowledges the above draft audit report and recommendations and is working to complete its response(s) within 120 days. The Grand Rapids Housing Commission will also work with its HUD field office to ensure full compliance of the draft audit report.

Sincerely,



Carlos A. Sanchez  
Executive Director

CAS/jcg

Attachments: Exhibits A/B/C

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## OIG Evaluation of Auditee Comments

- Comment 1 The Commission agreed to reimburse its program from non-Federal funds for the \$14,203 in overpaid funds and administrative fees due to inappropriate calculations. We acknowledge the Commission's willingness to take corrective actions and reimburse its program for the issues cited in this report.
- Comment 2 The Commission stated it would reimburse its program from non-Federal funds for the \$2,663 in underpayments due to inappropriate calculation errors. However, the recommendation is to reimburse the appropriate households \$2,663 from non-Federal funds for the underpayment of housing assistance and utility allowances.
- Comment 3 The Commission stated it would reimburse its program from non-Federal funds for the \$44 in unsupported payments. However, the recommendation is to support or reimburse the appropriate households \$44 from non-Federal funds for the unsupported payments of housing assistance.
- Comment 4 The Commission provided 3 exhibits which consisted of 14 pages of documentation along with its response. The exhibits included the missing eligibility documentation. Based on the supporting documentation provided, we updated the report and removed the recommendation 1D of the discussion draft audit report regarding supporting or reimbursing the Commission's program \$21,298 from non-Federal funds for the housing assistance paid for the certifications with missing eligibility documentation. Because the exhibits were not necessary to understand the Commission's comments, we did not include the documentation in this report.
- Comment 5 The Commission agreed to collect the funds from the appropriate households for the \$1,877 in overpayment of housing assistance due to unreported income. We acknowledge the Commission's willingness to take corrective actions and pursue collection for the overpayment of housing assistance.
- Comment 6 The Commission agreed to collect the funds from the appropriate projects for the \$5,065 in overpayment of housing assistance. We acknowledge the Commission's willingness to take corrective actions and pursue collection for the overpayment of housing assistance.
- Comment 7 The Commission agreed to reimburse the appropriate projects \$177 in underpaid housing assistance. We acknowledge the Commission's willingness to take corrective actions and reimburse the appropriate projects for the underpayment of housing assistance.

- Comment 8 The Commission agreed to reimburse the appropriate households \$263 in underpaid utility allowance reimbursements. We acknowledge the Commission's willingness to take corrective actions and reimburse the appropriate households for the underpayment of utility allowance reimbursements.
- Comment 9 The Commission agreed to review the payments for all certifications completed between December 2016 and February 2017 for the remaining Housing Choice Voucher and Project-Based Voucher program participants to ensure the adjustments were appropriately paid. We acknowledge the Commission's willingness to take corrective actions to address the issues cited in this audit report. The Commission should work with HUD on the resolution of the recommendation.
- Comment 10 The Commission agreed with the recommendation and stated that it is working to implement adequate quality control procedures. We acknowledge the Commission's willingness to take corrective actions for the findings cited in this audit report. The Commission should work with HUD on the resolution of the recommendations to ensure that the updated policies are appropriate, implemented, and fully address the deficiencies cited in this report.

## Appendix C

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### Federal and the Commission's Requirements

HUD's 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.

HUD's regulations at 24 CFR 5.510(a) state that a responsible entity should request and review original documents or eligible immigration status. The responsible entity should retain photocopies of the documents for its own records and return the original documents to the family.

HUD's regulations at 24 CFR 5.512(c) state that primary verification of the immigration status of the person is conducted by the responsible entity through the Immigration and Naturalization Service's Systematic Alien Verification for Entitlements system.

HUD's regulations at 24 CFR 982.152(d) state that HUD may reduce or offset any administrative fee to the public housing agency, in the amount determined by HUD, if the agency fails to perform agency administrative responsibilities correctly or adequately under the program.

HUD's Public and Indian Housing (PIH) Notice 2012-32, Revision 1, appendix IV, states that to implement RAD, four new codes to be used with data submitted on form HUD-50058 have been created to ensure proper monitoring and reporting. More specifically, the four new codes will allow HUD to track the Project-Based Voucher component of RAD. These codes must be entered into line 2n of the form HUD-50058 in accordance with PIH Notice 2011-065. For RAD from public housing, the code is RADPH.

HUD's Housing Choice Voucher Guidebook 7420.10G, exhibit 5-5, lists the acceptable sources for verification of family composition to include income tax returns, school records, marriage certificates, birth certificates, divorce actions, U.S. Department of Veterans Affairs records, and support payment records.

Section 13.1 of the Commission's Admissions and Continued Assistance Policy for Campau Commons states that the family will pay the greater of the total tenant payment or the minimum rent of \$50.