



Issue Date	May 19, 2009
------------	--------------

Audit Report Number	2009-CH-1009
---------------------	--------------

TO: Steven E. Meiss, Director of Public Housing Hub, 5APH

FROM:   
Heath Wolfe, Regional Inspector General for Audit, 5AGA

SUBJECT: The Chicago Housing Authority, Chicago, Illinois, Needs to Improve Its Controls over Its Section 8 Housing Assistance Payments

## **HIGHLIGHTS**

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

We audited the Chicago Housing Authority's (Authority) Section 8 Housing Choice Voucher program (program) under its Moving to Work Demonstration program. The audit was part of the activities in our fiscal year 2008 annual audit plan. We selected the Authority based upon our analysis of risk factors relating to the housing agencies in Region V's jurisdiction. Our objective was to determine whether the Authority administered its program in accordance with the U.S. Department of Housing and Urban Development's (HUD) requirements and its program administrative plan. This is the third of multiple audit reports that may be issued regarding the Authority's program.

### **What We Found**

The Authority's program administration regarding zero-income households and the recovery of overpayments of housing assistance and utility allowances for duplicate individuals was inadequate. The Authority failed to comply with its program administrative plan regarding zero-income household reviews. It did not effectively use HUD's Enterprise Income Verification system or other third-party verification methods to appropriately adjust the housing assistance payments or seek repayment of overpaid housing assistance when the Authority became aware of the unreported income. As a result, the Authority overpaid nearly \$60,000 in

housing assistance and utility allowances for the period January 1, 2007, through September 30, 2008.

The Authority also failed to ensure that its program participants did not receive multiple subsidies. Of the 59 households reviewed, 17 received multiple subsidies totaling more than \$16,000 in housing assistance and utility allowances.

We informed the Authority's chief executive officer and the Director of HUD's Chicago Office of Public Housing of minor deficiencies through a memorandum, dated May 4, 2009.

### **What We Recommend**

We recommend that the Director of HUD's Chicago Office of Public Housing require the Authority to reimburse its program from nonfederal funds for the improper use of nearly \$91,000 in program funds and implement adequate procedures and controls to address the findings cited in this audit report. These procedures and controls should help to ensure that over the next year, more than \$578,000 in program funds will be spent on housing assistance that meets HUD's and Authority's requirements.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence issued because of the audit.

### **Auditee's Response**

We provided our review results and supporting schedules to the Director of HUD's Chicago Office of Public Housing and the Authority's chief executive officer during the audit. We also provided our discussion draft audit report to the Authority's chief executive officer, its board chairman, and HUD's staff during the audit. We held an exit conference with the Authority's staff on April 8, 2009.

We asked the chief executive officer to provide comments on our discussion draft audit report by April 29, 2009. The chief executive officer provided written comments, dated April 29, 2009. The executive director generally agreed with our findings and recommendations. The complete text of the written comments, along with our evaluation of that response, can be found in appendix B of this report except for 164 pages of documentation that was not necessary for understanding the Authority's comments. A complete copy of the Authority's comments plus the documentation was provided to the Director of HUD's Chicago Office of Public Housing.

# TABLE OF CONTENTS

---

Background and Objective	4
Results of Audit	
Finding 1: The Authority’s Zero-Income Households Had Unreported Income	6
Finding 2: The Authority’s Program Participants Received Multiple Subsidies	12
Scope and Methodology	16
Internal Controls	18
Appendixes	
A. Schedule of Questioned Costs and Funds to Be Put to Better Use	20
B. Auditee Comments and OIG’s Evaluation	21
C. Federal Regulations and the Authority’s Requirements	31

## BACKGROUND AND OBJECTIVE

---

The Chicago Housing Authority (Authority) was established in April 1934 under the laws of the State of Illinois to provide decent, safe, and sanitary housing. The Authority is governed by a 10-member board of commissioners (board) appointed by the mayor of Chicago, Illinois, to five-year staggered terms. The board's responsibilities include overseeing the Authority's operations, as well as the review and approval of its policies. The mayor also appoints the Authority's chief executive officer. The chief executive officer is responsible for coordinating established policy and carrying out the Authority's day-to-day operations.

In May 1995, the U.S. Department of Housing and Urban Development (HUD) assumed control of the Authority due to years of management problems and deteriorated living conditions at the Authority's developments. HUD selected Quadel Consulting Corporation (Quadel) to administer, manage, and operate the Authority's Section 8 Housing Choice Voucher program (program) in October 1995. The contractor created a subsidiary, CHAC, Inc., which formally took over the Authority's program administration in December 1995.

In 1996, Congress authorized the Moving to Work Demonstration (Moving to Work) program as a program under HUD. The Authority was accepted into the Moving to Work program on February 6, 2000, when HUD's Assistant Secretary for Public and Indian Housing signed the Authority's Moving to Work agreement (agreement). Moving to Work allows certain housing authorities to design and test ways to promote self-sufficiency among assisted families, achieve programmatic efficiency, reduce costs, and increase housing choice for low-income households. Congress exempted the Moving to Work participants from much of the United States Housing Act of 1937 and associated regulations. The agreement requires the Authority to abide by the statutory requirements in Section 8 of the United States Housing Act of 1937 and the annual contributions contract to the extent necessary for the Authority to implement its Moving to Work demonstration initiatives.

In June 2008, the Authority executed an amended and restated agreement with HUD. The amended agreement supersedes the terms and conditions of one or more annual contributions contracts between the Authority and HUD to the extent necessary for the Authority to implement its Moving to Work demonstration initiatives as laid out in its annual Moving to Work plan as approved by HUD.

In April 2007, the Authority issued a request for proposal to provide administration and operation of the Authority's program. The two respondents to the request for proposal were Quadel, the Authority's current administrator of the program, and CVR Associates, Incorporated. Through a series of meetings and negotiations with both vendors, the evaluation committee determined that it was in the best interest of the Authority to divide the administration and operations of the program between the two vendors geographically. The division of the program commenced in June 2008. Although the contractors administer the program, the Authority is ultimately responsible to HUD for program operations.

As of March 14, 2009, the Authority had 48,191 units under contract with annual housing assistance payments totaling more than \$445 million in program funds. The Authority paid the contractors more than 90 percent of its administrative fee to operate the program.

Our objective was to determine whether the Authority administered its program in accordance with HUD's requirements and its program administrative plan to include determining whether the Authority (1) appropriately adjusted the housing assistance payments or pursued the proper amount owed from the applicable household and (2) recovered the overpayment of housing assistance improperly provided for dependents claimed in multiple households. This is the third of multiple audit reports that may be issued regarding the Authority's program (see report number 2008-CH-1017, issued on September 30, 2008, and report number 2009-CH-1005, issued on February 19, 2009).

## RESULTS OF AUDIT

---

### Finding 1: The Authority's Zero-Income Households Had Unreported Income

The Authority did not effectively use HUD's Enterprise Income Verification system (system) or other third-party verification methods to determine that reported zero-income households had unreported income. Of the 47 households statistically selected for review, 20 had unreported income that affected their housing assistance and utility allowance payments. Further, the Authority failed to properly determine the certification effective date and/or accurately calculate the annual income for 21 households. These deficiencies occurred because the Authority lacked adequate procedures and controls to ensure that it performed appropriate income verifications and accurately calculated reported income. As a result, it unnecessarily paid housing assistance and utility allowances totaling nearly \$60,000 for households that were able to meet their rental obligations. We estimate that over the next year, the Authority will pay more than \$553,000 in housing assistance for reported zero-income households that had unreported income.

---

#### Households Had Unreported Income

We statistically selected 47 household files from a universe of 1,335 households that reported zero income during the period January 1, 2007, through September 30, 2008, using data mining software. The 47 files were reviewed to determine whether the Authority properly adjusted the housing assistance payments or entered into a repayment agreement for the overpaid subsidy once it became aware of the unreported income for households claiming zero income. Our review was limited to the information maintained by the Authority in the households' files and HUD's system.

Through third-party verifications, reports in HUD's system, or information received from program households, Quadel was aware of unreported income for 18 of the 47 (38 percent) households reviewed. Although Quadel was informed of the unreported income, it failed to seek a repayment of the overpaid housing assistance totaling \$37,475 for the 18 households, which was contrary to the Authority's program administrative plan.

The following are examples of households for which Quadel was aware of the unreported income but did not seek repayment:

- Household T0012428 had Social Security income, which was confirmed through HUD's system, totaling \$9,984. The household file contained an Enterprise Income Verification report, dated March 21, 2008, showing that a household member was receiving Social Security benefits from March 2005 through April 2008. However, Quadel did not attempt to recover the

overpaid housing assistance. Since the household had income, the Authority overpaid \$1,878 in housing assistance and utility allowances from the household's date of admission on February 12, 2007, through April 30, 2008.

- Household 9709315 had employment income, which was confirmed through third-party employment verification, totaling \$7,042. The household file contained a third-party employment verification received by the Authority on approximately April 2, 2008, stating that a household member was employed from December 1, 2007, through April 30, 2008. However, Quadel did not attempt to recover the overpaid housing assistance. Since the household had income, the Authority overpaid \$1,920 in housing assistance and utility allowances from January 1 through April 30, 2008.

In addition to the 18 households that Quadel was aware of having unreported income; two households reporting zero income had income from employment and/or benefits, which Quadel was not aware of until we informed it. Quadel was not aware of the unreported income because when it ran the Enterprise Income Verification report, the unreported income was not listed. Although Quadel would not have learned of the unreported income until the household's next recertification or until it ran the next Enterprise Income Verification report, the housing assistance payments for the two households were overpaid \$1,826 in housing assistance and utility allowances.

As a result of the Authority's failure to properly adjust the housing assistance payments or pursue repayment for its zero-income households with unreported income totaling \$186,168, HUD paid \$39,301 (\$37,475 plus \$1,826) in housing assistance for the 20 (18 plus 2) households having income that were able to meet their rental obligations. As of April 29, 2009, Quadel had entered into six repayment agreements to recover the overpaid housing assistance for the 20 households. The Authority recaptured the overpaid housing assistance totaling \$88 for 1 of the 20 households; therefore, overpaid housing assistance payments of \$39,213 (\$39,301 minus \$88) were outstanding as of April 29, 2009.

### **Reported Income Was Not Accurately Calculated**

Of the 47 households reviewed, 21 reported income to Quadel either within a 30-day period or later. Although Quadel had the necessary income information to adjust the housing assistance and utility allowances, it failed to accurately determine the annual income and/or the certification effective date, which was contrary to the Authority's program administration plan.

According to the Authority's administrative plan, an interim certification is made effective on the first day of the second month following the date change for certifications resulting in increases in total tenant payment, if the change in

income is reported within the required 30-day period. Also, interim certifications are made effective on the first day of the first month following the date change, if there is an increase in the total tenant payment when the change in income is not reported within the required 30-day period. Further, a change in income resulting in a decrease in total tenant payment is made effective on the first day of the month following the month in which the change was reported.

As a result of Quadel's failure to accurately calculate reported income, housing assistance and utility allowance payments totaling \$20,524 were overpaid for the 21 households. The following are examples of households for which Quadel did not properly determine the certification effective date:

- Household 0903943 reported income from Supplemental Security Income, effective October 2006, on October 26, 2006. Also, according to a third-party verification of benefits, the household's income from Supplemental Security Income began in October 2006. According to the Authority's administrative plan, the interim certification should have been effective December 1, 2006. However, Quadel did not include the income until July 1, 2007. Because Quadel calculated the household's annual income as zero while the household had income, housing assistance and utility allowances totaling \$744 were overpaid between January 1 and June 30, 2007.
- Household 9732844 reported loss of income, effective July 2008, on June 30, 2008. Quadel conducted a third-party verification on approximately June 27, 2008, and determined that the household's last day of employment was June 27, 2008. According to the Authority's administrative plan, the interim certification should have been effective July 1, 2008. However, Quadel conducted an interim certification, to be effective May 1, 2008, with annual income of zero. Because the zero-income certification was effective two months earlier, housing assistance and utility allowances totaling \$958 were overpaid from May 1 through June 30, 2008.

### **The Authority's Procedures and Controls over Its Contractor Had Weaknesses**

The Authority lacked adequate procedures and controls to ensure that housing assistance and utility allowance payments met HUD's requirements and the Authority's program administrative plan. It also failed to exercise proper supervision and oversight of its contractor, Quadel. The overpayment of \$59,737 (\$39,213 plus \$20,524) in housing assistance occurred because Quadel lacked adequate controls to accurately adjust the housing assistance payments or pursue repayment of the overpaid housing assistance when it became aware of the unreported income. Quadel also did not effectively use HUD's system in determining unreported income for households claiming zero income. Of the 47

files reviewed, 10 files contained an Enterprise Income Verification report indicating income from employment and/or benefits during the time the household claimed zero income. However, Quadel failed to take action by generating repayment agreements to recapture the overpaid housing assistance and utility allowances.

Neither Quadel nor the Authority's other contractor, CVR Associates, Incorporated, implemented quality controls for the review of zero-income households. According to the senior quality management specialist for Quadel, the quality controls that were in place dealt with eligibility and calculation errors, which occurred approximately one month after the certification was completed. For example, a certification completed in January that is to be effective in April is reviewed for quality control purposes in February. This process will not identify the unreported income because the information regarding the unreported income will not be available until the household's next recertification, which will take place in two years or at the time when Quadel runs an Enterprise Income Verification report, which also usually occurs in two years, unless an interim certification is conducted. Thus, the quality control review conducted in February will not identify unreported income relating to the certification.

The Authority's contract requires the contractors to implement a quality control system in which an error rate of no more than 10 percent is acceptable in the determination of household's adjusted income. Quadel performed a quality control on 6 of the 47 files reviewed; however, it did not identify two files (33 percent) that contained overpayments due to not properly adjusting the housing assistance when it had the necessary income information. This error was due to the timing of the quality control reviews conducted by Quadel. As stated earlier, information regarding unreported income was not available at the time of the quality control review.

The Authority had been aware of weaknesses in its program quality controls since November 22, 2006. The Authority's consultant, Nan McKay and Associates, conducted an assessment of the Authority's program in fiscal year 2006. The review identified a weakness in the Authority conducting quality controls of the program. Specifically, it identified the following:

- The sample rental integrity management review showed errors in the files and problems with the Authority's program administrative plan's guidance, and
- The Authority did not receive ongoing reports during the year on performance standards. Therefore, if there were problems during the year, the Authority might not be made aware of the issues.

As of January 20, 2009, the Authority had not conducted any reviews of its contractors regarding households reporting zero income. When asked what action the Authority took in response to the review conducted by Nan McKay and Associates, the Authority's Nan McKay consultant said that the Authority was

establishing a Section 8 housing choice voucher quality control division. As of April 29, 2009, according to the Authority's chief executive officer, the quality control department was fully staffed and training had commenced for the targeted program areas. However, the specific procedures and tools that will be used in the review of zero-income households were under development.

## Conclusion

As a result of weaknesses in the Authority's procedures and controls, it improperly disbursed \$59,737 in housing assistance and utility allowance payments. If the Authority does not implement adequate procedures and controls over its zero-income households, we estimate that it could pay more than \$553,000 in excessive housing assistance and utility allowances over the next year based on the error rate found during our review. Our methodology for this estimate is explained in the Scope and Methodology section of this audit report.

For households reporting zero income, the Authority required a zero-income checklist and zero-income affidavit to be completed at every recertification. However, these forms were not present in the files of 16 households reporting zero income. Because the zero-income affidavit and zero-income checklists do not always have an impact on the housing assistance payments, we did not count the housing assistance payments as unsupported when the forms were missing. However, because the household files were not effectively managed, we determined that the administrative fees received for managing household files were improperly received.

In accordance with 24 CFR [*Code of Federal Regulations*] 982.152(d), HUD may reduce or offset any administrative fee to public housing authorities, in the amount determined by HUD, if the authorities fail to perform their administrative responsibilities correctly or adequately under the program. The Authority received \$13,579 in program administrative fees for the 33 households with incorrect housing assistance and utility allowance payments or missing zero-income certification documentation.

## Recommendations

We recommend that the Director of HUD's Chicago Office of Public Housing require the Authority to

- 1A. Pursue collection from the applicable households or reimburse its program \$37,387 from nonfederal funds for the overpayment of housing assistance and utility allowances for the households cited in this finding.
- 1B. Pursue collection from the applicable households or reimburse from nonfederal funds \$1,826 in overpaid housing assistance and utility allowances for the two households cited in this finding.

- 1C. Reimburse its program \$20,524 from nonfederal funds for the overpayment of housing assistance and utility allowances due to not properly including reported income.
- 1D. Reimburse its program \$13,579 from nonfederal funds for the improper administrative fees related to the 33 households cited in this finding.
- 1E. Implement quality control procedures to verify zero-income status after the quarter uploads are complete in HUD's system; reinforce to contractors the recapture requirements for unreported income; and perform a 100 percent review of zero-income files to ensure checklists and affidavits are in tenant files to ensure that all housing assistance and utility allowance payments meet HUD and its requirements and prevent \$553,405 in improper housing assistance and utility allowance payments during the next year.
- 1F. Review the remaining 1,288 (1,335 minus 47) households claiming zero income between January 1, 2007, and September 30, 2008, to determine whether the households had unreported income. For households that received excessive housing assistance and utility allowance payments, the Authority should pursue collection and/or reimburse its program the applicable amount from nonfederal funds and/or terminate housing assistance for the applicable households.
- 1G. Provide documentation to support the implementation of its quality controls over the program to ensure proper supervision and oversight of its contractor.

## Finding 2: The Authority's Program Participants Received Multiple Subsidies

The Authority did not have adequate controls over household members claimed as dependents under its program. It allowed nine members to be claimed as dependents in multiple households under its program. This condition occurred because the Authority and Quadel lacked adequate controls to ensure that household members were not included in more than one household. As a result, HUD funds were not used efficiently and effectively as households received more in housing assistance than they were entitled to receive.

---

### System Errors Were Ignored

Using the HUD's system and the Authority's multiple-subsidies report from its Yardi system, we identified 407 households that were potentially receiving multiple subsidies as of October 27, 2008. Using data mining software, we statistically selected 59 households from the 407 active program households. The 59 files were reviewed to determine whether the Authority provided multiple subsidies and if so, whether a repayment agreement was executed to recapture any overpayment of housing assistance. Our review was limited to the information maintained by the Authority in the households' files, HUD's Public and Indian Housing information Center and system, and the Tenant Rental Assistance Certification System. The 59 households were managed by Quadel from January 1, 2007, through June 30, 2009.

Four of the households included nine members that were claimed as dependents in more than one household within the Authority's program. According to the Authority's executive vice president of resident services, the Authority's Yardi system prompts an error message when an individual is being added to the system if a Social Security number matching the individual's Social Security number already exists. However, according to the executive vice president, the Authority's contractor, Quadel, overrode the error message and continued to add duplicate individuals as program participants. Quadel's program services director said that Quadel was aware that its staff was overriding the Yardi system error message but that the system error did not take into account whether the Social Security number in the system was associated with a current or past program participant.

Quadel's program services director emphasized that the Yardi system would catch potential multiple subsidies due to duplicate individuals in the program at the time of subsidy payment. The system would not make a payment if the Social Security number belonging to a member in one household was the same as the Social Security number belonging to the head of household of the second household. However, the system did not match the Social Security number of a family member in the first household to a family member in the second household. In cases such as these, payments were not stopped. The four households receiving

multiple subsidies within the Authority's program included a family member in one household and a family member in a second household; therefore, the multiple subsidies were not stopped. The Authority overpaid housing assistance totaling \$1,982 for the four households.

The following are examples of household members claimed in more than one household within the Authority's program:

- Household 9719573 consisted of three minor household members from November 20, 2007, through June 30, 2008, who were also members of the Authority's program household 0968909 from September 1, 2007, through June 30, 2008. Quadel allotted household 9719573 dependent allowances for minors that did not reside in the household and calculated a higher bedroom size that to which the household was entitled. As a result, the Authority overpaid \$1,444 in housing assistance and utility allowances from November 2007 through June 2008.
- Household 0841874 consisted of a minor household member from January 1, 2007, through June 30, 2008, who was also a member of the Authority's program household 0972436 from February 4, 2008, through February 28, 2009. Quadel allotted household 0841874 dependent allowances for the family member that did not reside in the household and calculated a higher bedroom size that to which the household was entitled. As a result, the Authority overpaid housing assistance and utility allowances totaling \$484 from March 1 through June 30, 2008.

In addition to addressing its system-generated warnings, Quadel failed to address errors generated by HUD's Public and Indian Housing Information Center. The center's system generated errors for 6 of the 59 households identified with duplicate dependents in the Authority's program as well as other housing authorities' programs. Because the system-generated errors were not addressed, one of the six households received an overpayment of \$28 in housing assistance from the Authority.

### **The Authority Did Not Recover Overpaid Subsidies**

Although the Authority inappropriately provided overpayments of housing assistance to 12 of the 59 households, it failed to seek repayment of the overpaid housing assistance payments when it became aware of the overpayments. In September 2008, Quadel identified individuals potentially receiving multiple subsidies through a report generated by the Authority in its Yardi computer system and/or through the multiple-subsidies report from HUD's Public and Indian Housing Information Center. According to the Authority's administrative plan, if Quadel determines that a household received excess rental assistance, it was Quadel's responsibility to seek repayment.

Repayment may include tenant repayment of excess assistance in full, tenant repayment of excess assistance through a repayment agreement, a decrease in prospective rental assistance without the use of a formal repayment agreement, or repayment through legal action.

### **The Authority and Its Contractor Lacked Adequate Controls**

The overpayment of \$17,586 (\$1,982 plus \$28 plus \$15,576) in housing assistance and utility allowances to program participants occurred because the Authority and Quadel lacked adequate controls to ensure that household members were not included in more than one household and overpaid housing assistance was recaptured in accordance with the Authority's administrative plan.

According to Quadel's quality control plan, Quadel will ensure that the households meet the program eligibility requirement by providing the Social Security number and other such documents relating to eligibility. Of the 17 households receiving multiple subsidies, two (12 percent) did not have a file copy of the Social Security card and/or birth certificate for members who were included in more than one household. In addition, Quadel conducted a quality control review of one of the two household files in which eligibility documents were missing and failed to identify that the documents were missing.

Further, Quadel did not effectively use the Authority's Yardi system and HUD's Public and Indian Housing Information Center to prevent households from receiving multiple subsidies when its staff overrode the duplicate Social Security number system errors and continued to add duplicate individuals as program participants.

Although Quadel administered the Authority's program, the Authority is ultimately responsible to HUD for program operations. The Authority did not ensure that Quadel provided an acceptable level of service because it did not effectively monitor the contractor.

### **Conclusion**

The Authority did not use its program funds efficiently and effectively when it failed to recapture \$17,586 in housing assistance and utility allowances for 17 households. As of April 29, 2009, the Authority recaptured the overpaid subsidy through repayment agreements totaling \$958 for January 1, 2007, through June 30, 2008, for 8 of the 17 households identified as receiving excess subsidies. Therefore, housing assistance payments of \$16,772 (\$17,730 minus \$958) were overpaid for individuals that were dependents in more than one household. If the Authority does not implement adequate controls over duplicate household members, we estimate that it could pay more than \$25,000 in excessive housing

assistance and utility allowances over the next year based on the error rate found during our review. Our methodology for this estimate is explained in the Scope and Methodology section of this audit report.

In accordance with 24 CFR 982.152(d), HUD may reduce or offset any administrative fee to public housing authorities, in the amount determined by HUD, if the authorities fail to perform their administrative responsibilities correctly or adequately under the program. The Authority received \$863 in program administrative fees related to the excess amounts not collected on five households about which Quadel had received warnings through the Authority's and HUD's computer systems.

## Recommendations

We recommend that the Director of HUD's Chicago Office of Public Housing require the Authority to

- 2A. Pursue collection from applicable households or reimburse its program \$16,772 from nonfederal funds for the overpayment of housing assistance and utility allowances cited in this finding.
- 2B. Reimburse its program \$863 from nonfederal funds for the inappropriate program administrative fees related to the five households cited in this finding.
- 2C. Implement quality control procedures to ensure that individuals are not listed in more than one household within its program by addressing its and HUD's system warnings; upgrade its system to ensure warnings cannot be overridden and generate procedures for addressing its and HUD's system warnings; reinforce to its contractors the recapture requirements for overpaid housing assistance payments; implement quality control procedures to conduct periodic reviews of its contractors to ensure that errors are accurately identified to prevent \$25,028 in improper housing assistance and utility allowance payments during the next year.

## SCOPE AND METHODOLOGY

---

To accomplish our objective, we reviewed

- Applicable laws, regulations, the Authority's 2006 program administrative plan, HUD's program requirements at 24 CFR Parts 5 and 982, and HUD's Housing Choice Voucher Guidebook 7420.10.
- The Authority's accounting records; annual audited financial statements for 2004, 2005, and 2006; bank statements; household files; policies and procedures; board meeting minutes for January 2007 through April 2008; organizational chart; and program annual contributions contract with HUD.
- HUD's files for the Authority.

We also interviewed the Authority's employees and board chairman and the contractors' and HUD's staff.

### **Finding 1**

Using data mining software, we statistically selected 47 of the 1,335 households reported as having zero income during the period January 1, 2007, through September 30, 2008. The 47 files were reviewed to determine whether the Authority properly adjusted the housing assistance payments or entered into a repayment agreement for the overpaid subsidies once it became aware of the unreported income for households claiming zero income. Our sampling criteria used a 90 percent confidence level and precision of plus or minus 10 percent.

Our sampling results determined that 32 households received excessive housing assistance and utility allowance payments due to unreported income by the household and/or exclusion of income by Quadel. Based on our sample review results, using difference estimation methodology, we are 95 percent confident that the amount overpaid due to unreported income and/or exclusion of income over the next year will be at least \$553,405. This amount was determined by limiting the estimated difference lower limit of overpaid housing assistance to one year. We divided the estimated difference lower limit of \$968,459 by 21 months and then multiplied by 12 months.

### **Finding 2**

From the 407 active program households potentially receiving multiple housing subsidies as of October 27, 2008, we statistically selected 59 households using data mining software. The 59 files were reviewed to determine whether the Authority provided multiple subsidies and if so, whether a repayment agreement was executed. Our sampling criteria used a 90 percent confidence level and precision of plus or minus 10 percent.

Our sampling results determined that 17 households received excessive housing assistance and utility allowance payments due to the Authority's and Quadel's failure to prevent households

from being claimed in more than one household and not recapturing overpaid subsidies when they became aware of the overpaid housing assistance. Based on our sample review results, using difference estimation methodology, we are 95 percent confident that the amount overpaid over the next year due to program participants' receiving multiple subsidies will be at least \$25,028. This amount was determined by limiting the estimated difference lower limit of overpaid housing assistance to one year. We divided the estimated difference lower limit of \$37,542 by 18 months and then multiplied by 12 months.

We performed our on-site audit work between October 2008 and March 2009 at the Authority's offices located at 60 East Van Buren Street, 10<sup>th</sup> Floor, Chicago, Illinois. The audit covered the period January 1, 2007, through June 30, 2008, but was expanded as determined necessary.

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

# INTERNAL CONTROLS

---

Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are achieved:

- Effectiveness and efficiency of operations,
- Validity and reliability of data,
- Compliance with applicable laws and regulations, and
- Safeguarding resources.

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

---

## Relevant Internal Controls

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

- Program operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Validity and reliability of data – 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 laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.
- Safeguarding resources – Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.

We assessed the relevant controls identified above.

A significant weakness exists if internal controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

## Significant Weaknesses

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

- The Authority lacked adequate controls to ensure compliance with HUD's regulations and/or its program administrative plan regarding zero-income households and recovery of overpaid housing assistance for duplicate individuals (see findings 1 and 2),
- Quality control reviews of zero-income households (see finding 1),
- Procedures to verify zero-income status after the quarter uploads were completed in HUD's system (see finding 1),
- Recapturing of overpaid housing assistance (see findings 1 and 2),
- Authority's computer system and procedures for addressing its and HUD's system warnings (see finding 2), and
- Periodic reviews of the contractors' quality control reviews (see findings 1 and 2).

### **Separate Communication of Minor Deficiencies**

We informed the Authority's chief executive officer and the Director of HUD's Chicago Office of Public Housing of minor deficiencies through a memorandum, dated May 4, 2009.

## APPENDIXES

---

### Appendix A

#### SCHEDULE OF QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

---

Recommendation number	Ineligible 1/	Funds to be put to better use 2/
1A	\$37,387	
1B	1,826	
1C	20,524	
1D	13,529	
1E		\$553,405
2A	16,772	
2B	<u>863</u>	
2C		<u>25,028</u>
Totals	<u>\$90,901</u>	<u>\$578,433</u>

- 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/ 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 these instances, if the Authority implements our recommendations, it will cease to incur program costs for the overpayment of housing assistance and, instead, will expend those funds in accordance with HUD's requirements and the Authority's program administrative plan. Once the Authority successfully 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

<b>CHANGE.</b> CHICAGO HOUSING AUTHORITY	April 28, 2009	1009-016 OFFICE OF AUDIT CHICAGO, ILLINOIS 2009 APR 29 PM 4:05 RECEIVED
Martin Nesbitt <i>Chairperson</i>	Heath Wolfe, Regional Inspector General for Audit U. S. Department of Housing and Urban Development Office of Inspector General for Audit, Region V Ralph H. Metcalfe Federal Building 77 West Jackson Boulevard, Suite 2646 Chicago, Illinois 60604-3507	
<i>Board of Commissioners</i> Hallie Amey Dr. Mildred Harris Michael Ivers Samuel Mendenhall Bridget O'Keefe Carlos Ponce Sandra Young	<b>Subject: <u>OIG Audit Report 2009-CH-100X</u></b>	
Lewis A. Jordan <i>Chief Executive Officer</i>	Dear Mr. Wolfe:	
Scott W. Ammarell <i>General Counsel</i>	This letter represents the Chicago Housing Authority's (CHA) response to the Phase II Discussion Draft Audit Report 2009-CH-100X, dated March 31, 2009.	
	The Chicago Housing Authority recognizes the value of the OIG audit process and supports the assessment of our procedures related to Zero Income and Multiple Subsidy households. While we don't agree with each case finding, we acknowledge that the report identifies opportunities for improvement in our management of these two program areas. Additionally, we maintain an ongoing commitment to enhance the policies, procedures and internal controls which govern our administration of the Housing Choice Voucher Program.	
	To that end, CHA has implemented a comprehensive Quality Assurance Program, which in conjunction with the quality initiatives of our vendor partners, will guide the integrity of the HCV program and ensure CHA's ongoing compliance with HUD's requirements. Additional details of the program are included in this response package.	
	In support of this effort, the following actions have occurred:	
	<ul style="list-style-type: none"><li>• Authoring of a comprehensive QA Schedule (attached)</li><li>• Staffing of Quality Assurance Director and QA Team Members</li><li>• Scheduling of a comprehensive QA Training curriculum, which began on 04/06/09 (HCV QA Staffing and Training Schedule attached)</li></ul>	
<small>60 E. Van Buren Street - Chicago, Illinois 60605-1207 - (312) 742-8500 - www.thecha.org</small>		

Comment 1

**CHANGE.**  
CHICAGO HOUSING AUTHORITY

**Martin Nesbitt**  
*Chairperson*

*Board of Commissioners*

**Hallie Amey**  
**Dr. Mildred Harris**  
**Michael Ivers**  
**Samuel Mendenhall**  
**Bridget O'Keefe**  
**Carlos Ponce**  
**Sandra Young**

**Lewis A. Jordan**  
*Chief Executive Officer*

**Scott W. Ammarell**  
*General Counsel*

Per the telephone discussion April 22, 2009, the CHA and HUD OIG agree to modify the number of families noted in the following sections of the discussion draft report:

- Finding 1, page 06, paragraph 1 – change from 21 to 20 households
- Finding 1, page 10, paragraph 4 – change from 36 to 33 households

CHA's response to each finding of the audit report is provided over the following pages.

**Finding 1: The Authority's Zero Income Households Had Unreported Income**

**Recommendation 1A:**

**Pursue collection from the applicable households or reimburse its program \$38,615 from non-federal funds for the overpayment of housing assistance and utility allowances for the 18 households cited in this finding.**

**Comment:** Agree that the 18 households had unreported income, but disagree with some HAP and utility allowance calculations.

**Corrective Action:**

CHA agrees that the 18 cited households had unreported income and has initiated efforts to collect the overpayment of HAP and/or utility allowances from 15 of the households. In lieu of termination, appointments have been scheduled to evaluate each participant's eligibility to enter into a Repayment Agreement for the funds owed. The appointments are scheduled for April 27 and 28, 2009. Once finalized, CHA will provide supporting documentation for the Repayment Agreements to HUD OIG in a subsequent audit response.

For 6 of the 15 cases, CHA's ineligible HAP calculations differ from those provided by HUD OIG. For the 6 cases, the HUD OIG cited \$6,940 in ineligible HAP and \$1,784 in administrative fees. CHA's calculations reflect \$3,845 in ineligible HAP and \$1,285 in administrative fees, for a difference of **\$2,560**. CHA requests that this \$2,560 be deducted from the audit report. Supporting documentation for CHA's calculations is attached for consideration.

Comment 2

Ref to OIG Evaluation

Auditee Comments



**Martin Nesbitt**  
Chairperson

*Board of Commissioners*  
**Halle Aney**  
**Dr. Mildred Harris**  
**Michael Ivers**  
**Samuel Mendenhall**  
**Bridget O'Keefe**  
**Carlos Ponce**  
**Sandra Young**

**Lewis A. Jordan**  
Chief Executive Officer

**Scott W. Ammarell**  
General Counsel

Comment 3

HUD OIG also cites two specific examples where CHA was aware of unreported income but failed to act on this information. CHA's response is as follows:

*Case # 1 - A review of this case confirms that the household failed to report Social Security income, but we believe only \$1,838 of HAP was overpaid (HUD OIG cites \$2,134). This difference of \$296 should be deducted from the audit report. We have calculated a Repayment Agreement with the household for \$1,838 but have not been able to enter into the agreement or collect monies as the household has now ported from CHA's jurisdiction to East Baton Rouge, Louisiana. We have attempted to resolve this situation with the receiving housing authority but have not been successful to date.*

Comment 4

*Case #2 - A review of this case confirms that the household had unreported income, but we believe only \$1,920 of HAP was overpaid (HUD OIG cites \$2,804). The CHA and HUD OIG are working collaboratively to ensure that the appropriate action is taken with regard to this household for either repayment of HAP or termination from the HCV program.*

**(Supporting documentation for Case 1 & 2 are attached for consideration)**

Comment 5

For 3 of the 18 households (including Case#2 above), the CHA is working collaboratively with HUD OIG to ensure that the appropriate action with regard to these households are being taken for either repayment of HAP or termination from the HCV program. Per an e-mail from HUD OIG to the CHA on February 13, 2009, the CHA has not taken additional action to remediate the payments while these cases are under consideration. As a result, CHA contends that the ineligible HAP for these households (**\$14,558**) should not be included in the audit report.

**Recommendation 1B:**

**Pursue collection from the applicable households or reimburse from non-federal funds \$1,826 in overpaid housing assistance and utility allowances for the two (2) households cited in this finding.**



**Martin Nesbitt**  
*Chairperson*

*Board of Commissioners*  
**Halle Amey**  
**Dr. Mildred Harris**  
**Michael Ivers**  
**Samuel Mendenhall**  
**Bridget O'Keefe**  
**Carlos Ponce**  
**Sandra Young**

**Lewis A. Jordan**  
*Chief Executive Officer*

**Scott W. Ammarell**  
*General Counsel*

**Comment:** Agree

**Corrective Action:**

CHA was notified of the unreported income for the two cited households by HUD OIG during the audit process. Upon notification, CHA took measures to recover the overpaid HAP and utility allowance payments. In lieu of termination, appointments have been scheduled for April 27 and 28, 2009, to offer a Repayment Agreement to each family. The supporting documentation for these agreements will be provided to HUD OIG in a subsequent audit response.

In accordance with established procedures, CHA's contractor took appropriate steps to verify income, by generating EIV reports on 09/04/08 and 10/29/08, during the annual recertification for each household. At that time, the EIV reports did not reflect income for either household. A subsequent query by HUD OIG revealed income that was not present during the initial query by CHA, a fact which is acknowledged by HUD OIG in the discussion draft report. Due to delays in EIV income reporting, this is not uncommon. CHA respectfully requests that these facts be considered in evaluating this finding.

**Recommendation 1C:**

**Reimburse its program \$20,524 from non-federal funds for the overpayment of housing assistance and utility allowances due to not properly including unreported income.**

**Comment:** Disagree

**Corrective Action:**

Where applicable, CHA is taking appropriate action to collect the overpayment of housing assistance and utility allowance payments.

**Recommendation 1D:**

**Reimburse its program \$14,939 from non-federal funds for the improper administrative fees related to the 33 households cited in this finding.**

**Comment:** Disagree

**Comment 6**

**Comment 7**

**CHANGE.**  
CHICAGO HOUSING AUTHORITY

**Martin Nesbitt**  
*Chairperson*

*Board of Commissioners*  
**Hallie Amey**  
**Dr. Mildred Harris**  
**Michael Ivers**  
**Samuel Mendenhall**  
**Bridget O'Keeffe**  
**Carlos Ponce**  
**Sandra Young**

**Lewis A. Jordan**  
*Chief Executive Officer*

**Scott W. Ammarell**  
*General Counsel*

**Corrective Action:**

Where applicable, CHA is taking appropriate actions to collect the overpayment of housing assistance and utility allowance payments.

**Recommendation 1E:**

**Implement quality control procedures to verify zero-income status after the quarter uploads are complete in HUD's system; reinforce to contractors the recapture requirements for unreported income; and perform a 100 percent review of zero income files to ensure checklists and affidavits are in tenant files to ensure that all housing assistance and utility allowance payments meet HUD and its requirements and prevent \$553,405 in improper housing assistance and utility allowance payments during the next year.**

**Comment:** Agree

**Corrective Action:**

In its board-approved Administrative Plan dated 12/15/08, CHA Zero Income policy has been modified. This modification is outlined as follows:

If the family has reported zero income, the CHA will check EIV data every six months and, if appropriate, conduct an interim reexamination. If the family failed to report annual income that would exceed \$3,000 within 30 days as required, CHA will initiate action to terminate the family for failing to comply with the family obligations under the program and also determine whether it is appropriate to pursue charges of fraud against the family.

EIV reports will be used in interim reexaminations when it is necessary to verify and calculate earned income, unemployment benefits, Social Security and/or SSI benefits, and to verify that families claiming zero income are not receiving income from any of these sources.

The CHA will check UTI sources and/or request information from third-party sources to verify that certain forms of income such as unemployment benefits, TANF, SSI, etc., are not being received by families claiming to have zero annual income.

**CHANGE.**  
CHICAGO HOUSING AUTHORITY

**Martin Nesbitt**  
*Chairperson*

*Board of Commissioners*

**Hallie Amey**  
**Dr. Mildred Harris**  
**Michael Ivers**  
**Samuel Mendenhall**  
**Bridget O'Keefe**  
**Carlos Ponce**  
**Sandra Young**

**Lewis A. Jordan**  
*Chief Executive Officer*

**Scott W. Ammarell**  
*General Counsel*

Additionally, CHA has launched a comprehensive Quality Assurance (QA) Program for the purpose of providing oversight of all HCV Program Operations and to monitor the effectiveness of its administration of critical functional areas. As of March 30, 2009, CHA's QA Department is fully staffed and training has commenced for the targeted program areas.

**(QA Staffing and Training Schedule are attached for consideration).**

The Quality Control vendor, Nan McKay and Associates, Inc. (NMA), is delivering formal classroom training to the QA staff. The training will be followed by the QA staff conducting hands-on reviews under the watchful eye of NMA, who will provide ongoing mentoring and coaching through June of 2010. NMA will also conduct random checks of QA staff's reviews.

The specific procedures and tools that will be used in the review of Zero Income households are under development and will be provided in a subsequent audit response.

**Recommendation 1F:**

**Review the remaining 1,288 (1,335 minus 47) households claiming zero income between January 1, 2007, and September 30, 2008 to determine whether the households had unreported income. For households that received excessive housing assistance and utility allowance payments, the Authority should pursue collection and/or reimburse its program the applicable amount from non-federal funds.**

**Comment:** Agree

**Corrective Action:**

On April 10, 2009, CHA began the process of reviewing the remaining 1,288 Zero Income households to identify any unreported income that was earned during the audit period. If unreported income is found, CHA will take appropriate measures to collect overpaid housing assistance or utility allowance payments. Where applicable, CHA may choose to pursue termination action. The results of this research and corrective actions will be provided to HUD OIG in a subsequent audit response for consideration in closing this finding. The target date to complete the review of all households is May 30, 2009.

Comment 8

Comment 9

**CHANGE.**  
CHICAGO HOUSING AUTHORITY

**Martin Nesbitt**  
*Chairperson*

*Board of Commissioners*  
**Hallie Ansey**  
**Dr. Mildred Harris**  
**Michael Ivers**  
**Samuel Mendenhall**  
**Bridget O'Keefe**  
**Carlos Ponce**  
**Sandra Young**

**Lewis A. Jordan**  
*Chief Executive Officer*

**Scott W. Annarell**  
*General Counsel*

Please note that in a database query conducted on April 9, 2009, CHA's current count of Zero Income households was 541, which is a significant decline from the 1,335 households reflected during the audit period.

---

**Recommendation 1G:**  
Provide documentation to support the implementation of its quality control department over the program to ensure proper supervision and oversight of its contractor.

**Comment:** Agree

**Corrective Action:**  
See Corrective Action noted in 1G above.  
(Quality Assurance Schedule is attached for consideration in closing this finding)

---

**Finding 2: The Authority's Program Participants Received Multiple Subsidies**

**Recommendation 2A:**  
Pursue collection from applicable households or reimburse its program \$17,586 from nonfederal funds for the overpayment of housing assistance and utility allowances cited in this finding.

**Comment:** Agree

**Corrective Action:**  
The HUD OIG selected 49 households for review to determine whether multiple subsidies had been provided by CHA. The OIG found that for 4 of the 49 households, family members were being claimed as dependents in more than one household. CHA reviewed these four cases and agrees with the HUD OIG's findings. CHA has entered into Repayment Agreements with each of these households for a total amount of \$6,529. \$1,094 has been collected to date.

In total, the discussion draft report identified 17 households (including the 4 above) which received multiple subsidies during the scope of the audit period.

**CHANGE.**  
CHICAGO HOUSING AUTHORITY

**Martin Nesbitt**  
*Chairperson*

*Board of Commissioners*

**Hallie Amey**  
**Dr. Mildred Harris**  
**Michael Ivers**  
**Samuel Mendenhall**  
**Bridget O'Keefe**  
**Carlos Ponce**  
**Sandra Young**

**Lewis A. Jordan**  
*Chief Executive Officer*

**Scott W. Ammarell**  
*General Counsel*

Of this total, CHA has executed 11 repayment agreements totaling \$16,627, for which it has collected \$4,485. Supporting documentation for these agreements is attached for consideration. CHA has initiated an additional 6 repayment agreements and appointments for these participants are scheduled for April 27 and 28, 2009. Once finalized, the supporting documentation will be provided in a subsequent audit response.

**Recommendation 2B:**  
**Reimburse its program S863 from non-federal funds for the inappropriate program administrative fees related to the five (5) households cited in this finding.**

**Comment:** Agree

**Corrective Action:**  
CHA agrees that its efforts to prevent multiple subsidy housing assistance and utility allowance payments can be improved.

**Recommendation 2C:**  
**Implement quality control procedures to ensure that individuals are not listed in more than one household within its program by addressing its and HUD's system warnings; reinforce to contractors the recapture requirements for overpaid housing assistance payments; implement quality control procedures to ensure that errors are accurately identified in the contractors quality control reviews to prevent \$25,028 in improper housing assistance and utility allowance payments during the year.**

**Comment:** Agree

**Corrective Action:**  
CHA has launched a comprehensive Quality Assurance (QA) Program for the purpose of providing oversight of all HCV Program Operations and to monitor the effectiveness of its administration of critical functional areas. As of March 30<sup>th</sup>, 2009, CHA's QA Department is fully staffed and training has commenced for the targeted program areas.

**(QA Staffing and Training Schedule are attached for consideration).**

**CHANGE.**

CHICAGO HOUSING AUTHORITY

**Martin Nesbitt**  
*Chairperson*

*Board of Commissioners*

**Hallie Aney**

**Dr. Mildred Harris**

**Michael Ivers**

**Samuel Mendenhall**

**Bridget O'Keefe**

**Carlos Ponce**

**Sandra Young**

**Lewis A. Jordan**  
*Chief Executive Officer*

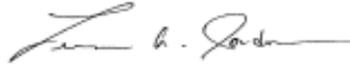
**Scott W. Ammarell**  
*General Counsel*

The Quality Control vendor, Nan McKay & Associates (NMA), is delivering formal classroom training to the QA staff. The training will be followed by the QA staff conducting hands-on reviews under the watchful eye of NMA, who will also provide ongoing mentoring and coaching through June of 2010. Additionally, NMA will conduct random checks of the QA staff's reviews.

The specific procedures and tools that will be used in the review of Multiple Subsidy households are under development and will be provided in a subsequent audit response.

In conclusion, CHA is committed to providing the administrative oversight that is necessary to guide ongoing quality improvement. We look forward to working with you to bring closure to these and other audit findings.

Sincerely,



Lewis A. Jordan  
President/Chief Executive Officer

cc: Scott Ammarell, Executive VP, General Counsel  
Kris Warren, Executive VP, Asset Management/COO

### OIG's Evaluation of Auditee Comments

- Comment 1** We adjusted the final audit report to reflect the changes discussed with the Authority on April 22, 2009.
- Comment 2** We adjusted recommendation 1A based upon additional documentation provided by the Authority.
- Comment 3** We disagree with the Authority that only \$1,838 of housing assistance and utility allowance payments were overpaid. Based on the documentation provided by the Authority during the audit, we determined the Authority overpaid \$1,878 in housing assistance and utility allowance payments. The Authority should pursue collection from the household or reimburse from nonfederal funds \$1,878 in overpaid housing assistance and utility allowances.
- Comment 4** See Comment 1.
- Comment 5** Although the Authority had not determined if the three households should repay the overpaid housing assistance and utility allowance payments or be removed from the program does not remove the fact that the housing assistance payments were overpaid. Therefore, we did not remove the \$14,558 from our recommendation.
- Comment 6** The Authority did not provide any documentation with its written comments to support that it did not overpay housing assistance and utility allowances due to not properly including reported income. According to the housing choice voucher guidebook, in cases where the error or omission is the fault of the Authority, the family and owner are not responsible for repayment. Therefore, the Authority should reimburse its program \$20,524 from nonfederal funds for the overpayment of housing assistance and utility allowances.
- Comment 7** In accordance with 24 CFR 982.152(d), HUD may reduce or offset any administrative fee to public housing authorities, in the amount determined by HUD, if the authorities fail to perform their administrative responsibilities correctly or adequately under the program.
- Comment 8** The Authority's proposed actions to implement its quality control division over its program should substantially improve its procedures and controls to ensure that proper supervision and oversight of its contractors, if fully implemented. The Authority will have further opportunity to provide supporting documentation to HUD's staff, who will work with the Authority, to address the recommendation.
- Comment 9** We adjusted recommendation 2A based upon additional documentation provided by the Authority.

## Appendix C

### FEDERAL REGULATIONS AND THE AUTHORITY'S REQUIREMENTS

---

HUD's regulations at 24 CFR 982.54 require the public housing authority to adopt a written administrative plan that establishes local policies for the administration of the program in accordance with HUD requirements. The administrative plan states the public housing authority's policies on matters for which the public housing authority has discretion to establish local policies. The public housing authority must administer the program in accordance with its administrative plan.

The Authority's Moving to Work agreement amended on June 26, 2008, part I (A), states that the Authority is subject to the requirements of the annual contributions contracts, the United States Housing Act of 1937, and other HUD requirements, except as necessary to implement the Authority's activities described in the memorandum of approval and resident protection agreement.

The contract between the Authority and the contractors, effective June 2, 2008, exhibit C, states that the contractors will be expected to achieve high performer status during the contract term. The contractor shall perform the services in a manner that meets or exceeds the performance standards. The contractor's performance will be evaluated by satisfying the contract and federal performance standards for determination of adjusted income; i.e., income verification is properly completed for the correct determination of adjusted income, and the appropriate utility allowance is used for certification. High performer percentage is 90.

#### **Finding 1**

Federal regulations at 24 CFR 5.240(c) states 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 Section 8 housing assistance payment or terminate assistance, as appropriate, based on such information.

Federal regulations at 24 CFR 982.152(d) state that HUD is permitted to reduce or offset any Section 8 administrative fees paid to a public housing authority if it fails to perform its administrative responsibilities adequately.

Federal regulations at 24 CFR 982.516 (d) (1) state that the public housing authority must adopt policies prescribing how to determine the effective date of a change in the housing assistance payment resulting from an interim redetermination.

HUD's regulations at 24 CFR 982.516(f) states that the public housing authority must establish procedures that are appropriate and necessary to ensure that income data provided by applicant or participant families is complete and accurate.

HUD's Public and Indian Housing Notice 2005-9, section 4(e), states that families can be required to report all increases in income between reexaminations and the Authority may conduct more frequent interim reviews for families reporting no income.

The Authority's administrative plan at part III, general administration, interim reexaminations, pages 33 to 34, states that rent and other charges shall remain in effect for the period between regularly scheduled reexaminations except that a family previously receiving a zero housing assistance payment, must report, within 30 days, any change in income that will last more than 30 days. Decrease in the tenant's total tenant payment, whether completed at an annual, biennial, or interim reexamination, will be effective the first day of the month following the month in which the change was reported, provided the change was reported within the required 30 days. Increase in the tenant's total tenant payment, whether completed at an annual, biennial, or interim reexamination, will be effective the first day of the second month following the date the change occurred, except in cases in which underreporting of income by the participant has occurred.

The Authority's administrative plan at part III, general administration, interim reexaminations, pages 34-35, states that CHAC, Inc. (Section 8 program administrator for the Authority) will schedule special reexaminations every 180 days (6 months) for families reporting zero income. At the interim reexaminations, the head of household will be asked about changes in income, and any changes reported will result in a change in rent. If no change is reported, the head of household will be required to sign a certificate of zero income, indicating that the income for the household has not changed. At the annual reexamination, families reporting zero income will be required to have all adult household members sign a certification of \$0 income and any appropriate releases, allowing CHAC, Inc., to obtain further confirmation of the family's income. Failure to comply with these reexamination requirements will be considered grounds for termination of assistance.

The Authority's administrative plan at part III, general administration, interim reexaminations, page 35, states that if CHAC, Inc., determines that a household has received excess rental assistance, it is the responsibility of CHAC, Inc., to seek repayment (recovery) of such assistance. Repayment may include: tenant repayment of excess assistance in full, tenant repayment of excess assistance through the use of a repayment agreement, decrease in prospective rental assistance without the use of a formal repayment agreement, or repayment through legal action.

## **Finding 2**

Federal regulations at 24 CFR 982.551(h)(1)(2)(3), state that the family must use the assisted unit for residence by the family. The unit must be the family's only residence. The composition of the assisted family residing in the unit must be approved by the Authority. The family must promptly inform the Authority of the birth, adoption, or court-awarded custody of a child. The family must request the Authority's approval to add any other family member as an occupant of the unit. No other person (i.e., nobody but a member of the assisted family) may reside in the unit (except for a foster child or live-in aide as provided in paragraph (h)(4) of this section). The family must promptly notify the Authority if any family member no longer resides in the unit.

Federal regulations at 24 CFR 982.311(d) state that if the family moves out of the unit, the public housing agency may not make any housing assistance payment to the owner for any month after the month when the family moves out. The owner may keep the housing assistance payment for the month when the family moves out of the unit.

Federal regulations at 24 CFR 982.152(d) state that HUD is permitted to reduce or offset any Section 8 administrative fees paid to a public housing authority if it fails to perform its administrative responsibilities adequately.

The Authority's administrative plan at part III, general administration, interim reexaminations, pages 33-34, states that rent and other charges shall remain in effect for the period between regularly scheduled reexaminations except that the participant must report in writing to the administrator, within 30 days, any change in household composition.

The Authority's administrative plan at part III, general administration, interim reexaminations, page 35, states that if CHAC, Inc., determines that a household has received excess rental assistance, it is the responsibility of CHAC, Inc., to seek repayment (recovery) of such assistance. Repayment may include tenant repayment of excess assistance in full, tenant repayment of excess assistance through the use of a repayment agreement, decrease in prospective rental assistance without the use of a formal repayment agreement, or repayment through legal action.