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TO: Robert E. Nelson, Director of Public Housing Hub, 5FPH

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

SUBJECT: The Plymouth Housing Commission, Plymouth, Michigan, Needs to Improve Its Section 8 Housing Choice Voucher Program Administration

HIGHLIGHTS

What We Audited and Why

We audited the Plymouth Housing Commission's (Commission) Section 8 Housing Choice Voucher program (program). The audit was part of the activities in our fiscal year 2006 annual audit plan. We selected the Commission based upon a risk analysis that identified it as having a high-risk program. Our objective was to determine whether the Commission administered its program in accordance with the U.S. Department of Housing and Urban Development's (HUD) requirements. This is the first of two audit reports on the Commission's program.

What We Found

The Commission's program administration regarding documentation to support households' eligibility for housing assistance, housing assistance and utility allowance payments calculations, the Family Self-Sufficiency program, household portability, and the cost allocation plan for indirect costs was inadequate. The Commission was unable to support more than \$138,000 in housing assistance and utility allowance payments, overpaid nearly \$10,000 and underpaid nearly \$9,000 in housing assistance and utility allowances, lacked adequate documentation to support nearly \$1,900 in reduced housing assistance and utility allowance payments, and failed to remove from its program households that did not receive housing assistance for more than 180 days.

Further, the Commission failed to administer its and the Dearborn Heights Housing Commission's Family Self-Sufficiency programs according to the *United States Code*, HUD's requirements, and its family self-sufficiency action plan. As a result, the Commission had nearly \$930,000 in escrow funds that should have been paid to program participants or reimbursed to the applicable program, misused \$53,000 in Housing Choice Voucher/Family Self-Sufficiency Program Coordinators (Coordinators) funds, inappropriately paid more than \$14,000 in final escrow payments, could not support more than \$13,000 in participants' escrow accounts, and overfunded and underfunded participants' escrow accounts by more than \$2,000.

The Commission had weaknesses in the accuracy of housing assistance and program administrative fee payments it made to receiving housing authorities for port-out households. It also failed to establish an adequate cost allocation plan and appropriately allocate indirect costs shared by all of the housing programs it administered.

We informed the Commission's executive director and the director of HUD's Detroit Office of Public Housing of minor deficiencies through a memorandum, dated August 2, 2007.

What We Recommend

We recommend that the director of HUD's Detroit Office of Public Housing require the Commission to reimburse its program from nonfederal funds for the improper use of program funds, reimburse its Coordinators funds from nonfederal funds for incorrectly administering its Family Self-Sufficiency program, provide support or reimburse its program from nonfederal funds for the unsupported payments, and implement adequate procedures and controls to address the findings cited in this audit report.

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 file 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 also provided our discussion draft audit report to the Commission's executive director, its board president, and HUD's staff during the audit. We held an exit conference with the Commission's executive director on July 2, 2007.

We asked the executive director to provide comments on our discussion draft audit report by July 31, 2007. The executive director provided written comments,

dated July 10, 2007. The executive director generally agreed with our findings. The complete text of the written comments, along with our evaluation of that response, can be found in appendix B of this report.

TABLE OF CONTENTS

Background and Objective	5
Results of Audit	
Finding 1: Controls over Housing Assistance and Utility Allowance Payments Need Improvement	6
Finding 2: The Commission Failed to Operate Family Self-Sufficiency Programs in Accordance with Federal Requirements	11
Finding 3: The Commission’s Controls over Port-Out Payments Were Weak	19
Finding 4: The Commission Lacked an Adequate Cost Allocation Plan for Indirect Costs	22
Scope and Methodology	24
Internal Controls	26
Appendixes	
A. Schedule of Questioned Costs and Funds to Be Put to Better Use	28
B. Auditee Comments and OIG’s Evaluation	30
C. Federal Requirements and Commission’s Policies	33
D. Household File Reviews – Missing or Incomplete Documentation	39
E. Housing Assistance and Utility Allowance Payment Errors	40

BACKGROUND AND OBJECTIVE

The Plymouth Housing Commission (Commission) was established by the City of Plymouth, Michigan (City), in November 1963 under the laws of the State of Michigan to provide decent, safe, and sanitary housing for low-income families under the United States Housing Act of 1937. The Commission is governed by a five-member board of commissioners (board) appointed by the City manager to five-year staggered terms. The board's responsibilities include overseeing the Commission's operations, as well as the review and approval of its policies. The board appoints the Commission's executive director, who serves as the board's secretary. The executive director is responsible for fulfilling the goals and objectives established by the board.

The Commission administers its Section 8 Housing Choice Voucher, Public Housing, and Public Housing Capital Fund programs. As of June 2007, it also administers the Dearborn Heights and Ingham County Housing Commissions' Section 8 Housing Choice Voucher programs and the South Lyon Housing Commission's Public Housing program. The Commission will no longer administer the Ingham County and the South Lyon Housing Commissions' programs effective October 1, 2007, and July 1, 2007, respectively. It provides assistance to low- and moderate-income individuals seeking decent, safe, and sanitary housing by subsidizing rents with owners of existing private housing. As of July 12, 2007, the Commission had 1,624 program units under contract with annual housing assistance payments totaling more than \$10.5 million in program funds. The Commission also received Housing Choice Voucher/Family Self-Sufficiency Program Coordinators (Coordinators) funds to pay the salaries and fringe benefits of its program staff that coordinate its Family Self-Sufficiency program.

Our objective was to determine whether the Commission administered the Section 8 Housing Choice Voucher programs (programs) in accordance with the U.S. Department of Housing and Urban Development's (HUD) requirements. This included determining whether the Commission (1) complied with HUD requirements by obtaining the necessary documentation to determine household eligibility, and accurately calculated households housing assistance and utility allowance payments; (2) complied with HUD requirements regarding the administration of the Family Self-Sufficiency programs; (3) appropriately managed port-out households; and (4) correctly allocated indirect costs to its various programs. This is the first of two audit reports on the Commission's programs.

RESULTS OF AUDIT

Finding 1: Controls over Housing Assistance and Utility Allowance Payments Need Improvement

The Commission did not comply with HUD's requirements and its program administrative plan regarding housing assistance and utility allowance payments. It lacked documentation to support housing assistance and utility allowance payments to program landlords and households, incorrectly calculated payments, and did not remove from its program overincome households that did not receive housing assistance for more than 180 days. This noncompliance occurred because the Commission lacked adequate procedures and controls to ensure that HUD's requirements and its program administrative plan were appropriately followed. As a result, the Commission was unable to support more than \$138,000 in housing assistance and utility allowance payments, overpaid nearly \$10,000 and underpaid nearly \$9,000 in housing assistance and utility allowances, and lacked adequate documentation to support reduced housing assistance and utility allowance payments totaling \$1,850.

The Commission Lacked Documentation to Support More Than \$137,000 in Housing Assistance and Utility Allowance Payments

From the 2,517 program households that received housing assistance from January 1, 2005, through September 30, 2006, we statistically selected 88 households' files by using ACL Services Limited software. The 88 files were reviewed to determine whether the Commission had documentation for and correctly calculated households' housing assistance and utility allowance payments for the period January 2005 through September 2006. Our review was limited to the information maintained by the Commission in its households' files. The methodology for our statistical selection is explained in the Scope and Methodology section of this audit report.

The Commission lacked documentation to support housing assistance and utility allowance payments totaling \$137,424 for the period January 2005 through September 2006. Of the 88 files reviewed, 32 (36 percent) were missing or had incomplete documentation as follows:

- ❖ 11 were missing proof of a criminal activity screening;
- ❖ 10 were missing a disclosure of information on lead-based paint;
- ❖ Six were missing signed declaration of U.S. citizen certifications;
- ❖ Five were missing a lease agreement;
- ❖ Four were missing HUD Form 9886, Authorization for the Release of Information and Privacy Act Notice;

- ❖ Four were missing HUD Form 52641, Housing Assistance Payment Contract;
- ❖ Four were missing the households' initial application;
- ❖ Two were missing proof of legal identity; and
- ❖ One was missing proof of Social Security numbers.

The 32 files did not include documentation required by HUD's regulations and the Commission's administrative plan. Appendix D of this report includes the results of our household file reviews.

The Commission Miscalculated Housing Assistance and Utility Allowance Payments

The Commission's miscalculations resulted in overpayments of \$9,644 and underpayments of \$8,725 in housing assistance and utility allowances. The Commission incorrectly calculated housing assistance and/or utility allowance payments for 48 of the 88 (55 percent) households in one or more of the certifications reviewed. The 48 files contained the following errors:

- ❖ 35 had annual income calculation errors for one or more certifications,
- ❖ 19 had incorrect payment standards for one or more certifications,
- ❖ 18 had inappropriate utility allowances for one or more certifications,
- ❖ Four had inaccurate rents for one or more certifications,
- ❖ Three had incorrect family composition for one or more certifications,
- ❖ Two had inaccurate voucher size for one or more certifications, and
- ❖ Two did not use the Commission's minimum rent for one certification.

Appendix E of this report details the housing assistance and utility allowance payment errors that resulted from the Commission's incorrect calculations.

The Commission lacked sufficient income documentation to support its income calculations for four households. It could not support the reduced housing assistance and utility allowance payments totaling \$1,850 for the four households. The following table shows the unsupported reduction in housing assistance and utility allowance payments to the four households.

<i>Household number</i>	<i>Unsupported reduction in housing assistance and utility allowance payments</i>		
	<i>2005</i>	<i>2006</i>	<i>Total</i>
1947	\$600	\$0	\$600
4905	672	0	672
5429	394	0	394
5718	0	184	184
Totals	\$1,666	\$184	\$1,850

Further, the Commission lacked third-party income verifications for 31 households. HUD's Enterprise Income Verification system (system) showed that

one of the households, number 5471, had \$5,174 in income that the Commission did not include in its income calculation. Therefore, the Commission lacked support that \$1,447 in housing assistance and utility allowance payments for the household was appropriate.

HUD performed rental integrity monitoring reviews in 2003 and 2006, a rental integrity monitoring re-review in 2004, and Section 8 management assessment program reviews for fiscal years 2004 and 2005. The reviews identified income calculation errors and missing third-party verification issues similar to the ones cited in this finding. The Commission revised its policies and procedures twice during our audit period to improve its quality control process and organization of household files based on HUD's recommendations. However, it continued to make calculation errors and failed to consistently obtain third-party verifications as evidenced by our review. After our audit period in October 2006, the Commission revised its policies and procedures for a third time; however, we did not evaluate the effectiveness of these revisions.

The Commission's program administrative plan addressed how households would be reimbursed when an underpayment of housing assistance occurred.

The Commission Did Not Remove Overincome Households

Contrary to HUD's regulations, the Commission did not ensure that overincome households only remained on its program for 180 days. From January 2005 through December 2006, the Commission had 24 households that earned sufficient income to pay their full monthly rent and did not receive housing assistance payments. It failed to remove 14 of the 24 households from its program although the households had not received housing assistance payments for more than 180 days. The 14 households remained on the program from one to nine months beyond the 180 days. The following table shows the number of months that the 14 overincome households remained on the Commission's program beyond 180 days after their last housing assistance payment.

<i>Household number</i>	<i>Date of last housing assistance payment</i>	<i>180 days after last housing assistance payment</i>	<i>Date household removed from program</i>	<i>Number of months beyond 180 days</i>
3928	May 1, 2004	October 28, 2004	August 1, 2005	9
650	July 1, 2004	December 28, 2004	March 1, 2005	2
2154	February 1, 2005	July 31, 2005	October 1, 2005	2
3995	March 1, 2005	August 28, 2005	March 31, 2006	7
5611	September 1, 2005	February 28, 2006	September 30, 2006	7
5628	September 1, 2005	February 28, 2006	September 30, 2006	7
4432	November 1, 2005	April 30, 2006	September 30, 2006	5
2131	January 1, 2006	June 30, 2006	September 30, 2006	3
4027	March 1, 2006	August 28, 2006	September 30, 2006	1
3409	June 1, 2006	November 28, 2006	March 31, 2007	4
5601	August 1, 2006	January 28, 2007	March 31, 2007	2
4274	September 1, 2006	February 28, 2007	March 31, 2007	1
5666	October 1, 2006	March 30, 2007	April 30, 2007	1
1741	November 1, 2006	April 30, 2007	May 30, 2007*	1

* The Commission had not removed the household from the program as of May 30, 2007.

The Commission's Procedures and Controls Had Weaknesses

The weaknesses regarding the missing documentation, incorrect calculations, and the failure to remove from its program overincome households that did not receive assistance for more than 180 days occurred because the Commission lacked adequate procedures and controls to ensure that it appropriately followed HUD's requirements and its administrative plan. The Commission did not ensure that it fully implemented HUD's requirements and its program administrative plan and that file management procedures were standardized. It also did not consistently document its quality control reviews of households' files and the followup with its staff when deficiencies were identified to ensure that those deficiencies did not continue.

Conclusion

The Commission improperly used its program funds when it failed to comply with HUD's regulations and its administrative plan. As previously mentioned, the Commission disbursed \$138,871 (\$137,424 due to a lack of file eligibility documentation plus \$1,447 due to unsupported income documentation) in housing assistance and utility allowance payments without proper documentation, overpaid \$9,644 and underpaid \$8,725 in housing assistance and utility allowances, and was unable to support reduced housing assistance and utility allowance payments totaling \$1,850.

In accordance with 24 CFR [*Code of Federal Regulations*] 982.152(d), HUD may reduce or offset any administrative fee to public housing authorities (authorities), in the amount determined by HUD, if the authorities fail to perform their

administrative responsibilities correctly or adequately under the program. The Commission received \$25,029 in program administrative fees related to the unsupported and inappropriate payments for 56 of the 88 program households and \$2,208 in program administrative fees for the 14 overincome households inappropriately maintained on its program.

Recommendations

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

- 1A. Provide supporting documentation or reimburse the applicable program \$145,966 (\$138,871 in housing assistance and utility allowance payments and \$7,095 in associated administrative fees) from nonfederal funds for the unsupported payments and associated administrative fees cited in this finding.
- 1B. Reimburse the applicable program \$27,578 (\$9,644 for the overpayment of housing assistance and utility allowances and \$17,934 in administrative fees associated with the overpayment and underpayment of housing assistance and utility allowances for the 48 households) from nonfederal funds.
- 1C. Reimburse the appropriate households \$8,725 for the underpayment of housing assistance and utility allowances cited in this finding.
- 1D. Provide supporting documentation or reimburse the appropriate households \$1,850 for the lack of sufficient income documentation to support reduced housing assistance and utility allowance payments cited in this finding.
- 1E. Reimburse the applicable program \$2,208 in administrative fees for the 14 households inappropriately maintained on the program from nonfederal funds.
- 1F. Implement adequate procedures and controls over its housing assistance and utility allowance payments to ensure that they comply with HUD's requirements and the Commission's administrative plan.
- 1G. Implement adequate procedures and controls to ensure that supervisory quality control reviews are documented, with feedback provided to applicable staff to correct the recurring housing assistance and utility allowance payment deficiencies noted.

Finding 2: The Commission Failed to Operate Family Self-Sufficiency Programs in Accordance with Federal Requirements

The Commission failed to operate its and the Dearborn Heights Housing Commission's Family Self-Sufficiency programs according to the *United States Code*, HUD's requirements, and its family self-sufficiency action plan. This noncompliance occurred because the Commission failed to exercise proper supervision and oversight of the Family Self-Sufficiency programs and lacked adequate procedures and controls to ensure that federal requirements were appropriately followed. As a result, the Commission had nearly \$930,000 in escrow funds that should either have been paid to Family Self-Sufficiency program participants or reimbursed to the applicable program, misused \$53,000 in Coordinators funds, inappropriately paid more than \$14,000 in final escrow payments, could not support more than \$13,000 in participants' escrow accounts, and overfunded and underfunded participants' escrow accounts more than \$2,000.

The Commission Failed to Operate the Family Self-Sufficiency Programs

The Commission inappropriately administered its and the Dearborn Heights Commission's Family Self-Sufficiency programs by failing to ensure escrow funds were not credited to participants whose contracts of participation expired or were terminated from the applicable program, maintain an effective coordinating committee (committee) and program coordinator, ensure that all required documents were properly maintained and executed for the participating households, ensure participants' escrow credits were accurate, and escrow interest payments were credited appropriately.

The Commission's Escrow Account Contained Funds from Expired or Terminated Contracts of Participation

The Commission's escrow account contained funds from participants whose contracts of participation expired or were terminated from the applicable program. For participants with whom the Commission had contracts of participation, the effective dates of the contracts matched the participants' start dates in the report. Therefore, we relied on the participants' start dates in the report as the date that participants began their participation in the Family Self-Sufficiency programs and expanded our review regarding how long participants were active to all 276 participants.

As of February 2007, 177 (64 percent) of the 276 participants' contracts of participation had expired or would have expired if the Commission had properly executed contracts of participation. The Commission's escrow account contained

\$738,755 for the 177 participants. The contracts of participation expired or would have expired from April 2003 through September 2006. None of the participants requested extensions to the terms of the contracts of participation.

In addition, the Commission's escrow account inappropriately contained \$188,930 for 42 participants with whom the Commission had terminated contracts of participation. According to 24 CFR [*Code of Federal Regulations*] 984.305(f)(2)(ii), escrow account funds forfeited by a household must be treated as program receipts for payment of program expenses under the Commission's budget for the program and used in accordance with HUD requirements governing the use of program receipts.

As a result of the expired contracts of participation, and the retained funds from the participants who were terminated from the programs, the Commission had nearly \$930,000 (\$738,755 plus \$188,930) in escrow funds that should either have been paid to the Family Self-Sufficiency program participants or reimbursed to the applicable program.

The Commission Failed To Maintain an Effective Committee and Program Coordinator

The Commission did not maintain an effective coordinating committee (committee) in accordance with HUD's regulations and its family self-sufficiency action plan. The action plan stated that the committee would consist of the Commission's staff, the Child and Family Services Agency (Agency), a nonprofit organization that was to provide case management for the Family Self-Sufficiency programs, a Family Self-Sufficiency program participant who would represent other participants, and representatives from local agencies that were to provide services and opportunities to participants. The Commission took over case management for the Family Self-Sufficiency programs when the Agency ended its membership in the committee in October 1997. The executive director said that the Commission's employees had been the only members of the committee since before January 2005. However, the Commission could not provide documentation to support that the committee was active from January 2005 through May 2007.

The Commission also failed to maintain an effective family self-sufficiency coordinator. The Commission employed a part-time coordinator from June 2004 to December 2006 to manage the programs. However, the coordinator did not effectively oversee the programs by failing to ensure that program participants were linked to the supportive services they needed to achieve self-sufficiency, which is the main purpose of the family self-sufficiency coordinator. The executive director acknowledged that the family self-sufficiency coordinator did not adequately perform the responsibilities of the position.

HUD awarded the Commission a grant for \$85,049 under its Housing Choice Voucher/Family Self-Sufficiency Coordinator program in fiscal years 2005 and 2006. These funds were made available to pay the salary and fringe benefits of a coordinator under the stipulation that the Commission administer the Family Self-Sufficiency program in accordance with federal regulations and HUD requirements. The Commission used \$53,000 of the funds from January 2006 through March 2007. Given that the Commission and the coordinator failed to maintain an effective program and implement local strategies to coordinate the use of the program with public and private resources to enable eligible households to achieve economic self-sufficiency, the Commission may have not properly used the \$53,000 in Coordinating funds. Therefore, HUD should make a determination if any of the grant funds used to pay the coordinator achieved the purpose of the program.

The Commission Failed to Ensure Required Documentation Was Properly Maintained and/or Executed

We statistically selected for review 23 of the Commission's and the Dearborn Heights Housing Commission's 276 active Family Self-Sufficiency program participants as of September 2006. We selected an additional seven participants due to their large escrow account balances. Of the 30 participant files selected for review

- ❖ None of the files contained the needs of the participants, the services to be provided to the participants, the activities to be completed by the participants, interim or final goals, or escrow account balance reports;
- ❖ 17 files did not contain an individual training and services plan;
- ❖ 12 files contained contracts of participation that were not signed by the Commission; and
- ❖ 11 files did not contain a contract of participation.

According to HUD's regulations at 24 CFR [*Code of Federal Regulations*] 984.303, the Commission was required to enter into a contract of participation with each household selected to participate in the Family Self-Sufficiency programs. It was required to establish within the contract of participation specific interim and final goals, the services to be provided, and the activities to be completed by the participants. The contract of participation was to establish that each participant be required to fulfill the obligations outlined in the contract no later than five years after the effective date of the contract.

According to HUD's regulations at 24 CFR [*Code of Federal Regulations*] 984.305(c), to disburse escrow funds before completion of the Family Self-Sufficiency programs, the Commission was required to determine that a participant had fulfilled certain interim goals established in the contract of participation and needed a portion of the escrow funds consistent with the

contract. Further, the Commission should not make final escrow fund disbursements without first determining whether a participant had fulfilled the obligations under the contract of participation or 30 percent of the participant's household monthly adjusted income equaled or exceeded the published existing housing fair market rate rent for the size of unit for which the participant's household qualified based on the Commission's occupancy standards, before the expiration of the contract. The Commission's contract of participation with a participant stated that the resources and supportive services to be provided to a participant would be stated in the individual training and services plan.

As previously mentioned, for the participants' files reviewed, the Commission could not provide documentation to support that it established within the contracts of participation specific interim and final goals, the services to be provided, and the activities to be completed by the participants. Therefore, it also could not document that it could make a determination as to whether the participants fulfilled interim goals or obligations under their contracts of participation, significantly limiting the participants' eligibility to receive escrow fund disbursements. The Commission provided historical income data for all 30 participants reviewed; however, the documentation showed that only two participants met the 30 percent income requirement during the terms of their contracts. Further, only five of the participants were active, based on the Commission's family self-sufficiency escrow account detail report (report), which included the participants' start dates under the Family Self-Sufficiency programs. The five participants' escrow accounts totaled \$13,606.

The Commission disbursed \$17,820 in final escrow payments to four participants from January 2005 through November 2006. However, it failed to establish within the contracts of participation specific interim and final goals, the services to be provided, and the activities to be completed by the participants. It also did not determine whether the four participants were income eligible to receive final escrow payments. Three of the four participants who received \$14,084 in final escrow payments were not income eligible.

Escrow Account Credits Were Inaccurate

The Commission inappropriately calculated the escrow account credits for at least one month for 14 of the 30 participants from January 2005 through September 2006. It overfunded five participants' escrow accounts totaling \$2,123 and underfunded nine participants' escrow accounts totaling \$2,173. These errors occurred because the Commission failed to perform case management of the participants' files to ensure that escrow credit calculations were adequately determined.

Escrow Interest Was Not Prorated and Credited Appropriately

Contrary to HUD's regulations, the Commission allocated earned interest on its escrow savings accounts for both its and the Dearborn Heights Housing Commission's Family Self-Sufficiency programs based on .1 percent of each participant's escrow account balance. Therefore, it did not appropriately prorate and credit the earned interest to each participant's escrow account based on each participant's balance.

The Commission's Procedures and Controls Need Improvement

The Commission needs to improve its procedures and controls in the administration of the Family Self-Sufficiency programs. The Commission failed to exercise proper supervision and oversight of the Family Self-Sufficiency programs. It also lacked adequate procedures and controls to ensure that federal requirements were appropriately followed.

The Commission's fiscal year 2002 independent audit report disclosed a finding regarding the Commission's Family Self-Sufficiency escrow account. The independent auditor noted that the Commission's escrow ledger did not agree to the Commission's general ledger balance, and as a result, the Family Self-Sufficiency escrow liability, as presented in the financial statement, may not be an accurate representation of the account. This finding was repeated in the Commission's independent audit reports for fiscal years 2003 and 2004 because the Commission failed to provide documentation that it implemented corrective action. In the Commission's fiscal year 2005, the independent audit report stated the Commission was implementing corrective action. Therefore, HUD's Detroit Office of Public Housing informed the Commission in a letter, dated December 23, 2005, that based upon the submission of documentation to support that the Commission's Family Self-Sufficiency escrow account was in balance with the general ledger, the finding was closed.

The Schiff Group Reviewed the Commission's Program

In September 2006, the Commission contracted with The Schiff Group to review its program. During the review, The Schiff Group identified problems with the Commission's records for its and the Dearborn Heights Housing Commission's Family Self-Sufficiency programs. The Commission then contracted with The Schiff Group to perform a full review of the Family Self-Sufficiency programs. The Schiff Group's report stated that the committee did not exist as of October

2006, active participants lacked executed contracts of participation or individual training and services plans, the Commission's escrow accounts contained significant balances (did not specify an amount) for terminated participants, participants were receiving escrow funds without adequate documentation, and the Commission was not managing the Family Self-Sufficiency programs. However, The Schiff Group's report did not identify that the Commission had participants with contracts of participation that had expired or would have expired if it had properly executed contracts of participation, inappropriately calculated the escrow account credits for participants, and improperly allocated interest for participants' escrow savings accounts.

The Schiff Group developed a corrective action plan to assist the Commission in improving its management of the Family Self-Sufficiency programs. As of June 2007, the Commission had implemented such actions listed in the corrective action plan as issuing letters to all participants with expired contracts to determine their eligibility to receive escrow payments and entering into a contract with Wayne Metro, a nonprofit organization, to perform case management.

Conclusion

The Commission improperly used funds from the Family Self-Sufficiency programs when it failed to comply with federal requirements and its own policies. The Commission's failure to maintain sufficient documentation (1) made it difficult to determine whether the Family Self-Sufficiency programs met their goal of enabling households to become economically self-sufficient and (2) increased the likelihood that inappropriate participants received payments. It also reduced the Commission's ability to monitor and measure the effectiveness of the Family Self-Sufficiency programs.

As a result of its noncompliance, the Commission had nearly \$930,000 in escrow funds that could be put to better use, misused \$53,000 in Coordinators funds, inappropriately paid more than \$14,000 in final escrow payments, overfunded participants' escrow accounts by \$2,123, and underfunded participants' escrow accounts by \$2,173.

Unless the Commission improves its procedures for the Family Self-Sufficiency programs, we estimate that it could inappropriately use \$32,049 in Coordinators funds for its program in the next year. We determined this amount based on the unused fiscal year 2006 Coordinators funds awarded to the Commission. Further, the Commission will not credit 177 participants' escrow accounts with \$169,176 in program funds over the next 12 months. We determined this amount by multiplying the average monthly amount of escrow credits the Commission made to the 177 participants' escrow accounts from September through December 2006 by 12 months.

Recommendations

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

- 2A. Determine whether the 177 participants with \$738,755 in escrow account funds cited in this finding had contracts of participation and either fulfilled their obligations under the contract or were income eligible during the term of the contract.
- 2B. Disburse to the applicable participants cited in recommendation 2A the appropriate amount of the participants' escrow funds under contracts of participation if they fulfilled their obligations under the contracts or were income eligible during the term of the contract.
- 2C. Reimburse the applicable program the participants' escrow funds for participants who were not under a contract of participation or were under a contract, but did not fulfill their obligations under the contracts or were not income eligible during the term of the contract.
- 2D. Reimburse the applicable program \$188,930 for the 42 participants with whom it terminated the contracts of participation.
- 2E. Remove the 177 participants cited in this finding from its report so that it does not credit the participants' escrow accounts \$169,176 in program funds over the next 12 months.
- 2F. Establish a committee in accordance with HUD's regulations and its family self-sufficiency action plan.
- 2G. Provide documentation to support its allocation of time spent correctly administering its Family Self-Sufficiency program or reimburse its Coordinators funds from nonfederal funds the appropriate portion of the \$53,000 used for fiscal years 2005 and 2006 when the Commission's program was incorrectly administered.
- 2H. Implement adequate procedures and controls over the Family Self-Sufficiency programs to ensure that it follows federal requirements and its HUD-approved family self-sufficiency action plan to prevent \$32,049 in Coordinators funds from being spent over the next 12 months contrary to federal requirements.
- 2I. Provide documentation to support that it entered into contracts of participation with and/or included within the contracts specific interim and final goals, the services to be provided, and the activities to be completed by the five participants cited in this finding or reimburse the applicable program \$13,606 from the five participants' escrow funds.

- 2J. Reimburse the applicable program \$14,084 from nonfederal funds for the final escrow payments to participants whose contracts of participation lacked specific interim and final goals, the services to be provided, and the activities to be completed by the participants and who were not income eligible.
- 2K. Reimburse the applicable program \$2,123 for the overfunding of five participants' escrow accounts in escrow funds.
- 2L. Transfer to the nine participants' escrow accounts \$2,173 in program funds for the underfunding of escrow funds cited in the finding.
- 2M. Implement adequate procedures and controls to ensure interest earned on its escrow account is appropriately prorated and credited to the participants' escrow balances.

Finding 3: The Commission’s Controls over Port-Out Payments Were Weak

The Commission had weaknesses in the accuracy of housing assistance and program administrative fee payments made to receiving housing authorities for port-out households. This problem occurred because the Commission lacked adequate procedures and controls to ensure that portability payments were accurate. As a result, it made net underpayments of housing assistance totaling \$5,840 and program administrative fees totaling \$335.

The Commission Did Not Make Accurate Payments for Port-Out Households

Our review of the 14 files of port-out households for which the Commission made housing assistance payments to receiving housing authorities from January 2005 through September 2006 showed that it overpaid and underpaid the receiving authorities for port-out households’ housing assistance and/or the authorities’ program administrative fees. It overpaid three receiving authorities \$4,908 and underpaid three receiving authorities \$10,748, a net underpayment of housing assistance totaling \$5,840. It also overpaid a receiving authority \$235 in housing assistance payments for another household, which was refunded by the receiving authority. In addition, the Commission also inaccurately calculated program administrative fees for 13 of the 14 port-out households resulting in underpayments to receiving authorities totaling \$335. The following table shows the underpayments and/or overpayments for the 13 port-out households.

Household number	Total housing assistance payments		Administrative fee underpayments
	Overpayments	Underpayments	
1082	\$2,235	\$0	(\$24)
1750	0	0	(22)
2433	0	0	(50)
2715	1,698	0	(9)
3206	0	(747)	(9)
4758	0	0	(5)
5162	0	(8,018)	(22)
5495	0	0	(43)
5955	0	0	(37)
6082	975	0	(43)
6515*	235	0	(15)
15173	0	0	(23)
15373	0	(1,983)	(33)
Totals	<u>\$4,908</u>	<u>(\$10,748)</u>	<u>(\$335)</u>

* Receiving authority refunded the overpayments; not included in totals.

The Commission made the housing assistance payment errors for seven households due to the following:

- ❖ Six households' housing assistance payments were made after the households were absorbed by the receiving authorities,
- ❖ Four households' housing assistance payments were not made;
- ❖ Three households' housing assistance payments were not for the appropriate amount, and
- ❖ Two households' housing assistance payment changes were not processed in a timely manner.

The Commission also failed to make six households' initial housing assistance payments to receiving authorities within the HUD-required timeframe and could not provide support for its calculation for 11 months of administrative fees paid to receiving authorities. Further, its portability module database contained housing assistance payment and administrative fee amounts and issuance dates for 11 of the 14 port-out households that did not match the Commission's checks issued to the receiving authorities.

The Commission's Procedures and Controls Had Weaknesses

The weaknesses regarding the overpayment and underpayment of housing assistance and underpayment of program administrative fees occurred because the Commission lacked adequate procedures and controls to ensure that it appropriately followed HUD's requirements and its program administrative plan. The inaccurate payments occurred because the Commission's staff lacked training in processing housing assistance and administrative fee payments for port-out households. In addition, the Commission's Section 8 director did not provide adequate supervision to the staff to ensure that payments were accurate. The data in the portability module were inaccurate because the Commission's staff did not update the module after manually processing housing assistance and administrative fee payments.

Conclusion

The Commission did not comply with HUD's regulations and its program administrative plan when administering portable vouchers for 13 of the 14 port-out households. As previously mentioned, it overpaid \$4,908 and underpaid \$10,748 in housing assistance payments and underpaid \$335 in administrative fees to receiving housing authorities for port-out households.

Recommendations

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

- 3A. Pay the receiving housing authorities the \$11,083 (\$10,748 underpaid in housing assistance and \$355 underpaid in program administrative fees) for the port-out households cited in this finding.
- 3B. Request the receiving authorities to reimburse the \$4,908 overpaid for port-out households cited in this finding.
- 3C. Implement adequate procedures and control over its portability process to ensure that it meets HUD's requirements and the Commission's program administrative plan.

Finding 4: The Commission Lacked an Adequate Cost Allocation Plan for Indirect Costs

The Commission failed to establish an adequate cost allocation plan and appropriately allocate indirect costs shared by all of the housing programs it administers. These conditions occurred because the Commission mistakenly thought that its allocation basis was appropriate and reasonable. As a result, HUD and the Commission cannot be assured that the indirect costs were reasonable and appropriate in relation to the benefits derived from the indirect costs.

The Cost Allocation Plan Was Not Appropriate and Expenses Were Not Allocated Properly

The Commission did not incorporate all of the various housing programs it administers in its written cost allocation plan for distributing indirect costs. It had a cost allocation plan for the program portion of indirect costs. The plan, which was based on the number of program units, stated that the Commission would allocate indirect costs in the following manner: 77 percent to the Commission's program, 18 percent to the Dearborn Heights Housing Commission's program, and 5 percent to the Ingham County Housing Commission's program. However, the Commission administered its program, its Public Housing and Public Housing Capital Fund programs, the Dearborn Heights Housing Commission's and the Ingham County Housing Commission's programs, and the South Lyon Housing Commission's Public Housing program.

The Commission allocated 95 percent of its indirect costs such as telephone services and travel expenses to the various programs it administers and 5 percent to the Commission's Public Housing program based on the number of units for each of the housing programs. It then applied its cost allocation plan for indirect costs to the program portion of the indirect costs. No indirect costs were allocated to the Commission's Public Housing Capital Fund or the South Lyon Housing Commission's Public Housing programs. Further, the Commission did not consider its or the Dearborn Heights Housing Commission's Family Self-Sufficiency programs in its allocations. Therefore, it did not properly prorate indirect costs to all of the housing programs it administers.

In addition, the Commission inappropriately charged 100 percent of some indirect costs to only one of the housing programs. For example, the Commission charged utilities for its administrative offices to its Public Housing program although it administered all of the housing programs from its administrative offices. Further, it charged digital subscriber line charges and internet service provider expenses to its program although these services were used by staff who worked on the other housing programs.

The Commission's executive director and fee accountant said that they felt it was appropriate to allocate indirect costs based on the number of units within the three

programs and the Commission's Public Housing program. The Commission only charged utilities for its administrative offices to its Public Housing program since the administrative offices were located in a building that also included 104 of its Public Housing program units and maintenance offices. The executive director and fee accountant said that it would have been difficult to determine the appropriate amount to allocate to each of the housing programs. The fee accountant also said that he only charged certain minor expenses, such as digital subscriber line charges and internet service provider expenses, to the Commission's program since its program incurred a majority of the costs and the costs were small.

As a result, HUD and the Commission lack assurance that the indirect costs charged to the various housing programs the Commission administers were reasonable in relation to the benefits derived from the indirect costs.

Recommendations

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

- 4A. Modify its cost allocation plan to properly allocate indirect costs to all of the housing programs it administers in accordance with HUD's requirements and its program annual contributions contract.
- 4B. Implement adequate procedures and controls to follow HUD's requirements and its program annual contributions contract regarding the allocation of indirect costs.

SCOPE AND METHODOLOGY

To accomplish our objective, we reviewed

- Applicable laws and regulations; the Commission's program administrative plans effective before and as of June 2005, and operating procedures; the Commission's family self-sufficiency action plan; *United States Code*, title 42, chapter 8, subchapter I, subsection 1437u; HUD's program requirements at 24 CFR [*Code of Federal Regulations*] Parts 5, 982, 984, and 985; HUD's notice of funding availability (notice) for fiscal years 2005 and 2006 Coordinators funds in the *Federal Register*, dated November 9, 2005, and November 2, 2006, respectively; HUD's Public and Indian Housing Notices 2004-01, 2004-12, 2005-01, 2005-09, 2005-28, 2006-03, 2006-05, and 2006-25; HUD's Housing Assistance Payments Program Accounting Handbook 7420.6; HUD's Housing Choice Voucher Guidebook 7420.10; HUD's Form HUD-50058 Instruction Booklet; HUD Guidelines for Projecting Annual Income When Upfront Income Verification Data is Available, dated January 2004; and Form HUD-52641.
- The Commission's accounting records, annual audited financial statements for 2002, 2003, 2004, and 2005, general ledgers, bank statements, and cancelled checks, program household files, computerized databases, board meeting minutes for 2005 and 2006, organizational chart, service agreements, and program annual contributions contract.
- HUD's reports and files for the Commission.

We also interviewed the Commission's employees, its fee accountant, and HUD staff.

Finding 1

We statistically selected 88 of the program households' files using ACL Services Limited software from the 2,517 households to which the Commission made housing assistance payments from January 1, 2005, through September 30, 2006. The 88 households were selected to determine whether the Commission had supporting documentation and correctly calculated households' housing assistance and utility allowance payments. Our sampling criteria used a 90 percent confidence level.

Finding 2

We statistically selected 23 of the Commission's and Dearborn Heights Housing Commission's Family Self-Sufficiency programs participants' files, using EZ-Quant software, from the 276 active participants as of September 30, 2006. We selected an additional seven participants due to their large escrow account balances. The 30 participants were selected to determine whether the Commission had supporting documentation for participation, correctly calculated escrow account credits, and correctly prorated and credited escrow account interest. Our sampling criteria used a

90 percent confidence level, 10 percent estimated error rate, and precision of plus or minus 10 percent.

As of June 2007, 25 (83 percent) of the 30 participants' contracts of participation had expired or would have expired if the Commission had properly executed contracts of participation. The Commission's escrow account contained \$121,966, including \$47,881 credited after five years had elapsed, for the 25 participants. The contracts of participation expired or would have expired from September 2005 through August 2006. None of the participants requested extensions to the terms of the contracts of participation. Due to the high rate of participants who had been in the Family Self-Sufficiency programs more than five years without an extension, we expanded our review regarding how long participants were active to all 276 participants.

Unless the Commission improves its procedures for its Family Self-Sufficiency program, we estimate that it could inappropriately use \$32,049 in Coordinators funds for its program in the next year. We determined this amount based on the unused fiscal year 2006 Coordinators funds awarded to the Commission. Further, the Commission will not credit 177 participants' escrow accounts with \$169,176 in program funds over the next 12 months. We determined this amount by multiplying the average monthly amount of escrow credits the Commission made to the 177 participants' escrow accounts from September to December 2006 by 12 months.

We performed our on-site audit work from October 2006 through June 2007 at the Commission's administrative offices, located at 1160 Sheridan, Plymouth, Michigan. The audit covered the period January 1, 2005, through September 30, 2006, and was expanded as determined necessary.

We performed our audit in accordance with generally accepted government auditing standards.

INTERNAL CONTROLS

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

- Effectiveness and efficiency of operations,
- Reliability of financial reporting,
- 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. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined 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 management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

Significant Weakness

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

- The Commission lacked adequate procedures and controls to ensure compliance with HUD's requirements and/or its program administrative plan regarding household files, housing assistance payments, the Family Self-Sufficiency programs, portability, and the allocation of indirect costs (see findings 1, 2, 3, and 4).

APPENDIXES

Appendix A

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

Recommendation number	Ineligible 1/	Unsupported 2/	Funds to be put to better use 3/
1A		\$145,966	
1B	\$27,578		
1C			\$8,725
1D		1,850	
1E	2,208		
2A			738,755
2D			188,930
2E			169,176
2G		53,000	
2H			32,049
2I		<u>13,606</u>	
2J	<u>14,084</u>		
2K			2,123
2L			2,173
3A			11,083
3B			<u>4,908</u>
Totals	<u>\$43,870</u>	<u>\$214,422</u>	<u>\$1,157,922</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/ 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 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. This includes reductions in outlays, deobligation of funds, withdrawal of interest subsidy costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings which are specifically identified. In these instances, if the Commission implements our

recommendations, it will cease to incur program costs for improper Family Self-Sufficiency program participants' escrow accounts, the inappropriate administration of its Coordinators funds, and the payment of housing assistance and related program administrative fees for port-out households and, instead, will expend those funds in accordance with HUD's requirements. Once the Commission 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



Sharon Lee Thomas
Director

Plymouth Housing Commission

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PLYMOUTH, MICHIGAN 48170
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DIRECTOR OF
AUDIT
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July 10, 2007

Mr. Heath Wolfe
Regional Inspector General for Audit, Region V
U.S. Department of Housing and Urban Development
Ralph Metcalfe Federal Building
77 West Jackson Blvd Suite 2646
Chicago, Illinois 60604-3507

Dear Mr. Wolfe,

Below please find the Plymouth Housing Commission's (PHC) response to IG's discussion draft audit report presented July 2, 2007.

Audit Finding 1

Plymouth Housing Commission hired an independent contractor to review all files identified in the audit. Corrections or questions concerning the audit findings will be sent to the IG office no later than December 31, 2007.

Audit Finding 2

The Plymouth Housing Commission cannot disagree with any finding in the IG's draft report. However, as a result of the audit of PHC's FSS Program performed by the Schiff Group, PHC has audited every FSS participant's account from both an administrative and financial perspective. We are in the process of correcting both programmatic and accounting errors. The PHC has procured both FSS Coordination and Case Management services. It is anticipated that all ineligible and unsupported costs will be reconciled and all clients will be evaluated and be placed in or removed from the FSS program as dictated by HUD regulations, no later than December 31, 2007.

TONQUISH CREEK MANOR

Comment 1

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

Comment 2

Mr. Heath Wolfe
July 10, 2007
Page Two

Audit Finding 3

Plymouth Housing Commission recognizes that the controls over port-out payments need improvement. The 13 discrepancies cited in the audit are being reviewed and corrections will be made if necessary. Reassignment of our staff has allowed us to designate a new experienced employee to oversee our portability process. Her duties and completed work will be monitored by the Director on a monthly basis. We anticipate that this task will be completed by December 31, 2007.

Audit Finding 4

The Plymouth Housing Commission currently has a cost allocation plan which is used to make appropriate entries on a monthly basis. The Fee Accountant will work with the IG's office and the Detroit HUD, Public Housing Division in amending the cost allocation plan to address the two concerns raised by the IG audit.

If you have any questions pertaining to this matter please contact me at (734) 455-3670, ext. 224.

Sincerely,



Sharon Lee Thomas
Executive Director

OIG's Evaluation of Auditee Comments

- Comment 1** The Commission should provide its file review results to HUD's Detroit Office of Public Housing, not OIG.
- Comment 2** The Commission should work with HUD's Detroit Office of Public Housing regarding its cost allocation plan, not OIG.

Appendix C

FEDERAL REQUIREMENTS AND COMMISSION'S POLICIES

Finding 1

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 5.216 require that each assistance applicant submit the following information to the processing entity when the assistance applicant's eligibility under the program involved is being determined:

- ❖ A complete and accurate Social Security number assigned to the assistance applicant and to each member of the assistance applicant's household who is at least six years of age or
- ❖ If the assistance applicant or any member of the assistance applicant's household who is at least six years of age has not been assigned a Social Security number, a certification executed by the individual involved.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 5.230(a) require each member of the family of an assistance applicant or participant who is at least 18 years of age and each family head and spouse regardless of age to sign one or more consent forms.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 5.240(c) state that public housing authorities (authorities) must verify the accuracy of the income information received from a household 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 [*Code of Federal Regulations*] 5.508 require evidence of citizenship or eligible immigration status for each household member regardless of age. For U.S. citizens or U.S. nationals, the evidence consists of a signed declaration of U.S. citizenship or U.S. nationality.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.54 require authorities 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 authorities' policies on matters for which authorities have discretion to establish local policies. The authorities must administer the program in accordance with their administrative plan.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.158(a) state that authorities must maintain complete and accurate accounts and other records for the program and in accordance with HUD requirements in a manner that permits a speedy and effective audit. Section 982.158(e) states that during the term of each assisted lease and for at least three years thereafter, authorities must keep a copy of the executed lease, the housing assistance payments contract, and the application from the family. Section 982.158(f) states that authorities must keep the following records for at least three years: records that provide income, racial, ethnic, gender, and disability status data on program applicants and participants; unit inspection reports; and lead-based paint records as required by 24 CFR [*Code of Federal Regulations*] Part 35.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.305(a) state that authorities may not execute a housing assistance payments contract until the authorities determine that the lease includes the tenancy addendum and the rent to the owner is reasonable. Section 982.305(b) requires that the owner and the household execute a lease before the beginning of the initial term of the lease. Section 982.305(c) states that a housing assistance payments contract must be executed no later than 60 calendar days from the beginning of the lease term. The authorities may not pay any housing assistance payment to an owner until the housing assistance payments contract has been executed.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.308(b) state that the household and the owner must enter a written lease for the unit. The owner and the household must execute the lease. Section 982.308(d) states that the lease must specify the names of the owner and the tenant; the address, apartment number, and any other information needed to identify the unit; the terms of the lease; the amount of the monthly rent to the owner; and the utilities and appliances to be supplied by the owner and the household.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.451 require authorities to determine the amount of the monthly housing assistance payment in accordance with HUD regulations and other requirements.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.455 state that housing assistance payments contracts terminate automatically 180 calendar days after the last housing assistance payment to an owner.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.505(b) state that authorities should pay a monthly housing assistance payment on behalf of a family participating in the program that is equal to the lower of the payment standard for the family minus the total tenant payment or the gross rent minus the total tenant payment. Section 982.505(c)(4) states that if the payment standard amount is increased during the term of the contract, the increased payment standard amount shall be used to calculate the monthly housing assistance payment for the family beginning at the effective date of the family's first regular reexamination on or after the effective date of the increase in the payment standard amount.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.514(b) state that when the housing assistance payment exceeds the rent to the owner, authorities may pay the balance of the housing assistance payment (utility reimbursement) either to the family or directly to the utility supplier to pay the utility bill on behalf of the family.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.516(a)(1) require authorities to conduct a reexamination of family income and composition at least annually. The authorities must obtain and document in the household file third-party verification or why third-party verification was not available for the following factors: (i) reported family annual income, (ii) the value of assets, (iii) expenses related to deductions from annual income, and (iv) other factors that affect the determination of adjusted income. At any time, authorities may conduct an interim reexamination of family income and composition. Interim examinations must be conducted in accordance with policies in the authorities' administrative plans. As a condition of admission to or continued assistance under the program, the authorities shall require the family head and such other family members as the authorities designate to execute a HUD-approved

release and consent form (including any release and consent as required under 5.230 of this title) authorizing any depository or private source of income or any federal, state, or local agency to furnish or release to the authorities or HUD such information as the authorities or HUD determine to be necessary. The authorities and HUD must limit the use or disclosure of information obtained from a family or from another source pursuant to this release and consent to purposes directly in connection with administration of the program.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.517 state that authorities must use the appropriate utility allowance for the size of dwelling unit leased by the family, and the utility allowance schedules must take into consideration unit size and unit type.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.553(a)(2) state that authorities must establish standards that prohibit admission to the program if any member of a household is subject to a lifetime registration requirement under a state sex offender registration program. The authorities must perform criminal history background checks necessary to determine whether any household member is subject to a lifetime sex offender registration requirement in the state where the housing is located and in other states where the household members are known to have resided.

Chapter 5.3 of HUD's Housing Choice Voucher Program Guidebook 7420.10 requires authorities to recalculate households' annual income at least annually.

Form HUD 9886, Authorization for the Release of Information/Privacy Act Notice, states that each member of an applicant's or participant's household 18 years of age or older is required to sign the form.

Section 6.5, paragraph C, of the Commission's program administrative plan states that the Commission will approve a lease if the lease is approvable and includes the following: the names of the owner and the tenant, the address of the unit, the terms of the lease, the amount of the monthly rent to the owner, a specification of the utilities and appliance to be supplied by the owner and the household, and the required HUD tenancy addendum. Paragraph E states that the Commission will approve a lease if the household's share of rent does not exceed 40 percent of its monthly adjusted income if the gross rent exceeds the applicable payment standard.

As of June 2005, section 10.1 states that the Commission will use five verification methods in the following order: 1) up-front income verifications, 2) third-party written verifications, 3) third-party oral verifications, 4) household documentation reviews, and 5) self-certifications and self-declarations. The Commission allows three weeks for the return of third-party written verifications before obtaining third-party oral verifications and five business days to obtain third-party oral verifications before requesting household documentation. The Commission will maintain income documentation in the household files. Section 10.3 states that the citizenship or eligible noncitizen status of each household member must be determined regardless of age.

As of June 2005, section 14.3 states that if the Commission makes a mistake in calculating a household's rent contribution and overcharges the household, the household shall receive a refund for the amount of the mistake going back to a maximum of 12 months. The Commission shall refund the household as soon as practical. However, if the household owes the Commission money, it will first offset the debt as much as possible.

Finding 2

The *United States Code*, title 42, chapter 8, subchapter I, subsection 1437u(c)(1), states that each public housing agency carrying out a local program under this section shall enter into a contract with each leaseholder receiving assistance under the program of the public housing agency that elects to participate in the Family Self-Sufficiency program under this section. The contract shall establish specific interim and final goals by which compliance with and performance of the contract may be measured and shall specify the resources and supportive services to be made available to the participating household.

HUD issued a notice for fiscal year 2005, Notice of HUD's Fiscal Year 2005; Notice of Funding Availability Policy Requirements and General Section to the Super Notice of Funding for HUD's Discretionary Programs dated March 21, 2005, stated that the purpose of the Family Self-Sufficiency program coordinator was to assure that program participants are linked to the supportive services they need to achieve self-sufficiency. Those authorities who apply for the funding must administer the Family Self-Sufficiency program in accordance with HUD regulations and requirements in 24 CFR [*Code of Federal Regulations*] 984, which governs the Housing Choice Voucher Family Self-Sufficiency program, and must comply with the existing Housing Choice Voucher program requirements, notices, and handbooks. Applications for the authorities that fall into any of the following categories are ineligible for funding under the notice of funding and will not be processed: (1) an application from an authority that as of the application due date had not made progress satisfactorily to HUD in resolving serious outstanding OIG audit findings, or serious outstanding HUD management review of independent public accountant findings for the Housing Choice Voucher program and/or Moderate Rehabilitation program or a "troubled" rating under Section Eight Management Assessment program, and had not designated another organization acceptable to HUD to administer the Family Self-Sufficiency program on behalf of the public housing authority as required in Section III.C.3.e of this notice of funding.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 984.102 state that under the Family Self-Sufficiency program, low-income households are provided opportunities for education, job training, counseling, and other forms of social service assistance so they may obtain the education, employment, and business and social skills necessary to achieve self-sufficiency.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 984.103 state that the contract of participation includes all individual training and service plans entered into between an authority and all members of a household who will participate in the Family Self-Sufficiency program and which plans are attached to the contract of participation as exhibits.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 984.202 state that each participating authority must establish a committee, the functions of which will be to assist the authority in securing commitments of public and private resources for the operation of the Family Self-Sufficiency program within the authority's jurisdiction, including assistance in developing the action plan and in program implementation.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 984.303(d) state that an authority shall, in writing, extend the term of the contract of participation for a period not to exceed two years for any Family Self-Sufficiency program participant who requests, in writing, an extension

of the contract, provided that the authority finds that good cause exists for granting the extension. An extension of the contract of participation will entitle the participant to continue to have amounts credited to the participant's Family Self-Sufficiency program account.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 984.305(a)(2)(ii) state that investment income for funds in a Family Self-Sufficiency program account will be prorated and credited to each participant's account based on the balance in each participant's account at the end of the period for which the investment income is credited.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 984.305(a)(3) state that each authority will be required to make a report, at least once annually, to each Family Self-Sufficiency program participant on the status of the participant's account. Section 984.305(b)(3) states that an authority shall not make any additional credits to a participant's account when the participant has completed the contract of participation or when the contract of participation is terminated or otherwise nullified.

Section V of the Commission's family self-sufficiency action plan states that the Family Self-Sufficiency program participant is required to sign and fulfill a contract of participation as part of the Family Self-Sufficiency program requirements. The effective date of the contract of participation will be on the first day of the month in which the participant began participating in the Family Self-Sufficiency program. The contract of participation is an agreement between the Commission and the participant that sets forth the provisions of the Family Self-Sufficiency program, specifies the resources and supportive services that will be made available, and outlines the responsibilities and obligations of the participant. The contract will indicate the obligations to which the participant has committed and the length of the contract of participation, which shall not exceed five years unless the Commission extends the term of the contract. An extension will be considered only after the Commission receives a written recommendation and a written request from the participant asking that an extension be granted. If it can be properly documented that good cause exists for the extension, the Commission may extend the contract of participation for up to an additional two years. Regardless of the participant's status at the end of the two-year extension, no additional time will be allotted beyond a total of seven years.

Section VIII of the Commission's family self-sufficiency action plan states that the Commission shall establish escrow accounts for each of the Family Self-Sufficiency program participants. Credits for all of the participants will be deposited into a single HUD-approved investment account. The escrow accounts will be monitored individually, and interest income from the group investment will be prorated for each participant according to the participant's accumulative credits.

Finding 3

HUD's regulations at 24 CFR [*Code of Federal Regulation*] 982.355(e)(2) state that an initial authority must promptly reimburse a receiving authority for the full amount of the housing assistance payments made by the receiving authority for a portable household. The initial authority must promptly reimburse the receiving authority for 80 percent of the initial authority's ongoing administrative fee for each unit month that the household receives assistance under the receiving authority's tenant-based program. If both authorities agree, the authorities may negotiate a different amount of reimbursement.

According to paragraph 3 of HUD's Public and Indian Housing Notices 2004-12, 2005-28, and 2006-25, an initial authority is required to promptly reimburse a receiving authority for the full amount of housing assistance payments and 80 percent of the administrative fee per unit cost, as determined by HUD, or some other negotiated amount if both authorities agree for each unit month that the household receives assistance under the receiving authority's program. Paragraph 8 states that the initial authority must pay the first billing amount due within 30 calendar days of the receipt of part II of Form HUD-52665. The initial authority must continue making payments for each month the billing arrangement is in effect. Paragraph 12 states that failure to comply with the financial procedures required by HUD, including the billing and payment deadlines outlined above, may result in administrative sanctions, including the reduction in administrative fees.

Section 8, part D, of the Commission's program administrative plan states that an initial authority will promptly reimburse the receiving authority for 80 percent of the initial authority's ongoing administrative fee for each unit month that the household receives assistance under the receiving authority's tenant-based program.

Finding 4

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.152(a)(3) state that authorities' administrative fees may only be used to cover costs incurred to perform the authorities' administrative responsibilities for the program in accordance with HUD regulations and requirements.

Section 11 of the annual contributions contract between the Commission and HUD states that program receipts may only be used to pay for program expenditures.

HUD's Housing Assistance Payments Program Accounting Handbook 7420.6, chapter 5, part 24, paragraph C, page 34, states that if authorities are administering other low-income housing programs or are involved in enterprises other than the program and certain costs incurred are applicable to other than the program, it will be necessary to prorate such costs in order to charge the program with its applicable portion of the costs. The authorities shall maintain for audit purposes appropriate schedules and worksheets showing how the allocation of costs was made.

Appendix D

HOUSEHOLD FILE REVIEWS – MISSING OR INCOMPLETE DOCUMENTATION

Household number	Information release	U.S. citizen certification	Proof of legal identity	Social Security number	Initial application	Lead-based paint notification	Criminal activity screening	Housing assistance payments contract	Lease	Housing assistance/utility allowance payments not supported
343				<u>X</u>		X			X	\$2,937
401		X				X				3,055
1055		X								0
1771						X				0
2151						X				0
2468								X		0
2643					X					0
2935					X					0
3469					X					0
3968			X				X			16,492
4046		X								0
4071						X				0
4147		X								0
4166						X		X	X	4,818
4271							X			4,008
4365		X	<u>X</u>				X			11,784
4659						X				0
4684						X	X			5,303
4757	X							X	X	6,380
4905		<u>X</u>					X			4,707
5041							X			11,603
5088	X						X			12,156
5090							X			18,223
5231						X				0
5423	X									1,572
5429							X			6,001
5471	<u>X</u>									1,914
5532							X			11,927
5562							<u>X</u>			8,448
5596						<u>X</u>			X	1,242
6391								<u>X</u>	<u>X</u>	4,854
6526					<u>X</u>					0
Totals	4	6	2	1	4	10	11	4	5	\$137,424

Note: An “X” identifies the missing or incomplete documentation in the household’s file.

Appendix E

HOUSING ASSISTANCE AND UTILITY ALLOWANCE PAYMENT ERRORS

Household number	Total 2005 housing and utility assistance payments over(under)-payments	Total 2006 housing and utility assistance payments over(under)-payments	Total housing assistance and utility allowance payments	
			Overpayments	Underpayments
343	\$1,680	\$0	\$1,680	\$0
401	(9)	0	0	(9)
1095	84	0	84	0
1332	(444)	0	0	(444)
1771	33	1	34	0
1803	(54)	0	0	(54)
2151	0	(2,430)	0	(2,430)
2180	(188)	0	0	(188)
2315	792	0	792	0
2468	252	0	252	0
2474	1,032	(235)	797	0
2563	(180)	(33)	0	(213)
2643	240	(20)	220	0
3132	0	(216)	0	(216)
3469	312	102	414	0
3968	0	(15)	0	(15)
4046	0	(114)	0	(114)
4147	500	100	600	0
4489	(639)	(158)	0	(797)
4490	(495)	0	0	(495)
4684	(72)	(12)	0	(84)
4712	105	0	105	0
4724	24	0	24	0
4857	844	0	844	0
4887	95	(32)	63	0
4905	(388)	0	0	(388)
4945	132	0	132	0
5088	(315)	0	0	(315)
5090	28	30	58	0
5231	(188)	0	0	(188)
5423	0	(42)	0	(42)
5429	2,532	0	2,532	0
5471	0	(518)	0	(518)
5532	(172)	(268)	0	(440)
5562	(667)	(174)	0	(841)
5596	(9)	0	0	(9)
5659	(11)	(3)	0	(14)
5688	0	93	93	0
5705	0	(75)	0	(75)
5769	394	0	394	0
5783	0	(64)	0	(64)
6155	42	0	42	0
6231	0	(748)	0	(748)
6391	0	(24)	0	(24)
6426	0	360	360	0
6446	0	74	74	0
6516	0	48	48	0
6555	0	2	2	0
Totals	\$5,290	(\$4,371)	\$9,644	(\$8,725)