



The Housing Authority of the City of Easton, PA

Housing Choice Voucher Program



To: Monica Hawkins, Director, Office of Public Housing, Pennsylvania State Office,
3APH
//signed//

From: David E. Kasperowicz, Regional Inspector General for Audit, Philadelphia
Region, 3AGA

Subject: The Housing Authority of the City of Easton, PA, Did Not Always Properly
Administer Its Housing Choice Voucher Program

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our audit of the Housing Authority of the City of Easton, PA's Housing Choice Voucher Program.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG website. Accordingly, this report will be posted at <https://www.hudoig.gov/>.

If you have any questions or comments about this report, please do not hesitate to call me at 215-430-6734.



Audit Report Number: 2019-PH-1001

Date: July 30, 2019

The Housing Authority of the City of Easton, PA, Did Not Always Properly Administer Its Housing Choice Voucher Program

Highlights

What We Audited and Why

We audited the Housing Authority of the City of Easton, PA's Housing Choice Voucher Program because (1) we received a complaint alleging that the Authority made improper payments to program participants and a consultant to the Authority inappropriately placed herself on the program waiting list and (2) we had never audited the Authority. Our audit objective was to determine whether the Authority administered its program in accordance with U.S. Department of Housing and Urban Development (HUD) requirements. We focused the audit on evaluating the allegations in the complaint and reviewing (1) participant eligibility and selection from the waiting list and (2) the accuracy of and support for housing assistance payments.

What We Found

The two allegations in the complaint did not have merit. However, the Authority did not (1) properly administer its waiting list and select tenants from it and (2) perform quarterly interim recertifications for families reporting zero income. These conditions occurred because the Authority was unaware of some waiting list requirements, lacked procedures to collect and maintain documentation to show that it properly selected applicants from the waiting list, and lacked procedures for performing quarterly interim recertifications for families reporting zero income. As a result, HUD lacked assurance that applicants were (1) properly placed on the waiting list, (2) fairly awarded preference points, and (3) properly selected from the waiting list. The Authority also made ineligible housing assistance payments totaling \$2,463.

What We Recommend

We recommend that HUD direct the Authority to (1) update its administrative plan to clearly define the weights and rankings in its preference system and ensure compliance with residency preference regulations; (2) develop and implement policies and procedures to ensure that it administers its waiting list according to the requirements in its administrative plan, including maintaining documentation to show that it properly selected applicants from the waiting list; (3) develop and implement procedures for recertifying families reporting zero income; and (4) provide documentation to show that the family that received the benefit of the \$2,463 overpayment in housing assistance reimbursed the program or repay its program from non-Federal funds for any amount not reimbursed by the family.

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Background and Objective

The Housing Authority of the City of Easton was established as a governmental, public corporation created under Federal and State housing laws for the purpose of engaging in the development, acquisition, and administrative activities of the low-income housing program and other programs with similar objectives for low- and moderate-income families residing in Easton, PA. The Authority is governed by a five-member board of commissioners, which is essentially autonomous but is responsible to the U.S. Department of Housing and Urban Development (HUD). The board hires an executive director to manage the day-to-day operations of the Authority. The Authority's administrative office is located at 157 South 4th Street, Easton, PA.

HUD's Pennsylvania State Office of Public Housing has oversight responsibility for the Authority. Under the Housing Choice Voucher Program, HUD authorized the Authority the following financial assistance for about 560 housing choice vouchers for fiscal years 2016 to 2018.

Year	Annual budget authority	Amount disbursed
2018	\$4,017,631	\$4,017,631
2017	3,851,865	3,851,865
2016	4,022,897	3,904,928

We received a complaint alleging that (1) the Authority made improper payments to program participants when they had a reduction in income that they reported to the Authority late in the month and (2) an Authority consultant inappropriately placed her name on the program's closed waiting list. Because we had never audited the Authority, we decided to perform a comprehensive audit of its Housing Choice Voucher Program.

Our audit objective was to determine whether the Authority administered its program in accordance with HUD requirements. We focused the audit on evaluating the allegations in the complaint and reviewing (1) participant eligibility and selection from the waiting list and (2) the accuracy of and support for housing assistance payments.

Results of Audit

Finding: The Authority Did Not Always Properly Administer Its Housing Choice Voucher Program

Although the two allegations in the complaint did not have merit, the Authority did not (1) properly administer its waiting list and select tenants from it and (2) perform quarterly interim recertifications for families reporting zero income. These conditions occurred because the Authority was unaware of some waiting list requirements, lacked procedures to collect and maintain documentation to show that it properly selected applicants from the waiting list, and lacked procedures for performing quarterly interim recertifications for families reporting zero income. As a result, HUD lacked assurance that applicants were (1) properly placed on the waiting list, (2) fairly awarded preference points, and (3) properly selected from the waiting list. The Authority also made ineligible housing assistance payments totaling \$2,463.

The Allegations in the Complaint Did Not Have Merit

The Authority did not make improper payments to program participants when they had a reduction in income that they reported to the Authority late in the month, and although an Authority consultant placed her name on the program's closed waiting list, this was done as part of a training exercise, and her name had been removed from the waiting list.

The allegation that the Authority improperly paid tenants did not have merit. The payments to tenants were appropriate under the circumstances. The Authority made the payments to tenants to reimburse them for rent that they paid at the beginning of the same month in which they also had a reduction in income, which they reported to the Authority after they made that month's rent payment. We reviewed payments to five tenants totaling \$5,093. Documentation in the tenant files showed that the tenants notified the Authority that they had experienced a loss of wages or income. The Authority performed interim recertifications to adjust the housing assistance payment and the tenant's portion of the rent. Documentation the Authority maintained in the tenant files included unemployment documentation and employment verification forms to show that the tenant had lost wages or income. HUD agreed that the Authority was required to adjust the housing assistance payment if the tenant experienced a loss of income or wages. As long as the Authority documented support in the tenant files for the loss of income or wages and adjustment of the housing assistance payment, it was in compliance with interim recertification requirements in section 12.6 of HUD's Housing Choice Voucher Program Guidebook 7420.10G.

The allegation that an Authority consultant inappropriately added her name to the program waiting list did not have merit. The consultant added her name to the automated waiting list in March 2018 as part of a training exercise and not to improperly acquire housing assistance. The Authority hired the consultant in February 2018 to provide expertise and advice for the administration of its public housing programs. The Authority had previously employed this person as its Section 8 coordinator. The consultant was training the program clerk to manage the waiting list. The consultant stated that she accessed the waiting list and added her name to it

with a Social Security number that she created at random.¹ The executive director stated that he was aware of the training exercise and we confirmed that the consultant's name and information were removed from the list. We reviewed the Authority's October 2018 waiting list and confirmed that the consultant's name had been removed. We also verified that the consultant was not participating in the Authority's program.

The Authority Did Not Properly Administer Its Waiting List

The Authority used a preference point system for applicants who were veterans and residents of Easton, which was not clearly defined in its administrative plan. The Authority's waiting list, dated October 2018, showed that families waiting for assistance were awarded 100 preference points because they were residents of Easton and 30 preference points if the applicant was a veteran or the spouse of a veteran. However, none of the preference points awarded to families were included in the Authority's administrative plan. Program regulations at 24 CFR (Code of Federal Regulations) 982.207(a)(1) allowed the Authority to establish a system of local preferences for selection of families admitted into the program. However, the Authority's selection preferences were required to be described in its administrative plan. Section 3.2 of HUD's Housing Choice Voucher Program Guidebook 7420.10G required that the Authority's administrative plan state how it would select program applicants from the waiting list. Further, the administrative plan was required to include the preferences the Authority intended to use, any weights or rankings assigned to those preferences, and the method that would be used to select among applicants. The Authority also misinterpreted HUD's residency preference point requirements. Regulations at 24 CFR 982.207(b)(1)(v) state that applicants that are working or have been hired to work in a residency preference area must be treated as residents of the residency preference area. The Authority failed to treat applicants who worked or were hired to work in Easton as residents, which would have allowed them to earn 100 preference points. As of October 2018, the Authority's waiting list showed that 131 applicants had not been awarded any preference points. The Authority had not asked these applicants whether they worked or were hired to work in Easton.

These conditions existed because the Authority was unaware that it was required to include the weights or rankings associated with the waiting list preferences in its administrative plan. Also, it was unaware that applicants who were working or hired to work in a residency preference area were required to be treated as residents of the residency preference area. Because the Authority did not follow HUD regulations, HUD lacked assurance that applicants were (1) properly placed on the waiting list and (2) fairly awarded preference points.

The Authority Did Not Maintain Documentation To Show How It Selected Applicants From the Waiting List

For 10 files reviewed, the Authority did not maintain appropriate documentation to show how these families were selected from the waiting list. Specifically, it did not maintain

¹ A search of public and nonpublic record databases showed that the Social Security number was valid and belonged to another person. We verified that the other person was not on the waiting list and was not participating in the Authority's program. The search did not show a relationship between the consultant and the other person.

documentation to justify each family's selection from the waiting list before others on the list. The Authority placed the applicants on the waiting list based on the date and time of the application; however, it could not provide documentation showing why it admitted one applicant before others on the list. Program regulations at 24 CFR 982.204(a) and (b) required the Authority to select participants from the waiting list in accordance with the admission policy in its administrative plan. Section 4-III.A of the Authority's administrative plan required the Authority to maintain a clear record of all information required to verify that families were selected from the waiting list in accordance with its selection procedures. This condition occurred because the Authority lacked procedures specifying the documentation to be collected and maintained to show that families were selected from the waiting list in accordance with its selection procedures. Because the Authority lacked these procedures, HUD had no assurance that applicants admitted into the program were selected fairly from the waiting list and that preference points were properly awarded to housing applicants.

The Authority Did Not Perform Interim Recertifications for Zero-Income Families as Required

The Authority did not follow its own zero-income requirements. Specifically, it did not perform quarterly recertifications for families reporting zero income. Section 11-II.C of the Authority's administrative plan required it to perform interim recertifications every 3 months as long as the family reported zero income. Section 7-I.C of the administrative plan also stated that income reports would be used in interim reexaminations to identify any discrepancies between reported income and income shown in HUD's Enterprise Income Verification (EIV) system.² Regulations at 24 CFR 5.236(b)(3) required the Authority to compare the information on the EIV report with the family-reported information. If the employment report revealed an income source that was not reported by the tenant, the Authority was required to discuss the discrepancy with the tenant and determine the tenant's underpayment of rent as a result of unreported or underreported income retroactively. The tenant was required to reimburse the Authority via a tenant repayment agreement due to underreporting or failure to report income. For 13 of 21³ files reviewed for families reporting zero income, the Authority did not perform quarterly interim recertifications as required by its administrative plan. We obtained income reports from HUD's EIV system to verify the income of the 13 families that reported zero income and should have had an interim recertification during the audit period. We found that

- Eight families earned small amounts of income that would not have affected their share of rent and the housing assistance payment amounts.
- Four families did not earn any income during the audit period after they reported zero-income.

² The Enterprise Income Verification system is a web-based computer system that contains employment and income information for individuals. Public and Indian Housing Notice 2010-19 (HA), dated May 17, 2010, required the Authority to use the system to verify employment and income information for families that participate in HUD rental assistance programs.

³ For eight families, we could not draw a conclusion because the first quarterly recertification to be performed would be outside our audit period.

- One family underreported income by \$13,906. The income was earned over a 12-month period. We recalculated the housing assistance payment and determined that the Authority made an overpayment of housing assistance of \$2,463.

The condition described above occurred because the Authority lacked written procedures for performing quarterly interim recertifications for families reporting zero income. Although the Authority had a policy requiring that the recertifications be performed, it lacked procedures describing the steps for staff to follow and the documentation to be collected and maintained. As a result, it made ineligible housing assistance payments totaling \$2,463.

Conclusion

The Authority did not administer its program in accordance with program requirements. As a result, HUD lacked assurance that applicants were (1) properly placed on the waiting list, (2) fairly awarded preference points, and (3) properly selected from the waiting list. The Authority also made ineligible housing assistance payments totaling \$2,463. This occurred because the Authority was unaware of some waiting list requirements, lacked written procedures to collect and maintain documentation to show that it properly selected applicants from the waiting list, and lacked procedures for performing quarterly interim recertifications for families reporting zero income.

Recommendations

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

- 1A. Update its administrative plan to ensure compliance with applicable regulations. Minimally, the administrative plan should clearly define the weights and rankings of the preference system and ensure that the residency preference complies with regulations.
- 1B. Reevaluate the cases of the 131 applicants to whom it did not award residency points and award points as appropriate.
- 1C. Update its waiting list as needed after completing corrective action for recommendation 1B.
- 1D. Develop and implement policies and procedures to ensure that it administers its waiting list according to the requirements in its administrative plan, including maintaining documentation to show that it properly selected applicants from the waiting list.
- 1E. Develop and implement procedures for performing quarterly interim recertifications for families reporting zero income.
- 1F. Develop and implement controls to ensure that it follows the procedures it develops and implements to resolve recommendation 1E.

- 1G. Provide documentation to show that the family that received the benefit of the \$2,463 overpayment in housing assistance reimbursed the program or repay its program from non-Federal funds for any amount not reimbursed by the family.

We also recommend that the Director of HUD's Pennsylvania State Office of Public Housing

- 1H. Provide technical assistance to the Authority to ensure that it properly manages its waiting list, properly uses its preference point system, and selects applicants in accordance with applicable requirements.

Scope and Methodology

We conducted the audit from October 2018 through June 2019 at the Authority's office located at 157 South 4th Street, Easton, PA, and our offices located in Baltimore, MD and Philadelphia and Pittsburgh, PA. The audit covered the period October 1, 2017, through September 30, 2018, but was expanded to include interim recertifications that the Authority completed through December 31, 2018, for families that reported zero income.

To accomplish our objective, we reviewed

- Applicable laws, regulations, the Authority's administrative plan, HUD's program requirements at 24 CFR Part 982, HUD's Housing Choice Voucher Program Guidebook 7420.10G, and other guidance.
- The Authority's program files, including waiting list, household files, family data, housing assistance payment register, annual audited financial statements, Section 8 Management Assessment Program quarterly reports, policies and procedures, board meeting minutes, and organizational chart.
- EIV system information.

We also

- Performed searches of public and nonpublic record databases.
- Interviewed the Authority's employees, its consultant, and HUD staff.

To achieve our audit objective, we relied in part on computer-processed data, such as the family ledgers, waiting list, and recertification forms from the Authority's computer system. Although we did not perform a detailed assessment of the reliability of the data, we did perform a minimal level of testing and found the data to be adequate for our purposes.

The Authority's housing assistance payment register for the period of October 1, 2017, through September 30, 2018, included 74 payments totaling \$26,932 made to tenants. Of the 74 payments, we non-statistically selected the 5 largest payments totaling \$5,093 and reviewed the tenant file documentation to determine whether the payments to tenants were appropriate. This sample was sufficient to provide reasonable assurance that the Authority's payments to the tenants were appropriate. Since our review of the non-statistical sample did not identify any issues, we did not review additional files and we did not project our results to the population.

The Authority admitted 33 families into its program during the period October 1, 2017, through September 30, 2018. Of the 33 families, we non-statistically selected and reviewed the files of the 10 families that the Authority most recently admitted into its program to determine whether they were eligible to participate in the program and whether the Authority properly selected them from the waiting list. The sample was sufficient to show that the Authority ensured families were eligible for the program but it did not maintain appropriate documentation to show that it properly selected families from the waiting list. Therefore, we did not review additional files and we did not project our results to the population.

Twenty-one families reported zero income during the audit period. We reviewed the files for these 21 families to determine whether the Authority properly recertified them and charged them the minimum rent.

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

Internal Controls

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- effectiveness and efficiency of operations,
- reliability of financial reporting, and
- compliance with applicable laws and regulations.

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

Relevant Internal Controls

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

- 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 applicable laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

Significant Deficiencies

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

The Authority lacked

- Procedures to properly administer its waiting list. (Finding)
- Procedures for performing quarterly interim recertifications for families reporting zero income. (Finding)

Appendixes

Appendix A

Schedule of Questioned Costs

Recommendation number	Ineligible 1/
1G	\$2,463

- 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.

Appendix B

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 1

HOUSING AUTHORITY OF THE CITY OF EASTON		
Gene Pambianchi Executive Director	157 South Fourth Street P.O. Box 876 Easton PA 18044-0876	Telephone: 610-258-0806 TDD: 610-258-0807 FAX: 610-258-7602

July 10, 2019

Mr. David Kasperowicz
Regional Inspector General for Audit
US Department of Housing and Urban Development
Office of Inspector General
100 Penn Square East, Suite10205
Philadelphia, PA 19107

RE: Housing Choice Voucher Program Audit

Dear Mr. Kasperowicz:

I would like to thank you for the opportunity to respond to the draft audit report of the Housing Authority of the City of Easton's (HACE) Housing Choice Voucher Program (HCV) completed by the Office of Inspector General (OIG).

HACE does not take exception to the Recommendations contained in the draft report and fully intends to implement them. HACE has already begun the process of better defining policies and procedures per the Recommendations as follows:

- 1A. HACE is presently drafting an update to its Administrative Plan that will define weights and rankings of the preference system and expand the definition of the residency preference per HUD regulations. The update will be presented to the HACE Board of Commissioners for adoption at its next regularly scheduled meeting.
- 1B. Staff has begun the process of sorting through the 131 applicant files to determine if a residency preference should be granted to an applicant on the basis of working in or hired to work in a residency preference area.
- 1C. HACE will update its waiting list as appropriate after completion of 1B.
- 1D. HACE has developed an in-depth spreadsheet for tracking persons on its waitlist from initial application through lease-up or other disposition. HACE has just converted to a new computer software system that will lend itself to enhanced tracking tools; HACE is in the process of drafting written procedures governing operation of the wait list.
- 1E. HACE is in the process of developing written procedures for it's elective policy of performing recertifications for families reporting zero income in accordance with the HACE Administrative Plan.
- 1F. With its new enhanced computer software system, HACE is developing controls to

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 2

monitor the following of the established procedures as developed in 1E. and ensure the timely completion of zero income recertifications.

1G. HACE is pursuing program termination of the family that received the benefit of the \$2,463 of overpaid housing assistance payments for fraud. HACE has reimbursed the HCV Program this amount from non-Federal funds and will pursue collection from the family. Any funds collected from the family will replenish HACE's non-Federal funds.

HACE takes this report very seriously and is committed to resolving any and all issues that may impede the proper administration of its HCV Program.

Thank you.

Sincerely,



Gene Pambianchi
Executive Director

OIG Evaluation of Auditee Comments

- Comment 1 The Authority stated that it intends to implement all of the recommendations and described actions that it has either taken or plans to take to address them. The started and planned actions described by the Authority meet the intent of the recommendations. We are encouraged by the Authority's response. As part of the audit resolution process, HUD will evaluate the Authority's corrective actions to ensure that they meet the intent of the recommendations and verify that it has implemented those actions.
- Comment 2 The Authority stated that it reimbursed its program \$2,463 from non-Federal funds for the overpayment of housing assistance that it made for the family that underreported income. It also stated that it will pursue collection of the overpaid housing assistance from the family to replenish its non-Federal funds that it used to reimburse the program and it is pursuing termination of the family from the program. We are encouraged by the Authority's proactive action. As part of the audit resolution process, HUD will verify the Authority's actions to ensure that they satisfy the recommendation.