



Taylor Housing Commission Taylor, MI

Housing Choice Voucher Program

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

**Audit Report Number: 2019-CH-1004
September 30, 2019**



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

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

Subject: The Taylor Housing Commission, Taylor, MI, Did Not Always Comply With HUD's and Its Own Requirements for Its Program Household Files

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the Taylor Housing Commission'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 312-913-8499.



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The Taylor Housing Commission, Taylor, MI, Did Not Always Comply With HUD's and Its Own Requirements for Its Program Household Files

Highlights

What We Audited and Why

We audited the Taylor Housing Commission's Housing Choice Voucher Program based on our analysis of risk factors relating to public housing agencies in Region 5's jurisdiction (States of Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin). Our audit objective was to determine whether the Commission complied with the U.S. Department of Housing and Urban Development's (HUD) and its own requirements regarding the administration of its program. Specifically, we wanted to determine whether the Commission correctly calculated and paid housing assistance and utility allowances.

What We Found

The Commission did not always comply with HUD's and its own requirements for its program household files. Specifically, it did not always correctly calculate or maintain documentation to support its calculations of housing assistance payments, and pay housing assistance and utility allowances for its program households. As a result, it (1) overpaid more than \$21,000, (2) underpaid nearly \$2,000, and (3) was unable to support nearly \$21,000 in housing assistance.

What We Recommend

We recommend that the Director of HUD's Detroit Office of Public Housing require the Commission to (1) reimburse its program, the households, or landlords from non-Federal funds for ineligible housing assistance payments and underpayment of housing assistance and utility allowances, as applicable, (2) support or reimburse its program or households for unsupported housing assistance payments, and (3) implement adequate procedures and controls to address the findings cited in this audit report.

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Background and Objective

The Taylor Housing Commission was established in 1968, in accordance with Michigan law, by a vote of the Taylor City Council. Its mission is to create and provide decent, safe, and affordable housing to lower income families and to enhance individual opportunity and family stability in healthy, dynamic, and diversified neighborhoods. The Commission is governed by a five-member board of commissioners appointed by the mayor of Taylor, MI. The board's responsibilities include performing the duties and functions prescribed by the Commission's bylaws or its rules and regulations. The board appoints the Commission's executive director, who is responsible for general supervision over the administration of the Commission's business affairs and the management of the Commission's housing projects.

The Commission administers the Housing Choice Voucher Program, funded by the U.S. Department of Housing and Urban Development (HUD). The program allows very low-income families to choose and lease or purchase safe, decent, and affordable privately owned rental housing. As of January 8, 2016, the Commission had 978 units under contract and received nearly \$4.4 million in program funds in its fiscal year 2016. As of December 10, 2018, it had 1,080 vouchers and had received nearly \$5.7 million in program funds in fiscal year 2018.

The objective of our audit was to determine whether the Commission complied with HUD's and its own requirements regarding the administration of its Housing Choice Voucher Program. Specifically, we wanted to determine whether the Commission correctly calculated and paid housing assistance and utility allowances.

Results of Audit

Finding: The Commission Did Not Always Comply With HUD's and Its Own Requirements for Its Program Household Files

The Commission did not always comply with HUD's and its own requirements for its program household files. Specifically, it did not always correctly calculate or maintain documentation to support its calculations of housing assistance payments, and pay housing assistance and utility allowances for its program households. The weaknesses occurred because the Commission lacked adequate procedures and controls to ensure that housing assistance payments were correctly calculated and paid in accordance with HUD's and its own requirements. As a result, it overpaid more than \$21,000, underpaid nearly \$2,000, and was unable to support nearly \$21,000 in housing assistance.

The Commission Had Miscalculated and Unsupported Housing Assistance Payments

We reviewed 79 statistically selected¹ certifications for 79 of the Commission's program household files to determine whether it correctly calculated and paid housing assistance for the period of January 1, 2014, through December 31, 2015. Our review was limited to the information maintained by the Commission in the household files.

For the 79 certifications, 63 (80 percent) had incorrect or unsupported housing assistance payment calculations.² The 63 certifications contained 1 or more of the following deficiencies:

- 35 certifications had incorrect or unsupported utility allowance calculations,
- 35 certifications had incorrect or unsupported income calculations,
- 5 certifications had incorrect or unsupported dependent or disability allowances,
- 5 certifications had incorrect or unsupported payment standards,
- 3 certifications had incorrect or unsupported contract rents,
- 2 certifications had incorrect medical expense calculations,
- 1 certification had unsupported total assets, and
- 1 certification was missing supporting documentation for the housing assistance payment calculation.

For the households associated with the 63 certifications, the Commission overpaid \$16,031 and underpaid \$1,211 in housing assistance. In addition, the Commission had \$20,762 (\$7,869 in underpayments + \$12,893 in overpayments) in unsupported housing assistance for 39 households. The Commission received \$15,642 in administrative fees for the 63 certifications.

¹ Our methodology for the statistical sample is explained in the Scope and Methodology section of this audit report.

² See appendix C for criteria.

Further, 37 of the 79 certifications contained errors that had no impact on the housing assistance. The errors included incorrect utility allowances, asset calculations, income calculations, contract rents, and medical expenses.³

The Commission Incorrectly Paid Housing Assistance

We compared the housing assistance and utility allowance payments from the Commission's housing assistance payments register to the amounts calculated on the households' annual and interim certifications for the 79 household files. The Commission made housing assistance and utility allowance payments that did not agree with the households' housing assistance payment calculations and supporting documentation maintained in the files and housing assistance payments contracts. Specifically, it overpaid housing assistance by \$4,460 and utility allowances by \$1,014 for six households and underpaid housing assistance by \$450 and utility allowances by \$65 for seven households.

The Commission Lacked Adequate Procedures and Controls for Its Program

The Commission lacked adequate procedures and controls to ensure the accuracy of housing assistance payments. For example, of the 63 certifications with housing assistance payment deficiencies, 35 (56 percent) had incorrect or unsupported utility allowances. The Commission's staff did not correctly calculate the utility allowances for these households because it did not adequately review the households' request for tenancy approval forms and lease agreements to ensure that these documents were accurate and did not contain conflicting information. The Commission's administrative plan did not specifically include a review of the request for tenancy approval and lease for accuracy and consistency and procedures for resolving discrepancies before executing the housing assistance payments contract. However, in 2016, the Commission updated its administrative plan to include a review of the terms of a household's request for tenancy approval for consistency with the terms of the proposed lease and notify the family and the owner of the discrepancies found to ensure the accuracy of the utility allowances.

In addition, the Commission's housing choice voucher manager acknowledged that there were mistakes made concerning the household files and stated that the errors were due to staff oversight. For example, the staff did not always ensure that it verified the State supplemental payment when reviewing a household's supplemental security income. The housing choice voucher manager stated that the Commission's program staff now uses a designated form to verify the State supplemental payment and maintains the form in the household file. In 2016, the Commission revised its administrative plan to include increased guidance on verifications, annual income, and payment standards.

Further, regarding the missing supporting documentation for housing assistance payment calculations, according to its executive director, during the audit period, the Commission hired interns from the local colleges due to a decrease in HUD funding. The interns assisted the Commission with organizing its household files, which included limiting a household's current file to a 2-year period and filing documents for the earlier periods in another folder. This

³ An example of an error that would not affect the housing assistance would be that if a household's payment standard was too low but the utility allowance amount was too high, depending on the amount of the error, they could cancel each other out and therefore, not impact the household's housing assistance payment.

practice may have resulted in the missing documentation, such as housing assistance payments contracts.

According to the Commission's executive director, the housing choice voucher manager was responsible for managing the program. However, according to the housing choice voucher manager, she did not oversee the program staff's work but served more as a resource. During the audit period, she had a caseload of approximately 200 household files in addition to her other responsibilities. Therefore, the Commission's bookkeeper was responsible for performing quality control reviews of the household files.

However, although the Commission's bookkeeper performed quality control reviews, the reviews were not sufficient to identify calculation errors and missing documentation as we found deficiencies with 63 of the 79 (80 percent) certifications reviewed.

Conclusion

The weaknesses described above occurred because the Commission lacked adequate procedures and controls to ensure that housing assistance payments were correctly calculated and paid in accordance with HUD's and its own requirements. As a result, it overpaid \$21,505 (\$16,031 + \$4,460 + \$1,014), underpaid \$1,726 (\$1,211 + \$450 + \$65), and was unable to support \$20,762 (\$7,869 + \$12,893) in housing assistance.

In addition, the Commission received \$15,642 in program administrative fees related to the inappropriate and unsupported housing assistance payments for the 63 program households.

Recommendations

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

- 1A. Reimburse its program \$32,687 from non-Federal funds (\$17,045 in overpayments of housing assistance and utility allowances⁴ + \$15,642 in administrative fees) due to inappropriate calculations.
- 1B. Reimburse the appropriate households \$1,276 (\$1,211 in housing assistance underpayments + \$65 in utility allowances) from program funds for the underpayment of housing assistance due to calculation errors and discrepancies in the housing assistance payments register.
- 1C. Support or reimburse the appropriate households \$7,869 from non-Federal funds for the unsupported underpayment of housing assistance due to missing documentation for housing assistance payment calculations.
- 1D. Support or reimburse its program \$12,893 from non-Federal funds for the unsupported overpayment of housing assistance due to missing documentation for housing assistance payment calculations.

⁴ \$16,031 + \$1,014

- 1E. Pursue collection from the applicable landlords or reimburse its program \$4,460 from non-Federal funds for the overpayment of housing assistance due to discrepancies in the housing assistance payments register.
- 1F. Reimburse the appropriate landlords \$450 in housing assistance from program funds for the underpayment of housing assistance due to discrepancies in the housing assistance payments register.
- 1G. Implement adequate procedures and controls, including but not limited to monitoring and oversight of the program staff, to ensure that (1) utility allowance calculations are adequately supported, (2) income is adequately verified and supported, (3) housing assistance is correctly calculated, and (4) housing assistance payments are appropriately processed in accordance with HUD's and its own requirements.

Scope and Methodology

We performed our onsite audit work between February and September 2016 at the Commission's office located at 15270 Plaza South Drive, Taylor, MI. The audit covered the period January 1, 2014, through December 31, 2015, but was expanded as necessary.⁵

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

- HUD's regulations at 24 CFR Parts 5, 908, and 982, HUD's Office of Public and Indian Housing (PIH) Notices PIH 2010-10 and PIH 2010-19, and HUD's Guidebook 7420.10G.
- The Commission's program administrative plan, annual audited financial statements for fiscal years 2013 through 2015, accounting records, bank statements, policies and procedures, board meeting minutes for January 2014 through December 2015, payment standards, household and landlord reports, housing assistance payments register, and household files and HUD's fair market rents.

We statistically selected a stratified random sample of 80 monthly housing assistance payments⁶ from the Commission's 19,541 monthly disbursements to landlords from January 2014 through December 2015 (24 months). We used a statistical sample so the audit results could be projected to the universe. However, due to the lapse of time between our review of the Commission's household files and the reporting of the results, we did not project to the universe of the housing assistance payments. Therefore, our results of the household file reviews are based on the 80 monthly housing assistance payments reviewed.

The calculation of administrative fees was based on HUD's administrative fee per household month for the Commission. The fees were considered inappropriately received for each month in which the housing assistance was incorrectly paid or unsupported. To remain consecutive, we limited the inappropriate administrative fees to the amounts of housing assistance payment calculation deficiencies for the household files that contained administrative fees exceeding the housing assistance payment deficiencies.

We relied in part on data maintained by the Commission in its systems. Although we did not perform a detailed assessment of the reliability of the data, we performed a minimal level of testing and found the data to be adequately reliable for our purposes.

⁵ We expanded our scope to include any overpaid and underpaid funds resulting from the miscalculation of housing assistance when the effective months for the selected HUD-50058s included months before or after January 2014 through December 2015.

⁶ The 80 monthly housing assistance payments were from the 79 household certifications, which represented 79 households. One household reviewed had two monthly housing assistance payments selected, which occurred during the same certification; therefore, we reviewed 80 (79 + 1) monthly housing assistance payments.

We provided our review results and supporting schedules to the Director of HUD's Detroit Office of Public Housing and the Commission's executive director during the audit.

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

- Effectiveness and efficiency of operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Compliance with applicable laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.

We assessed the relevant controls identified above.

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

Significant Deficiency

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

- The Commission lacked adequate procedures and controls to ensure that housing assistance payments were correctly calculated and paid in accordance with HUD's and its own requirements (finding).

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	\$32,687		
1B			\$1,276
1C		\$7,869	
1D		12,893	
1E	4,460		
1F			450
Total	37,147	20,762	1,726

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.
- 2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.
- 3/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, implementing our recommendations will ensure that housing assistance payments and utility allowances will be correctly calculated and paid.

Appendix B

Auditee Comments and OIG's Evaluation

The Taylor Housing Commission chose not to provide written comments to the discussion draft audit report.

Appendix C

Federal and the Commission's Requirements

HUD's regulations at 24 CFR 5.240(c) state that the responsible entity must verify the accuracy of the income information received from the family, and change the amount of the total tenant payment, tenant rent, or program housing assistance payment or terminate assistance, as appropriate, based on such information.

HUD's regulations at 24 CFR 5.603(b) state that medical expenses, including medical insurance premiums, are anticipated expenses during the period for which annual income is computed and that are not covered by insurance.

HUD's regulations at 24 CFR 908.101 state that applicable program entities must retain, at a minimum, the last 3 years of form HUD-50058 and supporting documentation, during the term of each assisted lease and for a period of at least 3 years from the end of participation date, to support billings to HUD and to permit an effective audit.

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

HUD's regulations at 24 CFR 982.402(a) state that (1) the public housing agency must establish subsidy standards that determine the number of bedrooms needed for families of different sizes and compositions. (2) For each family, the public housing agency determines the appropriate number of bedrooms under its subsidy standards (family unit size). (3) The family unit size number is entered on the voucher issued to the family. The public housing agency issues the family a voucher for the family unit size when a family is selected for participation in the program. Paragraph (b) states that the following requirements apply when the public housing agency determines family unit size under its subsidy standards: (1) the subsidy standards must provide for the smallest number of bedrooms needed to house a family without overcrowding. (2) The subsidy standards must be consistent with space requirements under the housing quality standards. (3) The subsidy standards must be applied consistently for all families of like size and composition. (8) In determining family unit size for a particular family, the public housing agency may grant an exception to its established subsidy standards if it determines that the exception is justified by the age, sex, health, handicap, or relationship of family members or other personal circumstances. Paragraph (c) states that the family unit size as determined for a family under the public housing agency's subsidy standard is used to determine the maximum rent subsidy for a family assisted in the voucher program. For a voucher tenancy under the voucher program, the public housing agency establishes payment standards by number of bedrooms. The payment standard for the family must be the lower of (1) the payment standard amount for the family unit size or (2) the payment standard amount for the unit size rented by the family.

HUD's regulations at 24 CFR 982.505(c)(1) state that the payment standard for the family is the lower of (i) the payment standard amount for the family unit size or (ii) the payment standard amount for the size of the dwelling unit rented by the family.

HUD's regulations at 24 CFR 982.516(a) state that the public housing agency must conduct a reexamination of family income and composition at least annually. The agency must obtain and document in the tenant file third-party verification of the following factors or must document in the tenant file why third-party verification was not available: reported family annual income, the value of assets, expenses related to deductions from annual income, and other factors that affect the determination of adjusted income. Paragraph (f) states that the agency must establish procedures that are appropriate and necessary to ensure that income data provided by applicant or participant families are complete and accurate.

HUD's regulations at 24 CFR 982.517(b)(2) state that a public housing agency's utility allowance schedule and the utility allowance for an individual family must include the utilities and services that are necessary in the locality to provide housing that complies with the housing quality standards. Paragraph (d)(2) states that at reexamination, the agency must use the agency's current utility allowance schedule.

HUD's regulations at 24 CFR 982.517(c)(1) state that a public housing agency must review its schedule of utility allowances each year and must revise its allowance for a utility category if there has been a change of 10 percent or more in the utility rate since the last time the utility allowance schedule was revised. The public housing agency must maintain information supporting its annual review of utility allowances and any revisions made in its utility allowance schedule.

HUD's Housing Choice Voucher Guidebook, section 11.4, states that the most important objectives of the public housing agency are to issue checks to owners on time and for the correct amount.

HUD's Housing Choice Voucher Guidebook, section 22.3, states that quality control should include a review of the housing assistance payments processing function to detect and prevent recurring errors, omissions, fraud, or abuse. The objective of this review is to first determine whether the housing assistance payment to the owner is correct, based on the payment standard and family contribution. Second, this review ensures that the payment being made to the owner matches the amount shown on the housing assistance payments register. Third, it confirms that any change in rent resulting from a recertification or interim change is properly reflected in the housing assistance payment to the owner. Fourth, it protects against payments being made on a housing assistance payments contract that has been terminated. Finally, this review protects against payments for a unit that has failed to meet housing quality standards and the owner has yet to correct the deficiency.

Section 3-16 of the Commission's administrative plan (amended February 2014) discusses the Commission's subsidy standards. These standards state that it is one bedroom for each two persons within the household regardless of age or sex, except in the following cases: (1) single-

person families will be allocated one bedroom and (2) live-in aides will be allocated a separate bedroom.