



Indianapolis Housing Agency, Indianapolis, IN

Housing Choice Voucher Program

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

**Audit Report Number: 2018-CH-1002
August 1, 2018**



To: Catherine D. Lamberg, Director of Public Housing, 5HPH

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

Subject: The Indianapolis Housing Agency, Indianapolis, IN, Did Not Always Comply With HUD's Regulations and Its Own Requirements Regarding the Financial Administration of 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 review of the Indianapolis Housing Agency'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 <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 312-913-8499.



Audit Report Number: 2018-CH-1002

Date: August 1, 2018

The Indianapolis Housing Agency, Indianapolis, IN, Did Not Always Comply With HUD's Regulations and Its Own Requirements Regarding the Financial Administration of Its Housing Choice Voucher Program

Highlights

What We Audited and Why

We audited the Indianapolis Housing Agency's Housing Choice Voucher program based on an anonymous complaint. The audit was part of the activities in our fiscal year 2018 audit plan. Our objective was specific to the allegations in the complaint and was to determine whether the Agency wrote off accounts receivable, deleted adjustments to accounts payable and receivable, and made adjustments to accounts payable and receivable associated with its program in accordance with the U.S. Department of Housing and Urban Development's (HUD) regulations and its own requirements.

What We Found

The Agency did not administer its program in accordance with HUD's regulations and its own requirements. Specifically, the Agency could not provide sufficient documentation to support that it appropriately wrote off accounts receivable. Further, it could not always provide sufficient documentation to support that it appropriately deleted adjustments to accounts payable and receivable and made accounts payable and receivable adjustments. The Agency also improperly deleted adjustments to accounts payable for housing assistance payments to a landlord. As a result, the Agency and HUD lacked assurance that the Agency's accounting entries were accurate and that the Agency appropriately wrote off nearly \$200,000 in accounts receivable. Further, it failed to pay nearly \$1,300 in housing assistance to a program landlord.

What We Recommend

We recommend that the Director of HUD's Indianapolis Office of Public Housing require the Agency to resolve the issues and implement adequate procedures and controls to address the weaknesses cited in this audit report. We also recommended that the Director request that HUD's Quality Assurance Division continue reviewing the Agency's (1) write off of accounts receivable, (2) deleted adjustments to accounts payable and receivable, and (3) adjustments to accounts payable and receivable as part of its financial and program management and operations review.

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Background and Objective

The Indianapolis Housing Agency was created under the laws of the State of Indiana to provide safe, sanitary, and affordable housing in Indianapolis and Marion County, IN. The Agency is governed by a nine-member board of commissioners appointed by the City of Indianapolis' mayor (five members), the City-County council (two members), and the Agency's resident council (two members). The Agency's executive director is appointed by the City's mayor and is responsible for carrying out policies established by the board and supervising staff to manage the day-to-day operations of the Agency.

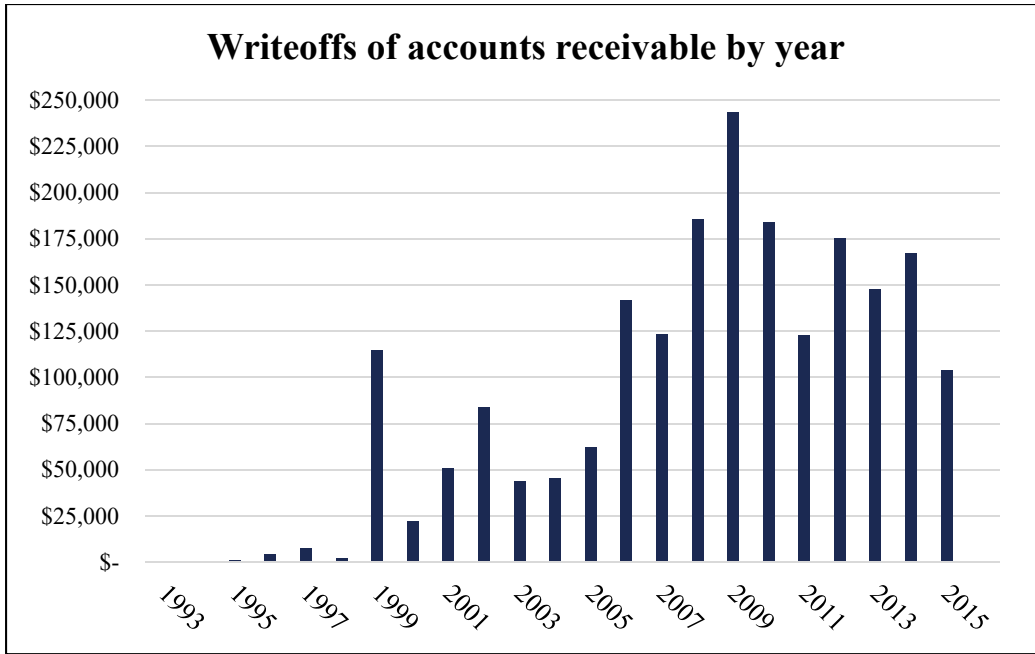
The Agency administers the Housing Choice Voucher program, funded by the U.S. Department of Housing and Urban Development (HUD). The program assists very low-income individuals in affording decent, safe, and sanitary housing in the private market. The Agency received more than \$43.4 million in program funds in 2017 and had 8,617 vouchers as of May 2018. The Agency's records are located at 1919 North Meridian Street, Indianapolis, IN.

The Agency (1) made more than 40,000 adjustments to accounts payable and receivable totaling more than \$12.9 million, (2) deleted more than 18,000 adjustments to accounts payable and receivable totaling more than \$6.1 million, and (3) wrote off nearly 3,800 accounts receivable totaling more than \$2 million associated with its program from January 1, 2015, through September 30, 2017.¹ The following table shows the number and amount for each of the above accounting entries.

Accounting entry	Number	Amount
Adjustments to accounts payable	32,075	\$9,901,345
Deleted adjustments to accounts payable	11,482	3,643,379
Adjustments to accounts receivable	8,250	3,023,300
Deleted adjustments to accounts receivable	6,869	2,490,837
Writeoff of accounts receivable	3,779	2,034,180

In addition, based on information presented to the Agency's board, the November 2016 writeoffs included accounts receivable from 1993 through 2016. The following graph shows the writeoffs of the more than \$2 million in accounts receivable by year.

¹ The writeoff of more than \$2 million in accounts receivable occurred on November 28, 2016.



Our objective was to determine whether the Agency wrote off accounts receivable, deleted adjustments to accounts payable and receivable, and made accounts payable and receivable adjustments associated with its program in accordance with HUD’s regulations and its own requirements.

Results of Audit

Finding: The Agency Did Not Always Comply With Applicable Requirements Regarding the Financial Administration of Its Program

The Agency did not administer its program in accordance with HUD's regulations and its own requirements.² Specifically, the Agency could not provide sufficient documentation to support that it appropriately wrote off accounts receivable. Further, it could not always provide sufficient documentation to support that it appropriately deleted adjustments to accounts payable and receivable and made accounts payable and receivable adjustments. The Agency also improperly deleted adjustments to accounts payable for housing assistance payments to a landlord. These weaknesses occurred because Agency lacked adequate procedures and controls to ensure that it wrote off accounts receivable, deleted adjustments to accounts payable and receivable, and made accounts payable and receivable adjustments associated with its program in accordance with HUD's regulations and its own requirements. As a result, the Agency and HUD lacked assurance that the Agency's accounting entries were accurate and that the Agency appropriately wrote off nearly \$200,000 in accounts receivable. Further, it failed to pay nearly \$1,300 in housing assistance to a program landlord.

Writeoffs of Accounts Receivable Were Not Supported

We reviewed the Agency's writeoffs of 276 accounts receivable associated with 10 debtors totaling \$199,604. Based on the Agency's accounting records, the accounts receivable were associated with inappropriate housing assistance payments to nine landlords and inappropriate utility assistance payments to a tenant.³ The Agency's chief financial officer and director of rental assistance demonstration and voucher programs both said that before the Agency wrote off the accounts receivable, it verified that there was a debt due to the Agency. However, contrary to HUD's regulations at 24 CFR (Code of Federal Regulations) 982.158(a), the Agency could not provide sufficient documentation to support that it had disbursed the nearly \$200,000 in program funds.⁴

Further, continuing our review as if the Agency disbursed the funds, it could not provide sufficient documentation to support that it made a reasonable effort to collect the debts in

² See appendix C of this audit report for the applicable requirements.

³ For example, a landlord did not report to the Agency that she sold her unit in December 2012, and the Agency's accounting records show that the landlord continued to receive nearly \$16,000 in housing assistance payments for the unit through January 2016.

⁴ This deficiency resulted in a scope limitation which impacted our ability to determine whether the Agency wrote off accounts receivable in accordance with HUD's and its own requirements. See the Scope and Methodology section of this audit report for additional details.

accordance with regulations at 24 CFR 982.54(c) and section 16-IV.A of its administrative plan. The chief financial officer said that the accounts receivable were written off because they were more than 90 days old and the probability of collection was low.

The Agency could not provide sufficient documentation to support that debts were uncollectable.

However, contrary to section 1.2 of its bad debt writeoff policy, the Agency could not provide sufficient documentation to support that the debts were uncollectable. The Agency could provide documentation to support only that it sent a letter requesting repayment to 7 of the 10 debtors.⁵ However, it could not provide documentation to support that it attempted to use (1) a collection agency, (2) small claims court, (3) civil law suits, or (4) a State income tax setoff program to collect on the debts as allowed in its administrative plan.

In addition, the Agency's executive director said that although he was aware of the writeoffs, he did not approve the writeoffs in writing as required by section 4.2 of the Agency's bad debt writeoff policy. The chief financial officer and director of rental assistance demonstration and voucher programs stated that they were aware that the bad debt writeoff policy states that a request to the executive director for approval of a writeoff should include copies of pertinent information relating to the debt situation, a summarized explanation of the situation, and reasoning for the writeoff. However, they added that due to the number of accounts receivable and the age of some of the accounts receivable that had accrued, it was not practical or always possible for the Agency to follow the process in its bad debt writeoff policy. Neither the chief financial officer nor the director of rental assistance demonstration and voucher programs could explain how the Agency accrued more than \$2 million in accounts receivable or why the accounts receivable had not been previously written off.

We also reviewed whether the Agency properly executed housing assistance payments contracts with the landlords associated with the units for which the Agency wrote off the accounts receivable. Contrary to regulations at 24 CFR 982.305(c)(1) and section 9-I.G of the Agency's administrative plan, the Agency executed one of the contracts more than 6 months after the beginning of the lease term. Further, the Agency lacked sufficient documentation to support that it properly executed at least six of the contracts.⁶ It did not provide contracts for five of the units, and the signature of the Agency's representative on a contract for another unit was not dated.

Documentation To Support Deletions of Adjustments Was Not Always Sufficient

We reviewed 10 deleted adjustments to accounts payable and 10 deleted adjustments to accounts receivable totaling \$3,853 and \$2,238, respectively. The director of rental assistance demonstration and voucher programs said that the Agency's staff entered data such as monthly income and move-in and move-out dates based on information provided by the program

⁵ The Agency sent more than one letter to two of the seven debtors. Further, the Agency had documentation to support that only two of the debtors were aware of the Agency's collection efforts.

⁶ The Agency did not provide sufficient documentation to support the number of units or housing assistance payments contracts associated with two of the debts. However, there should have been at least one unit and contract associated with each debt.

landlords and tenants. The Agency's accounting system created adjustments based on the data. However, if the Agency determined that the information entered into the system was not accurate or had changed but was not reported, the staff would enter the correct or updated information into the system. Therefore, the adjustments that the system created based on the initial data would need to be deleted or adjusted. However, contrary to regulations at 24 CFR 982.158(a) and section 16-IV.A of the Agency's administrative plan, the Agency could not provide sufficient documentation to support that two deleted adjustments to accounts payable and four deleted adjustments to accounts receivable totaling \$623 and \$1,337, respectively, were duplicate or incorrect adjustments that should have been deleted.⁷ Further, the Agency inappropriately deleted an adjustment to accounts payable for a \$428 housing assistance payment to a landlord.⁸

The chief financial officer said that Agency staff did not always explain in the accounting system the reason for the deleted adjustments and the Agency did not have a policy that required staff to explain the reason for a deletion. The chief financial officer added that the Agency's staff may not have prioritized explaining why adjustments were deleted because the deleted adjustments should not have had an impact on the Agency's accounting records. However, the chief financial officer and director of rental assistance demonstration and voucher programs recognized that deleted adjustments should have been explained in the accounting system.

Documentation To Support Adjustments Was Not Always Sufficient

We reviewed 10 adjustments to accounts payable and 10 adjustments to accounts receivable totaling \$2,017 and \$3,468, respectively. Contrary to regulations at 24 CFR 982.158(a) and section 16-IV.A of the Agency's administrative plan, the Agency did not provide sufficient documentation to support an adjustment to accounts payable and five adjustments to accounts receivable totaling \$545 and \$981, respectively. The chief financial officer said that a review of the details in the Agency's accounting system and the household files would be needed to determine the likely cause of the adjustments. However, the documentation in the Agency's accounting system and in the household files was not always sufficient to determine the cause of an adjustment.

Conclusion

These weaknesses described above occurred because the Agency lacked adequate procedures and controls to ensure that it wrote off accounts receivable, deleted adjustments to accounts payable and receivable, and made accounts payable and receivable adjustments associated with its program in accordance with HUD's regulations and its own requirements. As a result, the Agency and HUD lacked assurance that the Agency's accounting entries were accurate and that

⁷ The Agency provided documentation to support that \$87 of a \$402 deleted adjustment to accounts receivable was appropriate. Therefore, only \$315 (\$402 - \$87) from the \$402 deleted adjustment was included in the four deleted adjustments totaling \$1,337 for which the Agency could not provide sufficient documentation to support that the adjustments were duplicate or incorrect adjustments that should have been deleted.

⁸ The Agency also inappropriately deleted two additional adjustments to accounts payable for a \$428 housing assistance payment to a program landlord. Therefore, the Agency did not make a total of \$1,284 (\$428 x 3) in housing assistance payments to the landlord. However, the Agency could not provide documentation to support whether the tenant paid the landlord the nearly \$1,300.

the Agency appropriately wrote off nearly \$200,000 in accounts receivable. Further, it failed to pay nearly \$1,300 in housing assistance to a program landlord.

Recommendations

We recommend that the Director of HUD's Indianapolis Office of Public Housing require the Agency to

- 1A. Provide sufficient documentation to support that it disbursed the \$199,604 in program funds, which it determined were inappropriate housing or utility assistance payments, and that it made a reasonable effort to collect the debts. If the Agency cannot provide sufficient documentation to support the disbursements and that the debts were uncollectable, it should reimburse its program from non-Federal funds as appropriate. If the Agency provides sufficient documentation to support the disbursements but cannot provide sufficient documentation to support that the debts were uncollectable, it should make a reasonable effort to collect from the debtors or reimburse its program from non-Federal funds as appropriate.
- 1B. Implement adequate procedures and controls to ensure that it maintains sufficient documentation to support housing and utility assistance payments and that it makes a reasonable effort to collect debts.
- 1C. Implement adequate procedures and controls to ensure that it follows its bad debt writeoff policy when it writes off accounts receivable.
- 1D. Provide sufficient documentation to support that the two deleted adjustments to accounts payable and four deleted adjustments to accounts receivable were duplicate or incorrect adjustments that should have been deleted. If the Agency cannot do this, it should make the appropriate accounting entries and take the appropriate actions.
- 1E. Determine whether the tenant paid the landlord nearly \$1,284 for housing assistance payments that the Agency did not make to the landlord. If the tenant paid the landlord, the Agency should make the appropriate accounting entries and reimburse the tenant from program funds. If the tenant did not pay the landlord, the Agency should reinstate the adjustments to accounts payable that were inappropriately deleted and pay the landlord from program funds.
- 1F. Provide sufficient documentation to support that an adjustment to accounts payable and five adjustments to accounts receivable were appropriate. If the Agency cannot do this, it should make the appropriate accounting entries and take the appropriate actions.
- 1G. Implement adequate procedures and controls to ensure that it deletes adjustments to accounts payable and receivable and makes adjustments to accounts payable and receivable in accordance with HUD's regulations and its administrative plan.

We also recommend that the Director of HUD's Indianapolis Office of Public and Indian Housing

- 1H. Request that HUD's Quality Assurance Division continue reviewing the Agency's (1) writeoff of accounts receivable, (2) deleted adjustments to accounts payable and receivable, and (3) adjustments to accounts payable and receivable as part of its financial and program management and operations review.

Scope and Methodology

We performed our onsite audit work from November 2017 through May 2018 at the Agency located at 1919 North Meridian Street, Indianapolis, IN. The audit covered the period January 2015 through September 2017.

To accomplish our objective, we reviewed

- Applicable laws, HUD's regulations at 24 CFR Parts 5 and 982, and HUD's files for the Agency.
- The Agency's program administrative plans, annual plans, audited financial statements, policies and procedures, financial records, household files, organizational charts, and data in HUD's Public and Indian Housing Information Center system.

In addition, we interviewed employees of the Agency and HUD's staff.

We selected a nonstatistical sample of the Agency's writeoffs of 276 accounts receivable associated with 10 debtors totaling nearly \$200,000 from writeoffs of nearly 3,800 accounts receivable totaling more than \$2 million. We used a nonstatistical sample since we knew enough about the population to identify a relatively small number of items of interest that were likely to be misstated or otherwise have a high risk and we were not projecting the results to the population that we did not review. We also reviewed whether the Agency properly executed its housing assistance payments contracts with the landlords associated with the units for which the Agency wrote off the accounts receivable.

Based on the Agency's accounting records, the nearly \$200,000 in accounts receivable that the Agency wrote off were associated with inappropriate housing assistance payments to landlords and utility assistance payments to a tenant from April 2004 through January 2016. However, the Agency could not provide sufficient documentation to support that it disbursed the nearly \$200,000 in program funds that it determined were inappropriate disbursements, created the accounts receivable to recover the inappropriate disbursements, and then wrote off the accounts receivable.⁹ This deficiency created a scope limitation, which impacted our ability to determine whether the Agency wrote off accounts receivable in accordance with HUD's and its own requirements. However, we continued our review of the Agency's writeoff of accounts receivable as if we were able to verify the initial disbursement of the housing and utility assistance payments.

⁹ The Agency could not provide bank statements for periods before 2012. Further, the Agency had paid landlords and tenants electronically since 2006. However, it could not provide payment confirmations or reports from its bank to support that the electronic payments had been processed.

We also selected during our survey representative nonstatistical samples of the Agency's following accounting entries: (1) 10 deleted adjustments to accounts payable totaling nearly \$3,900 from nearly 11,500 deleted adjustments to accounts payable totaling more than \$3.6 million, (2) 10 deleted adjustments to accounts receivable totaling more than \$2,200 from nearly 6,900 deleted adjustments to accounts receivable totaling nearly \$2.5 million, (3) 10 adjustments to accounts payable totaling more than \$2,000 from more than 32,000 adjustments to accounts payable totaling more than \$9.9 million, and (4) 10 adjustments to accounts receivable totaling nearly \$3,500 from 8,250 adjustments to accounts receivable totaling more than \$3 million. We used representative nonstatistical samples during the survey since the number of accounting entries was too large to review 100 percent, we were determining whether we should review additional accounting entries during our audit, and we were not projecting the results to the population that we did not review. We decided not to review additional accounting entries and recommended that the Director of HUD's Indianapolis Office of Public and Indian Housing request that HUD's Quality Assurance Division continue reviewing the Agency's (1) writeoff of accounts receivable, (2) deleted adjustments to accounts payable and receivable, and (3) adjustments to accounts payable and receivable as part of its financial and program management and operations review.

We did not rely on data maintained in the Agency's accounting system since we reviewed supporting documentation to determine whether the Agency wrote off accounts receivable, deleted adjustments to accounts payable and receivable, and made adjustments to accounts payable and receivable associated with its program in accordance with HUD's regulations and its own requirements.

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:

- Effectiveness and efficiency of operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Reliability of financial reporting – Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.
- Compliance with applicable laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.

We assessed the relevant controls identified above.

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

Significant Deficiency

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

- The Agency lacked adequate procedures and controls to ensure that it wrote off accounts receivable, deleted adjustments to accounts payable and receivable, and made accounts payable and receivable adjustments associated with its program in accordance with HUD's regulations and its own requirements (finding).

Appendixes

Appendix A

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

Recommendation number	Unsupported 1/	Funds to be put to better use 2/
1A	\$199,604	
1E		\$1,284
Totals	199,604	1,284

- 1/ 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.
- 2/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, implementation of our recommendation will ensure that the Agency uses program funds for housing assistance payments to a landlord.

Appendix B

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Recommendations

We recommend that the Program Center Coordinator of HUD's Indianapolis Office of Public and Indian Housing require the Agency to

- 1A. Provide sufficient documentation to support that it disbursed the \$199,604 in Program funds, which it determined were inappropriate housing or utility assistance payments, and that it made a reasonable effort to collect the debts. If the Agency cannot provide sufficient documentation to support the disbursements and that the debts were uncollectible, it should reimburse its program from non-federal funds as appropriate. If the Agency provides sufficient documentation to support the disbursements but cannot provide sufficient documentation to support that the debts were uncollectible, it should make an effort to collect from the debtors or reimburse its program from the non-federal funds as appropriate.

IHA Corrective Action Plan

IHA provided the HAP registers and voided checks for each owner/tenant to show that payments were disbursed through IHA payment processing. Out of the 10 files that were requested one was investigated by OIG in the amount of \$10,000. The other remaining 9 files were investigated by IHA Office of Special Investigation/Indianapolis Police Department. It was determined the amount owed was \$189,604 which was in form of welfare, fraudulent transfer of property ownership etc. IHA will continue to make an effort to collect the debts owed through IHA's debt collection process and pending debt collection agency contract.

Implementation Time Period: August 31st, 2018 - December 31st, 2018

Responsible Parties - Finance and Operations Specialists

- 1B. Implement adequate procedures and controls to ensure that it maintains sufficient documentations to support housing and utility assistance payments and that it makes a reasonable effort to collect debts.

IHA Corrective Action Plan

IHA will implement adequate procedures and controls to ensure that it maintains sufficient documentation to support housing and utility assistance payments and make reasonable effort to collect debts on its own and with the help of its debt collection agency.

Implementation Time Period: September 1st, 2018 to December 31st, 2018

Responsible Parties: Director of Rental Assistance and Voucher Program

- 1C. Implement adequate procedures and controls to ensure that it follows its bad debt write off policy when it writes off accounts receivable.

IHA Corrective Action Plan

IHA has re-written its write off policy and will implement adequate procedures and controls to ensure that it follows its policy and will review the policy as circumstance arise.

Comment 1

Comment 2

Comment 3

Comment 4

**Ref to OIG
Evaluation**

Auditee Comments

Comments 5
and 6
Comments 5
and 7

Comment 8

	<p><u>Implementation Time Period:</u> March 2018</p> <p><u>Responsible Parties:</u> IHA legal Counsel</p> <p>1D. Provide sufficient documentation to support the two deleted adjustments to accounts payable and five deleted adjustments to accounts receivables were duplicate or incorrect adjustments that have been deleted. If the Agency cannot do this, it should make the appropriate accounting entries and the take the appropriate actions</p> <p><u>IHA Corrective Action Plan:</u> IHA provided the report that shows the two accounts payable adjustments were system deleted due to IHA HAP payment processing. IHA does not have control over the system generated accounts payable deletions. On the five deleted adjustments to accounts receivable, IHA provided the HAP registers, the 50058, 52665 and PIC historical certifications and the notes to show record of the amount of the HAP that was actually paid and the amount of HAP that should have been paid this justifies why the additional deleted adjustments to accounts receivables were deleted.</p> <p><u>Implementation Time Period</u></p> <p><u>Responsible Parties</u></p> <p>1E. Determine whether the tenant paid the landlord nearly \$1,284.00 for housing assistance payments that the Agency did not make to the landlord. If the tenant paid the landlord, then the agency should make the appropriate accounting entries and reimburse the tenant from the program funds. If the tenant did not pay the landlord, the Agency should reinstate the adjustment to accounts payable that were inappropriately deleted and pay the landlord from program funds.</p> <p><u>IHA Corrective Action Plan</u></p> <p>IHA will make an attempt to reach both the Landlord and the Tenant. However, if both cannot be reached because they are no longer active participants on the program, IHA will process the check to Escheatment in the amount of \$1,284.00</p> <p><u>Implementation Time Period:</u> September 1st, 2018 to December 31st, 2018</p> <p><u>Responsible Parties:</u> Section 8 Housing Specialists and Section 8 Finance and Operations Specialist</p> <p>1F. Provide sufficient documentation to support that an adjustment to accounts payable and five adjustments to accounts receivable were appropriate. If the Agency cannot do this, it should make the appropriate accounting entries and take the appropriate actions</p>
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**Ref to OIG
Evaluation**

Auditee Comments

Comments 5
and 9
Comments 5
and 10

IHA Corrective Action Plan: IHA provided 50058, the notes and the HAP register as supporting documentations to adjustments to accounts payables as attached. On the four adjustments to accounts receivables, IHA provided showing that the Accounts Receivable adjustments were system generated because of the HAP Payment processing. However, one of the Accounts Receivable adjustment was done in error and therefore, IHA will reinstate the write off and make the appropriate accounting entries.

Implementation Time Period: September 1st, 2018 to December 31st, 2018

Responsible Parties: Section 8 Finance and Operations Specialists

IG. Implement adequate procedures and controls to ensure that it deletes adjustments to accounts payables and receivables and makes adjustments to accounts payable and receivable in according with HUD 's regulations and its administrative plan.

IHA Corrective Action Plan: IHA will work with Elite Emphasys to make sure deleted adjustments to accounts payable and receivables are required to be authorized before being deleted. Proper documentations will be kept for support. However, for the system generated deletions, a report is going to be generated and analyzed monthly to minimize the amount of deletions.

Implementation Time Period: September 1st, 2018 to

Responsible Parties: Information Technology and Director of Rental Assistance.

Comment 11

OIG Evaluation of Auditee Comments

- Comment 1 The Agency stated that it provided housing assistance payment registers and voided checks for each owner and tenant that showed payments were disbursed.
- Based on the Agency's accounting records, the nearly \$200,000 in accounts receivable that the Agency wrote off were associated with inappropriate housing assistance payments to nine landlords and utility assistance payments to a tenant from April 2004 through January 2016. The Agency provided housing assistance payments registers for the owners and tenant. However, the Agency could not provide sufficient documentation to support that it had disbursed the nearly \$200,000 in program funds that it wrote off. The Agency could not provide bank statements for periods before 2012. Further, the Agency had paid landlords and tenants electronically since 2006. However, it could not provide payment confirmations or reports from its bank to support that the electronic payments had been processed. In addition, the Agency did not provide voided checks for five of the landlords and the tenant and did not provide sufficient documentation to support that one of the four voided checks it provided for the remaining four landlords was associated with the landlord.
- Comment 2 The Agency stated that it would continue to make an effort to collect the debts.
- The Agency should work with HUD's Indianapolis Office of Public and Indian Housing to resolve recommendation 1A.
- Comment 3 The Agency stated that it would implement adequate procedures and controls to ensure that it maintained sufficient documentation to support housing and utility assistance payments and that it would make a reasonable effort to collect debts.
- The Agency should work with HUD's Indianapolis Office of Public and Indian Housing to resolve recommendation 1B.
- Comment 4 The Agency stated that it had revised its bad debt writeoff policy and that it would implement procedures and controls to ensure that the Agency followed its policy. The Agency did not provide documentation to support that it revised its bad debt writeoff policy.
- The Agency should work with HUD's Indianapolis Office of Public and Indian Housing to resolve recommendation 1C.
- Comment 5 The Agency stated that it provided documentation.
- We did not include in appendix B the attachments that the Agency provided since the attachments were not necessary to understand the Agency's comments. We provided the Director of HUD's Indianapolis Office of Public and Indian Housing with a complete copy of the Agency's written comments plus the attachments. The attachments are available upon request.

Comment 6 The Agency stated that the two deleted adjustments to accounts payable were deleted by its accounting system, and the Agency did not have control over adjustments that were deleted by the Agency's accounting system.

The Agency's accounting system deleted adjustments based on information the Agency's staff entered into the system. However, contrary to regulations at 24 CFR 982.158(a) and section 16-IV.A of the Agency's administrative plan, the Agency could not provide sufficient documentation to support that two deleted adjustments to accounts payable totaling \$623 were duplicate or incorrect adjustments that should have been deleted.

Comment 7 The Agency stated that it provided documentation to support why the five adjustments to accounts receivable were deleted.

We revised the report to state the following:

- Contrary to regulations at 24 CFR 982.158(a) and section 16-IV.A of the Agency's administrative plan, the Agency could not provide sufficient documentation to support that four deleted adjustments to accounts receivable totaling \$1,337 were duplicate or incorrect adjustments that should have been deleted.

We also amended recommendation 1D to reflect this revision.

Comment 8 The Agency stated that it would make an attempt to reach the landlord or tenant. However, if the landlord and tenant could not be reached because they were no longer active participants of the program, the Agency would write a check to escheatment¹⁰ in the amount of \$1,284.

The Agency should reimburse the landlord or tenant, as appropriate, regardless of whether or not they are active participants of the program. Further, the Agency should work with HUD's Indianapolis Office of Public and Indian Housing to resolve recommendation 1E.

Comment 9 The Agency stated that it had provided documentation to support the adjustment to accounts payable.

However, contrary to regulations at 24 CFR 982.158(a) and section 16-IV.A of the Agency's administrative plan, the Agency did not provide sufficient documentation to support an adjustment to accounts payable totaling \$545.

Comment 10 The Agency stated that it provided documentation to support that four of the adjustments to accounts receivable were system generated. Further, the Agency

¹⁰ The process of submitting abandoned or unclaimed funds or property to the State.

stated that one of the adjustments to accounts receivable was created in error and that it would reinstate the adjustment that was written off and make the appropriate accounting entries.

However, contrary to regulations at 24 CFR 982.158(a) and section 16-IV.A of the Agency's administrative plan, the Agency did not provide sufficient documentation to support five adjustments to accounts receivable totaling \$981.

Comment 11 The Agency stated that it would make sure that deleted adjustments were authorized before being deleted and documentation would be maintained to support deleted adjustments. Further, for adjustments deleted by the system, a report would be generated and analyzed on a monthly basis to minimize the number of deletions.

The Agency should work with HUD's Indianapolis Office of Public and Indian Housing to resolve recommendation 1G.

Appendix C

Applicable Requirements

Regulations at 24 CFR 982.54(c) state that a public housing agency must administer the program in accordance with the public housing agency administrative plan.

Regulations at 24 CFR 982.158(a) state that a public housing agency must maintain complete and accurate accounts and other records for the program in a manner that permits a speedy and effective audit.

Regulations at 24 CFR 982.162(a)(2) state that a public housing agency must use program contracts and other forms required by HUD, including the housing assistance payments contract between the public housing agency and the owner.

Regulations at 24 CFR 982.305(c)(1) state that a public housing agency must execute a housing assistance payments contract no later than 60 calendar days from the beginning of the lease term. Section 982.305(c)(2) states that the public housing agency may not make any housing assistance payments to an owner until the contract has been executed. Section 982.305(c)(4) states that any contract executed after the 60-day period is void and the public housing agency may not pay any housing assistance to the owner.

Section 9-I.G of the Agency's administrative plan states that a housing assistance payments contract must be executed no later than 60 calendar days from the beginning of the lease term. The Agency may not make any housing assistance payments to an owner until the contract has been executed. Any contract executed after the 60-day period is void, and the Agency may not make any housing assistance payments to the owner.

Section 16-IV.A of the Agency's administrative plan states that when an action or inaction of an owner or participant results in the overpayment of housing assistance, the Agency holds the owner or participant liable to return any overpayments. When an owner or participant refuses to repay funds owed to the Agency, the Agency may use other available collection alternatives including but not limited to collection agencies, small claims court, civil lawsuits, and the State income tax setoff program.

Section 16-VI.A of the Agency's administrative plan states that the Agency must maintain complete and accurate accounts and other records for the program in accordance with HUD requirements in a manner that permits a speedy and effective audit.

Paragraph 1.2 of the Agency's bad debt writeoff policy states that the policy will apply only to uncollectable debt. Paragraph 2.1 states that debt that is determined to be uncollectable is considered to be bad debt. Bad debt needs to be analyzed on an account-by-account basis, and as a general guideline, the following criteria should be used: (1) the debt should not be economical to pursue, (2) the debt cannot be proven, (3) the debtor cannot be located, or (4) any other documentary evidence that indicates that the debt cannot be collected or that there is a low probability of the debt being collected.

Paragraph 4.2 of the Agency's bad debt writeoff policy states that for a bad debt of more than \$5,000 to be written off, the director of finance will recommend writeoffs to the executive director for approval and signature. Paragraph 4.2.1 states that at the time of submission to the executive director for approval of a writeoff, the request should include copies of pertinent information relating to the debt situation and a summarized explanation of the situation and reasoning for the writeoff.