



**Boca Raton Housing Authority
Boca Raton, FL**

**Section 8 Housing Choice Voucher Program:
Tenant File Review**



Issue Date: August 18, 2014

Audit Report Number: 2014-AT-1008

TO: Jose Cintron, Director of Public Housing, Miami Field Office, 4DPH

//signed//

FROM: Nikita N. Irons, Regional Inspector General for Audit, Atlanta Region, 4AGA

SUBJECT: The Boca Raton Housing Authority's Administration of Its Section 8 Housing Choice Voucher Program Tenant Files Had Some Deficiencies

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 Boca Raton Housing Authority's administration of its Section 8 Housing Choice Voucher program tenant files.

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 Web site. 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 404-331-3369.



August 18, 2014

The Boca Raton Housing Authority's Administration of Its Section 8 Housing Choice Voucher Program Tenant Files Had Some Deficiencies

Highlights

Audit Report 2014-AT-1008

What We Audited and Why

We performed an audit of the Boca Raton Housing Authority mainly to assess the validity of nine allegations made against the Authority. The primary audit objective was to determine whether the Authority administered its Section 8 Housing Choice Voucher program tenant files in accordance with the U.S. Department of Housing and Urban Development's (HUD) regulations, specifically to verify the validity of the complaint.

What We Recommend

We recommend that the Director of the Miami Office of Public Housing require the Authority to pursue actions against tenants who underpaid \$8,689 in repayments, and determine the accuracy of the amounts owed by the tenants who entered into repayment agreements with the Authority and take corrective actions for those tenants determined to have incorrectly calculated repayment amounts. We also recommend that the Authority repay the Section 8 fund \$11,869 used to reimburse the tenants for prematurely applying the decreased payment standard amounts and ensure that due process is followed before removing tenants from the program.

What We Found

Four of the nine allegations in the complaint were valid. Specifically, the Authority (1) did not correctly calculate repayment amounts, (2) did not follow due process when removing tenants from the Section 8 program, (3) paid an excess subsidy to a landlord for a deceased tenant, and (4) applied the decreased payment standard amounts prematurely. The deficiencies occurred because the Authority did not have adequate procedures and enforcement actions in place to ensure compliance with the Section 8 program requirements. The deficiencies resulted in \$8,689 of underpayments by tenants with repayment agreements, \$360 of excess funds paid to a landlord for a deceased tenant, and \$11,869 of excess amounts paid by tenants when the payment standards were prematurely applied.

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BACKGROUND AND OBJECTIVES

The Boca Raton Housing Authority, located in Boca Raton, FL, was established to develop, acquire, and operate safe, decent, sanitary and affordable housing for low-income families and to operate the housing programs in accordance with Federal legislation. A five-member board of commissioners, appointed by the mayor of Boca Raton, governs the Authority. The Authority operates 95 units of public housing and as of May 31, 2014, administered 573 Section 8 vouchers. It also owns and manages a 51-unit affordable housing development.

The U.S. Department of Housing and Urban Development (HUD) provides public housing program funds to public housing agencies to supply decent and safe rental housing for eligible low-income families, the elderly, and people with disabilities. HUD also provides Section 8 program funds for public housing agencies to assist very low-income families, the elderly, and the disabled in affording decent and safe housing in the private market. Specifically, the public housing agency uses the funds to pay housing subsidies to the landlords on behalf of the tenant families. The tenant family pays the difference between the rent and the amount subsidized. To calculate the housing subsidy, the public housing agency establishes payment standard amounts for the applicable unit sizes between 90 and 110 percent of HUD’s published fair market rents.

For the most recent 3 years, the Authority received the following in Public Housing operating subsidies, Public Housing Capital Fund grants,¹ and Section 8 funding:

<i>Year</i>	<i>Public Housing</i>		<i>Section 8</i>	<i>Total</i>
	<i>Operating subsidies</i>	<i>Capital funds</i>		
2011	\$ 218,979	\$ 120,502	\$ 6,734,773	\$ 7,074,254
2012	\$ 138,988	\$ 109,975	\$ 5,585,286	\$ 5,834,249
2013	<u>\$ 238,594</u>	<u>\$ 107,276</u>	<u>\$ 5,695,360</u>	<u>\$ 6,041,230</u>
Total	\$ 596,561	\$ 337,753	\$18,015,419	\$18,949,733

We received a complaint against the Authority, alleging that its administration of the Section 8 program violated HUD regulations. Specifically, the complaint alleged that the Authority

- (1) Used an inappropriate method to calculate the repayment amounts due from the tenants who failed to report all household income, which resulted in tenants being overcharged.
- (2) Did not follow due process for one tenant before terminating the tenant’s Section 8 assistance.
- (3) Paid an excess housing subsidy to the landlord for a deceased tenant in violation of HUD regulations.

¹ The Public Housing Operating Fund provides operating subsidies to public housing agencies to assist in the operations and maintenance of public housing units. The Capital Fund provides funds to modernize public housing developments.

- (4) Applied the decrease in payment standards for the one- and three-bedroom units earlier than allowed by HUD regulations, which resulted in tenants having to pay more in rent.
- (5) Paid the housing subsidy to the landlord when the tenant file contained no lease between the landlord and the tenant, no renewed lease, or no executed Housing Assistance Payments contract.
- (6) Paid the housing subsidy to the landlord when the unit rent was not determined to be reasonable.
- (7) Did not provide a larger voucher size to the tenant family to accommodate an approved live-in aide.
- (8) Used an inappropriate method of inferring income to the tenant family, which had limited or no income, thereby affecting the utility reimbursements to the tenant.
- (9) Revised its Section 8 administrative plan without proper approval.

Our overall audit objective was to determine whether the Authority administered its Section 8 Housing Choice Voucher program tenant files in accordance with HUD regulations, specifically to verify the validity of the complaint. We also determined whether revisions to the Authority's Section 8 administrative plan were properly approved, Section 8 tenant data were accurately entered into the HUD system, Section 8 funds were used for other programs, and the Authority complied with HUD requirements regarding compensation to its officials.

RESULTS OF AUDIT

Finding: The Authority's Administration of Section 8 Tenant Files Had Some Deficiencies

The Authority essentially complied with HUD regulations when administering the Section 8 Housing Choice Voucher program tenant files; however, four of the nine allegations made against the Authority were found to be valid. Specifically, the Authority (1) did not correctly calculate repayment amounts, (2) did not follow due process when removing tenants from the Section 8 program, (3) paid an excess subsidy to a landlord for a deceased tenant, and (4) applied the decreased payment standard amounts prematurely. The deficiencies occurred because the Authority did not have adequate controls and enforcement actions in place to ensure compliance with Section 8 program requirements. The deficiencies resulted in \$8,689 of underpayments by tenants with repayment agreements, \$360 of excess funds paid to a landlord for a deceased tenant, and \$11,869 of excess amounts paid by tenants when the payment standards were prematurely applied.

Complaint Assessment

The audit assessed the validity of the nine allegations in the complaint against the Authority and found the following 4 allegations to be valid:²

- The Authority did not correctly calculate the repayment amounts, resulting in tenants being overcharged.
- The Authority did not follow due process before terminating tenants' Section 8 assistance.
- The Authority paid an excess housing subsidy to the landlord for a deceased tenant in violation of HUD regulations.
- The Authority applied the decrease in payment standards for the one- and three-bedroom units earlier than allowed by HUD, resulting in tenants having to pay more in rent.

Although the four allegations were valid, the Authority essentially administered the Section 8 Housing Choice Voucher program tenant files in compliance with HUD regulations. This assessment was based on the overall audit results in the areas tested, which support that five of the allegations were not valid and the deficiencies identified were not systemic.

² The nine allegations are summarized in the Background and Objective section of the audit report. The four allegations are listed in order of impact to the Section 8 program.

Repayment Amounts Were Not Calculated Correctly

The Authority entered into repayment agreements with tenants who were found to have paid less rent than required due to the tenant's underreporting or failure to report income. To calculate the amount of additional rent the tenant should have paid if the tenant's correct income had been considered, the Authority multiplied the amount determined to be the unreported income by 30 percent. Using scenarios from one of the tenant files, we calculated what the tenant's additional rent amount would have been by following the process in the form HUD-50058, Family Report,³ and by multiplying 30 percent of the unreported income amount. The comparison of the two methods yielded a minimal difference. Thus, we determined that the Authority's method for calculating the repayment amount was appropriate.

We reviewed the files of 13 tenants who had repayment agreements with the Authority. Using the Authority's method of calculating the repayment amount, we recalculated the repayment amounts and found that 7 of the 13 agreements, or 53.8 percent, were not calculated correctly. For example, for three repayment amounts, Authority staff did not use the correct unreported income amount to calculate the repayment. Of the seven incorrect repayment amounts, five resulted in underpayments by the tenants totaling \$6,638 and two resulted in excess repayment amounts from the tenants totaling \$1,656.

Tenant #	Repayment amount listed in the agreement (A)	OIG-calculated repayment amount (B)	Excess repayment amount (A – B)	Underpayment amount (A – B)
1	\$ 808	\$ 744	\$ 64	
2	\$ 978	\$ 3,450		(\$ 2,472)
3	\$ 1,165	\$ 1,398		(\$ 233)
4	\$ 2,324	\$ 2,340		(\$ 16)
5	\$ 972	\$ 1,288		(\$ 316)
6	\$ 600	\$ 4,201		(\$ 3,601)
7	\$ 4,244	\$ 2,652	\$ 1,592	
	Total		\$ 1,656	\$ 6,638

Since two files resulted in excess repayment amounts, this allegation was valid.

HUD regulations at 24 CFR (Code of Federal Regulations) 982.158(a) state that the public housing agency must maintain complete and accurate accounts and

³ The form HUD-50058, Family Report, for the Section 8 Housing Choice Voucher program is a form completed by the public housing agency to document, among other items, the data related to the tenant family's household composition, rented unit, assets, expected income for the year, total tenant payment, voucher size, housing subsidy to the landlord, and tenant's portion of rent to the landlord.

other records for the program in accordance with HUD requirements in a manner that permits a speedy and effective audit. Since the recovery of the funds from the tenants affects the Authority's Section 8 equity and unrestricted administrative fee accounts, records must be maintained to support the amounts entered into those accounts. If the repayments are not correctly calculated, either HUD funds are overspent or the tenant overpays. The deficiency occurred because the Authority did not provide adequate guidance to its staff to ensure the repayment amounts were calculated correctly and in a consistent manner. After we discussed this issue with the executive director, the Authority took corrective actions for both tenants with an excess repayment amount. For tenant 1, the Authority reimbursed the tenant. For tenant 7, the Authority re-executed the tenant's repayment agreement at the lower amount and adjusted the tenant's repayment balance in its financial system.

During the tenant file review, we also found two other deficiencies:

- The Authority did not execute 5 of the 13 repayment agreements as stipulated in section 16 of Public and Indian Housing (PIH) Notice 2010-19, which states that all repayment agreements must be in writing, dated, and signed by both the tenant and the housing agency. The Authority reasoned that the tenant's acknowledgement to pay is not in the execution of the agreement but when the tenant pays, but agreed that the agreements need to be signed. By not ensuring that a repayment agreement is executed by the Authority and the tenant, the Authority may be without recourse or encounter more difficulty in pursuing actions should the tenant choose not to repay the amount owed.
- The Authority did not pursue the repayments of two tenants who stopped paying; one tenant, who owed \$1,646, made the last payment in August 2011, and the other, who owed \$405, made the last payment in December 2012. Both tenants had ported to other housing authorities. Section 16 of PIH Notice 2010-19 states that tenants are required to reimburse the housing agency if they were charged less rent than required by HUD's rent formula due to the tenant's underreporting or failure to report income. The tenant is required to reimburse the housing agency for the difference between the tenant rent that should have been paid and the tenant rent that was charged. HUD does not authorize any housing authority sponsored amnesty or debt forgiveness programs. By not pursuing the collection of the debt, the Authority did not collect the funds due to the Section 8 program. The Authority agreed that staff should have followed-up on the tenants' repayment balances before processing the portability.

Due Process Was Not Followed When Terminating Section 8 Assistance

The allegation that the Authority did not follow due process for a tenant was valid. Of the 11 tenant files reviewed, 4 revealed situations in which the tenant could have requested a hearing. Two tenants were not given written notification that they were entitled to request a hearing before their Section 8 assistance was terminated. HUD regulations at 24 CFR 982.555(a)(1)(v) and (c)(2) state that the housing agency must give a participant family, through prompt written notice, an opportunity for an informal hearing to consider whether the determination to terminate assistance because of the family's action or inaction was in accordance with the law, HUD regulations, and housing agency policies. By not giving the tenants written notification that they were entitled to request a hearing when the housing authority was terminating their assistance, the tenants were not afforded an opportunity to know and refute the evidence against them. In addition, for one other tenant, who was mentioned in the complaint, the Authority allowed the tenant to have a hearing but did not provide the tenant with a written decision from that hearing. HUD regulations at 24 CFR 982.555(e) state that the person who conducts the hearing must issue a written decision, briefly stating the reasons for the decision, and the housing agency shall provide a copy of the decision to the family. The Authority did not enforce its own policies to ensure it followed HUD regulations when terminating Section 8 assistance. It did not know why staff did not prepare or maintain the notification and decision letters, but agreed that the letters should have been provided to the tenants.

An Excess Subsidy Was Paid to a Landlord and Required Reports Were Not Pulled

The allegation that the Authority did not promptly stop the housing subsidy to the landlord for one tenant who passed away was also valid. Section 8 of PIH Notice 2012-4 states that for deceased single-member households, housing agencies are required to discontinue the housing subsidy to the owner no later than the first of the following month after the month in which the death occurred. For the one tenant mentioned in the complaint, although the tenant passed away October 2013, the Authority disbursed the November 2013 housing subsidy, totaling \$360, to the landlord. The Authority was not aware of the requirement. After we discussed this matter, the Authority repaid the Section 8 program \$360 from non-Federal funds. Of the 11 tenant files reviewed, only one file contained a termination due to the passing of the tenant. Therefore, our review did not find this incident to be systemic. In addition, the Authority promptly stopped the housing subsidies for the other 10 tenants whose assistance was terminated.

The Authority also violated section 5 of PIH Notice 2012-4, which requires housing agencies to generate the Deceased Tenants Report before disbursing the upcoming monthly housing subsidy to the landlords to prevent, eliminate, or recover improper payments made on behalf of deceased tenants. By not promptly stopping the housing subsidies or generating the Deceased Tenants Report, the Authority may inadvertently make subsidy overpayments. The Authority was also not aware of this requirement but agreed that it will print the report monthly moving forward.

The Authority Applied Decreased Payment Standards Prematurely

The allegation that the Authority applied the decreased payment standards for the one- and three-bedroom units before the tenant's second annual reexamination was valid. HUD regulations at 24 CFR 982.505(c)(3) state that if the payment standard amount is decreased, the lower payment standard amount must be used to calculate the monthly housing subsidy beginning on the effective date of the tenant's second regular reexamination following the effective date of the decrease. Authority staff prematurely applied the lower payment standard amounts contrary to its policy. However, the Authority took corrective action when it identified the mistake. To correct the situation, Authority staff went through all tenant files with a one- and three-bedroom voucher to recalculate the housing subsidy to the landlord and the tenant's portion of rent to identify the tenants who were overcharged. The Authority disbursed checks totaling \$11,869 to the applicable tenants in December 2013, which was before our audit started. We performed a limited review to determine whether the Authority correctly calculated the amount owed to the tenants and traced the amounts to its financial system to verify the amounts paid. The review showed no concerns with the calculation and payment amounts.

However, the reimbursements to the tenants came from the Section 8 expense fund rather than the Section 8 administrative fee reserves. The Authority reasoned that because the incorrect payment standards were used, tenants paid more toward rent and the Section 8 fund paid less subsidy toward the rent; thus, the Section 8 funds were used to reimburse the tenants to offset the difference. Yet, chapter 22.5 of the Housing Choice Voucher Program Guidebook states that in cases where the error or omission is the fault of the housing agency, it must immediately refund the total amount due to the family from its administrative fee reserves.

Other Deficiencies

The review of the leases between the Section 8 landlord and tenant showed that provisions of the tenancy addendum were not included in the leases for all six tenants reviewed. HUD regulations at 24 CFR 982.308(f)(2) state that all provisions in the tenancy addendum must be added word-for-word to the landlord's standard form lease. If the provisions in the lease are not included, the tenant may not be aware of the owner's and his or her obligations and rights regarding the unit rented and assisted by HUD's Section 8 Housing Choice Voucher program. The Authority was not aware that the provisions were required to be included in the lease.

We also reviewed the Authority's compensation data to determine its compliance with HUD requirements. The Authority did not submit the compensation data for 2011 and 2012 as required by PIH Notice 2011-48, which stated that housing agencies that operated public housing would be required to complete the form HUD-52725, Schedule of Positions and Compensation, and submit it annually with their form HUD-52723, Operating Fund: Calculation of Operating Subsidy. It did not know the data had to be submitted to HUD annually.

Conclusion

Overall, the Authority essentially administered its Section 8 Housing Choice Voucher program tenant files in accordance with HUD regulations. Although four allegations proved to be valid, the deficiencies did not appear to be systemic. For the payment standard deficiency, the Authority knew of the mistake and took corrective actions before our audit started. Additionally, it was proactive in resolving the deficiencies when they were brought to the attention of officials during the audit. The deficiencies occurred because the Authority did not have adequate controls and enforcement actions in place to ensure compliance with Section 8 program requirements. The deficiencies resulted in underpayments by tenants with repayment agreements, excess funds paid to a landlord for a deceased tenant, and excess amounts paid by tenants when the Authority prematurely applied the payment standards.

Recommendations

We recommend that the Director of the Miami Office of Public Housing require the Authority to

- 1A. Pursue collection actions against the five tenants who paid less in repayments due to the incorrect calculation of the tenants' repayment amounts, or reimburse the Section 8 fund \$6,638⁴ from the Section 8 administrative fee reserves account.

⁴ The five tenants underpaid a total of \$6,638. When the Authority collects on the repayment amounts, it evenly splits the collections between the Section 8 Housing Assistance Payment equity account and Section 8 unrestricted administrative fee reserves. The Section 8 fund would be due 50 percent of the amount, or \$3,319.

- 1B. Determine the accuracy of the amounts owed by the tenants who had entered into repayment agreements with the Authority since January 1, 2011. For excess repayment amounts, the Authority is to reimburse the excess amount to the tenant if the tenant paid off the amount on the agreement or re-execute the agreement to reflect the correct amount and adjust the outstanding balance in its financial system if the tenant had not paid off the amount on the agreement. For underpayment amounts, the Authority should pursue collection actions against the applicable tenants or reimburse its program for any uncollected amounts if the tenant paid off the amount on the agreement, or re-execute the agreement to reflect the correct amount and adjust the outstanding balance in its financial system if the tenant had not paid off the agreement amount.
- 1C. Develop and implement detailed procedures for its staff to ensure that the calculation of the repayment amount is accurate and supported by documentation.
- 1D. Ensure that tenants execute the repayment agreements.
- 1E. Pursue actions to require the two tenants, with balances of \$1,646 and \$405, to continue making payments on the repayment amount if the tenants remain in the program.⁵
- 1F. Implement and enforce procedures to reasonably ensure the collection of the repayment amounts from tenants who enter into repayment agreements with the Authority.
- 1G. Implement and enforce procedures to ensure that it complies with HUD requirements when removing tenants from the Section 8 program, such as providing written notification to the tenant of his or her right to request for a hearing, documenting the hearing results, and providing the tenant the results.
- 1H. Implement and enforce procedures to ensure that the Deceased Tenants Report is generated before disbursing the upcoming monthly housing subsidy and develop other control measures to detect a tenant's termination from the program.

⁵ Collections are split; 50 percent goes back to the Authority's Section 8 Housing Assistance Payment equity account, and 50 percent goes toward its Section 8 unrestricted administrative fee reserves. If the \$2,051 (\$1,646 + \$405) is collected, 50 percent, or \$1,025, is considered funds put to better use as the money will go to the Section 8 Housing Assistance Payments equity account, which is used to pay the housing subsidy to the Section 8 landlords.

- 1I. Repay the Section 8 fund \$11,869 used to reimburse the tenants for prematurely applying the decreased payment standard amounts from its administrative fee reserves.
- 1J. Ensure that the lease between the Section 8 landlord and tenant includes the provisions listed in the tenancy addendum.
- 1K. Ensure the annual submission to HUD of the cash compensation data for required employees.

SCOPE AND METHODOLOGY

We received a complaint against the Boca Raton Housing Authority, which detailed nine allegations summarized in the Background and Objective section of the audit report. Our overall audit objective was to determine whether the Authority administered its Section 8 Housing Choice Voucher program tenant files in accordance with HUD regulations, specifically to verify the validity of the complaint. To accomplish our objective, we reviewed the relevant Federal regulations and HUD requirements, interviewed HUD officials to obtain information about the Authority and discussed areas of concern, and interviewed Authority officials to understand the Section 8 process and obtain clarification during our fieldwork.

To specifically address the first eight allegations, we grouped them into 6 categories and selected tenant files from each category for testing. The selection of the tenants came mainly from the universe of Section 8 Housing Choice Voucher program tenant data entered by the Authority into HUD's Public and Indian Housing Information Center (PIC) system for the period January 1, 2011, through December 31, 2013. The system showed 787 tenants. Although the period covered 3 years, the system provides the most recent data for the tenant. Other selections came from records provided by the Authority. The last allegation was addressed by interviewing staff and reviewing the board of commissioners minutes. The paragraphs below detail the number of tenant files selected for each category and how we addressed the allegation and provide a brief statement of the results if we determined that the allegation did not appear to be valid.

Allegation (1) – To determine whether the Authority overcharged tenants who entered into repayment agreements, we selected 11 of the 218 tenants the Authority's financial system showed as having repayment agreements for the period January 1, 2011, to January 30, 2014. We selected an additional 2 of 6 tenants for the period February 1 to April 14, 2014, for a total of 13 tenants. The review of the repayment agreements and documentation supporting the repayment amounts showed that the allegation was valid (see finding).

Allegations (2) and (3) – To determine whether the Authority followed due process before removing a tenant from the program or paid an excess housing subsidy on behalf of a deceased tenant, we selected 11 of the 107 tenants who ended participation in the Section 8 program during the scope period.⁶ Two of the eleven tenants selected were mentioned in the complaint. The review of the documentation in the tenant files showed that both allegations were valid (see finding).

Allegation (4) – To determine whether the Authority prematurely applied the decrease in payment standards for the 1- and 3-bedroom units, we selected 6 of the 116 tenants with 1-bedroom vouchers and 4 of the 68 tenants with 3-bedroom vouchers for review. In performing the review of the annual reexamination documents on the first four files – two

⁶ The tenant data from the PIC system identifies those tenants who ended their participation in the Section 8 program but does not distinguish the reasons why the tenant ended participation, such as the tenant's passing, voluntary termination by the tenant, or the tenant's removal due to a program violation.

tenants with a one-bedroom voucher and two tenants with a three-bedroom voucher – and discussions with Authority officials, we found the allegation to be valid (see finding).

Allegations (5) and (6) – To determine whether the Authority obtained the lease, executed the Housing Assistance Payments contract, and determined rent reasonableness before paying the housing subsidy, we obtained an understanding of the service used by the Authority to determine rent reasonableness and reviewed six tenant files. From the universe of tenants, we selected one tenant who was newly admitted to the Section 8 program, three tenants who were assisted with the largest housing subsidy payments, and two tenants who lived in the Authority-owned development.⁷ All six tenant files reviewed contained the executed Housing Assistance Payments contracts and corresponding leases. Additionally, the Authority maintained documentation in five of the six tenant files to support that the unit rents were reasonable. For the one exception, the file contained documentation to support that the rent was reasonable at the tenant’s initial move-in in 2009 and at the first rent increase in 2011 but did not contain documentation to support rent reasonableness at the next rent increase of \$10 in 2013. Since documentation was present to show that the unit’s past rents were reasonable overall, the allegation did not appear to be valid for the tenant files reviewed.

Allegation (7) – To determine whether the Authority provided the correct voucher size to tenants with approved live-in aides, we selected 2 of the 19 tenants the Authority’s system showed as having an approved live-in aide. In addition, using the minimum and maximum number of people to a bedroom voucher size as stipulated in the Authority’s Section 8 administrative plan, we analyzed the tenant data for exceptions.⁸ We selected 4 of the 87 exceptions to determine whether the Authority documented justifications for the exceptions to support that it provided voucher sizes to tenants in accordance with its policy. The Authority provided the tenants with the correct voucher sizes to accommodate approved live-in aides and provided the correct voucher size in accordance with its own policy. Based on the tenant files tested, the allegation did not appear to be valid.

Allegation (8) – To determine whether the Authority’s method of inferring income to the tenant affected the utility reimbursements, we selected 4 of the 80 tenants who received utility reimbursements. Through interviews with the executive director and a review of the four tenant files, we determined that the Authority inferred income onto families that claimed little or no income. If the amount estimated by the Authority exceeded the income reported by the tenant from wages, child support, cash contribution, etc., it took the difference and added the amount to the tenant’s total annual income to calculate the housing subsidy to the landlord, tenant rent to the landlord, and utility reimbursement. The practice was included in the Authority’s Section 8 administrative plan, Authority staff applied and carried out the practice consistently for the tenants reviewed, and the Authority did not violate Federal regulations as they do not prohibit a housing authority from inferring such income.

⁷ The Section 8 tenant data, downloaded on February 10, 2014, from the PIC system, showed that there were 3 tenants admitted into the Section 8 program and 21 tenants residing in the Authority-owned development.

⁸ For example, the Section 8 administrative plan allowed a three-bedroom voucher for a minimum of five people and a maximum of six people; an exception would be providing a six-person household with a four-bedroom voucher.

Therefore, we determined that the Authority's method was appropriate. Using this conclusion as a basis, the tenant's utility reimbursement while affected by the income calculation, was correctly calculated. Based on the review, the allegation did not appear to be valid.

Allegation (9) – To determine whether the Authority properly approved revisions to its Section 8 administrative plan, we interviewed Authority staff and reviewed the board of commissioners' minutes. HUD regulations at 24 CFR 982.54(a) state that the administrative plan and any revisions to the plan must be formally adopted by the board of commissioners or other authorized housing agency officials. Interviews indicated that only the executive director revised the Section 8 administrative plan, and the board of commissioners minutes indicated that changes to the plan were discussed with and approved by the board members. Thus, the revisions to the Section 8 administrative plan were properly approved, and the allegation was not valid.

In addition to testing the Section 8 tenant files, we reviewed three other areas related to the Authority's administration of the Section 8 program. We determined whether the data in the form HUD-50058, Family Report, reported in the PIC system were accurate by verifying key data fields with the information contained in 18 tenant files. The review showed that the data were 98.7 percent accurate. We also reviewed disbursements from the Section 8 fund to determine whether funds were used for other than Section 8 program purposes. Tests of five transactions totaling \$167,944, or 26.1 percent of the total transaction amounts in 2013 showed that Section 8 funds tested were not used for other programs. Finally, we reviewed the Authority's compensation data to determine its compliance with HUD requirements. Our review of the Authority's 2010 through 2014 compensation data for the three highest paid staff members showed that it did not exceed the \$155,500 amount stipulated in PIH Notices 2012-14 and 2014-01.⁹

The results of this audit apply only to the items reviewed and cannot be projected to the universe of tenant files and transactions.

We did not assess the reliability of the computer-processed data generated by the Authority because the data were not used to materially support our audit findings, conclusions, and recommendations.

Our review generally covered the period January 1, 2011, to December 31, 2013, and was extended as necessary. We performed the work from January 2014 to May 2014 at the Authority's main office and the Miami HUD audit office. 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 objectives. We believe that the evidence

⁹ PIH Notice 2012-14 states that no housing agency may use 2012 appropriations funding for Section 8 Housing Choice Voucher administrative fees or the Section 9 Public Housing Capital Fund or Operating Fund to pay any amount of salary to employees that exceeds \$155,500. According to PIH Notice 2014-01, the source of funds must be reported for employees with cash compensation exceeding \$155,500.

obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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 objectives:

- Compliance with laws and regulations - Policies and procedures that management has implemented to reasonably ensure that program implementation is consistent with laws and regulations.
- Relevance and reliability of information - Policies and procedures that management has implemented to reasonably ensure that operational and financial information used for decision making and reporting externally is relevant, reliable, and fairly disclosed in reports.
- Safeguarding of assets - Policies and procedures that management has implemented to reasonably prevent and promptly detect unauthorized acquisition, use, or disposition of assets and resources.

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 Authority did not have adequate controls in place or did not enforce those that were to ensure that repayment amounts were correctly calculated, due process was followed before tenants were removed from the program, an excess subsidy was not paid on behalf of a deceased tenant, and payment standards were not prematurely applied.

APPENDIXES

Appendix A

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

Recommendation number	Questioned Ineligible 1/	Funds to be put to better use 2/
1A	\$ 6,638	
1E		<u>\$1,025</u>
1I	<u>\$11,869</u>	
Total	<u>\$18,507</u>	<u>\$1,025</u>

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, state, or local policies or regulations.
- 2/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. For recommendation 1E, should the \$2,051 be collected, 50 percent, or \$1,025, will go to the Authority's Section 8 Housing Assistance Payments equity account, which will be used to pay housing subsidies to the Section 8 landlords.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Auditee Comments



BOCA RATON
Housing Authority

July 17, 2014

Ms. Nikita Irons
Regional Inspector General for Audit
U.S. Department of Housing and Urban Development
Office of Inspector General, Office of Audit
75 Spring Street, SW, Room 330
Atlanta, GA 30303

Dear Ms. Irons,

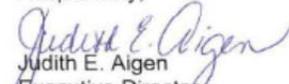
This letter is the Housing Authority's comments concerning the Audit and should be considered along with the responses to the Recommendations made per the draft audit report received and discussed in conference on July 10, 2014.

This extensive and focused Audit was initiated "to assess the validity of nine allegations made against the Authority." These allegations were made in writing by a former employee, whose term of employment with the Housing Authority was less than two months. The major concern raised in the allegations was that HUD funds were impacted. Yet, the Audit's findings demonstrate that the Housing Authority had a 99.99% accuracy rate in its administration of Section 8 Housing Choice Voucher Funds (HUD funds) received.

It is our belief that the responses have clearly and concisely dealt with all the issues brought before the Housing Authority. We attached documents which will help to clarify how we made any necessary improvements in protocol or procedure, how we have attended to any issues that required a timely response or how we intend to proceed with any recommendations that will take some time to complete.

Despite all of the above, the Housing Authority cooperated and provided all the material requested. We will follow all the recommendations made and work diligently to ensure that when and if you appear again there will be nothing to report except that we have fully and completely complied.

Respectfully,


Judith E. Aigen
Executive Director

C

██████████, Assistant Regional Inspector



BOCA RATON

Housing Authority

HOUSING AUTHORITY'S RESPONSES TO RECOMMENDATIONS

Comment 1

1A See Journal Entry

Comment 2

1B The Housing Authority has determined that we have entered into 125 repayment agreements since January 1, 2011. 13 have been audited and accounted for to date. The balance therefore is 112 files. In our experience, in retrieving old files, reviewing old work, establishing the accuracy of work to determine a repayment, finding the location of the voucher holder involved, it is estimated that about four and a half (4 ½) hours per file will be needed. The total estimated hours of work is 504 hours. There is no way to commit directly with current staffing to complete this quickly. So we may try to hire someone to make significant progress. However, if time permits, we will endeavor to work through the files with existing staff until a new employee can be found who can successfully assist current staff responsible for this work.

The Housing Authority will begin to pull the files within a month from a list that shows all 112 names. We will prioritize the Tenants whenever possible:

- a. Tenants presently on the program who have paid off their repayment agreements.
- b. Tenants presently on the program and current in their repayment agreements
- c. Past Tenants who have paid off their repayment agreements.
- d. Past Tenants who have not paid off their repayment agreements.
- e. If the Tenant has been a Port-in and a past Tenant they will be the last to be researched.

During the repayment file review if the Housing Authority discovers any funds are due to tenants or to HUD they will be paid back from the Housing Authority's Administrative Reserve.

The Housing Authority will reserve the right to rewrite and re-execute any repayment agreement.



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Housing Authority

Comment 3

1C
1D

REPAYMENT PROCEDURE

1. A Housing Specialist will bring to the attention of the Director of Section 8 or Senior Housing Specialist that a Voucher Holder has an issue in a file that requires review for a potential repayment.
2. This will be done in person by bringing the file into the Director's or the Senior Housing Specialist's office or marking the appropriate check-off on the Section 8 File Check List. This box is towards the bottom: REPAYMENT NECESSARY (Y) (N)
3. The file is then reviewed to determine if a repayment agreement is to be calculated.
4. There are several forms that are then used in order to begin a repayment agreement:
 - a. Each case is handled separately and distinctly.
 - b. Calculations are begun, depending upon the type of fraud.
 - c. The first worksheet is used to calculate the dollars.
 - d. The second worksheet will determine the payout time
 - e. A personalized contract is sent to the Tenant
 - f. A cover letter with instructions is sent.
5. The Director of Section 8 or Senior Housing Specialist upon completion of a repayment agreement can mark the completed box on the check list.
6. The file must be reviewed by a second party to insure accuracy before being sent out.
7. The finance department assigns a number to each agreement.
8. The package for a repayment includes an option for the Section 8 Voucher holder to
 - a. Sign the documents and return them with a money order within 15 days of receipt of the document.
 - b. Request a Grievance Hearing
9. If a hearing is requested it is scheduled with a person who has not seen the file. The hearing officers are usually [REDACTED], Deputy Director, or [REDACTED] a Housing Authority Commissioner.
10. If the Tenant either through a Grievance decision or on their own volition decides to enter into a Repayment Agreement the Agreement must be signed to be valid.
11. Once signed, the Tenant's down payment money order will be accepted.
12. If the Tenant does not request a Grievance Hearing or return a signed Repayment contract, within 30 days after the date of the initial letter a termination letter to the Tenant and the Landlord (per Chapter 16 of the Housing Authority's Administrative Plan) will be sent.



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Housing Authority

Comment 4

IE: [REDACTED], whose balance is \$405 was sent a letter requesting her to resume her repayments. The letter is included here.

[REDACTED] initiating Housing Authority was contacted for her new address. The initiating Housing Authority is MA901. To date we have not received the information. When [REDACTED] was ported back to her initiating Housing Authority she was up to date on her payments. Her original repayment was renegotiated by the Housing Authority and she paid as she agreed; paying down \$678. Therefore, she was ported back to MA901. When a Tenant is not your Tenant it is extremely difficult to insure that continue their repayment, after they port back to their initiating Housing Authority. However, we will try.



BOCA RATON
Housing Authority

Comment 5

1F: COLLECTION OF DEBTS TO HOUSING AUTHORITY:

1. On the 20th of each month the Finance Department will prepare a receivable report indicating all Tenants with a past due balance of 60 days.
2. These tenants will receive a notice showing their past due balance and the date it must be received in order to avoid termination of their Housing Choice Voucher Assistance.
3. Failure to bring the past due balance current without being able to establish a hardship will result in termination.
4. The final letter will be sent simultaneously to the Landlord and the Tenant with a final 30 days' notice.



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Housing Authority

Comment 5

IG: TERMINATION PROCEDURES

- 1 If any Section 8 Voucher Holder is to be terminated for any cause: they will receive a letter which includes the reason for termination and the right to a Grievance hearing.
- 2 A request for an informal hearing must be made in writing and delivered to the Housing Authority either in person, by email or by first class mail, by the close of the business day, no later than 10 business days from the date of the Housing Authority 's decision or notice to terminate assistance.
- 3 The Housing Authority must schedule and send written notice of the informal hearing to the family within 10 business days of the family's request.
- 4 The hearing officer will issue a written decision to the Tenant and the Housing Authority no later than 10 business days after the hearing.
- 5 The Housing Authority's Administrative Plan contains a more complete and detailed description of the grievance procedure, which will be fully adhered to by staff.



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Housing Authority

Comment 5

1H: DECEASED TENANTS' REPORT

This report is now included on the monthly END OF THE MONTH report. Included here.

Comment 1
Comment 6

1I: JOURNAL ENTRY

Attached is the journal entry evidencing the transfer of \$18,507 from administrative fee reserves to HAP equity reserves. This reflects the repayment to the administrative fund for incorrect calculation of tenants' repayments.

- a. These tenants paid less in the amount of \$6,638. The Housing Authority has reimbursed HUD rather than rebill the tenant for their underpayment.
- b. The \$11,869 was to repay the fund for prematurely applying the decreased payment amount and when correcting this error originally using HAP funds.

Comment 3

1J: TENANCY ADDENDUM

To insure that this is included with each Tenant's lease we have rewritten the cover letter that is sent to each Landlord. The in-house Section 8 File Check List which is used for each move-in contains a line item for the Tenancy Addendum.

Comment 3

1K: CASH COMPENSATION DATA

Submitted with last Operating Subsidy Submission to [REDACTED] the HUD, Miami Office. The Housing Authority will continue to submit the Cash Compensation Data to the HUD, Miami office with the Operating Subsidy unless otherwise directed.

OIG Evaluation of Auditee Comments

- Comment 1 – For recommendation 1A, the Authority will not pursue collection from the five tenants who were under billed due to incorrect calculations, but has reimbursed the Section 8 fund from its Section 8 administrative fee reserves. The Authority recorded a journal entry which showed the expense account used to pay the \$6,638 and the account used to record the refund to the Section 8 HAP equity account. It also provided support to show that the Authority’s Section 8 HAP equity was increased and the administrative fee reserves were decreased. The management decision for this recommendation has been reached and will be recorded in the departmental audit resolution tracking system upon issuance of the final audit report.
- Comment 2 – The Authority is commended for developing a plan to address recommendation 1B. OIG agrees with the Authority’s stated efforts to review the tenant files and take necessary corrective actions. HUD will work with the Authority to set up the target completion dates.
- Comment 3 – OIG agrees with the Authority that the written procedures to address recommendations 1C, 1D, 1J, and 1K, when implemented and enforced, will help to ensure its compliance with HUD requirements. The management decision for these four recommendations has been reached and will be recorded in the departmental audit resolution tracking system upon issuance of the final audit report.
- Comment 4 – The Authority is commended for starting the process to pursue collection efforts on the two tenants in recommendation 1E. HUD will work with the Authority to set up the target completion dates.
- Comment 5 – The Authority provided written procedures to address recommendations 1F, 1G, and 1H. The recommendations will be resolved when the Authority provides documentation to show that staff has followed these procedures. For example, on recommendation 1F, the Authority can provide the letters to tenants listed on the past due receivables report and any follow-up letters to the tenant and respective landlord. For 1G, the Authority can provide the letter to tenants who are in the process of being removed from the program or the decision letters to tenants who were provided a hearing. For 1H, the Authority can provide the Deceased Tenants Reports. HUD will work with the Authority to set up applicable target completion dates.
- Comment 6 – For recommendation 1I, the Authority agreed to repay the Section 8 Housing Assistance Payment equity account from the Section 8 administrative fee reserves. It recorded a journal entry which showed the expense account used to

pay the \$11,869 and the account used to record the refund to the Section 8 HAP equity account. It also provided support to show that the Authority's Section 8 HAP equity was increased and the administrative fee reserves were decreased. The management decision for this recommendation has been reached and will be recorded in the departmental audit resolution tracking system upon issuance of the final audit report.