



# Housing Authority of the City of Hammond, Hammond, IN

## Housing Choice Voucher Program

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

**Audit Report Number: 2017-CH-1003  
July 14, 2017**





**To:** Patricia Tyus, Director of Public Housing Hub, 5HPH

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

**Subject:** The Housing Authority of the City of Hammond, Hammond, IN, Did Not Always Comply With HUD's Requirements Regarding the 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 Housing Authority of the City of Hammond'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) 353-7832.



**Audit Report Number: 2017-CH-1003**

**Date: July 14, 2017**

**The Housing Authority of the City of Hammond, Hammond, IN, Did Not Always Comply With HUD's Requirements Regarding the Administration of Its Housing Choice Voucher Program**

## Highlights

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### What We Audited and Why

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We audited the Housing Authority of the City of Hammond, IN's Housing Choice Voucher program based on the activities included in our 2017 annual audit plan and our analysis of risk factors related to the public housing agencies in Region 5's jurisdiction. Our audit objective was to determine whether the Authority correctly calculated housing assistance and utility allowances and appropriately managed its Family Self-Sufficiency program.

### What We Found

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The Authority did not always correctly calculate housing assistance payments and utility allowances. As a result, the Authority overpaid more than \$17,000 and underpaid more than \$2,200 in housing assistance. If the Authority does not correct its certification process, it could overpay nearly \$33,000 in housing assistance over the next year.

The Authority also did not always appropriately manage its Family Self-Sufficiency program. As a result, HUD and the Authority lacked assurance that required documentation was complete and accurate. In addition, the Authority overpaid more than \$25,000 and underpaid nearly \$400 in escrow funds, and escrow funds totaling nearly \$3,000 were unsupported or overfunded.

### What We Recommend

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We recommend that the Director of HUD's Indianapolis Office of Public Housing require the Authority to (1) reimburse its program more than \$50,000 from non-Federal funds for the ineligible housing assistance payments and inappropriate escrow disbursements; (2) reimburse the appropriate households nearly \$2,600 for underpaid housing assistance and escrow disbursements; (3) support or reimburse its program nearly \$3,000 from non-Federal funds for the unsupported escrow disbursements and balances in its general ledger and escrow bank account; (4) ensure that nearly \$33,000 in program funds is used effectively over the next year; and (5) implement adequate quality controls to correct the findings cited in this audit report.

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# Background and Objective

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The Housing Authority of the City of Hammond was created under the laws of the State of Indiana to provide safe and sanitary housing. The Authority is governed by a seven-member board of commissioners appointed by the mayor. The board's responsibilities include establishing policies for the Authority. The executive director, who also serves as the board secretary-treasurer, is responsible for the management of and general supervision over the administration of the Authority.

The Authority administers the Housing Choice Voucher program, funded by the U.S. Department of Housing and Urban Development (HUD). The program allows very low-income families to choose and lease or purchase safe, decent, and affordable privately owned rental housing. As of March 2017, the Authority had 898 vouchers and had received more than \$2 million in program funds for fiscal year 2017.

The Family Self-Sufficiency program enables HUD-assisted families to increase their earned income and reduce their dependency on welfare assistance and rental subsidies. Each year, HUD makes funding for program coordinator salaries available through a competitive process. The program coordinators work in collaboration with a program coordinating committee to secure commitments of public and private resources for the operation of the program. Eligible families execute contracts of participation that specify their rights and responsibilities. The contracts incorporate individual training and services plans that record the intermediate and long-term goals and the steps the families need to take to achieve those goals, including the services and resources they may need to access. An interest-bearing escrow account is established by the Authority for each participating family. Generally, a family becomes eligible to receive funds deposited into an escrow account on its behalf when it meets its goals and completes its family self-sufficiency contract. The amount credited to the family's escrow account is based on the increased rent the family pays due to increases in the family's earned income during the term of the family self-sufficiency contract. The public housing agency may allow the family to receive a portion of its escrow funds early in the form of an interim disbursement; if it is determined that the family has fulfilled established interim goals and needs a portion of the escrow account funds for purposes consistent with the contract of participation. Once a family graduates from the program, they may access the escrow and use it for any purpose. As of March 2017, the Authority had 26 active Family Self-Sufficiency program participants from the Housing Choice Voucher program.

The objective of our audit was to determine whether the Authority administered its program in accordance with HUD's and its own requirements. Specifically, we wanted to determine whether the Authority correctly calculated housing assistance payments and utility allowances and appropriately managed its Family Self-Sufficiency program.

# Results of Audit

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## **Finding 1: The Authority Did Not Always Correctly Calculate Housing Assistance Payments and Utility Allowances**

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The Authority did not always correctly calculate housing assistance payments and utility allowances for its program households. The weakness occurred because the Authority lacked adequate oversight of its program. As a result, it overpaid more than \$17,000 and underpaid more than \$2,200 in housing assistance. If the Authority does not correct its certification process, we estimate that over the next year, it will overpay nearly \$33,000 in housing assistance.

### **The Authority Miscalculated Housing Assistance Payments**

We reviewed 120 certifications<sup>1</sup> to determine whether the Authority correctly calculated housing assistance payments for the period October 2014 through September 2016. Our review was limited to the information maintained by the Authority in its household files.

For the 120 certifications, 40 (33 percent) had incorrectly calculated housing assistance. The 40 certifications contained 1 or more of the following calculation errors:

- 27 certifications had incorrect income due to miscalculations or lack of support;
- 12 certifications had incorrect utility, dependent, or childcare allowances;
- 3 certifications had incorrect payment standards; and
- 1 certification had incorrect medical expenses.

In addition, of the 120 certifications reviewed, 60 (50 percent) contained errors that had no impact on the housing assistance. The errors included incorrect asset values, unit structure types, and utility allowances.

The Authority did not properly use program funds when it failed to correctly calculate housing assistance payments for the 40 certifications in accordance with HUD's requirements and its own administrative plan. The errors resulted in \$17,174 in overpayments and \$2,213 in underpayments of housing assistance.

The Authority received \$7,959 in administrative fees for the 40 certifications with calculation errors.

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<sup>1</sup> Our methodology for the selection of the 120 certifications, which included 90 that were statistically selected, is explained in the Scope and Methodology section of this audit report.

### **The Authority Lacked Adequate Oversight of Its Program**

The Authority lacked adequate oversight of its program to ensure that its Housing Choice Voucher program specialists correctly calculated housing assistance payments. According to the Authority's executive director, the former Housing Choice Voucher program director was responsible for overseeing the work of the Housing Choice Voucher program specialists. However, when she resigned, the executive director determined that she did not adequately monitor the work of the program specialists to ensure that program households' housing assistance payments were accurate. For instance, the executive director believed that the former program director performed quality control reviews of the household files. Yet, it was later determined that there was no evidence to support that the former director of the Authority's Housing Choice Voucher program had performed quality control reviews or other activities for which she was responsible. According to the Authority's executive director, she did not monitor the performance of the former Housing Choice Voucher program director because she expected her to do the job.

In October 2016, the Authority hired a new Housing Choice Voucher program director to manage its program. According to the program director, the Authority planned to implement quality control procedures, which would include reviewing a sample of household files quarterly to monitor the quality of the work of the program specialists to ensure compliance with HUD's requirements. In addition, since the program director expected to assist with the maintenance of the household files, which would include calculating households' housing assistance payments, the executive director would have to review her files.

### **Conclusion**

The weakness described above occurred because the Authority lacked adequate oversight of its program to ensure that its Housing Choice Voucher program specialists correctly calculated housing assistance and utility allowances. As a result, the Authority overpaid \$17,174 and underpaid \$2,213 in housing assistance and utility allowances. Additionally, the Authority received \$7,959 in program administrative fees related to the inappropriate housing assistance payments for the 40 program households with incorrectly calculated housing assistance. In accordance with 24 CFR (Code of Federal Regulations) 982.152(d), HUD is permitted to reduce or offset any program administrative fees paid to a public housing agency if it fails to perform its administrative responsibilities correctly or adequately under the program.

If the Authority does not correct its certification process, it could overpay \$32,960 in housing assistance over the next year. These funds could be put to better use if proper procedures and controls are put into place to ensure the accuracy of housing assistance payments.

### **Recommendations**

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

- 1A. Reimburse its program \$25,133 (\$17,174 in housing assistance payments + \$7,959 in associated administrative fees) from non-Federal funds for the overpayment of housing assistance and utility allowances due to inappropriate calculations.

- 1B. Reimburse the appropriate households \$2,213 from program administrative fee reserves for the underpayment of housing assistance due to inappropriate calculations.
- 1C. Evaluate its administration of the program and take the appropriate actions to ensure that the program is managed effectively.
- 1D. Implement adequate quality control procedures to ensure that it correctly calculates housing assistance payments to ensure that \$32,960 in program funds is appropriately used for future payments.



## **Finding 2: The Authority Did Not Always Appropriately Manage Its Family Self-Sufficiency Program**

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The Authority did not always appropriately manage its Family Self-Sufficiency program. Specifically, it did not ensure that (1) required documentation was complete and accurate, (2) interim disbursements were appropriate and fully supported, and (3) participants' escrow account deposits were correctly calculated and recorded. The weaknesses occurred because the program coordinator lacked a sufficient understanding of HUD's requirements and overlooked participants' updated income information when executing program contracts. In addition, the Authority lacked a quality control process to ensure that its program complied with HUD's requirements. As a result, (1) the Authority overpaid \$25,231 and underpaid \$375 in escrow funds, (2) escrow account disbursements totaling \$296 were unsupported, and (3) escrow accounts were overfunded by \$2,547.

### **The Authority Did Not Ensure That Required Documentation Was Complete and Accurate**

We reviewed the files for the 39 households that participated in the Authority's Family Self-Sufficiency program from October 2014 through September 2016. The 39 participant files were reviewed to determine whether the Authority maintained documentation to support participants' admission to and continued participation in the program. Our review was limited to the information maintained in the program participant files.

For the 39 files reviewed, the Authority provided annual escrow reports and met with the participants to provide guidance toward reaching their goals as required and appropriately issued contracts of participation. However, although the Authority appropriately managed its program participants' individual training and services plans, the plans did not always include sufficient details regarding the activities and services needed to achieve their goals. Further, the 39 program participant files contained 1 or more of the following deficiencies:

- 19 participants had incorrect baseline income or family rent amounts on the contracts of participation,
- 6 participants had incorrect effective or expiration dates on the contracts of participation,
- 4 participants had incorrectly documented contract extensions, and
- 1 participant had an unsupported graduation.

In addition, the Authority did not ensure that interim disbursements were appropriate and fully supported. As a result, three participants received inappropriate interim disbursements totaling \$10,170, and three participants received disbursements totaling \$296 that were not supported.

### **The Authority Did Not Correctly Calculate and Record Escrow Account Deposits**

For 23 of the 39 participant files reviewed, the Authority incorrectly calculated the participants' income or family rent amounts on the contracts of participation or used incorrect income limits in the calculations. As a result of the incorrect calculations, the escrow accounts for nine participants were overfunded by \$8,259, and the account for one participant was underfunded by \$225. In addition, the Authority overpaid \$15,061 in graduation disbursements for two participants and underpaid \$375 in graduation disbursements for two participants.

During the audit, the Authority adjusted the escrow balances for the 10 participants with overfunded or underfunded escrow account balances. However, the escrow balances maintained in the Authority's system for its program participants did not agree with the amounts recorded in the general ledger and bank account. The escrow balances in the general ledger were overfunded by \$2,334, and the bank account was overfunded by an additional \$213. Further, the Authority inappropriately deposited participants' escrow funds into a non-interest-bearing bank account.<sup>2</sup> As result, the Authority's balances in its general ledger and bank account were not accurate and the participants did not receive interest on their escrow account balances.

### **The Authority Lacked Adequate Oversight of Its Program**

The above weaknesses occurred because the Authority lacked adequate oversight of its program to ensure that its program coordinator had a sufficient understanding of and appropriately implemented HUD's requirements. For instance, when the program coordinator admitted participants into the program, rather than completing an interim certification for each household and updating the income information, the program coordinator allowed the Authority's program system to create historical interim certifications for the households. The program coordinator believed that by allowing the program system to generate a historical interim certification, she had satisfied the requirement for an interim certification. However, by using historical certifications, she did not consider that participants' household income may have changed. As a result, participants' contracts of participation did not always include accurate income and family rent amounts, resulting in inaccurate escrow calculations.

Additionally, 9 of the 39 participants provided updated income documentation, which was received by the Authority before their contracts of participation were signed. However, rather than performing interim certifications, which would have required verification of the households' updated income documentation, the program coordinator used the households' most recent certification, which did not consider the updated income documentation. According to the program coordinator, she focused on getting participants admitted to the program by executing the contracts of participation before performing the interim certifications, which would have delayed their admission. However, because the program coordinator did not complete the interim certifications first, the Authority's program participants' baseline income or family rent amounts were not always accurate.

According to the Authority's program coordinator, the previous Housing Choice Voucher program director did not have a quality control process in place for the Authority's program. Therefore, since she had been the program coordinator, no one had reviewed the participants' program files to ensure that they were complete and accurate. In addition, she was not aware that she had processed participants' interim certifications incorrectly because no one monitored how she administered the Authority's program.

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<sup>2</sup> The National Affordable Housing Act of 1990, Section 554, amended Title I of the U.S. Housing Act of 1937 by adding Section 23. Specifically, Title I, section 23d(2) of the United States Housing Act of 1937, as amended, states that escrow deposits must be placed into an interest-bearing escrow account established by the public housing agency on behalf of the participating family.

As of October 2016, the Authority's program coordinator was also the director of the Housing Choice Voucher program. According to the program coordinator, her new position as the director did not allow her to focus solely on the Family Self-Sufficiency program.

### **Conclusion**

The above weaknesses occurred because the Authority lacked adequate oversight of its program to ensure that its program coordinator had a sufficient understanding of and appropriately implemented HUD's requirements and did not overlook participants' updated income information when executing program contracts. In addition, the Authority lacked a quality control process to ensure that its program complied with HUD's requirements. As a result, the Authority overpaid \$25,231 (\$15,061 in inappropriate graduation payments + \$10,170 in inappropriate interim disbursements) and underpaid \$375 in escrow funds, and escrow account disbursements totaling \$296 were unsupported.

### **Recommendations**

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

- 2A. Reimburse its program \$25,231 (\$15,061 in inappropriate graduation payments + \$10,170 in inappropriate interim disbursements) from non-Federal funds for the incorrect escrow account disbursements.
- 2B. Support or reimburse its program \$296 from non-Federal funds for the unsupported escrow account disbursements.
- 2C. Reimburse the appropriate households \$375 from program funds for the underpaid escrow disbursements.
- 2D. Support its general ledger and bank account balances or transfer \$2,547 (\$2,334 for the overfunded general ledger account + \$213 for the overfunded program bank account) from its Family Self-Sufficiency program account to its Housing Choice Voucher program account for the overfunded accounts cited in the finding.
- 2E. Deposit the Family Self-Sufficiency program escrow funds into an interest-bearing account in accordance with HUD's requirements.
- 2F. Ensure that the program coordinator is trained on and familiar with HUD's regulations.
- 2G. Implement quality control procedures to ensure that (1) documentation required by HUD is correctly completed and maintained, (2) escrow account disbursements are appropriate and fully supported, (3) escrow account deposits are correctly calculated and recorded, and (4) the contracts of participation contain information that reflects participants' current income and family rent amounts. The controls should include procedures for the review and approval of contract extensions and escrow account disbursements.

2H. Evaluate its administration of the program to ensure it has the necessary capacity and resources to effectively manage the program.

# Scope and Methodology

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We performed our onsite audit work between October 2016 and April 2017 at the Authority's main office located at 1402 173<sup>rd</sup> Street, Hammond, IN. The audit covered the period October 1, 2014, through September 30, 2016, but was expanded as determined necessary.

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

- Applicable laws; HUD's regulations at 24 CFR Parts 5, 982, and 984; and HUD's Guidebook 7420.10G.
- The Authority's accounting records, bank statements, general ledger, policies and procedures, board meeting minutes for October 2014 through September 2016, organizational chart, payment standards, independent audit reports for fiscal years 2013 through 2015, housing assistance payments register, and household and participant files.

## **Finding 1**

During our survey, using Microsoft Excel, we selected a representative nonstatistical sample of 15 of the Authority's households that received housing assistance between October 1, 2014, and September 30, 2016. The results of the survey reviews were included in the total errors; however, they were not included in our projection to the universe. During the survey, we reviewed 7 of the 15 household files to determine whether the Authority correctly calculated housing assistance and maintained the required eligibility documentation. Based on our review of the seven household files, we determined that there was sufficient cause to audit the Authority's program.

During the audit, the sample was designed as a stratified random sample from an audit universe of 12,363 monthly housing assistance payments totaling more than \$6.7 million. A sample size of 90 was recommended for the audit. Based on the review results, average dollar amounts were estimated and projected to the universe as a whole. Applied to the universe of 12,363 housing assistance payments, we can say with a one-sided confidence of 95 percent that the Authority overpaid at least \$65,800 during the sample period. Applying our 24-month sample period to a typical 1-year period, we can say that these findings represent \$32,960 per year in funds that could be put to better use by properly administering the program.

The calculation of administrative fees was based on the administrative fees received by the Authority from HUD and the number of vouchers the Authority reported through HUD's Voucher Management System. The fees were considered inappropriately received for each month in which the housing assistance was incorrectly paid. When applicable, we limited the inappropriate administrative fees to the amounts of the housing assistance payment errors.

## **Finding 2**

We reviewed the participant files and escrow reports for all 39 households that participated in the Authority's Family Self-Sufficiency program from October 2014 through September 2016 to determine whether the Authority obtained and maintained the required documentation and correctly calculated, recorded, and disbursed escrow funds. We reviewed 100 percent of the Authority's participant files for the households; therefore, no projection of our results was necessary.

## **Data, Review Results, and Generally Accepted Government Auditing Standards**

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

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

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

# Internal Controls

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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 Deficiencies

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

- The Authority lacked adequate oversight of its Housing Choice Voucher program to ensure that its Housing Choice Voucher program specialists correctly calculated housing assistance payments and utility allowances (finding 1).
- The Authority lacked adequate oversight of its Family Self-Sufficiency program to ensure that its program coordinator had a sufficient understanding of and appropriately implemented

HUD's requirements and did not overlook participants' updated income information when executing program contracts. It also lacked a quality control process to ensure that its program complied with HUD's requirements (finding 2).



# Appendixes

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## Appendix A

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

<b>Recommendation number</b>	<b>Ineligible 1/</b>	<b>Unsupported 2/</b>	<b>Funds to be put to better use 3/</b>
1A	\$25,133		
1B			\$2,213
1D			32,960
2A	25,231		
2B		\$296	
2C			375
2D		2,547	
<b>Total</b>	<b>50,364</b>	<b>2,843</b>	<b>35,548</b>

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

improves its controls, this will be a recurring benefit. Our estimates reflect only the initial year of these benefits. Additionally, implementing our recommendations will ensure that program participants' escrow account deposits are correctly calculated, recorded, and disbursed.

## Appendix B

### Auditee Comments and OIG's Evaluation

#### Ref to OIG Evaluation

#### Auditee Comments



Housing Authority of the City of Hammond of Lake County Indiana

*Maria Carmen Paniagua*  
*Executive Director*

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June 9, 2017

Ms. Kelly Anderson  
Regional Inspector General for Audit – Region 5  
U.S. Department of Housing and Urban Development  
Office of Inspector General

Dear Ms. Anderson,

Enclosed are the responses and attachments pertaining to the OIG Draft Audit report dated May 31, 2017. If you should need any further information or have questions, don't hesitate to contact me.

Sincerely,

*Carmen Paniagua*  
M. Carmen Paniagua  
Executive Director

1402 - 173<sup>rd</sup> Street, Hammond, Indiana 46324  
Phone (219) 989-3265 Fax (219) 989-3275  
TDD (800) 743-3333

## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

Comment 1  
Comment 2

Comment 3  
Comment 4

Comment 5  
Comment 4

Comment 5

#### RESPONSE TO FINDING OUTLINE

#### HOUSING CHOICE VOUCHER PROGRAM

##### Recommendations:

1A. Reimburse its program \$25,133 from non-Federal funds (\$17,174 in housing assistance overpayments + \$7,959 in associated administrative fees) for the overpayment of housing assistance and utility allowance payments due to inappropriate calculations.

RESPONSE: HHA agrees with the housing assistance overpayments and will enter into a repayment agreement with Field Office for the \$17,174 in housing assistance overpayments, however, HHA disagrees with the administrative fees, HHA believes while the calculations were done incorrectly the work was performed and therefore administrative fee was earned.

1B. Reimburse the appropriate households \$2,213 from program funds for the underpayment of housing assistance due to inappropriate calculations.

RESPONSE: HHA has processed payments to the affected households; please see attachment 1. All check have cleared except for household #60 in the amount of \$76.00.

1C. Evaluate its administration of the program and take the appropriate actions to ensure that the program is managed effectively.

RESPONSE: The HHA has implemented a policy for Quality Control procedure to improve the administration of the program; the policy includes, quarterly reviews and meetings with the Program Director. Attachment 2

1D. Implement adequate quality control procedures to ensure that it correctly calculates housing assistance payments to ensure that \$32,960 in program funds is appropriately used for future payments.

REPOSE: Quality control policy is in place to address procedures to ensure the correct calculations of housing assistance payments.

## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

Comment 1

Comment 6  
Comment 4

Comment 7

Comment 8

Comment 9

Comment 5

#### RESPONSE TO FINDING OUTLINE FAMILY SELF SUFFICIENCY

##### Recommendations:

2A. Reimburse its program \$25,231 (\$15,061 in inappropriate graduation payments + \$10,170 in inappropriate interim disbursements) from non-Federal funds for the incorrect escrow account.

RESPONSE: HHA agrees, and will enter into a repayment agreement with the HUD Field Office.

2B. Support or reimburse its program \$296 from non-Federal funds for the unsupported escrow account disbursements.

RESPONSE: HHA Agrees and processed a reimbursement the program from non-Federal funds. See attachment 3.

2C. Reimburse the appropriate households \$375 from program funds for the underpaid escrow disbursements.

RESPONSE: HHA agrees and has issued refunds to the affected participants, see attachment 4, a check in the amount of \$360 for household #26 has not cleared.

2D. Support its general ledger and bank account balances or transfer \$2,547 (\$2,334 for the overfunded general ledger account + \$213 for the overfunded program bank account) from its Family Self Sufficiency program account to its Housing Choice Voucher program account for the overfunded accounts cited in the finding.

REPOSENSE: HHA is in the process of reviewing the accounts and will provide supplemental information to HUD.

2E. Deposit the Family Self Sufficiency program escrow funds into an interest-bearing account in accordance with HUD's requirements.

RESPONSE: HHA will work with HUD to ascertain whether setting up the escrow account to earn interest in lieu of fees is advantageous to the participants and program.

2F. Ensure that its program staff is trained and familiar with HUD's regulations.

RESPONSE: The HHA will procure training for staff.

2G. Implement quality control procedures to ensure that (1) documentation required by HUD is correctly completed and maintained, (2) escrow account disbursements are appropriate and fully supported, and (3) escrow account deposits are correctly calculated and recorded, and (4) the contracts of participation contain information that reflects participants' current income and family rent amounts.

## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

Comment 5

Comment 4

Comment 5

The controls should include procedures for the review and approval of contract extensions and escrow account disbursements.

RESPONSE: HHA has implemented a policy as part of the Corrective Action Plan to ensure the proper approval and support of any disbursements as well as contract extensions are in compliance with the program. Executive Director will hold quarterly meetings with the FSS Coordinator to ensure all individual escrow accounts are calculated correctly, as well as in balance with the general ledger and bank account. See attachment 4.

2H. Evaluate its administration of the program and take the appropriate actions to ensure that the program is managed efficiently and meets the needs of its program participants.

RESPONSE: Executive Director will hold quarterly meetings with the FSS Coordinator to ensure the program is being managed efficiently, as well as review files.

## OIG Evaluation of Auditee Comments

- Comment 1 The Authority agreed to enter into a repayment agreement with HUD to reimburse its program \$17,174 in housing assistance for recommendation 1A and \$25,231 for the inappropriate graduation and interim disbursements cited in recommendation 2A. We commend the Authority for its willingness to take corrective actions and reimburse its program for the issues cited in this audit report. The Authority should work with HUD on the resolution of the recommendations.
- Comment 2 The Authority disagreed that it should repay the administrative fees cited in recommendation 1A. In accordance with 24 CFR (Code of Federal Regulations) 982.152(d), HUD is permitted to reduce or offset any program administrative fees paid to a public housing agency if it fails to perform its administrative responsibilities correctly or adequately under the program. In this case, the Authority did not correctly calculate or adequately support households' housing assistance payments. Therefore, recommending repayment of the administrative fees was appropriate. The Authority should work with HUD on the resolution of this recommendation.
- Comment 3 The Authority agreed with our recommendation and had processed reimbursements to the affected households. Along with the comments, the Authority provided documentation to show that all households have been reimbursed. Based on the supporting documentation provided, a management decision has been reached and final action will be recorded in the departmental audit resolution tracking system when the report is issued.
- Comment 4 The Authority provided 8 attachments which consisted of 88 pages of documentation along with its response. The attachments included proof of reimbursements to its program households, a transfer of funds, and copies of updated policies. Because the attachments were not necessary to understand the Authority's comments, we did not include the attachments in this report.
- Comment 5 The Authority stated that it (1) has implemented quality control procedures for its Housing Choice Voucher program, (2) will procure Family Self-Sufficiency training for its staff, and (3) has implemented policies as part of a corrective action plan for its Family Self-Sufficiency program to satisfy the recommendations cited in this audit report. We commend the Authority for its willingness to take corrective actions for the findings cited in this audit report. The Authority should work with HUD on the resolution of the recommendations to ensure that the updated policies are appropriate, implemented, and fully address the deficiencies cited in this report.
- Comment 6 The Authority agreed with our recommendation and stated that it had reimbursed its program from non-Federal funds. Based on the supporting documentation provided by the Authority, a management decision has been reached and final

action will be recorded in the departmental audit resolution tracking system when the report issued.

- Comment 7 The Authority agreed with our recommendation and had processed reimbursements to the affected households, with the exception of one. The Authority should work with HUD to ensure the reimbursements were appropriate and to complete the resolution of the recommendation.
- Comment 8 The Authority stated that it was reviewing its general ledger and bank account and would provide supplemental information to HUD. We commend the Authority for its willingness to take corrective actions to address the issued cited in this audit report. The Authority should work with HUD on the resolution of the recommendation.
- Comment 9 The Authority stated that it would work with HUD to determine the options regarding its Family Self-Sufficiency bank account that would be most advantageous to the program participants. We commend the Authority for its willingness to work with HUD on the resolution of this recommendation.



## Appendix C

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### Federal and the Authority's Requirements

#### Finding 1

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

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

#### Finding 2

The National Affordable Housing Act of 1990, Section 554, amended Title I of the U.S. Housing Act of 1937 by adding Section 23. Specifically, Title I, section 23d(2), of the U.S. Housing Act of 1937, as amended, states that for each participating family with a monthly adjusted income less than 50 percent of the area median income, the difference between 30 percent of the adjusted income of the participating family should be placed in an interest-bearing escrow account established by the public housing agency on behalf of the participating family.

HUD's regulations at 24 CFR 984.305(a)(1) state that the public housing agency must deposit the Family Self-Sufficiency program account funds into one or more of the HUD-approved investments.

HUD's regulations at 24 CFR 984.305(a)(2)(i) state that the total of the combined Family Self-Sufficiency program account funds will be supported in the public housing agency accounting records by a subsidiary ledger showing the balance applicable to each Family Self-Sufficiency program family.

HUD's Housing Choice Voucher Guidebook 7420.10G, section 23.4, states that the contract of participation must be executed no more than 120 days after the household's most recent annual or interim reexamination. If more than 120 days have passed since the last reexamination, a new reexamination must be completed.

Section 23.4 of the Guidebook states that the contract is effective the first of the month after execution of the contract of participation. Every Family Self-Sufficiency contract must include a training and services plan for the head of the family that commits the family head to seek and maintain suitable employment. The training plan must include clearly stated goals with specific deadlines.

HUD's form HUD-52650, Family Self-Sufficiency program contract of participation, individual training and services plan, states that the resources and supportive services to be provided to each

family member must be listed in the individual training and services plans, which are attachments to the contract of participation. It further states that interim goals must be specified, along with the activities and services needed to achieve them.