



Housing Authority of the City of New Haven, CT

Housing Choice Voucher Program

**Office of Audit, Region 1
Boston, MA**

**Audit Report Number: 2018-BO-1002
November 16, 2017**



To: Jennifer Gottlieb Elazhari
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//Signed//

From: Ann Marie Henry
Regional Inspector General for Audit, Boston Region, 1AGA

Subject: The Housing Authority of the City of New Haven, CT, Made Ineligible Housing
Assistance Payments From 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 New Haven'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 617-994-8345.



Audit Report Number: 2018-BO-1002

Date: November 16, 2017

The Housing Authority of the City of New Haven, CT, Made Ineligible Housing Assistance Payments From Its Housing Choice Voucher Program

Highlights

What We Audited and Why

We audited the Housing Authority of the City of New Haven's Housing Choice Voucher program based on our risk assessment of the program for the New England region, the size of the Authority's program, the time lapse since our last audit, and the inherent risk of the program. Our audit objective was to determine whether Authority officials only made eligible housing assistance payments.

What We Found

Authority officials made \$314,611 in ineligible housing assistance payments from the Housing Choice Voucher program, including \$281,929 in retroactive payments and \$32,682 in overpayments due to program errors. Specifically, Authority officials made ineligible retroactive payments using current-year housing assistance funding to pay for prior-year liabilities in violation of U.S. Department of Housing and Urban Development (HUD) regulations. In addition, Authority officials made ineligible housing assistance payments due to program errors, some of which included (1) late processing, (2) failure to notify program participants of housing assistance payment adjustments, (3) making housing assistance payments for the program participant's portion of the rent, and (4) payments for vacated units. These deficiencies occurred because Authority officials believed the payments were an eligible use of program funds and they did not always follow HUD's or their own requirements for administering the program. As a result, they made \$314,611 in ineligible housing assistance payments, and HUD lacked assurance that program funds were used efficiently and effectively.

What We Recommend

We recommend that HUD require Authority officials to (1) repay from non-Federal funds the \$314,611 used for ineligible housing assistance, and (2) implement internal controls to comply with HUD's and Authority requirements for administering the program.

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Background and Objectives

The Housing Authority of the City of New Haven, CT, was incorporated under the laws of the State of Connecticut. The Authority operates under a board of commissioners form of government to provide safe and decent housing to low- and moderate-income families and elderly individuals. The Authority’s mission is to build better neighborhoods, create more options for desirable housing for families from multiple income levels, and accommodate those who may need extra assistance. In 2001, the Authority was selected for participation in HUD’s Moving to Work (MTW) demonstration program and is one of 39 public housing agencies nationwide participating in MTW.

MTW provides public housing agencies the opportunity to design and test innovative, locally developed strategies to use Federal dollars more efficiently, help residents find employment and become self-sufficient, and increase housing choices for low-income families. MTW gives public housing agencies exemptions from many existing public housing and Housing Choice Voucher program rules and more flexibility in using their Federal funds. The Authority’s MTW program and flexibility are limited to HUD’s public housing program, Public Housing Capital Fund program, and the Housing Choice Voucher program.

The Housing Choice Voucher program assists very low-income families, the elderly, and the disabled in affording decent, safe, and sanitary housing in the private market. Vouchers are administered locally by public housing agencies. Program participants issued vouchers are responsible for finding a suitable housing unit of choice that meets minimal standards of health and safety and for which the owner agrees to rent under the program. The public housing agency pays a subsidy directly to the landlord on behalf of the program participant, who then pays the difference between the actual rent charged by the owner and the amount subsidized by the program. To cover the cost of the program, HUD provides funds to allow public housing agencies to make housing assistance payments on behalf of the program participants and also pays a fee to the public housing agency for the costs of administering the program.

HUD authorized the Authority the following assistance for fiscal years 2015 and 2016:

Fiscal year	Housing Choice Voucher funding
2015	\$57,840,346
2016	64,257,353
Totals	122,097,699

Our audit objective was to determine whether Authority officials only made eligible housing assistance payments.

Results of Audit

Finding 1: Authority Officials Made Ineligible Housing Assistance Payments From the Housing Choice Voucher Program

Authority officials made \$314,611 in ineligible housing assistance payments from the Authority's program, including \$281,929 in retroactive payments and \$32,682 in overpayments due to program errors. Specifically, Authority officials made ineligible retroactive payments using current-year housing assistance funds to pay for prior-year liabilities in violation of HUD's regulations.¹ In addition, Authority officials made ineligible housing assistance payments due to program errors,^{2 3} some of which included (1) late processing, (2) failure to notify program participants of housing assistance payment adjustments, (3) making housing assistance payments for the program participant's portion of the rent, and (4) payments for vacated units. These conditions occurred because Authority officials believed these payments were an eligible use of program funds and they did not always follow HUD's or their own requirements for administering the program. As a result, they made \$314,611 in ineligible housing assistance payments, and HUD lacked assurance that program funds were used efficiently and effectively.

Ineligible Retroactive Housing Assistance Payments

Authority officials made \$281,929 in ineligible prior-year retroactive housing assistance payments in violation of HUD's regulations that prohibit using current-year housing assistance funding to pay for prior-year liabilities. Of these ineligible retroactive housing assistance payments, \$196,851 was paid for 21 program participants at a single apartment building, \$84,643 was paid for 12 separate program participants, and \$435 was paid for another program participant's retroactive utility allowance. (Refer to appendix C.)

Authority officials made \$196,851 in ineligible prior-year retroactive housing assistance payments to an owner for rental increases. In August 2011, an apartment building housing 21 program participants underwent a change in ownership. The new property owner submitted rental increase requests to the Authority. Authority officials agreed to process the rental increases during each participant's next annual recertification. In October 2014, it was discovered that Authority officials had not processed the rental increase requests. Once notified, Authority officials processed the rental increases using current year funding for prior year rents.

¹ HUD's Implementation of the Federal Fiscal Year Funding Provisions for the Housing Choice Voucher program for fiscal years 2014, 2015, and 2016 (PIH Notices 2014-05, 2015-03, and 2016-04) prohibit the use of current-year housing assistance funding to pay for prior-year liabilities.

² The term "error" is used to identify situations in which a family or owner does not comply with program requirements or staff members incorrectly apply program rules. An error may be intentional or unintentional.

³ Notice PIH 2007-27 requires that for overpayments of housing assistance, 100 percent of the amount be reimbursed to the public housing agency's housing assistance payments account from administrative fees or other non-Federal funds.

Further, Authority officials made \$84,643 in ineligible retroactive housing assistance payments to various owners for 12 program participants. The retroactive payments were made when Authority officials processed adjustment payments to correct program errors, some of which included (1) late processing, (2) failure to notify program participants of housing assistance payment adjustments, (3) making housing assistance payments for the program participant's portion of the rent, and (4) payments for vacated units. We also identified instances in which housing assistance payments were made for a unit with a failed housing quality standards inspection and a unit without a valid housing assistance payments contract resulting in ineligible retroactive housing assistance.

For example, we identified one instance in which Authority officials made \$17,700 in ineligible prior-year retroactive housing assistance payments without a valid contract. Although the program participant was approved for a lease in September 2010, Authority officials did not execute a housing assistance payments contract until September 2014, 4 years later. Further, the executed lease contained an initial leasing term of November 2011 through October 2012, and Authority officials approved the \$17,700 in retroactive housing assistance payments to the owner dating back to September 2010, which was before the initial leasing term.

Authority officials also made a \$435 retroactive utility allowance payment to one program participant in March 2016. The retroactive payment was for a \$15 monthly adjustment over a 29-month period.

Ineligible Housing Assistance Overpayments Due to Program Errors

Authority officials made \$32,682 in ineligible housing assistance overpayments for 15 program participants⁴ due to program errors. The ineligible payments were made when Authority officials processed adjustment payments to correct program errors, some of which included (1) late processing, (2) failure to notify program participants of housing assistance payment adjustments, (3) making housing assistance payments for the program participant's portion of the rent, and (4) payments for vacated units. We also found that Authority officials made an adjustment payment and monthly housing assistance payments for a unit without a valid housing assistance payments contract. (Refer to appendix C.)

For example, we identified one instance in which Authority officials made \$17,051 in housing assistance overpayments without a valid contract. The housing assistance payments contract was not executed within 60 days of the lease as required. Therefore, the contract was void, and the owner was not permitted to receive housing assistance payments according to the Authority's administrative plan and 24 CFR (Code of Federal Regulations) 982.305(c)(1).⁵ An owner should

⁴ Authority officials made ineligible retroactive housing assistance payments for four of the fifteen program participants.

⁵ According to 24 CFR 982.305(c)(1), housing assistance payments contracts must be executed no later than 60 calendar days from the beginning of the lease term. The Authority's 2012 administrative plan provides that housing assistance payments contracts must be executed no later than 60 calendar days from the beginning of the lease term and that contracts executed after 60 days are void and the Authority may not make any housing assistance payments to the owner.

not receive housing assistance payments for any period in which there was not a housing assistance payments contract in place, retroactively or otherwise. Authority officials made a \$4,774 adjustment housing assistance payment to cover January 2014 through December 2014. They continued to make ineligible monthly housing assistance payments and utility allowance payments from January 2015 through September 2016 without a valid contract.

In another instance, Authority officials did not notify a program participant and an owner of an adjustment made to the monthly housing assistance payment based on the participant's biannual recertification. Specifically, in September 2013, the program participant portion of the rent increased by \$173, from \$302 to \$475, and the housing assistance payment decreased by the same amount. Because the program participant and the owner were not notified of the change until September 2015, the participant continued to pay only \$302 per month. As a result, Authority officials proceeded to pay \$4,325 in ineligible housing assistance, of which \$1,557 was an overpayment and \$2,768 was paid for prior-year liabilities.

Authority officials also made housing assistance overpayments after program participants left the Authority's program and vacated the units. Authority officials continued making housing assistance payments to the owners of the vacated units and also to the public housing agencies in the jurisdiction where the participants moved after they left the Authority's program. We consider these payments to be an ineligible use of program funds in violation of 24 CFR 982.311(d)⁶ and the Authority's own administrative plan.

During our review, we also became aware that Authority officials issued a demand letter in March 2017, requesting an owner to repay \$16,644 in housing assistance overpayments that occurred over a 19-month period. The housing assistance overpayments were made to the owner after the program participant left the Authority's program and was absorbed by another public housing agency in December 2014. In January 2015, Authority officials received notification that the participant was absorbed by the receiving agency and the housing assistance payments to the owner temporarily stopped. In April 2015, however, payments to the owner resumed and continued for 19 months until October 2016, when Authority officials discovered the error. As the Authority identified this issue and had begun taking corrective action, we are not questioning these costs.

Conclusion

Authority officials made \$314,611 in housing assistance payments for ineligible costs, including \$281,929 in retroactive payments and \$32,682 in overpayments due to program errors. These conditions occurred because Authority officials believed the payments were an eligible use of program funds and did not always follow HUD's or their own requirements for administering the program. As a result, they made \$314,611 in ineligible housing assistance payments, and HUD lacked assurance that program funds were used efficiently and effectively.

⁶ Regulations at 24 CFR 982.311(d) state that if the family moves out of the unit, the Authority may not make any housing assistance payment to the owner for any month after the month when the family moves out.

Recommendations

We recommend that the Hartford Office of Public Housing's program center coordinator require Authority officials to

- 1A. Repay the Housing Choice Voucher program from non-Federal funds the \$281,929 in ineligible retroactive housing assistance payments.
- 1B. Develop and implement internal control procedures to ensure that housing assistance funds appropriated for 1 calendar year are not used to make retroactive housing assistance payments for prior years.
- 1C. Repay the Housing Choice Voucher program from non-Federal funds the \$32,682 in ineligible housing assistance overpayments made due to program errors.
- 1D. Develop and implement internal control procedures to ensure that housing assistance payments resulting from errors of Authority officials are covered by the Authority's administrative fees.
- 1E. Develop and implement internal control procedures to ensure that housing assistance payments are not made to owners without a properly executed lease and housing assistance payments contract.
- 1F. Develop and implement internal controls to ensure that housing assistance payments discontinue once a program participant is absorbed into another public housing agency's program or leaves the program.
- 1G. Provide support showing that the repayment of housing assistance overpayments found by the Authority were received.

Scope and Methodology

We performed our audit work at the Authority's office in New Haven, CT, from March to August 2017. Our audit covered the period October 1, 2014, through September 30, 2016, and was expanded as necessary.

To accomplish our objective, we

- Reviewed 24 CFR Part 982, the Housing Choice Voucher Guidebook 7420.10G, relevant HUD public housing notices, the Authority's administrative plan, the Authority's MTW agreement, and the Authority's policies and procedures.
- Interviewed key personnel at the Authority to determine how the Authority operated its program.
- Reviewed independent public auditors' reports as part of our testing for control weaknesses.
- Reviewed board minutes and board resolutions for the period October 1, 2014, through September 30, 2016.
- Examined 100 percent of the Authority's housing assistance adjustment payments made to one owner to determine whether retroactive housing assistance payments were made and whether the adjustments were eligible uses of program funds. We reviewed 100 percent because there were few enough transactions that we could review them all and the results only pertain to one owner. Specifically, we reviewed housing assistance adjustment payments made to the owner for 21 program participants totaling \$218,181 during our audit period, October 1, 2014, through September 30, 2016.
- Examined 100 percent of the Authority's housing assistance adjustment payments totaling \$4,000 or more to determine whether retroactive housing assistance payments were made and whether the adjustments were eligible uses of program funds. We reviewed 100 percent of the adjustment payments totaling \$4,000 or more because there were few enough transactions that we could review them all. Specifically, we reviewed housing assistance adjustment payments for 48 program participants totaling \$293,865, which were made during our audit period, October 1, 2014, through September 30, 2016.
- Examined 100 percent of the 126 program participants who left the Authority's program, to move to another public housing agency's jurisdiction, during our audit period, October 1, 2014, through September 30, 2016. We reviewed 100 percent because there were few enough transactions that we could review them all.

To achieve our audit objective, we relied in part on computer-processed data from the Authority. 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 sufficiently reliable for our purposes.

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

Internal Controls

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

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

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

Relevant Internal Controls

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

- Program operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Compliance with applicable laws and regulations – Policies and procedures that management has implemented to reasonably ensure that the use of funds is consistent with laws and regulations.
- Safeguarding resources – Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.

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 sufficient internal controls to ensure that its program operated in compliance with HUD and Authority requirements (finding).

Appendixes

Appendix A

Schedule of Questioned Costs

Recommendation number	Ineligible 1/
1A	\$281,929
1C	32,682
Totals	314,611

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.

Appendix B

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 1

Comment 2


Housing Authority of New Haven

DRAFT
For Discussion and Comment Only
Subject to Review and Revision

Karen DuBois-Walton, Ph.D.
Executive Director

Appendix B Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

In reference to the Housing of Urban Development, Office of Inspector General, draft audit report of the Housing Authority of the City of New Haven's Housing Choice Voucher Program, please find our responses below.

FINDING 1
Authority Officials Made Ineligible Housing Assistance Payments From the Housing Choice Voucher Program
Authority officials made \$317,771 in ineligible housing assistance payments from the Authority's program, including \$281,929 in retroactive payments and \$35,842 in overpayments due to program errors. Specifically, Authority officials made ineligible retroactive payments using current-year housing assistance funds to pay for prior-year liabilities in violation of HUD's regulations.

Comment 1
Elm City Communities/Housing Authority of the City of New Haven (ECC/HANH) disputes the dollar amount of the finding and the finding that ineligible housing assistance payments were made.

ECC/HANH disputes the stated amount of \$317,771.00. Our calculation is \$7480.00 was paid correctly and \$3049.00 has been recovered, for a total amount of \$307,242.00

Given that housing assistance payments can be made from agency administrative fees earned in any year coupled with the fact that ECC/HANH as an MTW agency operating under the alternative funding subsidy receives its administrative fees pooled with other HCV funds and has the ability to use that money fungably with all funding sources, it is inaccurate to conclude that payments were ineligible. ECC/HANH will outline the

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Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 2

disputed amounts below, however, explanation of the MTW funding implications is explicated herein.

In 2001, Elm City Communities/Housing Authority of the City of New Haven was awarded Moving to Work (MTW) status as part of the federal MTW Demonstration Program. The MTW Program provides greater budget flexibility, as MTW agencies may pool funding from several HUD programs in order to allocate resources according to local determination of the most effective use of funds.

ECC/HANH's HCV funding formula is detailed in Attachment A of the Amended and Restated Moving to Work Agreement between US Department of Housing and Urban Development and ECC/HANH.

In order to reflect appropriate reporting of payments, ECC/HANH proposes to make adjustments in the prior year VMS reports

Notice PIH 2015-03, 2014-05 and 2016-04 Section 15 states:
Use of HAP and HAP Restricted Net Position (RNP). PHAs are reminded that funds in the HAP RNP account and HUD-held program reserves shall only be used for eligible HAP needs in the current CY.

Note: The HUD Housing Choice Voucher Guidebook states:
In cases where the error or omission is the fault of the PHA, the PHA must immediately refund the total amount due to the family. Such reimbursement would come from the PHA's administrative fee reserves. If the family owed the landlord rent, the PHA, depending upon the circumstances, may choose to pay the amount due or a portion thereof directly to the owner on behalf of the family. [HCV GB p. 22-12].

Additionally, ECC/HANH HCV Admin Plan states:
PHA Reimbursement to Family or Owner
The PHA must reimburse a family for any underpayment of subsidy, regardless of whether the underpayment was the result of staff-caused error or staff or owner program abuse. Funds for this reimbursement must come from the PHA's administrative fee reserves [HCV GB p. 22-12].

The HCV Guidebook does not address MTW Agencies or the fact that MTW agencies have greater budget flexibility or that our MTW Agreement defines a funding methodology that embeds Administrative fees with other funding sources. The HCV Guidebook also does not address how these payments that must be repaid when discovered, should be made other than out of the Administrative fee reserves.

In addition, the applicable Notices do not address MTW Agencies or the fact we have greater budget flexibility and that Administrative fees are embedded with other funding

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 2

sources and does not address whether eligible HAP needs from prior years can be paid out of the Administrative fees reserves and not the HAP RNP account.

Where ECC/HANH program errors occurred, ECC/HANH made the appropriate corrective action in accordance with Federal regulations, the HCV Guidebook, the Restated and Amended MTW Agreement and the ECC/HANH Administrative Plan.

Authority officials did not always ensure that reasonableness standards were met and used incorrect payment standards for 8 of the 21 program participants rental increases

Comment 2

ECC/HANH disputes this finding. Staff reviewed the 8 tenant households and concluded that the Voucher Payment Standard (VPS) used for the 8 households were correct and the rents were reasonable based on the rent reasonableness test. – **Attachment A**

In all of the cases reviewed the rent increase amount requested was reasonable based on the comparable two bedroom rent reasonable comparison test.

The one bedroom VPS was correctly applied based on the household composition.

24CFR 982.505(c) states "(1) Payment standard for the family unit size is the lower of: (i) The payment standard amount for the family size; (ii) or the payment standard amount for the size of the dwelling unit rented by the family."

The tenant rent amount may have been over the one bedroom payment standard, in some cases, however, according to 24CFR 982.508, and Housing Choice Voucher Guidebook, Chapter 6, the initial rent burden where a family share may not exceed 40% of the family monthly adjusted income only applies when the family initially moves into the unit or signs the first assisted lease for a unit.

Note that a subsequent rent increase during the family's occupancy of the unit that causes the family share to exceed 40 percent of monthly adjusted income is permissible so long as the new rent to owner is determined to be reasonable. The maximum initial rent burden applies only at the commencement of an assisted occupancy in a particular unit. HCVGB p. 6-6

Authority officials made ineligible housing assistance payments due to program errors, some of which included (1) late processing, (2) failure to notify program participants of housing assistance payment adjustments, (3) making housing assistance payments for the program participant's portion of the rent, and (4) payments for vacated units.

Comment 3

Comment 3

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 4

ECC/HANH acknowledges that program errors did occur and that in accordance with Federal regulations, the HCV Guidebook and ECC/HANH Administrative Plan, ECC/HANH made the appropriate corrective action.

However, ECC/HANH does not acknowledge that these payments are ineligible due to greater budget flexibility that allows MTW agencies to pool funding from several HUD programs in order to allocate resources according to local determination of the most effective use of funds. The HCV Guidebook allows for corrections to be made for program errors and for payments to be made out of Administrative fees. The Guidebook and aforementioned Notices do not address MTW agencies and the ability to pay for prior year liabilities from Administrative fee reserves and not HAP RNP account.

Authority officials made \$281,929 in ineligible prior-year retroactive housing assistance payments in violation of HUD's regulations that prohibit using current-year housing assistance funding to pay for prior-year liabilities. Of these ineligible retroactive housing assistance payments, \$196,851 was paid for 21 program participants at a single apartment building. (Appendix C)

Comment 4

ECC/HANH acknowledges that program errors did occur and that in accordance with Federal regulations, the HCV Guidebook and ECC/HANH Administrative Plan, ECC/HANH made the appropriate corrective action.

However, ECC/HANH does not acknowledge that these payments are ineligible due to greater budget flexibility that allow MTW agencies to pool funding from several HUD programs in order to allocate resources according to local determination of the most effective use of funds. The HCV Guidebook allows for corrections to be made for program errors and for payments to be made out of Administrative fees. The Guidebook and aforementioned Notice do not address MTW agencies operating under the alternate operating subsidy formula and their ability to pay for prior year liabilities from Administrative fee reserves and not HAP RNP account.

Comment 4

Comment 5

ECC/HANH acknowledges that the Owner of the apartment building underwent a Change of Ownership. During the change, the Owner requested rent increases. The rent increases requests are to be processed at the participant's annual recertification. Per ECC/HANH's Admin Plan and MTW Rent Simplification Policy, recertifications are processed on a biennial and triennial basis. The rent increase requests were not processed accordingly. ECC/HANH took corrective action and honored the rent increase requests retroactively.

Comment 2

ECC/HANH further asserts that the total calculation is not accurate. (See Appendix C)

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 4

Comment 2

Comment 6

Authority officials made \$84,643 in ineligible retroactive housing assistance payments to various owners for 12 program participants. The retroactive payments were made when Authority officials processed adjustment payments to correct program errors, some of which included (1) late processing, (2) failure to notify program participants of housing assistance payment adjustments, (3) making housing assistance payments for the program participant's portion of the rent, and (4) payments for vacated units. (Appendix C)

Comment 5

ECC/HANH acknowledges that program errors did occur and that in accordance with Federal regulations, the HCV Guidebook and ECC/HANH Administrative Plan, ECC/HANH made the appropriate corrective action.

However, ECC/HANH does not acknowledge that these payments are ineligible due to greater budget flexibility that allow MTW agencies to pool funding from several HUD programs in order to allocate resources according to local determination of the most effective use of funds. The HCV Guidebook allows for corrections to be made for program errors and for payments to be made out of Administrative fees. The Guidebook and aforementioned Notice do not address MTW agencies and the ability to pay for prior year liabilities from Administrative fee reserves and not HAP RNP account.

ECC/HANH further asserts that the total calculation is not accurate. (See Appendix C)

- 1) In one instance it was stated that there were 2 adjustment payments (\$7,888 and \$6,344) made on 4/15/16 totaling \$14,232. \$11,060 of the \$14,232 was paid retroactively for HAP in 2015 or prior and is considered ineligible.
 - o ECC/HANH asserts that \$4176 of those payments were paid timely from 3/14 to 12/14 (\$464 per month), however the checks were never cashed. After being contacted by the owner, ECC/HANH voided the original payments and reissued the checks.
Per HANH Administrative Plan effective May 15, 2012 Checks that are not received will not be replaced until a written request has been received from the payee and a stop payment has been put on the check. – Attachment B
- 2) In another instance it was stated, in total there are \$6,636 in ineligible costs, all of which are retroactive payments. ECC/HANH asserts that \$1896 (two payments of \$948) is not an ineligible cost.

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 7

- ECC/HANH made timely payments for 10/1/13 and 1/1/14 however the checks were never cashed. After being contacted by the owner, ECC/HANH voided the original payments and reissued the checks. Per HANH Administrative Plan effective May 15, 2012 Checks that are not received will not be replaced until a written request has been received from the payee and a stop payment has been put on the check. – **Attachment C**

3) In another instance the adjustment payment of \$4,744 on 2/1/15 is questioned as ineligible, \$3,558 due to retroactive payments and \$1,186 due to PHA error. The tenant requested an interim recertification in June 2015 but it was not processed until February/March 2016. The tenant signed a letter stating that she understood she was responsible for tenant portion of the rent until the recertification notification was received (which was in February 2016). However, the Authority paid the tenant portion for an 8 month period from July 2014 to February 2015. Six months was paid for the prior year (\$3,558 of the \$4,744). The remaining \$1,186 was paid in current year but had to be paid based on PHA errors. Also, the file did not include any confirmation that tenant did not pay the tenant portion of the rent to the owner during the period July 2014 – February 2015

- ECC/HANH submits a correction to the dates. The adjustment paid 2/15/15 was for the Interim Request received on 6/3/14 and processed on 2/4/15. \$1186 (\$593 per month) was paid on 2/15/15 for 1/15 and 2/15. Per HANH Administrative Plan effective May 15, 2012, Procedures when the Change is not processed by HANH in a Timely Manner "If the change resulted in a decrease, the overpayment by the family will be calculated retroactively to the date it should have been effective, and the family will be credited for the amount. The Admin Plan did not indicate that the tenant needed to give confirmation that they did not pay the rent for that time period. – **Attachment D**

Identified instances in which housing assistance payments were made for a unit with a failed housing quality standards inspection and a unit without a valid housing assistance payments contract resulting in ineligible retroactive housing assistance.

Comment 6

ECC/HANH acknowledges that a program error did occur and that in accordance with Federal regulations, the HCV Guidebook and ECC/HANH Administrative Plan, ECC/HANH made the appropriate corrective action.

The Internal control implemented - On a monthly basis prior to the monthly check

Comment 8

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

run, ECC/HANH reviews the Inspection Results Report and Abatement/Payment Hold Report to ensure that all units that have failed the Housing Quality Standards (HQS) inspection have been appropriately abated and that the payments have been held commencing the month following the final fail inspection.

Identified one instance in which Authority officials made \$17,051 in housing assistance overpayments without a valid contract.

Comment 7

ECC/HANH acknowledges that a program error did occur and that in accordance with Federal regulations, the HCV Guidebook and ECC/HANH Administrative Plan, ECC/HANH made the appropriate corrective action.

The Internal Control Implemented: On a monthly basis, the Request for Tenancy Log (RFTA) log is reviewed and lease ups are verified. Upon the Housing Official, signing of the HAP contract, staff must present the 50058 verifying that the New Admission/Move has been completed and submit any applicable adjustments for payment. Landlords are also advised of their obligations under the HAP contract and to ensure that they have an active HAP contract and payments.

Authority officials did not notify a program participant and an owner of an adjustment made to the monthly housing assistance payment based on the participant's biannual recertification.

Comment 8

ECC/HANH acknowledges that a program error did occur and that in accordance with Federal regulations, the HCV Guidebook and ECC/HANH Administrative Plan, ECC/HANH made the appropriate corrective action.

However, ECC/HANH does not acknowledge that these payments are ineligible due to greater budget flexibility that allow MTW agencies to pool funding from several HUD programs in order to allocate resources according to local determination of the most effective use of funds. The HCV Guidebook allows for corrections to be made for program errors and for payments to be made out of Administrative fees. The Guidebook and aforementioned Notice do not address MTW agencies and the ability to pay for prior year liabilities from Administrative fee reserves and not HAP RNP account.

Authority officials also made housing assistance overpayments after program participants left the Authority's program and vacated the units. Authority officials continued making housing assistance payments to the owners of the vacated units and also to the public housing

Comment 8

Comment 4

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Auditee Comments

Comment 4

agencies in the jurisdiction where the participants moved after they left the Authority's program. ECC/HANH acknowledges that overpayments were made for participants that vacated due to vacating units without our knowledge or an overlap in payments for a participant who exercised their portability rights and moved to another jurisdiction.

Comment 9

ECC/HANH acknowledges that program errors did occur and that in accordance with Federal regulations, the HCV Guidebook and ECC/HANH Administrative Plan, ECC/HANH made the appropriate corrective action.

However, ECC/HANH does not acknowledge that these payments are ineligible due to greater budget flexibility that allow MTW agencies to pool funding from several HUD programs in order to allocate resources according to local determination of the most effective use of funds. The HCV Guidebook allows for corrections to be made for program errors and for payments to be made out of Administrative fees. The Guidebook and aforementioned Notice do not address MTW agencies and the ability to pay for prior year liabilities from Administrative fee reserves and not HAP RNP account.

ECC/HANH acknowledges that the overpayment amount is \$9192.00 and not \$9414.00.

1) In one instance, \$1297.00 was overpaid to an owner. \$1075.00 has been recouped, which leaves a balance of \$222.00. \$222.00 was double counted in the calculation.

– Attachment E

- Per HANH Administrative Plan effective May 15, 2012, if the owner receives any excess HAP from the PHA, the excess amount must be returned immediately. If the PHA determines that the owner is not entitled to all or a portion of the HAP, the PHA may deduct the amount of overpayment from any amounts due to the owner, including amounts due under any other Section 8 HCV contract.
 - \$3049.00 has been recouped from the owners – Attachment F
 - \$2813.00 will be recouped by November 1, 2017 – Attachment G
 - Letters have been sent to the owners and participants for the remaining \$3330.00 and legal action will be taken if the funds are not returned. – Attachment H

Comment 9

Authority officials issued a demand letter in March 2017, requesting an owner to repay \$16,644 in housing assistance overpayments that occurred over a 19-month period. The housing assistance overpayments were made to the owner after the program participant left the Authority's program and was absorbed by another public housing agency in December 2014.

Comment 10

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Auditee Comments

Comment 10

Comment 10

ECC/HANH acknowledges that although program errors did occur, according to Federal regulations, the HCV Guidebook and ECC/HANH Administrative Plan, ECC/HANH made the appropriate corrective action.

ECC/HANH acknowledges that overpayments were made due to not receiving timely notification from the receiving PHA of lease up and absorption. ECC/HANH has attempted to contact the owner to return the funds and has commenced legal action, per the ECC/HANH Administrative Plan. – Attachment I

Recommendations

- 1A. Repay from non-Federal funds the \$317,771.00 used to make ineligible housing assistance payments
 - Elm City Communities/Housing Authority of the City of New Haven (ECC/HANH) disputes the dollar amount of the finding and the finding that ineligible housing assistance payments were made.
 - ECC/HANH disputes the stated amount of \$317,771.00. Our calculation is \$7480.00 was paid correctly and \$3049.00 has been recovered, for a total amount of \$307,242.00
 - These types of expenses/payments are allowable uses of Section 8 Administrative Fees consistent with PIH notice 2015-17.
 - In 2001, Elm City Communities/Housing Authority of the City of New Haven was awarded Moving to Work (MTW) status as part of the federal MTW Demonstration Program. As an MTW Agency, we have funding fungibility per our MTW agreement and our Administrative Fees are embedded in our MTW Grant. We report and reconcile all uses of Section 8 Funds on our VMS in the respective HAP, Other and Administrative categories. We report Administrative Expenses separate on our VMS. Our receipt of funds and/or HUD Held amounts based on Cash Management procedures result from this VMS reporting and reconciliation. As a result we have admin expenses reported separately to HUD but receive the funds monthly from HUD as a block grant. Therefore we will report these appropriately on our VMS and reconciling with HUD so that it is identified as such as HUD determines the monthly funding amount of our block grant.

Comment 2

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Comment 3

- 1B. Support that the rental increases for 8 of the 21 tenant households for one owner met reasonableness standards or make any necessary adjustments.
 - *Staff reviewed the 8 tenant households and concluded that the Vouchers Payment Standard (VPS) used for the 8 households were correct and the rents were reasonable based on the rent reasonableness test. Attachment A*

Comment 2

- 1C. Implement internal control procedures to ensure that housing assistance payments appropriated for one calendar year are not used to make retroactive housing assistance payments for prior years.
 - These types of expenses/payments are allowable uses of Section 8 Administrative Fees consistent with PIH notice 2015-17.
 - In 2001, Elm City Communities/Housing Authority of the City of New Haven was awarded Moving to Work (MTW) status as part of the federal MTW Demonstration Program. As an MTW Agency, we have funding fungibility per our MTW agreement and our Administrative Fees are embedded in our MTW Grant. We report and reconcile all uses of Section 8 Funds on our VMS in the respective HAP, Other and Administrative categories. We report Administrative Expenses separate on our VMS. Our receipt of funds and/or HUD Held amounts based on Cash Management procedures result from this VMS reporting and reconciliation. As a result we have admin expenses reported separately to HUD but receive the funds monthly from HUD as a block grant. Therefore we will create internal control procedures to ensure that overpayments resulting from errors of Authority Officials are covered by our Administration Fee by reporting these appropriately on our VMS and reconciling with HUD so that it is identified as such as HUD determines the monthly funding amount of our block grant.
- 1D. Implement internal control procedures to ensure housing assistance overpayments resulting from errors of Authority officials are covered by the Authority's administrative fees.

Comment 2

- We concur. In 2001, Elm City Communities/Housing Authority of the City of New Haven was awarded Moving to Work (MTW) status as part of the federal MTW Demonstration Program. As an MTW Agency, we have funding fungibility per our MTW agreement and our Administrative Fees are embedded in our MTW Grant. We report and reconcile all uses of Section 8 Funds on our VMS in the respective HAP, Other and Administrative categories. We report Administrative Expenses separate on our VMS. Our receipt of funds and/or HUD Held amounts based on Cash Management procedures result from this VMS reporting and reconciliation. As a result we have admin expenses reported separately to HUD

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Auditee Comments

Comment 8

Comment 11

but receive the funds monthly from HUD as a block grant. Therefore we will create internal control procedures to ensure that overpayments resulting from errors of Authority Officials are covered by our Administration Fee by reporting these appropriately on our VMS and reconciling with HUD so that it is identified as such as HUD determines the monthly funding amount of our block grant.

- 1E. Implement internal control procedures to ensure that housing assistance payments are not made to owners without a properly executed lease and housing assistance payments contract.

Internal Control Implemented:

- On a monthly basis, the Request for Tenancy Log (RFTA) log is reviewed and lease ups are verified. Upon the Housing Official, signing of the HAP contract, staff must present the 50058 verifying that the New Admission/Move has been completed and submit any applicable adjustments for payment. Landlords are also advised of their obligations under the HAP contract and to ensure that they have an active HAP contract and payments.

- 1F. Implement internal control procedures to ensure that housing assistance payments discontinue once a tenant is absorbed into another Authority's program or leaves the program all together.

Internal Control Implemented:

- The HAP payment is immediately put on hold upon notification of the pending move out date, per 30 day or 60 day notice, provided by the participant and owner. In cases where the participant vacated the unit without notifying ECC/HANH, HANH will notify the Owner for recoupment of the funds, per the HAP contract.
- [Per Notice PIH 2012-42, PIH2016-09] In the case of Portability the paperwork is sent to the receiving PHA with notification that a family that moves to its jurisdiction must be under HAP contract in its jurisdiction within 90 days following the expiration date of the voucher issued to the family by ECC/HANH (including any extensions) or they will need to absorb the voucher.

- 1G. Implement internal control procedures to ensure that housing assistance payments are not made to owners for units that fail to meet housing quality standards.

Internal Control Implemented:

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Auditee Comments

Comment 8

- *On a monthly basis prior to the monthly check run, ECC/HANH reviews the Inspection Results Report and Abatement/Payment Hold Report to ensure that all units that have failed the Housing Quality Standards (HQS) inspection have been appropriately abated and that the payments have been held commencing the month following the final fail inspection.*

Comment 10

- 1H. Provide support showing that the repayment of \$16,644 in housing assistance overpayments was received.
 - *Correspondence was sent to the owner to recover the HAP overpayment, without a response. The matter is currently pending judicial action or order. Per HANH Administrative Plan effective May 15, 2012, The PHA rights and remedies against the owner under the HAP contract include recovery of any HAP overpayment, suspension of housing assistance payments, abatement or reduction of the housing assistance payment, termination of the payment or termination of the HAP contract. The PHA may also obtain additional relief by judicial order or action.*

When an owner or participant refuses to repay monies owed to ECC/HANH, ECC/HANH will utilize other available collection alternatives including, but not limited to, the following: Collection agencies, Small claims court, Civil lawsuit

Auditee Comments and OIG's Evaluation

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Evaluation

Auditee Comments

Comment 6

DRAFT
For Discussion and Comment Only
Subject to Review and Revision
Appendix C
Detailed Calculation Schedule

Program participants	Errors	Total Calculation	Calculation - retroactive payment	Calculation - Authority Error	ECC Revised Calculation Amount	Comment
1	1	\$196,851	\$196,851		\$196,851	
2	1	\$435	\$435		\$435	
3	1.9	11,060	11,060		6,884	ECC/HANH asserts that \$4176 of those payments were paid timely from 3/14 to 12/14 (\$464 per month), however the checks were never cashed. After being contacted by the owner, ECC/HANH voided the original payments and reissued the checks. Per HANH Administrative Plan effective May 15, 2012 Checks that are not received will not be replaced until a written request has been received from the payee and a stop payment has been put on the check
4	1.2	8,082	8,082		8,082	
5	1.2	14,049	14,049		14,049	
6	3.4	3,936			3,936	
7	1.9	3,600	3,600		3,600	
8	1	6,288	6,288		6,288	
9	1.9	6,636	6,636		4,740	ECC/HANH asserts that \$1896 (two payments of \$948) are not Ineligible costs. ECC/HANH made timely payments for 10/1/13 and 1/1/14 and cancelled and reissued the HAP Payments. Per HANH Administrative Plan effective May 15, 2012 Checks that are not received will not be replaced until a written request has been received from the payee and a stop payment has been put on the check.
10	1.2.7	34,751	17,700	17,051	34,751	
11	1.3.4	4,325	2,768	1,557	4,325	
12	1.6.8	4,690	3,752	938	4,690	
13	1.5	4,301	2,541	1,760	4,301	
14	1.2	4,609	4,609		4,609	

OIG Evaluation of Auditee Comments

- Comment 1 Authority officials provided attachments with their response. We did not include the attachments in the report because they were too voluminous; however, they are available upon request.
- Comment 2 Authority officials disputed the dollar amount of the finding and that ineligible housing assistance payments were made. Authority officials disagreed that the payments were ineligible due to greater budget flexibility that allows MTW agencies to pool funding from several HUD programs. They disputed the reported amount of \$317,771 and stated that \$7,480 was paid correctly and \$3,049 was recovered, for a total amount of \$307,242. We revised the report reducing the ineligible housing assistance payments from \$317,771 to \$314,611 (\$317,771 - \$1,186 - \$1,974). Specifically, we reduced the amount of ineligible housing assistance payments due to overpayments from \$35,842 to \$32,682 (\$35,842 - \$1,186 - \$1,974).
- However, we maintain our position that Authority officials made ineligible housing assistance payments based on how those payments were accounted for on the Authority's official books and records, and we disagree that Authority officials took appropriate corrective action when program errors occurred. Authority officials did not provide documentation during the audit or in their response to show that administrative fees were used to fund the prior-year retroactive housing assistance payments or the overpayments due to program errors. Any proposal by Authority officials to retroactively make adjustments to prior year Voucher Management System reports will require HUD approval. As part of the audit resolution process, we encourage Authority officials to provide documentation, including their concerns with HUD notices and the eligibility of payments, to HUD for review and consideration to resolve the findings.
- Comment 3 Authority officials asserted that the payment standards used for eight program participants were correct and that rent reasonableness standards were met. Based on the additional documentation provided, we agree that the rents were reasonable. We revised the report to remove the deficiency and the related recommendation.
- Comment 4 Authority officials acknowledged that program errors occurred and stated that they have taken the appropriate corrective action. However, they disagreed that the payments were ineligible due to greater budget flexibility that allows MTW agencies to pool funding from several HUD programs. We maintain our position that Authority officials made ineligible housing assistance payments and we disagree that Authority officials took appropriate corrective action when program errors occurred. Authority officials did not provide documentation during the audit or in their response to show that administrative fees were used to fund prior-year retroactive housing assistance payments or overpayments due to administrative errors. As part of the audit resolution process, we encourage

Authority officials to provide documentation, including their concerns with HUD notices and the eligibility of payments, to HUD for review and consideration to resolve the findings.

- Comment 5 Authority officials acknowledged that rent increase requests were not processed according to their policies and that they took corrective action and honored the rent increase requests retroactively. We maintain our position that retroactive payments are a violation of HUD's regulations that prohibit using current-year housing assistance funding to pay for prior-year liabilities. As part of the audit resolution process, we encourage Authority officials to work with HUD to address and resolve the findings.
- Comment 6 Authority officials asserted that \$4,176 of housing assistance payments were paid timely from 3/14 to 12/14 (\$464 per month), and that \$1,896 of housing assistance payments were paid timely for 10/1/13 and 1/1/14, however, the checks were never cashed. They stated that their administrative plan states that checks that are not received would not be replaced until a written request had been received from the payee and a stop payment has been put on the check. We acknowledge that the initial payments were made timely. However, it wasn't until 2016 when Authority officials reissued the checks resulting in retroactive payments for prior-year liabilities in violation of HUD's regulations. As part of the audit resolution process, we encourage Authority officials to work with HUD to address and resolve the findings.
- Comment 7 Authority officials stated that \$1,186 was paid in the current year and submitted a correction to the dates. They stated that the \$1,186 (\$593 per month) was paid on 2/15/15 for 1/15 and 2/15 and cited their administrative plan stated if the change resulted in a decrease, the overpayment would be calculated retroactively to the date it should have been effective, and the family would be credited for the amount. Based on the additional documentation provided, we agree that the \$1,186 paid was an eligible use of housing assistance payments. As stated in comment 2, we revised the report to reduce the amount of ineligible costs.
- Comment 8 Authority officials acknowledged that program errors occurred in which housing assistance payments were made for a unit with a failed housing quality standards inspection and for a unit without a valid housing assistance payments contract. They stated they made appropriate corrective actions and implemented new internal controls. However, we maintain our position that Authority officials made ineligible housing assistance payments and we disagree that Authority officials took appropriate corrective action when program errors occurred. We appreciate the willingness of Authority officials to implement internal controls. As part of the audit resolution process, HUD will evaluate any corrective actions taken to ensure that they satisfy the recommendations.
- Comment 9 Authority officials assert that the overpayment amount should be \$9,192 (\$3,049 + \$2,813 + \$3,330) and not \$9,414. They stated that \$3,049 has been recouped,

\$2,813 will be recouped by November 1, 2017, and letters have been sent to the owners and participants for the remaining \$3,330 and legal action will be taken if the funds are not returned. They stated that in one instance that \$1,297 was overpaid to an owner and that \$1,075 was recouped, leaving a balance of \$222, which they stated was double counted. However, we disagree that the correct overpayment amount is \$9,192 or that we double counted \$222. We identified two overpayments of \$1,297 that totaled \$2,594. Taking into account the recoupment of \$1,075, the remaining balance would be \$1,519 (\$2,594 - \$1,075), which is the amount we questioned. As stated in comment 2, we also acknowledge the recoupment of \$1,974 and revised the report to reduce the amount of ineligible costs. As part of the audit resolution process, Authority officials should provide additional documentation regarding any further recoupments to HUD.

Comment 10 Authority officials issued a demand letter and have commenced legal action against one owner to recover \$16,644 in housing assistance overpayments after the program participant left the Authority's program and was absorbed by another public housing agency. We acknowledge the discovery of the overpayment and subsequent recovery efforts by Authority officials. As part of the audit resolution process, HUD will evaluate any corrective actions taken to ensure that they satisfy the recommendation.

Comment 11 Authority officials stated that a new internal control was implemented to immediately put the payment on hold upon notification of the pending move out date, per 30 day or 60 day notice, provided by the participant and owner. In cases where the participant vacated the unit without notification, Authority officials will notify the owner for recoupment of the funds. As part of the audit resolution process, HUD will evaluate any corrective actions taken to ensure that they satisfy the recommendations.

Appendix C

Detailed Schedule of Questioned Costs

Program participant	Errors	Total ineligible	Ineligible due to retroactive payment	Ineligible overpayments due to Authority error
1	1	\$196,851	\$196,851	
2	1	435	435	
3	1,9	11,060	11,060	
4	1,2	8,082	8,082	
5	1,2	14,049	14,049	
6	3,4	3,936		\$3,936
7	1,9	3,600	3,600	
8	1	6,288	6,288	
9	1,9	6,636	6,636	
10	1,2,7	34,751	17,700	17,051
11	1,3,4	4,325	2,768	1,557
12	1,6,8	4,690	3,752	938
13	1,5	4,301	2,541	1,760
14	1,2	4,609	4,609	
15	1,4	3,558	3,558	
16	6	103		103
17	6	1,519		1,519
18	6	282		282
19	6	1,029		1,029
20	6	1,323		1,323
21	6	1,562		1,562
22	6	144		144

23	6	786		786
24	6	644		644
25	6	48		48
Totals		314,611	281,929	32,682

List of Errors

- (1) Retroactive housing assistance payments.
- (2) Late processing.
- (3) Failure to notify program participants of housing assistance payment adjustments.
- (4) Housing assistance payments for the program participant's portion of rent.
- (5) Miscalculated utility allowance payments.
- (6) Housing assistance payments for a vacated unit.
- (7) Housing assistance payments without a valid contract.
- (8) Payment for a unit with a failed housing quality standards inspection.
- (9) Improper suspension of housing assistance payments.