



Issue Date	April 8, 2009
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Audit Report Number	2009-BO-1005
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TO: Donna J. Ayala, Director, Office of Public Housing, Boston Hub, 1APH

FROM: 
John A. Dvorak, Regional Inspector General for Audit, Boston Region, 1AGA

SUBJECT: The State of Connecticut Department of Social Services Did Not Always Properly Determine or Support Tenant Eligibility and Rent Calculations for the Housing Choice Voucher Program

HIGHLIGHTS

What We Audited and Why

We initiated this audit as part of our annual audit plan to determine whether the State of Connecticut Department of Social Services (agency) properly administered its Housing Choice Voucher program (Voucher program) in compliance with its annual contributions contracts and U.S. Department of Housing and Urban Development (HUD) regulations. Our objectives focused on whether tenant eligibility, rent determinations, and annual reexaminations were performed in accordance with HUD requirements and the associated housing assistance payments were adequately supported. This is the second of three planned audit reports issued regarding the agency's Voucher program.

What We Found

The agency did not comply with HUD requirements in the administration of its Voucher program. Specifically, our review of 66 tenant files found that the agency's contractor did not adequately support tenant eligibility, properly

calculate rent payments, or always perform timely annual reexaminations for 49 of the tenants. As a result of these errors, the agency paid \$194,821 in unsupported rent and \$31,971 in overpaid rent and underpaid \$9,269 in rent to landlords and limited-income households¹ for these 49 tenant files. Based on our testing, we estimate that errors may exist in 74 percent (or 4,558) of the 6,139 files in our universe.

What We Recommend

We recommend that the Public Housing Program Center Coordinator require the agency to support or reimburse its program \$194,821 for unsupported rent payments, reimburse its program \$31,971 for ineligible rent payments, reimburse \$9,269 for rent underpayments to tenants and landlords, and implement a corrective action plan.

For each recommendation in the body of the report without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

Auditee's Response

We provided the agency the draft report on March 19, 2009, and held an exit conference on March 24, 2009. The agency agreed with our findings and recommendations.

We received the agency's response on March 31, 2009. The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix B of this report.

¹ This amount includes housing assistance payments and utility reimbursements.

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BACKGROUND AND OBJECTIVES

The State of Connecticut Department of Social Services (agency) provides a broad range of services to the elderly; persons with disabilities; families; and individuals who need assistance in maintaining or achieving their full potential for self-direction, self-reliance, and independent living. The agency is designated as a public housing authority for the purpose of administering the Section 8 program under the Federal Housing Act. It is headed by the commissioner of social services, and there are deputy commissioners for administration and programs. There is a regional administrator responsible for each of the three service regions. By statute, there is a statewide advisory council to the commissioner, and each region must have a regional advisory council. The agency administers most of its programs through offices located throughout the state.

The agency's Housing Services Unit oversees the Section 8 Housing Choice Voucher program (Voucher program), as well as its Rental Assistance, Transitional Rental Assistance, and Security Deposit Guarantee programs. The agency receives Voucher program funding from the U.S. Department of Housing and Urban Development (HUD). It received more than \$107 million in Voucher program funding from July 1, 2006, through August, 2008. It also earned more than \$8.6 million in administrative fees for the same period.

The agency's Voucher program is a statewide program. The agency contracts the administration of its Voucher program to J. D'Amelia & Associates, LLC. J. D'Amelia & Associates, LLC, subcontracts operation of the Voucher program throughout Connecticut to seven local public housing authorities and one community action organization.

The agency must operate its Voucher program according to rules and regulations prescribed by HUD in accordance with the United States Housing Act of 1937, as amended, and its annual contributions contract.

Our objectives were to determine whether tenant eligibility, rent determinations, and annual reexaminations were performed in accordance with HUD requirements and, accordingly, whether the associated housing assistance payments were adequately supported.

RESULTS OF AUDIT

Finding 1: The Agency Did Not Always Properly Determine or Support Tenant Eligibility and Rent Calculations in Accordance with HUD Requirements

The agency did not always comply with HUD requirements in the administration of its Voucher program. Specifically, it did not ensure that its contractor adequately supported tenant eligibility, properly calculated rent payments, and/or performed timely annual reexaminations in 74 percent of the files reviewed.² The agency's contractor also did not always upload annual reexaminations and interim adjustments to HUD's Public and Indian Housing Information Center system (HUD's system).³ These conditions occurred because the agency's contractor and subcontractors did not consistently follow established procedures. Additionally, high staff turnover at the subcontractor offices and not enough adequately trained staff may have contributed to the errors. Further, the agency and its contractor did not have an adequate quality control process in place to consistently detect and correct these errors. However, even when its own monitoring showed a substantial number of errors, the agency did not enforce contract provisions and levy penalties for substandard performance. As a result of the errors identified, the agency paid \$194,821 in unsupported rent and \$31,971 in overpaid rent for the tenant files reviewed. In addition, it underpaid \$9,269 in rent to landlords and limited-income households.⁴

Tenant Files Sampled Contained Errors

We reviewed a statistical sample of 66 tenant files. For 49 of the tenant files, the agency did not have adequate documentation in the file to support the tenant's eligibility, improperly calculated rent payments, and/or failed to conduct timely annual reexaminations. Projecting these results to the universe of tenants indicates that as many as 4,558 tenant files may have contained similar errors.

Our sample included housing assistance payments made from November 1, 2006, to October 31, 2008.⁵ We identified the following types of errors during our reviews:

- Tenant eligibility was not adequately documented (eight files).

² Of the 66 tenant files reviewed, 49 contained errors, with some files having multiple errors. The projected results to the universe of tenants indicate that 4,558 of Social Services' 6,139 tenant files may have contained similar errors.

³ These errors were not included in the projection.

⁴ This amount includes housing assistance payments and utility reimbursements.

⁵ Not all file reviews covered this entire period due to different recertification dates for each tenant. In most cases, we reviewed multiple calculations including recertifications and interim adjustments.

- Rent determinations and utility reimbursements were not properly calculated and/or supported (45 files).
- Annual reexaminations were not performed in a timely manner. (13 files)

See appendix C for errors identified for our sample.⁶

Tenant Eligibility Was Not Adequately Supported

Tenant eligibility was not always adequately supported. The agency required that Social Security cards and birth certificate be provided as well as a declaration of citizenship by the tenant. However, the required documentation was not in 8 of the 66 files reviewed. See appendix C for errors identified for our sample.

In 39 of the tenant files, there was inadequate documentation to show that the contractor performed a criminal background check for each adult household member. However, the agency's administrative plan did not state how the criminal background checks would be documented once they were destroyed after the initial certification. The agency's contractor performed and provided new criminal background checks and was also able to support eligibility for 64 of the 66 tenants at the time of initial admission to the Voucher program through the new criminal background checks. However, two tenants and/or their household members were not eligible to participate in the Voucher program at initial admission. As a result of our audit, the agency's contractor initiated a new procedure for consistently documenting that background checks were performed as required by HUD regulations.

Rents Were Not Properly Calculated and/or Supported

Our review disclosed 45 tenant files with incorrect and/or unsupported rent determinations. These errors included

- Incorrect payment standards,
- Incorrect calculations of income,
- Incorrect utility allowances,
- Incorrect and/or unsupported deductions to income,
- Inadequate documentation to justify a larger voucher size than allowed, and
- Missing housing assistance payments contracts.

⁶ Total files with errors were 51; however, we did not include two files with an error in our computation since there was no impact on the rent calculation. Total errors in our finding were 49.

In some instances, incorrect payment standards or incorrect utility allowances were used; however, they did not affect the rent calculations.⁷ Also, the subcontractor staff did not adequately follow up when there were discrepancies with tenant or third-party documentation, and exceptions made by contractor and/or subcontractor staffs were not always documented. See appendix C for errors identified for our sample.

Annual Reexaminations Were Performed Late

Annual reexaminations were performed late for 13 of the 66 tenant files reviewed. In some cases, annual reexaminations were more than five months late. This condition generally occurred due to insufficient staffing and an inadequate recertification process at one of the subcontractor offices. This subcontractor had its Section 8 assistant

- Scheduling annual reexaminations and inspections;
- Obtaining recertification documents from the tenants, landlords, and third parties;
- Tracking missing documents;
- Interviewing all tenants;
- Performing quality control reviews; and
- Obtaining various reports such as U.S. Department of Labor reports and Enterprise Income Verification system reports for all Voucher program tenants and for its state programs.

Before June 2008, there were two individuals performing this function. The staff would then enter the information into the computer system and contact tenants or landlords if they had questions regarding the information.

As a result of this process, by the time the staff entered the information into the computer system, the annual reexaminations were late. In some cases, the supporting documentation used for the annual reexaminations was more than 120 days old. For example, one annual reexamination due in November 2006 was not completed until May 2007 and was effective June 1, 2007. The supporting documentation obtained for the recertification, such as the personal declaration, bank verifications, and income documentation was dated July 2006, almost a full year earlier. See appendix C for errors identified for our sample.

⁷ We considered these to be errors; however, we did not include them in the computation of errors.

Annual Reexaminations and Interim Adjustments Were Not Always Noted in HUD's System

In 31 tenant files reviewed, the agency did not upload the annual reexaminations and/or interim adjustments to HUD's system. In many instances, multiple annual reexaminations and/or interim adjustments were not uploaded to the system. The contractor stated that its subcontractors had contracts with the software company to upload the HUD system data. If there were any errors when the information was uploaded and the information was rejected by HUD's system, the software company was responsible for notifying the subcontractors. The subcontractors would then make the corrections and resubmit the information to HUD's system. However, this process did not always take place. Also, because the contractor's computer software did not maintain historical data, if the annual reexamination and/or interim adjustment were not correctly uploaded to HUD's system before the next reexamination or interim adjustment was completed, the contractor could not upload the previous one to the system.

As a result of our audit, the contractor stated that it had begun uploading the annual reexaminations and interim adjustments to HUD's system for all of the subcontractors and was following up on errors to ensure that all of the data were uploaded to the system.

Some of the HUD system data were also incorrectly classified. For example, annual reexaminations were sometimes classified as interim adjustments. Under the contractor's previous DOS (disk operating system)-based computer program, when an annual reexamination was late, it would not allow the contractor the option of making it an annual reexamination, so it would be entered as an interim adjustment or other change of unit. See appendix C for errors identified for our sample.

Quality Control Processes Were Inadequate

The agency's and its contractor's quality control processes were inadequate. The agency's quality control reviews consistently identified a number of deficiencies in the tenant files, but it did not adequately address the cause of the deficiencies with the contractor. The quality control processes at the subcontractor level was also inadequate. For example:

- The subcontractor supervisors did not maintain documentation showing how they selected files for review or how they verified that rent calculations were correct.

- The subcontractor quality control reviews identified only a fraction of the rent determination errors..
- Two of the subcontractor caseworkers were promoted to supervisors and reviewed their own rent determinations made when they were caseworkers.
- In one case, a subcontractor employee who performed quality control reviews for the subcontractor stated that she did not check the rent calculations since they were calculated by the computer. She only ensured that all documentation that she was responsible for obtaining was in the file.

Additionally, the Section Eight Management Assessment Program (SEMAP) results for indicator 3, adjusted annual income, were not supported for 2007 or 2008. The support used for the 2007 SEMAP results was based on the subcontractor quality control sheets; however, the subcontractors did not document how their sample was selected as required and did not maintain documentation to show how they verified that annual income calculations were accurate. For the 2008 SEMAP results, the contractor stated that files were selected from the tenant directory; however, there was no written support showing how the adjusted annual income was verified for the sample. In addition, there were quality control sheets for only some of the files. The subcontractors also submitted quality control sheets to the contractor in 2008; however, the scores used for SEMAP indicator 3, adjusted annual income, were based on the contractor's unsupported quality control reviews.

Further, some of the files reviewed that had deficiencies were previously selected and reviewed by the contractor and/or subcontractor. In several instances, the contractor and/or subcontractor did not identify the deficiencies.

The agency and contractor staff attributed the errors to high staff turnover, human error and decentralization of the program. Because the agency's program covers the state of Connecticut, its contractor subcontracts with seven public housing authorities and one community action organization throughout the state. The contractor further stated that it was more difficult to ensure consistency due to the number of subcontractors. The contractor acknowledged that some of the staff at the subcontractor offices may not have been adequately trained and some may have had larger workloads than they should have. The contractor also acknowledged that the inadequate processes at some of the subcontractor offices may have attributed to the number of errors identified.

Contract Requirements Were Not Enforced

The agency allowed a 15 percent error rate before penalties would be imposed on the contractor. Although it identified significant deficiencies in many tenant files at various subcontractor offices used by the contractor, it did not penalize the contractor for performance problems. The agency did not adequately enforce contract provisions for inadequate performance by its contractor.

By allowing an error rate as high as 15 percent, it would be acceptable to the agency to have as many as 921 tenant files with errors of the 6,139 vouchers in the agency's program. We consider an error rate of 15 percent to be unacceptably high because the SEMAP score criteria for the indicators we audited only allow error rates for high performers to be as high as

- 2 percent for accurate tenant rent calculations,
- 5 percent for late reexaminations, and
- 10 percent for accurately determining adjusted annual income.

The agency should revise its contract at renewal to incorporate acceptable SEMAP error rates to obtain the high performer rating expected by HUD.

Conclusion

The agency did not fully comply with HUD requirements when it did not ensure that its contractor adequately supported tenant eligibility, properly calculated rent payments, and/or performed timely annual reexaminations in 49 of the 66 files (74 percent) reviewed. The error rate, when projected to the universe of tenants, indicates that as many as 4,558 of 6,139 tenant files may have contained similar errors. Also, the agency did not enforce contract penalties for inadequate contract performance when it identified significant deficiencies with tenant files at various subcontractor offices. It also failed to ensure that the causes of the errors were adequately addressed.

These errors resulted in the agency paying \$194,821 in unsupported rent and \$31,971 in overpaid rent for the tenant files reviewed. The agency also underpaid \$9,269 in rent to landlords and limited-income households.

As a result of our audit, the agency's contractor began taking corrective action on the issues identified. For example, the contractor had taken some corrective action with its subcontractor staff and had increased staffing levels. However, the agency needs to adequately monitor its contractor in the areas identified in this

report and enforce contract penalties if the contractor does not adequately correct the deficiencies in its administration of the Voucher program in a timely manner.

Recommendations

We recommend that the Director of HUD's Boston Office of Public Housing require the agency to

- 1A. Provide supporting documentation or reimburse its program \$194,821 from nonfederal funds for the unsupported housing assistance payments identified.
- 1B. Reimburse its program \$31,971 from nonfederal funds for ineligible housing assistance payments identified.
- 1C. Reimburse \$9,269 in underpayments from nonfederal funds or administrative fee reserves to the appropriate households and landlords.
- 1D. Implement a corrective action plan to reduce the number of errors in tenant files.
- 1E. Revise its contract at renewal to incorporate SEMAP error rates for a high performer rating.
- 1F. Establish and implement controls to ensure that quality control reviews and sample selection for SEMAP are adequately documented and supported.

SCOPE AND METHODOLOGY

We conducted our audit between August 2008 and February 2009. We completed our fieldwork at the agency located at 25 Sigourney Street, Hartford, Connecticut, and its contractor, J. D'Amelia & Associates, LLC's main office located in Waterbury, Connecticut, and at the seven public housing authorities and one community action organization. Our audit covered the period July 1, 2006, through June 30, 2008, and was extended when necessary to meet our audit objective.

To accomplish our audit objective, we

- Reviewed applicable laws, regulations, public and Indian housing notices, HUD's program requirements at 24 CFR (*Code of Federal Regulations*) Parts 5 and 982, HUD's Housing Choice Voucher guidebook 7420.10, the agency's administrative plan, and the agency's contract with the contractor responsible for the administration of its Voucher program.
- Interviewed pertinent HUD, agency, contractor, and subcontractor staff .
- Reviewed the agency's, its contractor's, and its subcontractors' quality control processes.
- Reviewed the database of tenants to verify Social Security numbers of heads of household.
- Reviewed the database of landlords against the agency, contractor, and subcontractor employees for potential conflicts of interest.
- Reviewed 2007 and 2008 supporting documentation for SEMAP indicator 3, adjusted annual income.
- Performed 66 file reviews to determine whether (1) the tenants met eligibility requirements, (2) rents and payments were properly calculated/supported, and (3) annual reexaminations were performed in a timely manner. We also verified whether annual reexaminations and interim adjustments were uploaded into HUD's system.⁸

We statistically selected a sample of 66 of the agency's tenants to determine whether the tenants met eligibility requirements, the rents and payments were properly calculated, and annual reexaminations were performed in a timely manner. The sample was based on the number of active Section 8 housing choice voucher tenants on the agency's housing assistance payment roll as of September 2008. We included both regular housing choice vouchers and enhanced vouchers. Our universe of Section 8 housing choice voucher tenants to be used for our sample selection was 6,139. We obtained the sample based on a confidence level of 90 percent, a precision level of 10 percent, and an assumed error rate of 50 percent.

⁸ We did not include the missing HUD system uploads in the computation of errors.

We determined that the agency did not adequately support tenant eligibility, properly calculate rent payments, and/or perform timely annual reexaminations in 49 of the 66 tenant files. Projecting the results to the universe indicates that 4,558 or 74.24 percent of the universe contained the attributes tested. The sampling error was plus or minus 8.81 percent. In other words, we are 90 percent confident that the frequency of occurrence of the attributes tested lies between 65.44 and 83.05 percent of the universe. This equates to an occurrence of between 4,017 and 5,098 tenants of the 6,139 tenants in the universe.

- The lower limit was 65.44 percent of 6,139 tenants = 4,017 tenants whose eligibility was not supported, rent was not properly calculated, and/or annual reexamination was not timely.
- The point estimate was 74.24 percent of 6,139 tenants = 4,558 tenants whose eligibility was not supported, rent was not properly calculated, and/or annual reexamination was not timely.
- The upper limit was 83.05 percent of 6,139 tenants = 5,098 tenants whose eligibility was not supported, rent was not properly calculated, and/or annual reexamination was not timely.

Since we did not question dollars associated with the results above and because the agency's quality control reviews showed similar results, we used the point estimate to project the number of potential errors in the universe for the report.

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

INTERNAL CONTROLS

Internal control is an integral component of an organization's management that provides reasonable assurance that the following controls are achieved:

- Program operations,
- Relevance and reliability of information,
- Compliance with applicable laws and regulations, and
- Safeguarding of assets and resources.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. They 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:

- Controls over tenant eligibility, rent determinations, and timeliness of annual reexaminations;
- Controls over the quality control process; and
- Controls over contract monitoring and enforcement.

We assessed the relevant controls identified above.

A significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

Significant Weaknesses

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

- The agency lacked controls to ensure subsidy calculations were properly calculated and supported and performed in a timely manner.

- The agency lacked procedures for performing quality control inspections and implementing penalties when contract provisions were not met.

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS

Recommendation number	Ineligible <u>1/</u>	Unsupported <u>2/</u>	Funds to be put to better use <u>3/</u>
1A		\$194,821	
1B	\$31,971		
1C			\$9,269


- 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, the funds to be put to better use represent amounts to be paid to tenants and landlords for housing assistance that was underpaid because of the errors identified in the tenant files we reviewed.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

	<p>STATE OF CONNECTICUT <i>DEPARTMENT OF SOCIAL SERVICES</i> 25 SIGOURNEY STREET • HARTFORD, CONNECTICUT 06106-5033</p>	<p>HUD-OIG OFFICE OF AUDIT BOSTON, MASSACHUSETTS 2009 APR -3 AM 11:20 RECEIVED</p>
<p>March 30, 2009</p>		
<p>Mr. John Dvorak Regional Inspector General for Audit U.S. Department of HUD-Office of Inspector General for Audit 10 Causeway Street, Room 370 Boston, MA 02222-1092</p>		
<p>Dear Mr. Dvorak:</p>		
<p>I would like to thank you for the opportunity to respond to the draft audit report issued by your office on March 19, 2009. The department has already addressed the majority of the file findings and is in the process of implementing the recommendations. We will work with the local HUD office on a corrective action plan.</p>		
<p>Finding 1: The Agency Did Not Always Properly Determine or Support Tenant Eligibility and Rent Calculations in Accordance With HUD Requirements</p>		
<p>Comment 1</p>	<p>The auditors examined six (6) critical indicators, some with additional subcomponents, in each of the 66 files. Using the number of indicators, in this case a minimum of 396, as the denominator to determine error rate rather than the number of files reviewed will produce an error rate far less than 74%. The requirements of the Section 8 HCV Program are extensive and we believe establishing perspective, through a comparison of actual findings to the potential for error in future audits would be very helpful.</p>	
<p>Comment 2</p>	<p>Sixteen (16) file errors had been discovered and corrected by staff either through an interim adjustment or the annual reexamination process prior to the audit, however the \$9,973.00 in associated overpayments and \$1,969.00 in underpayments still need to be resolved through the audit resolution process. Interim adjustments have been completed to correct the remaining problems that resulted in \$21,998.00 in overpayments and \$7,300.00 in underpayments. Supporting documentation has been provided to the OIG for approximately 90% of the \$194,821.00 deemed as unsupported rent, and the remainder will be provided.</p>	
<p>The department's contractor is in the process of finalizing the implementation of a new computer software system, called PHA Web, for both the state and federal rent subsidy programs. The transition, begun in early 2008, is almost complete. This system will better enable the contractor to track, monitor, and prevent late annual reexaminations. PHA Web will be used to select a random sample of tenant files for quality control reviews. The sample will be selected by the contractor and the program supervisors or Executive Directors at each field office will review the selected files. No one who has worked on a file will review it.</p>		
<p>An Equal Opportunity / Affirmative Action Employer</p>		

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

Comment 3

The contractor's agreements with his subcontractors call for a monthly review of 1% of the files they administer, this will be strictly enforced. The contractor will follow up with all subcontractors to assure all necessary corrections are made based on the Quality Control Review. Any systematic problems will be identified and corrected. In addition, the contractor will review at least 120 files on an annual basis. As part of the Quality Control Process they will review income calculations, utility allowances, income deductions, voucher size, and verify that the file contains all required documentation. This process has already started using the Rental Integrity Monitoring Form (RIM) to insure accuracy in the above mentioned areas. This will provide support for Indicator number 3 under SEMAP.

PHA Web will be used to provide and update the PIC system. PHA Web is capable of, and will provide all historical data. This system will distinguish clearly between interim and annual reexaminations. The errors associated with the old CHAS system can no longer occur in PHA Web.

The contractor has taken the following action with regards to Payment Standard discrepancies. The two (2) payment standard issues for the Enhanced Voucher Program have been corrected and the subcontractor who was responsible for the errors has been instructed on the procedure for establishing the payment standard. The department will make future Payment Standard schedules effective 120 days after issuance. This will allow time for completion of pending reexaminations prior to the effective date of the new Payment Standard.

Comment 4

The 15% contractor error rate is monitored by department staff using an evaluation tool that is based on SEMAP indicators, but divided into 33 potential areas of concern. A 15% error rate using this tool does not equate to a 15% SEMAP error rate and is the reason why it is not used for SEMAP quality assurance purposes. The department will revise its contract at renewal to incorporate SEMAP error rates for a high performer status.

If you have any questions, please feel free to contact me at 860-424-5860 or mary.cattanach@ct.gov.

Sincerely,



Mary F. Cattanach
Program Supervisor, Housing Services Unit

cc: Kevin Loveland, Director of Assistance Programs
Carissa Riddle, Program Center Coordinator, HUD Hartford
John D'Amelia, J. D'Amelia & Associates

OIG Evaluation of Auditee Comments

- Comment 1** OIG acknowledges that there were several components that were reviewed in each file and that 74 percent of the agency's files may have one or more errors based on any one of these components. Therefore, the report reader should not draw the conclusion that there was a 74 percent error rate for all attributes tested in the files reviewed. However, it is not OIG's practice to calculate error rates using the number of components/subcomponents reviewed in each file, as even one error resulted in an incorrect or partially unsupported rental payment. In addition, we agree that there were many components that comprised the complete file review including tenant eligibility, rental payment calculations, and timely reexaminations. We believe the agency's proposed corrective actions, if properly implemented, will significantly reduce the number of errors and improve program performance.
- Comment 2** The agency and its' contractor indicates that the errors would have been or were corrected regardless of HUDOIG's audit, which was misleading and not totally accurate. The data relied upon for the tenants eligibility and rent calculations were incorrect or not supported resulting in the audit exception. These deficiencies result in unsupported or questioned costs until such time that the tenant' new annual examination or interim examination based on something changing, such as a household move or income change. When this occurred, the contractor would re-document the tenant's income and allowable deductions and recalculate the rent calculations and the errors would be corrected, going forward. However, the contractor did not go back and correct prior mistakes by making the necessary underpayments /overpayments to tenants and landlords or collecting monies owed. In addition, OIG acknowledges that much of the supporting documentation has been updated and/or provided during the audit and will provide the documentation to HUD program officials to facilitate audit resolution, upon request.
- Comment 3** OIG acknowledges that the agency's contractor has begun making significant changes in its quality control process over its subcontractors. We believe the agency's response and proposed corrective actions, if properly implemented, will significantly reduce the number of errors and improve program performance.
- Comment 4** The agency agreed to revise its contract at renewal to incorporate SEMAP error rates. However, the agency did not compute the overall error rate of its contractor for the files it reviewed. Therefore, in its revised contract, the agency should better define what will be included as an error in its calculation of the error rate and how it will compute the overall error rate for the contractor. For example, the agency should consider not only incorrect rent calculations as an error, but also include late recertifications, and missing eligibility documents, HAP contracts, rent reasonableness determinations, and third party verifications as errors.

Appendix C

SCHEDULE OF ERRORS FOUND IN 49 OF THE 66 FILES⁹

Sample Number	Overpaid Amount	Underpaid Amount	Unsupported Amount	Total Dollars Reviewed	Findings
1	\$0	\$0	\$12,520	\$12,520	E
2	\$0	\$306	\$0	\$23,494	D, E
3	\$0	\$150	\$0	\$9,176	E
4	\$0	\$0	\$0	\$14,800	
5	\$0	\$0	\$0	\$7,938	
6	\$0	\$1,320	\$7,172	\$7,172	A, E
7	\$1,131	\$118	\$0	\$9,433	E
8	\$84	\$224	\$2,530	\$2,614	E
9	\$0	\$0	\$0	\$1,906	
10	\$423	\$0	\$0	\$8,678	C, E
11	\$0	\$420	\$0	\$10,650	C, D, E
12	\$1,140	\$22	\$1,632	\$13,118	B, D, E
13	\$0	\$0	\$0	\$1,125	
14	\$0	\$504	\$12,116	\$12,116	B, D, E
15	\$0	\$0	\$0	\$4,517	B
16	\$156	\$128	\$0	\$10,310	D, E
17	\$2,376	\$0	\$0	\$9,610	E
18	\$0	\$180	\$6,852	\$6,852	E
19	\$0	\$0	\$5,950	\$6,550	E
20	\$82	\$0	\$0	\$13,009	B
21	\$369	\$110	\$17,573	\$18,074	C, D, E
22	\$0	\$0	\$0	\$14,126	

⁹ Sample numbers 42 and 56 contained errors which did not affect the rent calculation. These are included in the schedule of errors but were not included in our computation of 49 files.

Sample Number	Overpaid Amount	Underpaid Amount	Unsupported Amount	Total Dollars Reviewed	Findings
23	\$0	\$0	\$0	\$5,154	
24	\$309	\$0	\$1,052	\$7,835	B, C, E
25	\$0	\$587	\$5,707	\$13,837	B, D, E
26	\$0	\$0	\$0	\$6,484	
27	\$471	\$791	\$16,416	\$17,202	C, D, E
28	\$0	\$0	\$0	\$5,371	
29	\$2,864	\$0	\$0	\$11,072	A, D, E
30	\$340	\$0	\$0	\$13,516	C, E
31	\$99	\$0	\$0	\$9,745	E
32	\$75	\$0	\$17,250	\$17,325	A, E
33	\$0	\$0	\$144	\$9,012	E
34	\$0	\$154	\$0	\$3,508	E
35	\$2,594	\$0	\$0	\$16,151	E
36	\$0	\$0	\$0	\$16,108	
37	\$5,469	\$0	\$0	\$15,104	C, E
38	\$1,578	\$0	\$2,759	\$4,337	A, E
39	\$0	\$0	\$0	\$6,174	
40	\$0	\$948	\$240	\$11,994	B, D, E
41	\$541	\$563	\$1,703	\$10,208	E
42	\$0	\$0	\$0	\$23,355	D
43	\$0	\$132	\$16,878	\$16,878	A, E
44	\$0	\$0	\$0	\$10,540	
45	\$994	\$0	\$3,882	\$10,365	B, E
46	\$420	\$0	\$10,956	\$20,280	B, C, D, E
47	\$0	\$0	\$0	\$5,257	
48	\$0	\$540	\$0	\$13,999	D, E
49	\$0	\$0	\$0	\$6,426	B
50	\$1,498	\$0	\$0	\$23,324	B, C, E

Sample Number	Overpaid Amount	Underpaid Amount	Unsupported Amount	Total Dollars Reviewed	Findings
51	\$0	\$59	\$0	\$14,176	D, E
52	\$144	\$0	\$15,424	\$15,568	E
53	\$0	\$0	\$0	\$0	A
54	\$0	\$0	\$0	\$13,854	
55	\$0	\$134	\$11,614	\$11,614	A, C, E
56	\$0	\$0	\$0	\$11,822	C
57	\$144	\$0	\$8,095	\$8,239	E
58	\$3,110	\$0	\$75	\$18,293	E
59	\$0	\$0	\$0	\$5,154	
60	\$0	\$970	\$0	\$22,018	C, D, E
61	\$0	\$0	\$5,187	\$37,187	B, C, E
62	\$2,374	\$0	\$0	\$13,660	E
63	\$3,110	\$0	\$4,874	\$7,984	B, E
64	\$0	\$909	\$0	\$9,502	C, E
65	\$0	\$0	\$0	\$4,640	
66	\$76	\$0	\$6,220	\$6,296	A, E
Totals	\$31,971	\$9,269	\$194,821¹⁰	\$748,356	

Legend:

A	Eligibility not supported
B	Annual exam not completed in a timely manner
C	Incorrect utility allowance
D	Incorrect payment standard
E	Rent payments incorrectly calculated/supported

¹⁰ The 26 of 49 errors resulted in unsupported subsidy paid which is 26 percent of the total dollars reviewed.