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Audit Report Number	2009-LA-1010

TO: K. J. Brockington, Director, Office of Public Housing, Los Angeles, 9DPH

*Joan S. Hobbs*

FROM: Joan S. Hobbs, Regional Inspector General for Audit, Region IX, 9DGA

SUBJECT: The Culver City Housing Agency, Culver City, California, Did Not Administer Its Section 8 Housing Choice Voucher Program in Accordance with HUD Requirements

## **HIGHLIGHTS**

### **What We Audited and Why**

We audited the Culver City Housing Agency's (Agency) administration of its Section 8 Housing Choice Voucher program waiting list and housing assistance payment calculations. We initiated this review based upon information we received regarding waiting list administration and potential tenant eligibility issues. The Agency's ongoing lease-up deficiency and lack of monitoring visits by the U. S. Department of Housing and Urban Development (HUD) since 2004 were two other factors contributing to the audit.

The objective of our audit was to determine whether the Agency followed HUD rules and regulations in determining tenant eligibility, housing assistance calculations, and waiting list administration.

### **What We Found**

Although we did not identify any tenants that were not eligible, we determined that the Agency did not calculate housing assistance in accordance with HUD rules and regulations. We identified problems in five of the eight files reviewed, which resulted in \$4,230 in housing assistance overpayments and \$1,388 in housing assistance underpayments.

These errors were a result of the Agency's lack of specific policies and procedures in its administrative plan and its failure to conduct and document thorough quality control reviews.

We also determined that the Agency did not maintain and administer the waiting list in accordance with HUD rules and regulations. It ranked and selected residents without preference ahead of nonresidents with preference as part of two 2008 waiting list pulls and did not maintain a consistent, accurate, and complete waiting list contrary to requirements of the administrative plan. The waiting list violations were due to the Agency management's bypassing controls set up by the administrative plan to ensure that waiting list procedures are consistent and equitable.

### **What We Recommend**

We recommend that the Director of HUD's Los Angeles Office of Public Housing require the Agency to (1) reimburse the program \$4,230 from nonfederal funds for the overpayment of housing assistance, (2) reimburse the appropriate tenants \$1,388 from program funds for the underpayment of housing assistance, (3) follow up on errors that extended beyond our audit scope, (4) update the administrative plan with more specificity regarding Section 8 policies and procedures, (5) implement procedures and controls to ensure that quality control reviews are performed adequately, and (6) submit documentation to HUD showing that future selections from the waiting list have been conducted according to the administrative plan.

For each recommendation 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 a discussion draft report on May 29, 2009, and held an exit conference with the Agency's officials on June 9, 2009. The Agency provided written comments on June 15, 2009, and generally disagreed with our findings.

The complete text of the auditee's response without the voluminous exhibits, along with our evaluation of that response, can be found in appendix B of this report. The remaining exhibits will be made available upon request.

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## BACKGROUND AND OBJECTIVE

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The Culver City Housing Agency (Agency) operates under the Housing Division of Culver City and is governed by the five-member city council. The Housing Division is responsible for maintaining a strong housing stock, promoting neighborhood preservation, and ensuring that the City has a balance of housing opportunities for the various segments of the community. Current projects include Wade Street revitalization, Globe Street rehabilitation for resale to first-time home buyers, and affordable housing to low- and very low-income households.

The Agency provides two rental assistance programs to people who live or work within Culver City: Section 8 and the Culver City Rental Assistance Program. Both programs provide rental subsidies directly to property owners on behalf of qualified tenants.

The Section 8 Housing Choice Voucher program is a federally funded program providing rental assistance to Culver City residents in need. It is also the principal U.S. Department of Housing and Urban Development (HUD) program for assisting lower income individuals and families in securing decent, safe, and affordable housing. The Agency administers a Section 8 program for 384 households, with only 167 vouchers outstanding. The Agency's jurisdiction covers five square miles, completely surrounded by the Housing Authority of the City of Los Angeles.

Although the Agency received full credit for lease-up on its most recent Section Eight Management Assessment Program certification, it continues to struggle to increase its lease-up rate. The Agency received scores of zero for lease-up during the 2003, 2004, 2006, and 2007 fiscal years. The small jurisdiction, high rents, and small vacancy rate have contributed to the Agency's inability to increase its Section 8 participation. In September of 2006, the Agency began purging its waiting list of more than 8,000 applicants (the list currently consists of more than 800 applicants) and hopes to begin increasing its Section 8 participation with ongoing assistance from the HUD Office of Public Housing.

The Agency's Section 8 eligibility process begins once applicants are selected from the waiting list. An applicant must provide all eligibility documentation, including waiting list preference verification, and must submit to and pass a criminal background check. Once all documents and verifications are reviewed and deemed appropriate, a voucher is issued. Applicants pulled may not receive a voucher for a number of reasons: failed criminal background check, failure to respond, failure to provide documents in a timely manner, income no longer eligible, voluntary withdrawal, etc. Due to the lease-up issues discussed above (low vacancy rate, high rents), an applicant issued a voucher may not be able to find a unit to lease. Therefore, the eligibility and issuance process does not necessarily yield a high rate of issued vouchers and leased units for the Agency.

The objective of our audit was to determine whether the Agency followed HUD rules and regulations in determining tenant eligibility, housing assistance calculations, and waiting list administration.

## RESULTS OF AUDIT

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### Finding 1: The Agency Did Not Always Calculate Housing Assistance Payments According to HUD Rules and Regulations

Although we did not identify any tenants that were not eligible, our file reviews and rent calculations of a sample of Section 8 tenants disclosed that the Agency did not calculate housing assistance payments in accordance with HUD rules and regulations. We reviewed eight files during our audit and identified problems in five. These errors were a result of the Agency's lack of specific policies and procedures in its administrative plan and its failure to conduct and document thorough quality control reviews. As a result, the Agency improperly made \$4,230 in housing assistance overpayments and \$1,388 in housing assistance underpayments.

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#### **New Admission and Reexamination Errors Resulted in the Overpayment/Underpayment of Housing Assistance**

Our review of the Agency's initial, annual, and interim examinations for eight tenant files identified errors in five files that resulted in overpayment and/or underpayment of housing assistance as follows (see appendix C for full details):

- Voucher 1 – The Agency failed to include reported income when calculating the housing assistance payment in accordance with 24 CFR [*Code of Federal Regulations*] 5.609(a), see appendix D. As a result, it overpaid housing assistance in the amount of \$287 for the period May 8, 2008, to January 31, 2009.
- Voucher 2 – The Agency failed to correctly calculate the family's income during the September 1, 2006, reexamination in accordance with chapter 6(C) of its administrative plan. It underpaid housing assistance in the amount of \$468.
- Voucher 3 – The Agency failed to correctly calculate the housing assistance payment in accordance with 24 CFR 982.517(d) during the July 15, 2005, admission and the October 1, 2005; July 5, 2006; and February 1, 2007, reexaminations by applying an overstated utility allowance. As a result, HUD overpaid housing assistance in the amount of \$232. The Agency also underpaid \$20 in housing assistance to the owner during the period February 1 through June 30, 2007, due to an accounting error.

Additionally, the Agency's own analysis showed that it overpaid housing assistance in the amount of \$298 during the period February 1, 2007, to July 1, 2008, after reassessing the prior full-time student status of a tenant family member. The Agency failed to require repayment from the tenant, citing the tenant's claim of financial hardship. The Agency also failed to apply the minimum rent after the July 1, 2008, reexamination under the same justification, resulting in an additional \$258 in housing assistance through the end of our audit period. However, the tenant did not meet HUD's financial hardship requirements under 24 CFR 5.630(a) and (b). As a result, the Agency overpaid housing assistance of at least \$533.

- Voucher 4 – The Agency failed to review documentation behind an inaccurate rent burden claim by the tenant as part of its verification of the applicant's preference status during the eligibility process, which inappropriately upgraded the tenant's position on the waiting list. Chapters 4(H) and 4(I) of the administrative plan require preference verification and removal from the waiting list if information is falsified. As a result of the Agency's error, the tenant was inappropriately placed in the Section 8 program, and the Agency paid \$2,531 in ineligible housing assistance.
- Voucher 5 – The Agency did not properly annualize household income for the annual reexamination, effective on September 1, 2005, and the interim reexamination, effective on December 1, 2005, in accordance with chapter 6(C) of its administrative plan. As a result, it overpaid housing assistance in the amount of \$624 for the period September 1, 2005, to August 31, 2006.

The Agency again failed to properly annualize household income and inappropriately included nonrecurring and inadequately supported income for the annual reexamination, effective on September 1, 2006, and the interim reexamination, effective on May 1, 2007. As a result, the Agency underpaid housing assistance in the amount of \$900 from September 1, 2006, to August 31, 2007.

### **Policies and Procedures Were Inadequate**

The tenant eligibility and housing assistance calculation issues occurred because the Agency did not maintain updated comprehensive policies and procedures, nor did it follow its administrative plan to ensure that its initial and annual/interim reexaminations were performed in accordance with HUD rules and regulations. Specifically, the administrative plan does not specifically state how income should be calculated, nor did the Agency have supplemental procedures to complement the plan. A nonspecific administrative plan allows for inconsistency in interpreting how income should be calculated and weakens the control environment.

Further, the Agency's quality control review practices failed to detect initial and annual/interim reexamination errors. Although each file in our sample was certified as having been reviewed for quality control, we identified errors in five of eight tenant files. The administrative plan details the percentage of files to review (100 percent) for quality control and provides a brief description of what should be reviewed. However, we determined that the administrative plan only provides for a cursory review and fails to address the issue of accuracy and completeness. The checklists provided by the Agency were not sufficient as they did not specify what was reviewed and the related outcome. The review checklists only had one line item initialed and dated by the housing specialist stating the work had been proofed. Without a thorough quality control process, the Agency allowed errors to go undetected. The lack of quality control documentation also provided an insufficient audit trail by which to identify what was reviewed.

## Conclusion

The Agency did not provide assurance that housing assistance was properly determined for its Section 8 program residents as it overcharged \$4,230 and undercharged \$1,388. Errors regarding vouchers 1, 3, and 4 also continued beyond the scope of our review. The insufficient administrative plan, lack of consistency, and inadequate quality control reviews created a weak control environment conducive to errors. By implementing specific policies and procedures, the Agency will be able to minimize errors and provide assurance that housing assistance payments are calculated correctly.

## Recommendations

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

- 1A. Reimburse the program \$4,230 from nonfederal funds for the overpayment of housing assistance.
- 1B. Reimburse the appropriate tenants and owner \$1,388 from program funds for the underpayment of housing assistance.
- 1C. Follow up on the errors in the report to identify and repay subsequent ineligible costs from nonfederal funds for the periods outside our audit scope (specifically, vouchers 1, 3, and 4).
- 1D. Update its administrative plan with more specificity regarding Section 8 policies and procedures and current citations to rules and regulations.
- 1E. Implement written procedures and controls to ensure that the administrative plan is followed, quality control reviews are adequately documented, and accurate and complete assessments are provided.

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## Finding 2: The Agency Did Not Maintain and Administer Its Waiting List According to HUD Rules and Regulations

The Agency did not follow the waiting list policies and procedures required in the administrative plan. The Agency's waiting list was not maintained according to the administrative plan, and the pulls from the list in 2008 inappropriately selected Culver City residents without preferences before 694 nonresidents with preferences. The waiting list violations were a result of the Agency management's disregard of the administrative plan requirements. As a result, 694 nonresidents with preference were bypassed without equitable consideration.

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### The Waiting List Was Improperly Administered

The Agency's 2008 updated waiting list consisted of 891 applicants. The Agency improperly maintained the waiting list by ranking residents without preference ahead of nonresidents with preference. It executed three pulls in 2008, and the first two did not follow administrative plan requirements as follows:

- February 18, 2008 – 67 applicants were pulled for possible voucher issuance. The pull consisted of nine applicants with the highest priority preference (displaced, disaster, substandard housing, and victims of domestic violence) and 43 applicants listed as Culver City residents with preferences but also inappropriately included 15 applicants listed as Culver City residents without preferences.
- September 18, 2008 – 52 applicants were pulled for possible voucher issuance. The pull consisted of 50 applicants listed as non-Culver City residents with preferences but inappropriately included two applicants that did not have any identifying preferences.
- November 5, 2008 – 50 applicants were pulled for possible voucher issuance. The pull followed the administrative plan and consisted of 50 applicants listed as non-Culver City residents with preferences.

The Agency inappropriately pulled applicants (residents without preference) before 694 applicants (nonresidents with preference) although the administrative plan specifies that applicants with preferences rank higher than those without preferences. Four of the fifteen improperly pulled applicants were issued a voucher; however, none was able to successfully lease a unit.<sup>1</sup> All of the applicants with preferences in the September 18 and November 5 pulls should have been selected before the improperly pulled applicants.

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<sup>1</sup> See background section for a description of the eligibility process and the Agency's difficulty in increasing its lease-up rate.

## **The Administrative Plan Was Not Followed**

The Agency inappropriately bypassed controls intended to ensure that it implemented waiting list procedures properly, including 24 CFR 982.54(c) and 982.153 requirements for compliance with the administrative plan when participating in the Section 8 program. Chapter 4(G) of the plan clearly specifies ranking and hierarchy requirements, including nonresidents with preferences ranking higher for selection than residents with no preferences (see appendix D). The Agency's administrative plan requires the use of local preferences for waiting list selection with a specific hierarchy and date/time ranking applicants with equal preference status.

At the direction of the Agency's management, the administrative plan procedures on waiting list selection were bypassed to overcome ongoing lease-up difficulties. Management used its authority to approve the selection of all Culver City residents, regardless of preference status, before nonresidents with preference. The Agency's management incorrectly interpreted the administrative plan as not requiring a specific method for ranking and selecting applicants, with the option of choosing any selection method. The Agency's management failed to enforce the controls set up by the administrative plan by authorizing the bypassing of the plan's requirements.

## **Conclusion**

The Agency did not provide equitable consideration and provided no assurance that Section 8 vouchers were issued in a fair and equitable manner. Disregard for the requirements in the administrative plan allowed the Agency to select applicants in any manner that management saw fit. The Agency can maintain fairness and equality in the waiting list selection process by ensuring that policies and procedures are followed and reflect the most current housing needs.

## **Recommendations**

We recommend that the Director of HUD's Los Angeles Office of Public Housing require the Agency's management to

- 2A. Follow and enforce its administrative plan and submit documentation to HUD showing that future waiting list pulls have been conducted according to its administrative plan for at least a year or until HUD is satisfied the administrative plan is being followed.

## SCOPE AND METHODOLOGY

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We performed our on-site audit work from November 2008 through February 2009 at the Agency's office in Culver City, California. The audit generally covered the period July 1, 2005, through June 30, 2008.

To accomplish our objective, we

- Reviewed applicable HUD regulations, including 24 CFR Parts 982 and 5 and the Housing Choice Voucher Guidebook, 7420.10G.
- Reviewed the Agency's administrative plan.
- Interviewed personnel from the HUD Los Angeles Office of Public and Indian Housing.
- Interviewed Agency management and staff to determine their job responsibility and understanding of tenant eligibility and waiting list administration.
- Reviewed records maintained by HUD pertaining to the Agency.
- Reviewed the Agency's financial audit reports for fiscal years 2005, 2006, and 2007 as well as its staff listing and organizational chart.
- Reviewed data from HUD's Public Housing Information Center and Enterprise Income Verification (EIV) systems regarding tenants in our sample.
- Reviewed a nonstatistical sample of eight tenant files to determine whether the Agency followed HUD rules and regulations in determining tenant eligibility and rent calculations. We employed a nonstatistical sample due to the small size of the universe and the relatively small housing assistance disbursement during our audit period (less than \$6 million over three years). Our sample was based on applicants on the waiting list who were issued a voucher and successfully leased a unit and tenants with possible income discrepancies reported by EIV. We used the EIV discrepancy function to obtain a list of income discrepancies over 50 percent. EIV returned seven discrepancies, of which we selected the top four.

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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

# INTERNAL CONTROLS

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Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives 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.

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## Relevant Internal Controls

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

- Policies and procedures for tenant eligibility and housing assistance calculations.
- Policies and procedures for waiting list maintenance and selection activities.

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 that housing assistance payments were calculated correctly (finding 1).
- The Agency lacked controls to prevent management from bypassing waiting list selection requirements (finding 2).

## APPENDIXES

### Appendix A

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

Recommendation number	Ineligible <u>1/</u>	Funds to be put to better use <u>2/</u>
1A	\$4,230	
1B		\$1,388
Total	\$4,230	\$1,388

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

2/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, if the Agency implements our recommendations, it will ensure that tenants are reimbursed for personal funds they should not have expended as the Agency underpaid the amount of assistance they were entitled to receive under the Section 8 program. Once the Authority successfully improves its procedures and controls, this will be a recurring benefit.

# Appendix B

## AUDITEE COMMENTS AND OIG'S EVALUATION

### Ref to OIG Evaluation

### Auditee Comments



### CITY OF CULVER CITY

HOUSING PROGRAMS OFFICE

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Tevis Barnes  
Housing Administrator

Monday, June 15, 2009

Mr. Martin D. Herrera  
Senior Auditor  
HUD- Office of Inspector General-Audit  
Region IX  
611 West Sixth Street, Suite 1160  
Los Angeles, CA 90017

Draft Audit Report-Culver City Housing Agency

Dear Mr. Herrera,

Please find attached for your review and consideration responses to the Draft Audit findings transmitted via Fed Ex on June 1, 2009. These responses pertain to an audit conducted by your office from November 2008 to February 2009 of the Culver City Housing Agency (CCHA) regarding how the CCHA determines tenant eligibility and maintains the Section 8 Waiting List in accordance to US Department of Housing and Urban Development (HUD) rules and regulations.

In your letter dated November 12, 2008, it was stated that your audit would cover the period of 2006 to present. It must be noted that mid-way through your audit this date was expanded to 2004 and subsequently expanded again to 2002. We are concerned that the CCHA did not receive written notification of the expanded scope of your audit. Two (2) of your findings [REDACTED] and [REDACTED] occurred in 2005 and these errors were found by CCHA staff prior to your audit and corrected. Though OIG contends it was during the audit period, the above letter did not state Fiscal Year 2005/2006. Since 2005, HUD informed the CCHA that all business was conducted on a Calendar Year (PIH 2005-27).

### Comment 1

The CCHA was informed during our Exit Interview on Tuesday, June 9, 2009, that the Office of Inspector General (OIG) has a right to expand its audit at anytime. This was never stated in the above reference letter or during the Pre-Audit Interview. Additionally, the CCHA never received any written notification to memorialize that the scope of the audit was being expanded.

### Comment 2

The CCHA is also concerned that several of your findings pertain to rent calculations. The scope of your audit pertained to how the CCHA determines tenant eligibility and maintains the Section 8 Waiting List. We were never formally notified that your audit was expanded to include rent calculation methodology and accuracy. Because the November 12, 2008, letter stated the audit would cover eligible and maintenance of the Section 8 Waiting List, the CCHA was always under the impression that the daily interactions with the auditors was within the the context of the above referenced letter.

The CCHA is especially concerned regarding the finding pertaining to [REDACTED]. It is documented on both the Comment Sheet and a third party notice from [REDACTED] employer

*Culver City Employees take pride in effectively providing the highest levels of service to enrich the quality of life for the community by building on our tradition of more than seventy-five years of public service, by our present commitment, and by our dedication to meet the challenges of the future.*

**Comment 3**

that the last date of pay was November 26, 2007. The third party notice also clearly states the "probability of continued employment is unknown". The OIG findings state this notice is not sufficient. The CCHA contends this notice is more than sufficient to indicate that continued employment was unknown. A copy of this notice is attached.

**Comment 4**

The major concern highlighted in your report, pertains to how the CCHA has improperly pulled from its Section 8 Waiting List. As you are aware, the CCHA is located in a high cost housing area and we have been challenged with our lease-up rate. We have consulted with the Los Angeles Area Office on several occasions of how to address this issue. In an effort to improve the lease-up rate, the CCHA employed all methods allowed under the CCHA Section 8 Administrative Plan which include lumping, aggregating and date and time. These are all clearly stated in the Section 8 Administrative Plan and were utilized during the pulling from the waiting list. The Preliminary Draft Findings Report submitted by your office only takes into consideration the aggregation of waiting list applicants and fails to note that the CCHA can employ all three (3) methods.

**Comment 5**

Draft Audit also state that the CCHA does not have adequate quality control. All files upon the completion of both annual recertifications and interims are reviewed by the Housing Specialist. This review is based on a checklist developed by the CCHA. The Housing Specialist reviews the checklist to assure that all components of the file are correct. After the review is completed by the Housing Specialist, their initials are placed on the checklist denoting the review is complete. The CCHA contends that this checklist and the Housing Specialist review of the checklist is an adequate quality control method.

**Comment 6**

Additionally, it was stated in the Exit Interview that none of the files reviewed contained a checklist. Copies of the checklists were emailed to the OIG on the same day after the Exit Interview to demonstrate that the checklists were indeed located in the files. The CCHA does not understand why the statement was made that these checklists were not located in the files. Copies of the checklists are attached to this letter.

**Comment 7**

In conclusion, it should be noted that our Section 8 Administrative Plan has been reviewed by both our City Attorney's Office and the Los Angeles Area Field Office and to date we have not been informed by either party that the document fails to provide specific information on key policies and procedures. If fact, the CCHA Section 8 Administrative Plan is over 250 pages and is twice the size of the majority of Public Housing Agencies' Administrative Plans which is an indication of the volume of information it contains.

We greatly appreciate working with your agency. Thank you for your consideration and for working with the CCHA.

Sincerely,



Tevis Barnes  
Housing Administrator

**OFFICE OF INSPECTOR GENERAL DRAFT FINDINGS RESPONSE**

**Comment 3**

1. [REDACTED] In regards to possible OIG DRAFT findings related to [REDACTED] the Culver City Housing Division (CCHA) would like to respond. After careful review of the file staff found that although the client may have completed the employment portion of the disclosure form by stating that she was currently working for [REDACTED] which was signed in March 2008, she was in fact not working at the time of lease up.

Upon lease-up there is documentation in the file from [REDACTED] which was received April 15, 2008, stating that [REDACTED] last date of paid work was 11/26/2007. The document also states "Probability of Continued Employment: Unknown". They list her status as a "casual worker" and "hours vary from week to week depending upon the needs of the industry". (In 2006 she earned a total of \$1,344.65 and in 2007 she earned a total of \$1792.07 according to the [REDACTED] Verification of Employment).

The file is clearly commented explaining all of the above and CCHA policy states in the Administrative Plan as well as in the Statement of the Family of Obligation which is signed by all participants that the household must notify the CCHA of any changes in family composition and/or income within fifteen (15) days.

**Comment 8**

Upon review of the EIV report after OIG's belief of a finding, staff found that [REDACTED] did in fact start work again but did not report the change of income to the CCHA. EIV shows that she started work in October 2008 which was five (5) months after her lease up. It is also important to note that EIV is not always accurate. Staff has conducted a revision based on her average.

It is important to note that it is not the CCHA's responsibility to check EIV on a weekly basis to verify changes of employment in all our clients. It is the responsibility of the client to come forward (within a 15 day timeframe) and in this case [REDACTED] failed to comply with the Statement of the Family Obligation.

The CCHA strongly believes that no HAP payments were overpaid.

**Comment 9**

2. [REDACTED] In regards to possible OIG DRAFT findings related to [REDACTED] the CCHA would like to respond. After careful review of the file, staff found that it did in fact mistake the calculation by multiplying 26 rather than 24 pay periods for [REDACTED] income. This error was made during the 2006 annual recertification. This error was noted by staff prior to the audit and corrected during the subsequent recertification.

**Comment 10**

In response to the criminal background for a household member, CCHA staff has the proper documentation that shows that this individual in fact passed the criminal background check and was only brought in for counseling as an extra precautionary measure by the Housing Administrator. It is a policy of the CCHA, for the Housing

**Comment 10**

Administrator to counsel applicants that are found to have a criminal history especially if it is related to drugs or violent behavior. Staff keeps a copy of the request for a criminal report that is forwarded to the Culver City Police Department (CCPD). Although this is clearly not the actual criminal report as they are destroyed within thirty (30) days per instruction from the CCPD which through our memorandum of understanding does not allow criminal background information to be retained. If an individual has failed the criminal background check, the file is documented "failed" and no counseling session is held with the Housing Administrator. If an individual has passed the criminal background check, the file is documented "passed". If an individual is selected for counseling, it is also documented. CCHA does not admit any participants that have failed a criminal background checks. However, it is important to note that many individuals with criminal histories are admitted to the program, which is permitted by HUD.

The CCHA believes that the OIG honed in on one word that was incorrectly written in the comments section of the file by stating that this individual "failed" the criminal background check. This was written in error. The individual, as stated earlier to the auditors, did not "fail" the criminal background check but was rather selected for counseling by the Housing Administrator.

In response to OIG suggestions regarding criminal background checks, the CCHA will contact the CCPD to request that the Housing Administrator be given the authority to keep the records rather than destroy them within 30 days. It is not certain whether or not this request will be granted.

The CCHA did in fact incorrectly calculate income for a household member but does not believe that it has failed to adequately document criminal histories.

**Comment 9**

3. [REDACTED] In regards to possible OIG DRAFT findings related to [REDACTED] the CCHA would like to respond. After careful review of the file, staff found that the utility allowance was calculated incorrectly as stated in the findings. These errors were noted during the 2007 recertification prior to the audit and subsequently corrected.

**Comment 11**

Based on conversation with the Los Angeles Field Office and the HUD Office of Fair Housing, [REDACTED] was allowed hardship based on a reduction in her social security benefits and unemployment of her son. [REDACTED] has contacted both the Los Angeles Area Field Office and the HUD Office of Fair Housing and made claims that she has been unfairly treated by the CCHA due to her religion. After consultation with the HUD Office of Fair Housing, and based on [REDACTED] hardship claim, the [REDACTED] household was given a hardship. It should be noted, that hardships are at the discretion of the housing agency.

**Comment 12**

4. [REDACTED] In regards to possible OIG DRAFT findings related to [REDACTED] the CCHA would like to respond. After careful review of the file, staff found that it was clear and documented that there was no rent burden preference for this individual. [REDACTED] was leased up as a Culver City resident with no other preference. [REDACTED] claimed initially that she was paying over 50% of her income towards rent and had a rent burdened preference. During the certification process, [REDACTED] was unable to verify the rent burden. This documented in the client file.

**Comment 13**

The rent burden was not applied by the CCHA as stated in OIG's preliminary draft findings and the CCHA did properly review all documents provided by the tenant.

██████████ was selected for voucher issuance based on the Section 8 Administrative Plan which allows the CCHA to apply either lumping, aggregating, or date and time. From the audit findings it appears, OIG staff understood the method applied was aggregating when in fact the method used was lumping.

5. ██████████ In regards to possible OIG DRAFT findings related to ██████████, the CCHA would like to respond. After careful review of the file, staff found that the household income was calculated incorrectly as stated in the findings. Rather than dividing income by 10 the CCHA divided by 11 which resulted in a slight overpayment in HAP. Additionally, the CCHA staff incorrectly multiplied income by 26 instead 24 for semi-monthly payments. Staff had the correct receipt calculated but erroneously completed the calculation incorrectly.

**Comment 14**

The CCHA is unclear of the findings report related to "unsupported income from a family member and therefore calculated an incorrect HAP amount." The CCHA has found no validation to this finding. If the finding is in reference to a household member that does not have a full time job, there is self certified documentation from the tenant in the file stating income made for miscellaneous jobs such as ██████████ sales, cleaning offices and stuffing envelopes with the exact dollar amount of each job. This income was investigated by staff prior to the audit after staff reviewed bank statements that showed additional unexplained deposits.

In agreement with OIG findings, the CCHA incorrectly calculated income by dividing by 11 rather than 10. Additionally the CCHA erroneously multiplied by 26 rather than 24. The CCHA is not in agreement with the findings stating that unsupported income was included.

**Comment 5**  
**Comment 6**

**Quality Control -** In regards to possible OIG DRAFT findings related to quality control the CCHA would like to respond. The CCHA is in disagreement with the OIG conclusion that the CCHA failed to adequately document quality control review of each admission and reexamination. The CCHA is organized for Housing Assistants to administer a file and the Housing Specialist to review all files. The CCHA has designed and utilizes a form to adequately document the review of each program participant file. This form, Housing Agency (HA) 177. HA 177, is a checklist that allows for staff to initial and date the required fields. Dates are mandatory for the inspection portion and the proofing of file. The check list form for recertification includes:

- Rent Notification and Inspection
- Verify Phone Numbers
- Disclosure and Release Signed
- Complete Tenant Data Sheet
- Complete Rent Reasonableness (if applicable)
- Inspect Dwelling unit
- Needed Repairs Completed
- Complete Utility Allowance
- Enter Income and HAP information in computer

- Print 50058
- Have work proofed (date always included)
- When proofed type and send copies of Addendum to Owner
- When proofed type and send copies of Addendum to Tenant
- Note \$\$ Changes on Check Request (HAP Register)
- Note \$\$ Changes on Information Sheet
- Note Comments Sheet: Review Completed, copies sent, etc.
- Complete FSS Worksheet (if applicable)
- FSS Only: Create escrow worksheet HA 148 (if applicable)
- FSS File Proofed (if applicable)
- Copy FSS Case Manager (if applicable)

For admissions staff uses Form HA 181.1. Staff checks the appropriate box for this initial eligibility list. This checklist includes:

- Household Income Eligible Based on Family Size
- Household is under 30% of median based family size
- Preference Confirmation (check all that apply)
  - Lives or Works In Culver City
  - DDSV: (list which one)
  - Veteran
  - Elderly/Disabled
  - Rent Burden (include Rental Amount, Monthly Utilities, Gross Monthly Income) Determination:
- Eligible, Briefing Scheduled
- Eligible, but still needs additional information, briefing scheduled
- Pending Determination, Documentation Requested
- Ineligible
  - Over-Income
  - Failure to Respond
  - Other

The CCHA is in disagreement with the statement that "Housing Specialist initials are not sufficient as it does not indicate what was reviewed, the outcome of the review, and the date of the review." The CCHA does in fact include a date as each filed is proofed. Additionally, information of what is reviewed is addressed in checklists.

**Comment 5**  
**Comment 6**

**CULVER CITY**  
**SECTION 8 INITIAL ELIGIBILITY CHECKLIST**

Name \_\_\_\_\_ Date \_\_\_\_\_

- Household is income eligible based on family size
  - Household is under 30% of median based on family size
  - Preference confirmation (*CHECK ALL THAT APPLY*):
    - Lives or works in Culver City
    - DDSV: \_\_\_\_\_
    - Veteran
    - Elderly/Disabled
    - Rent Burden
- Rent: \$ \_\_\_\_\_ Monthly Utilities: \$ \_\_\_\_\_ Total: \$ \_\_\_\_\_
- Gross Monthly Income: \$ \_\_\_\_\_ X .50 = \$ \_\_\_\_\_

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**Determination:**

- Eligible, Briefing scheduled
- Eligible, but still need additional information, briefing scheduled
- Pending Determination, documentation requested
- Ineligible
  - Over income \$ \_\_\_\_\_
  - Failure to respond
  - Other: \_\_\_\_\_

HA 181.1 (5/01, 10/08)

**CULVER CITY SECTION 8**  
ANNUAL REVIEW CHECKLIST

TENANT \_\_\_\_\_ EFFECTIVE DATE \_\_\_\_\_

- \_\_\_\_\_ Rent notification and inspection.
- \_\_\_\_\_ Verify phone numbers.
- \_\_\_\_\_ Disclosure and release signed.
- \_\_\_\_\_ Complete Tenant Data Sheet.
- \_\_\_\_\_ Complete Rent Reasonableness.
- \_\_\_\_\_ Inspect dwelling unit.
- \_\_\_\_\_ Needed repairs completed.
- \_\_\_\_\_ Complete Utility Allowance.
- \_\_\_\_\_ Enter income and HAP information in the computer.
- \_\_\_\_\_ Print 50058.
- \_\_\_\_\_ Have work proofed.
- \_\_\_\_\_ Viewed original EIV Printout
- \_\_\_\_\_ When proofed, type and send copies of Addendum to:
  - \_\_\_\_\_ Owner (enclose copy of Tenant Obligation form)
  - \_\_\_\_\_ Tenant (enclose copy of Tenant Obligation form)
- \_\_\_\_\_ Note \$\$ changes on Check Request.
- \_\_\_\_\_ Note \$\$ changes on Information Sheet.
- \_\_\_\_\_ Note Comments sheet: review completed, copies sent, etc.

<b>***FSS and WtW Files** ONLY</b>
Complete FSS/WtW Worksheet (HA 145)
FSS ONLY: Create Escrow Worksheet (HA 148)
File Proofed
Copy FSS/WtW Case Manager

CULVER CITY SECTION 8

RENT/PORTION CHANGE CHECKLIST

TENANT \_\_\_\_\_ EFFECTIVE  
DATE \_\_\_\_\_

\_\_\_\_\_ Make changes in computer and re-do HAP on the Data Sheet

\_\_\_\_\_ Print 50058.

\_\_\_\_\_ Prepare Addendum.

\_\_\_\_\_ Send copies to:

\_\_\_\_\_ Owner

\_\_\_\_\_ Tenant

\_\_\_\_\_ Note \$\$ changes on Check Request.

\_\_\_\_\_ Note \$\$ changes on Information Sheet.

\_\_\_\_\_ Note Comment Sheet.

**\*\*\*FSS and WtW Files\*\* ONLY**

\_\_\_\_\_ Complete FSS/WtW Worksheet (HA 145)

\_\_\_\_\_ FSS ONLY: Create Escrow Worksheet (HA 148)

\_\_\_\_\_ File Proofed

\_\_\_\_\_ Copy FSS/WtW Case Manager

REASON FOR CHANGE: \_\_\_\_\_

## OIG Evaluation of Auditee Comments

**Comment 1** We did not expand our audit to 2002 and 2004 as stated by the Agency; therefore, written notification was not necessary. All of our tenant file reviews (eligibility, rent calculations, and waiting list) were conducted on actions that occurred from fiscal year 2006 through fiscal year 2008. Additionally, the waiting list documentation requested before fiscal year 2006 was used merely for background and to identify the tenants' original waiting list position.

The Agency claims that two of the rent calculation deficiencies (vouchers 4 and 5) occurred in 2005, outside of our scope, and were identified and corrected before our audit. However, these errors actually occurred in fiscal year 2006, well within the scope of our audit. Although HUD funds on a calendar year, many public housing authorities continue operations on a fiscal year. The Agency's own audited financial statements and public housing authority plans are both completed on a fiscal year (July 1 through June 30). In addition, we do not agree that the Agency had fully corrected the issues cited, as it had not made necessary retroactive corrections (also see comment 9 below).

**Comment 2** While the audit notification letter does not state the option to expand the scope as necessary, the issue was discussed during the entrance conference. The auditor in charge of the assignment also kept the Agency well informed of the audit scope and what was being reviewed on an almost daily basis. In addition, our office typically reviews tenant rent calculations as part of our review of tenant eligibility in order to verify whether Section 8 housing assistance payments are correct. As a result, we do not consider our review of this area to be an expansion of our scope. As rent calculation issues were identified by the audit team, the Agency was briefed on the nature and status of the deficiencies, and at no time during these meetings did the Agency indicate concern that we had exceeded our scope. Although the Agency implied otherwise in its response, it conceded during telephone conversations prior to the exit conference and again during the exit conference that it was well informed and aware of what was being reviewed, including rent calculations. The issue raised by the Agency is only in regard to written notification. Since we did not proceed past the survey phase of the audit, there were no additional written notifications to further clarify. The Agency's inference that it was not consulted or was not aware of our audit scope is not correct.

**Comment 3** We disagree with the Agency's contention that the single verification form was sufficient to show that employment was terminated and not expected to continue. The Agency admits that the tenant completed the employment portion of the disclosure form stating she was currently an employee, signed March 2008. The tenant worked for the same employer as a casual worker in 2006 and 2007. As a casual worker, hours are irregular, and employment may be infrequent or on an as needed basis. Although the verification states continued employment as unknown, it does not state that work is not likely to continue.

The Agency points to the fact that the tenant had not received any income since November 2007. However, the tenant only worked 49 and 61 hours in prior years, indicating that work was infrequent but continuous. The verification and prior earnings support the nature of casual employment. Given the nature of a casual worker and the limited, but continuous nature of the tenant's past earnings with this employer, we determined that the income should have been included in the Agency's rent calculations.

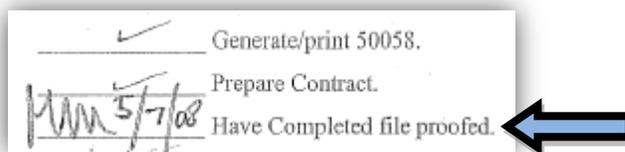
**Comment 4** The Agency incorrectly states that our audit only considered the waiting list method of aggregating. The post purge waiting list was maintained using a combination of all three methods. Therefore, our review considered all three methods.

The Agency claims that it can use any one of the methods described in the administrative plan: lumping, aggregating, or date/time. While we disagree, we conducted further analysis to determine whether the Agency's waiting list selections followed any of the above three methods. We determined that the Agency would have still violated its administrative plan, whether using just one method or a combination of all three.

**Comment 5** We disagree with the Agency's claims that the quality control checklists and associated reviews are adequate. We determined that the administrative plan only provides for a cursory review and fails to address the issue of accuracy and completeness. The Agency submitted four types of checklists: Section 8 initial eligibility, new lease-up, annual review, and rent/portion change.

The checklists provided by the Agency are not sufficient as they do not specify what was reviewed and the related outcome. Absent from any of the checklists are results determined by the housing specialist, whether they be positive or negative. In addition, only the annual review and new lease-up checklists have a specific field for the initials of the reviewer. As evidenced in the Agency's attachments and the examples below, the checklists are completed by the housing assistant working the file, not the housing specialist. The housing assistant makes all the checks, and the specialist only initials and dates one field. Lastly, four of the checklists provided by the Agency do not contain evidence of quality control review (no initials and date), and two only contain a checkmark, no initials or date.

New lease-up checklist



This example shows the single “proofed” line on the checklist for the housing specialist to initial and date.

Annual review checklist

<u>5-17-07</u>	Needed repairs completed.
<input checked="" type="checkbox"/>	Complete Utility Allowance.
<input checked="" type="checkbox"/>	Enter income and HAP information in the computer.
<input checked="" type="checkbox"/>	Print 50058.
<u>Mmm 7/12/07</u>	Have work proofed.



<input checked="" type="checkbox"/>	Print 50058.
<input checked="" type="checkbox"/>	Have work proofed.



The first example again shows only a single field on the checklist for the housing specialist to initial and date. The second shows that the “proofed” field was only checked, not initialed and dated.

Rent/portion change checklist

<input checked="" type="checkbox"/>	Make changes in computer and re-do HAP on the Data Sheet
<input checked="" type="checkbox"/>	Print 50058.
<u>CS 10/31</u>	Prepare Addendum.
<u>10/31</u>	Send copies to:
<u>10/31</u>	Owner
<u>10/31</u>	Tenant



Mmm 10/30/07

The example illustrates that this type of checklist has no quality control field for initial and date, and the housing specialist does so in blank space.

**Comment 6** During audit fieldwork, we had a discussion with the housing specialist and a housing assistant. The discussion stemmed from the fact that the audit team could not locate the stated checklists in the tenant files. The Agency’s administrative plan requires 100 percent review of Section 8 actions (reexaminations, interims, etc.). The housing specialist stated that her initial on the data sheet, not the same document as the checklist, was evidence that a quality control review had been completed. We conducted our audit based on this information.

The Agency provided the quality control checklists after the exit conference for our review. Although the documents were not available at the time of our field work, we accepted them, adjusted the report as necessary, and notified the Agency of the changes before the submission of its response. See comment 5 above for our assessment of the additional supporting documents.

- Comment 7** The Agency contends that its administrative plan is adequate and uses its length as evidence. However, the length of a document has no bearing on whether it is adequate. We are more concerned with the quality of the information over its quantity. We determined the administrative plan could be more specific in the areas of waiting list administration and rent calculations. A more focused and specific administrative plan will allow for more consistency in rent calculations, will remove ambiguity in waiting list administration, and will help foster a stronger control environment.
- Comment 8** Our finding was not based on the additional income reported in the EIV system. Our finding was based on the form signed by the tenant and the third-party verification form submitted directly from the employer (also see comment 3). We merely used the information from the EIV system as additional support to our position.
- Comment 9** We disagree with the Agency that the pay period errors and overstated utility allowance were fully corrected. During the exit conference, the Agency confirmed that it does not make retroactive corrections. We determined over- and underpaid housing assistance amounts that still needed to be corrected, as stated in recommendation 1A and 1B, and as illustrated in appendix C.
- Comment 10** The Agency's comments concerning criminal background checks are based on issues noted in the draft finding outline that were not included in the draft audit report, as we determined the matter only warranted verbal discussion. The Agency was informed of this issue during the exit conference. Therefore, no changes have been made to the report.
- Comment 11** We disagree with the Agency's decision to grant the tenant financial hardship to pay less than the required minimum \$50 rent. The Agency failed to adequately document its reason for granting a financial hardship as required by 24 CFR 5.630. It stated during the exit conference that it found it hard trying to increase the rent of a tenant that was filing claims of unfair treatment. It is inappropriate to bypass Section 8 requirements to avoid further claims or to appease a tenant.
- Additionally, we determined that a financial hardship was not present. The tenants were granted a financial hardship on August 1, 2008. The tenants had received a large lump-sum payment from the Social Security Administration the prior year, had their benefits increased December 17, 2008, and had a son who gained employment on June 24, 2008.
- Comment 12** We disagree with the Agency's claims that the rent burden preference was not used when selecting the tenant from the waiting list. The waiting list pull provided by the Agency, dated February 18, 2008, clearly shows two preferences: Culver City resident and rent burden. The tenant should have been placed on the waiting list behind nonresidents with preference(s) (see finding two).

Additionally, chapter 4(J) of the administrative plan requires removal from the waiting list of any applicant who falsifies documents to qualify for any preference. The documents in the tenant file indicate that the tenant falsely claimed rent burden when other documents submitted indicate otherwise. The Agency failed to adequately review all the available documents.

**Comment 13** The Agency is incorrect in its understanding of our review. When we reviewed the tenant's file, we considered all three methods. The administrative plan states that lumping considers all applicants who qualify for any preference as equal. However, the waiting list was not maintained using lumping as argued by the Agency. The waiting list was maintained using a combination of all three methods. Additionally, the method of selection is secondary to the issues discussed in comment 12 above.

**Comment 14** We disagree that the Agency investigated the source of the unsupported income as the tenant file indicates otherwise. The tenant file only contained a self-certified statement from the tenant indicating income earned in 2006 from nonrecurring earnings activities, such as the sale of shoes on an auction website, clearing an office, and stuffing envelopes. 24 CFR 5.609(c)(9) states income that is temporary, nonrecurring, or sporadic (including gifts) should be excluded from annual income. The certification was also not supported by receipts or verifications of employment, and the EIV report included in the file only showed outdated wages from the fourth quarter of 2003 (\$492). Additionally, the tenant file did not include calculation worksheets to show how the agency arrived at the income amount of \$863. Therefore, we determined the income was both inadequately supported and inappropriate for determining the tenant's rent calculation. Due to the Authority's focus on the self-certified statement rather than the outdated EIV report in its response, we have adjusted the report slightly to emphasize that the income was nonrecurring and added the appropriate HUD criteria to appendix D.

## Appendix C

### DETAILS – QUESTIONED HOUSING ASSISTANCE PAYMENT CALCULATIONS

<p><b>Voucher 1</b> – We identified income reported by the tenant but not used by the Agency for the housing assistance payment calculations. The tenant file included documentation provided by the tenant indicating casual work. The verification form obtained by the Agency did not indicate that the casual work is not expected to continue. Using the excluded income, we determined a housing assistance payment of \$918 versus \$958 calculated by the Agency. Therefore, the Agency overstated the monthly housing assistance payment by \$40. The Agency overpaid housing assistance in the amount of \$287 for the period May 8, 2008, to January 31, 2009, the end of our audit period.</p>	<p><b>\$ 287</b></p>
<p><b>Voucher 2</b> – The Agency failed to correctly calculate the family's income during the September 1, 2006, reexamination. The third-party verifications and pay stubs clearly showed that a family member was paid twice a month (24 pay periods), not biweekly (26 pay periods) as indicated by the Agency. Therefore, the Agency overstated income. We calculated the income for the family to be \$36,521 annually, versus \$38,072 used by the Agency (a difference of \$1,551). Using the recalculated income, we determined a housing assistance payment of \$607, an increase of \$19 from the amount calculated and used by the Agency. The Agency incorrectly underpaid housing assistance in the amount of \$468 (\$19 x 12 months).</p>	<p><b>\$ 468</b></p>
<p><b>Voucher 3</b> – The Agency failed to correctly calculate the family's income during the July 15, 2005, admission and October 1, 2005, reexamination by applying an overstated utility allowance of \$85, a difference of \$12 from the actual allowed utility allowance of \$73. However, the housing assistance payment remained unaffected during the initial admission as the gross rent of \$935 was greater than the payment standard of \$900. During the interim reexamination, a new payment standard of \$1,124 was used so the gross rent was no longer greater than the payment standard, resulting in the utility allowance error affecting the housing assistance payment amount. The Agency overpaid housing assistance in the amount of \$108.</p> <p>The Agency failed to apply the correct utility allowance during the July 5, 2006, and February 1, 2007, reexaminations. The utility allowance worksheet, dated March 30, 2006, only showed a total allowance of \$73, not the \$85 claimed on the Family Report, Form HUD-50058. Documents in the tenant file indicated that the Agency was aware of this error. The incorrect utility allowance meant that the Agency overpaid housing assistance in the amount of \$124. The Agency also underpaid \$20 in housing assistance between February 1 and June 30, 2007. The underpayment was a result of an accounting error. The family report indicated a housing assistance payment of \$889; however, the Agency only paid \$885.</p> <p>According to the Agency's own analysis, it overpaid housing assistance in the amount of \$298 during the period February 1, 2007, to July 1, 2008, after reassessing the prior full-time student status of a family member. However, the Agency had not requested repayment of the overpaid housing assistance due to claimed financial hardship. The Agency also failed to apply the \$50 minimum rent after the July 1, 2008, reexamination using the same justification, resulting in housing assistance overpayments totaling \$258 as of the end of our audit period. We concluded that a financial hardship did not exist and was not documented, as defined by 24 CFR 5.630(b).</p>	<p><b>\$ 808</b></p>
<p><b>Voucher 4</b> – The Agency did not properly review the preference documents provided by the tenant as part of the tenant eligibility process and inappropriately upgraded the tenant to a position on the waiting list with a higher level of preference. Without the rent burden preference, the tenant would not have been pulled from the waiting list as the tenant would have been categorized as a resident with no preference, which is a lower ranking on the waiting list. The tenant certified a rent burden even though documents we reviewed indicated the preference did not exist. Had the Agency conducted a thorough review of all documents, it would have discovered that the applicant did not qualify for the rent burden preference. A determination would then have been made of whether removal from the waiting list was appropriate as required by its administrative plan. The Agency did not follow waiting list rules and regulations when classifying and selecting the tenant for participation in Section 8. Therefore, the total amount of \$2,531 representing housing assistance paid by the Agency is ineligible (three months) up to the end of our audit period.</p>	<p><b>\$2,531</b></p>

<p><b>Voucher 5</b> – The Agency did not properly annualize household income for the annual reexamination effective on September 1, 2005, and the interim reexamination effective on December 1, 2005 (by consequence). The Agency understated household income by erroneously dividing by 11 instead of 10, which is the number of semimonthly pay periods up to the end of May (the period for which income documentation was available). Using the recalculated income, we determined a monthly housing assistance payment of \$324 versus \$376, overstating the housing assistance payment by \$52. Annualized, the Agency overpaid housing assistance in the amount of \$624 for the period from September 1, 2005, to August 31, 2006.</p>	
<p>On subsequent examinations, the Agency continued to incorrectly annualize household income and also included outdated income earned almost two years before the reexamination. For the annual reexamination, effective on September 1, 2006, and the interim reexamination, effective on May 1, 2007 (by consequence), the Agency overstated household income when annualizing income by multiplying by 26 instead of the 24 for semimonthly pay periods, incorrectly determining that the tenant was paid on a biweekly basis. Additionally, the Agency included inadequately supported/nonrecurring income from a family member. Excluding this income, we determined a housing assistance payment of \$189 versus \$264 for the annual reexamination and \$380 versus \$305 for the interim reexamination used by the Agency. We determined that the Agency understated the monthly housing assistance payment by \$75. Annualized, the tenant overpaid \$900 in rent for the period September 1, 2006, to August 31, 2007, that should have been covered through housing assistance.</p>	<p><b>\$1,524</b></p>
<p><b>Total</b></p>	<p><b>\$5,618</b></p>

## Appendix D

### CRITERIA

**24 CFR 5.609(a).** Annual income means all amounts, monetary or not, which:

1. Go to, or on behalf of, the family head or spouse (even if temporarily absent) or to any other family member; or
2. Are anticipated to be received from a source outside the family during the 12-month period following admission or annual reexamination effective date; and
3. Which are not specifically excluded in paragraph (c) of this section.
4. Annual income also means amounts derived (during the 12-month period) from assets to which any member of the family has access.

**24 CFR 5.609(c)(9).** Annual income.

Annual income does not include temporary, nonrecurring or sporadic income (including gifts).

**24 CFR 5.630(a).** Minimum rent

1. The PHA [public housing agency] must charge a family no less than a minimum monthly rent established by the responsible entity, except as described in paragraph (b) of this section.

**24 CFR 5.630(b).** Financial hardship exemption from minimum rent.

1. When is family exempt from minimum rent? The responsible entity must grant an exemption from payment of minimum rent if the family is unable to pay the minimum rent because of financial hardship, as described in the responsible entity's written policies. Financial hardship includes these situations:
  - i. When the family has lost eligibility for or is awaiting an eligibility determination for a Federal, State, or local assistance program, including a family that includes a member who is a noncitizen lawfully admitted for permanent residence under the Immigration and Nationality Act who would be entitled to public benefits but for title IV of the Personal Responsibility and Work Opportunity Act of 1996;
  - ii. When the family would be evicted because it is unable to pay the minimum rent;
  - iii. When the income of the family has decreased because of changed circumstances, including loss of employment;
  - iv. When a death has occurred in the family;

**24 CFR 5.630(b)(2)(ii).** All Section 8 programs

- A. If a family requests a financial hardship exemption, the responsible entity must suspend the minimum rent requirement beginning the month following the family's request for a hardship exemption until the responsible entity determines whether there is a qualifying financial hardship, and whether such hardship is temporary or long term.
- B. The responsible entity must promptly determine whether a qualifying hardship exists and whether it is temporary or long term.
- C. If the responsible entity determines that a qualifying financial hardship is temporary, the housing authority must not impose the minimum rent during the 90-day period beginning the month following the date of the family's request for a hardship exemption. At the end

of the 90-day suspension period, the responsible entity must reinstate the minimum rent from the beginning of the suspension. The family must be offered a reasonable repayment agreement, on terms and conditions established by the responsible entity, for the amount of back rent owed by the family.

**24 CFR 982.54(c).** Administrative plan

The housing authority must administer the program in accordance with the housing authority administrative plan.

**24 CFR 982.153.** Public housing authority responsibilities

The housing authority must comply with the consolidated annual contributions contract, the application, HUD regulations and other requirements, and the housing authority administrative plan.

**24 CFR 982.204**

- a. States that participants must be selected from the housing authority waiting list (except for special admissions). The housing authority must select participants from the waiting list in accordance with the admission policies in the housing authority administrative plan.
- b. Organization of waiting list. The housing authority must maintain information that permits the housing authority to select participants from the waiting list in accordance with the housing authority admission policies. The waiting list must contain the following information for each applicant listed:
  1. Applicant name;
  2. Family unit size (number of bedrooms for which family qualifies under housing authority occupancy standards);
  3. Date and time of application;
  4. Qualification for any local preference;
  5. Racial or ethnic designation of the head of household.

**24 CFR 982.207(a).** Establishment of public housing authority local preferences

1. The housing authority may establish a system of local preferences for selection of families admitted to the program. Housing authority selection preferences must be described in the housing authority administrative plan.
2. The housing authority system of local preferences must be based on local housing needs and priorities, as determined by the housing authority. In determining such needs and priorities, the housing authority shall use generally accepted data sources. The housing authority shall consider public comment on the proposed public housing agency plan (as received pursuant to Sec. 903.17 of this chapter) and on the consolidated plan for the relevant jurisdiction (as received pursuant to part 91 of this title).

**24 CFR 982.207(e).** Verification of selection method

The method for selecting applicants from a preference category must leave a clear audit trail that can be used to verify that each applicant has been selected in accordance with the method specified in the administrative plan.

**24 CFR 982.516(e).** Family member income

Family income must include income of all family members, including family members not related by blood or marriage. If any new family member is added, family income must include any income of the additional family member. The housing authority must conduct a reexamination to determine such additional income, and must make appropriate adjustments in the housing assistance payment.

**24 CFR 982.517(d).** Use of utility allowance schedule

1. The housing authority must use the appropriate utility allowance for the size of dwelling unit actually leased by the family (rather than the family unit size as determined under the housing authority subsidy standards).
2. At reexamination, the housing authority must use the housing authority current utility allowance schedule.

**Administrative Plan: Chapter 1(L).** Monitoring of Program Performance

In order to ensure quality control, supervisory staff audits the following functions:

1. 100 % percent of re-examinations.
2. 100% percent of new applications.
3. 5% percent of the housing quality standards inspections conducted for all units.

**Administrative Plan: Chapter 4(A)(2).** Application Pool

All applicants in the pool will be maintained in the order of preference. Applications equal in preference will be maintained by date and time sequence.

**Administrative Plan: Chapter 4(G).** Order of Selection

The order of selection is based on the Agency's system for applying local preferences (described in Section C – Local Preferences). The methods for applying preferences include:

1. Lumping – all applicants who qualify for any preferences are treated equally (except code 00; see below);
2. Aggregating – two preferences outweigh one, three outweigh two, etc.;
3. Date and time of application.

Local Preference Rankings

Local preferences will be used to select families from the waiting list. The Agency has selected the following system to apply ranking preferences. All local preferences will be coded as follows:

00. Displaced/Disaster/Substandard Housing/Victims of Domestic Violence
01. Resident w/preference
02. Non-resident w/preference
03. Resident w/o preference
04. Non-resident w/o preference
05. Single individual (non elderly/disabled or displaced)

Among applicants with equal preference status, the waiting list will be organized by date and time that each application was submitted to the Agency.

**Administrative Plan: Chapter 4(H). Final Verification of Preferences**

Preference information on applications will be updated as applicants are selected from the waiting list. At that time, applicants will be required to submit the appropriate documentation to support their claim of preference. In order to qualify for a preference, the documentation submitted by the applicant must support the claim for the preference as defined by HUD and/or the Agency.

**Administrative Plan: Chapter 4(I). Preference Denial**

If the Agency denies a preference, the Agency will notify the applicant in writing of the reasons why the preference was denied. If the applicant falsifies documents in order to qualify for any preference they will be removed from the waiting list.

**Administrative Plan: Chapter 6(A). Income and Allowances**

Income

The types of money, which are to be used as income for purposes of calculating the housing assistance payment, are defined by HUD in the federal regulations. In accordance with this definition, gross income from all sources for each member of the household is counted.

Annual Income is defined as the gross amount of income anticipated to be received by the family during the 12 months after admission or annual re-examination. Gross income is the amount of income prior to any HUD allowable expenses or deductions, and does not include income, which has been excluded by HUD. Annual income is used to determine whether or not applicants are within the applicable income limits.

Minimum Rent and Minimum Family Contribution

Minimum family contribution in the Housing Choice Voucher Program is fifty dollars (\$50).

**Administrative Plan: Chapter 6(C). Averaging Income**

When Annual Income cannot be anticipated for a full twelve (12) months, the Agency may:

1. Average known sources of income that vary to compute an annual income, or
2. Annualize current income and conduct an interim re-examination if income changes.

If there are bonuses or overtime that the employer cannot anticipate for the next twelve (12) months, bonuses and overtime received the previous year will be used. Income from the previous year may be analyzed to determine the amount to anticipate when third party or check-stub verification is not available. If by averaging, an estimate can be made for those families whose income fluctuates from month to month. This estimate will be used so that the housing payment will not change from month to month. The method used depends on the regularity, source and type of income.

**Administrative Plan: Chapter 6(Q). Utility Allowance**

The same utility allowance schedule is used for all rental vouchers. The utility allowance is intended to help defray the cost of utilities not included in the rent and is subtracted from total tenant payment to establish the family's rent to the landlord. The allowances are based on actual rates and average consumption studies, not on a family's actual consumption. The Agency will review the utility allowance schedule on an annual basis and may be revised. The approved

utility allowance schedule is given to families at admission and moves. The utility allowance is based on the actual unit size selected. Where the utility allowance exceeds the family's total tenant payment, the Agency will provide a utility reimbursement payment for the family each month. The check will be made out directly to the tenant.

**Administrative Plan: Chapter 7(E). Verification of Income**

Only the first \$480 of the earned income of full time students, other than head or spouse, will be counted towards family income. Financial aid, scholarships and grants received by full time students is not counted towards family income. Verification of full time student status includes:

1. Written verification from the registrar's office or other school official.
2. School records indicating enrollment for sufficient number of credits to be considered a full-time student by the educational institution.