



Issue Date	August 29, 2007
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Audit Report Number	2007 BO 1008
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TO: Donna J. Ayala, Director, Office of Public Housing, Boston, Massachusetts,
Regional Office, 1APH

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

SUBJECT: Holyoke Housing Authority, Holyoke, MA Needs to Improve Its Internal
Controls over the Voucher Program, Cost Allocations and Transfers

HIGHLIGHTS

What We Audited and Why

We audited the Housing Choice Voucher program (Voucher program) at the Holyoke Housing Authority (Authority) as part of our fiscal year 2007 annual audit plan. The objective of the audit was to determine whether the Authority administered the Voucher program in accordance with its annual contributions contracts and U.S. Department of Housing and Urban Development (HUD) requirements. Our efforts focused on whether the Authority properly (1) determined tenant eligibility/HAP payment calculations; (2) made and supported rent reasonableness determinations; (3) determined payments for unused sick leave; and (4) allocated costs and accounting for interfund transfer transactions.

What We Found

The Authority generally administered the Voucher program according to its administrative plan but not always in accordance with its annual contributions contracts and HUD requirements. It did not (1) ensure that the required documentation was maintained to support the eligibility of each tenant and its

housing assistance payments, (2) conduct rent reasonableness determinations according to HUD requirements, (3) follow a prudent personnel practice regarding payment for unused sick leave upon the death or retirement of an employee, and (4) always properly allocate costs or account for interfund transfer transactions.

These conditions occurred because the Authority either had not established adequate internal controls or followed the controls that were in place to ensure compliance with its annual contributions contracts and HUD regulations.

What We Recommend

We recommend that the director of the Office of Public Housing require the Authority to (1) implement adequate procedures and controls over its housing assistance payments to ensure that tenant eligibility and subsidy payments are supported and determined in accordance with HUD requirements and its annual contributions contracts and correct \$4,678 in erroneous payments, (2) establish controls to ensure that rent reasonableness determinations are completed in accordance with HUD requirements, (3) revise its sick leave policy with regard to its federal programs and reimburse \$397,950 in unreasonable costs for employees' unused sick leave, and (4) provide support for or reimburse to HUD \$354,139 in unsupported administration costs and \$556,967 in interprogram transactions. We also recommend that the director of the Office of Public Housing recapture from the Authority or offset \$106,830 in administrative fees for not performing rent reasonableness determinations in accordance with HUD's requirements.

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 also furnish us copies of any correspondence or directives issued because of the audit.

Auditee's Response

We provided the Authority a draft report on July 24, 2007, and held an exit conference with officials on July 25, 2007. The Authority provided written comments on August 15, 2007. It generally agreed with our findings and recommendations. It has taken some corrective actions that should eliminate the conditions noted in this report. The Authority's response, along with our evaluation of that response, can be found in appendix B of this report.

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BACKGROUND AND OBJECTIVES

The United States Housing Act of 1937 established the federal framework for government-owned affordable housing. This act also authorized public housing as the nation's primary vehicle for providing jobs and building and providing subsidized housing through the U.S. Department of Housing and Urban Development (HUD). HUD disperses funds to public housing agencies under annual contributions contracts to provide subsidy payments or housing assistance payments for participating low-income families.

In addition, the United States Housing Act of 1937, as amended by the Quality Housing and Work Responsibility Act of 1998, created the Section 8 Housing Choice Voucher tenant-based program (Voucher program). The Voucher program is funded by HUD and allows public housing authorities to pay HUD subsidies directly to housing owners on behalf of the assisted family.

The Voucher program is administered by the Holyoke Housing Authority (Authority) for the City of Holyoke, Massachusetts. HUD contracts with the Authority for the administration and management of 987 low-income units through annual contributions contracts.¹ The Authority received approximately \$17.9 million in funding for its Section 8 HCV program for fiscal years 2004 through 2006. The annual contributions contracts require the Authority to follow appropriations laws, HUD requirements including public housing notices, and the Authority's administrative plan.

The principal staff member of the Authority is the executive director, who is hired and appointed by the Authority's board of commissioners (board). The executive director is directly responsible for carrying out the policies established by the board and is delegated the responsibility for hiring, training, and supervising the remainder of the Authority's staff to manage the day-to-day operations of the Authority and to ensure compliance with federal and state laws and directives for the programs managed.

Our overall audit objectives were to determine whether the Authority properly administered its Voucher program while providing decent, safe, and sanitary housing in compliance with its annual contributions contracts and complied with HUD procurement requirements for its HUD-funded programs. The specific objectives were to determine whether the Authority had internal controls that were effective and ensured programs were managed in accordance with HUD requirements regarding: (1) tenant eligibility/HAP calculations; (2) rent reasonableness; (3) payments for unused sick leave upon death or retirement; and (4) allocation of costs and accounting for interfund transfers.

¹ As of March 1, 2007.

RESULTS OF AUDIT

Finding 1: Housing Assistance Payments Were Not Always Properly Calculated and Tenant Eligibility Was Not Always Properly Supported

The Authority did not always ensure that housing assistance payments were properly calculated and adequately supported and that tenant files contained all required documentation concerning tenant eligibility. We identified 10 instances in which the Authority made \$4,678 in erroneous housing assistance payments. Based on our statistical sample, we estimate that the Authority improperly calculated housing assistance payments for 13 percent of the households serviced annually.² These deficiencies are attributed to the Authority's lack of adequate oversight and lack of proper care in performing annual tenant recertifications for its Voucher program. As a result, there is a potential for overpayments and underpayments of housing assistance that could negatively affect the Voucher program and program tenants.

The Authority Incorrectly Calculated Some Housing Assistance Payments

The Authority generally complied with HUD requirements related to the calculation of housing assistance payments. However, it did not always obtain all third-party verifications or use the correct utility allowance or payment standard. This noncompliance resulted in 10 erroneous housing assistance payments totaling \$4,678, representing overpayments of \$2,605 and underpayments of \$2,073 (See appendix C - Results of Tenant File Review). Using the lower point estimate of our statistical sample, we estimate that there were 129 tenant files (13 percent) with housing assistance payments that were incorrectly calculated each year. This projection is made solely to illustrate the impact these deficiencies could have on the Voucher program.

The Authority Had Inadequate Support for Tenant Eligibility

The Authority generally conducted the household annual recertifications for its Voucher program in a timely manner and complied with HUD requirements for determining tenant eligibility. However, we identified deficiencies or a lack of support in some of the tenant files. Of the 44 tenant files selected for review, 29

² As of March 2007, the Authority provided housing assistance to 987 households. The projected errors in housing assistance calculations were for 129 of the households or 13 percent based on the sample results.

(65.9 percent) contained at least one deficiency. Although this is a large percentage, most of the deficiencies were minor in nature and had no effect on tenant's eligibility or the calculation of the housing assistance payment.

Of the deficiencies identified regarding tenant eligibility, nine files were missing copies of birth certificates, and five files were missing copies of Social Security cards. Although these documents are not required by HUD regulations, the Authority's administrative plan requires it to obtain and maintain these documents and to include them in the tenant files. HUD requires that the Authority follow its own administrative plan. In addition, the HCV guidebook page 5 – 12, states that tenants are required to present an original Social Security card. Retaining a copy of the the Social Security card in the tenant files will confirm that the tenants presented the card as required. We also identified two instances in which the Authority did not maintain adequate documentation to show that the tenant had eligible immigration status. HUD does require that the Authority confirm residency status and retaining documents supporting eligible status ensures compliance with this requirement.

**The Authority's Management
Acknowledged a Lack of Proper
Management Oversight**

The review of the tenant files found that the Authority's personnel did not always take sufficient care to ensure that housing assistance payments were calculated properly and tenant files were properly maintained. The Authority's administrative plan states that file documentation records should be sufficient enough to enable a staff member or HUD reviewer to understand the process followed and conclusions reached. To determine if the records conform to program requirements, the Authority indicated that it verifies sufficiency of the tenant records through supervisory quality control reviews. We could not determine whether these reviews were adequately conducted because the Authority failed to maintain documents or records showing the detailed results of reviews performed or whether any corrective actions were taken. However, the quality control reviews have failed to prevent the errors we identified, such as the missing documents (birth certificates, Social Security cards, or third-party verifications), and the calculation errors. In addition, the Authority's management acknowledged that a recent reduction and turnover in staff had led to a learning period for new employees, and there had been a lack of adequate oversight of this function by management.

Conclusion

The Authority generally complied with HUD requirements for determining tenant eligibility and the calculation of housing assistance payments. However, it needs to improve its internal controls and oversight of its Voucher program and ensure that Section 8 housing staff use care in calculating tenant housing assistance payments, determining tenant eligibility, and maintaining support for both of these actions. The deficiencies noted in our audit contributed to \$4,678 in erroneous housing assistance payments, and we estimate that 129 tenant files (13 percent of households serviced) contained housing assistance payment calculation errors.

Recommendations

We recommend that the director of the Office of Public Housing require the Authority to

- 1A. Strengthen its internal controls to ensure that Authority staff follows the Authority's policies and procedures over housing assistance and utility allowance calculations and payments, and to ensure that payments are made in accordance with HUD's requirements and its administrative plan.
- 1B. Ensure that Authority staff performs adequate quality control reviews to ensure that all required documentation is maintained in its Voucher program tenant files to support the eligibility of each tenant and to support the housing assistance payments.
- 1C. Reimburse the Voucher program \$2,605 from nonfederal funds for the overpayment of housing assistance for the six Section 8 tenants.
- 1D. Reimburse \$2,073 for the underpayment of housing assistance to the four Section 8 tenants.

RESULTS OF AUDIT

Finding 2: The Authority Did Not Adequately Conduct Its Rent Reasonableness Determinations in Accordance with HUD Requirements

The Authority had not performed or contracted for rent comparability or rent reasonableness studies in recent years to support that its rents were reasonable. This occurred because the Authority's internal controls did not ensure that it followed HUD requirements or its own administrative plan for conducting rent reasonableness determinations. As a result, it could not demonstrate that its contract rents were reasonable. Because the Authority's rent reasonableness determinations were not conducted as required, the Authority did not earn \$106,830 in administrative fees it received from HUD.



**Rent Reasonableness
Determinations Were Not
Adequately Performed**

HUD requires housing authorities to ensure that rents charged by owners to housing choice voucher program participants are reasonable. To determine rent reasonableness, the housing authority must compare the rent for the voucher unit to rents for similar unassisted units in the marketplace and on the premises. The Authority's administrative plan reflects the requirement for conducting rent reasonableness determinations according to HUD requirements. However, the Authority did not adequately perform its rent reasonableness determinations.

The Authority did not make rent comparisons to the marketplace or unassisted units on the premises as required. In addition, the Authority had not contracted out for any rent comparability studies that would assist the Authority in making rent reasonableness determinations. Instead, the Authority relied on its own undocumented knowledge of market rents in its jurisdiction to assess reasonableness, and on the owners who certified that rents were reasonable in relation to rents charged for other comparable unassisted units. This occurred because the internal control³ requiring review of the rent reasonableness determination did not ensure the determinations were conducted according to HUD requirements or the Authority's administrative plan.

³ The Authority's program administrator or his/her designee shall review all rent reasonableness determinations conducted by staff before a contract rent is approved (Administrative Plan, Chapter 8, Part 3, 8-III.D - HHA Rent Reasonableness Methodology).

Authority Does Not Adhere to its Administrative Plan

In order to compare program units to market units, it is necessary to collect comparable information on the unassisted units. The administrative plan provided that the Authority would maintain current survey information on rental units in the jurisdiction and that the Authority would also obtain from landlord associations and management firms the value of the array of amenities. This allows the Authority to consider: (1) the location, quality, size, unit type, and age of the contract unit; and (2) any amenities, housing services, maintenance and utilities to be provided by the owner in accordance with the lease as required by HUD. However, we found that the Authority did not maintain current survey information on rental units in its jurisdiction. The administrative plan further provided that the Authority would establish minimum base rent amounts for each unit type and bedroom size and that the Authority would add or subtract the dollar value for each characteristic and amenity of a proposed unit to the established base rent amounts. It had not established minimum base rents for each unit type to which additions and subtractions could be made for each characteristic or amenity of a proposed unit.

In support of rent reasonableness determinations, an authority's tenant files are required to contain two documents (forms) related to rent reasonableness determinations: a Certification for Rent Reasonableness, prepared by the Authority, and a Statement of Rent Reasonableness-Comparability, completed by the owner-agent. Of 44 Voucher program tenant files reviewed, 32 (73 percent) were missing the Certification for Reasonableness, and 24 (55 percent) were missing the owner's Statement of Rent Reasonableness-Comparability. In addition, the forms that were in the files were incomplete and missing data needed to complete a rent reasonableness determination. The limited information and data included in the tenant files did not provide the Authority a basis on which to make adequate or supportable rent reasonableness determinations regarding its assisted units.

The lack of rent determinations and information for conducting the determinations can be attributed to an inadequate internal control which did not ensure compliance, and to staff turnover and unfamiliarity of new employees (finding 1) with the requirements in the Authority's administrative plan. The Authority needs to address the non-compliance and should provide training to the staff to ensure they understand and implement HUD requirements and its administrative plan for rent reasonableness determinations.

Conclusion

The Authority did not adequately conduct its rent reasonableness determinations as required by HUD regulations and its own administrative plan. It also did not obtain, use, or maintain the information needed to support these determinations. This occurred because the Authority's internal controls failed to ensure it followed its own administrative plan to conduct rent reasonableness determination according to HUD requirements. As a result, it could not demonstrate that its contract rents were reasonable, and HUD may have funded housing assistance payments for excessive contract rents. Since the Authority's rent reasonableness determinations were not properly conducted and its process for calculating housing assistance payments and determining tenant eligibility also contained deficiencies (see finding 1 of this report), HUD should recapture or offset an appropriate amount of administrative fees pertaining to the Authority's administration of the Voucher program. We recommend that \$106,830 of the \$2,136,598 (or 5 percent of the paid administrative fees) received for fiscal years 2004, 2005, and 2006 are recaptured by HUD.

Recommendations

We recommend that the director of the Office of Public Housing require the Authority to

- 2A. Establish controls that ensure HUD requirements and its administrative plan are followed in conducting reasonable rents determinations.
- 2B. Provide training for all Authority personnel involved in rent reasonableness determinations.
- 2C. Recapture or offset five percent of the administrative fees for fiscal years 2004, 2005, and 2006 in the amount of \$106,830 for not performing rent reasonableness determinations in accordance with HUD's rules and regulations or the Authority's administrative plan.

RESULTS OF AUDIT

Finding 3: The Authority's Personnel Policy Regarding Payment for Unused Sick Leave Exceeded State Payment Practices

The Authority paid a 100 percent rate of compensation for unused sick leave when an employee retired or upon the employee's death under its personnel policy. At this compensation rate, the federal portion of the compensated sick leave balances for employees who qualified for retirement at the time of our audit totaled \$497,437. This amount has been accrued (expensed against federal programs) and represents a future liability against the Authority for unused sick leave. This condition is attributed to its employee union contract negotiations that helped to form the Authority's 100 percent rate of compensation policy. Although this policy had been in effect for several years, it was not prudent in comparison with the allowable 20 percent prescribed for state agencies. In addition, the annual contributions contracts require that funds be expended for costs that are necessary and reasonable. Under the state-prescribed compensation, the compensation that should have been paid totaled \$99,488. As a result, the Authority paid \$397,950 in unnecessary and unreasonable expenses to its federal programs based on the prescribed state compensation.

The Authority's Sick Leave Policy Was Questioned by Its Board

The Authority's sick leave policy and its administrative and maintenance agreements with the AFL-CIO Union (Council 93, Local #3753) stated that the Authority would pay an retiring employee or a legal representative in the case of death an amount equal to one day's pay for every one day of unused sick leave accumulated (a 100 percent compensation rate for the unused sick leave). Our review of the minutes of the Authority's board meetings disclosed that some board members had questioned the policy of 100 percent compensation for unused sick leave because of a concern that employees were accumulating excessive sick leave. One commissioner stated that a rate of compensation of 20 percent for unused sick leave was preferable to a rate of 100 percent to be given to employees at retirement or upon their death, but the rate was not changed. The Authority's position was that the policy acted as an inducement for employees not to use their sick time before retirement, which would then reduce or eliminate the need for the Authority to replace the employee during sick leave absences.

State Agencies Use State-Prescribed 20 Percent Compensation for Unused Sick Leave

The Human Resources Division of the Commonwealth of Massachusetts issues policy guidance on rules governing paid leave for state employees. Under current state policy, employees who retire directly from active employment and who have accumulated unused sick leave credits are paid on an amount equal to 20 percent of the value of such credits. In addition, an estate will be paid 20 percent of the value of the unused sick leave credits accumulated by the employee as of the date of death for an employee who dies while actively employed.

In 2006, local news media in Boston reported that several of the largest state agencies, the Massachusetts Turnpike Authority and the Massachusetts Port Authority, came under public scrutiny and criticism for their sick leave policies that allowed employees to be paid for 50 percent and 100 percent, respectively, of their unused sick leave. The news coverage cited that the norm in other Massachusetts state agencies was 20 percent. The boards of both agencies later reduced the rate of compensation to 20 percent for 2007 and future years.

As of December 31, 2006, 18 of the Authority's 51 employees qualified for retirement. These employees had 20 years of service or had reached the age of 55 with 10 years of service. The total accrued compensated sick leave balances for those 18 employees totaled \$570,186. Of this total, \$497,437 was charged to federal programs (\$318,438 federal, \$162,278 Section 8 Voucher program, \$16,061 Section 8 Moderate Rehabilitation, and \$660 Comprehensive Grant Program) and the remaining \$72,748 was charged to state programs. The state-prescribed compensation for unused sick leave would have resulted in a \$99,488 expense for the programs. Because the state policy was not used, HUD programs were charged excessive costs totaling \$397,950.

The Authority's management agreed that the current policy resulted in excessive costs and has initiated action to change its policy regarding the compensation for unused sick leave. As part of this change, the Authority's management plans to confer with its union representatives and reach agreement for implementing these changes.

Conclusion

The Authority's unused sick leave policy was not prudent in comparison with the state policy and resulted in \$397,950 in unnecessary and unreasonable expense to the federal programs operated by the Authority. This policy also represents an excessive future liability against the Authority's federal programs. The Authority's management is working to resolve the issue regarding the

compensation for unused sick leave and needs to continue working with all parties involved to resolve this matter.

Recommendations

We recommend that the director of the Office of Public Housing ensure that the Authority

- 3A. Change its unused sick leave policy to reflect a more prudent compensation practice for unused sick leave charged to federal programs, immediately limit the unused sick leave charges made to federal programs to 20 percent of the total accrual, and require amounts in excess of 20 percent to be paid from nonfederal funds.
- 3B. Reverse the \$397,950 accrual to federal program through prior-years adjustments for unused sick leave, document accruals, submit an accounting of the accruals for at least the next six months or as required by HUD, and make payments of any future compensation for the excess unused sick leave (above 20 percent) effective immediately from non-federal funds.

RESULTS OF AUDIT

Finding 4: The Authority's Cost Allocations Lacked Support and Its Accounting Controls over Interprogram Transfers Were Weak

The Authority misallocated administrative salaries and did not reconcile differences in its interfunds program receivables and payables. These conditions occurred because the Authority did not clearly define or have a supportable basis for its cost allocation plan and did not properly account for its interprogram funds transactions. As a result, the Authority's allocation of administrative salaries totaling \$354,139 was not supported, and interprogram funds transfers resulted in an imbalance of \$556,967, which also could result in a misstatement of program revenues and expenses for the programs involved.⁴

Allocation of Administrative Salaries in 2006 and 2007 Was Unsupported

The Authority allocated \$354,139 in administrative salaries for the director of development, the executive director's secretary, the moderate rehabilitation secretary, and the junior accountant for fiscal years 2006 and 2007. The Authority followed an allocation plan it developed for allocating these program costs. A review of the salary costs charged indicated that the costs were not reflective of the level of effort associated with the administration of the program. The plan allocated all administrative salary costs for the director of development, executive director's secretary, moderate rehabilitation secretary, and junior accountant to the public housing program. A review of job descriptions for these individuals indicated that they assisted in the administration of all federal and state programs. For instance, the junior accountant was responsible for the accounts payable for the entire Authority including all federal and state programs. Discussions with Authority personnel confirmed that these employees worked on more than just the federal public housing program.

The plan allocated costs based on predetermined or budgeted percentage rates. However, the percentage rates were not based on the level of effort associated with the administration of each program, and the Authority had not developed the support for the determination in the plan to allocate all of these administrative salary costs to the federal public housing program, nor could it support the allocation used for the administrative salaries. It had not conducted a time study to determine the level of effort and chargeable time associated with the

⁴ The Authority's primary housing programs are federal and state operating, federal capital, state modernization, and federal and state leased housing programs.

administration of any of its federal or state programs. It also did not have time sheets or time cards that tracked employees' time by activity or program for determining chargeable salary costs. The Authority's use of predetermined salary percentages did not properly allocate the administrative salary costs charged since the amount charged was not reflective of the level of effort associated with the administration of the program charged.

Interprogram Receivables and Payables Were Out of Balance

The Authority's interprogram receivable and payable accounts among the various programs administered by the Authority were out of balance by \$556,967. The interprogram imbalance was the result of fund transfers between the HOPE VI and Homeownership programs that occurred because of a cost/benefit consideration the Authority implemented in restructuring its accounts as required by the latest appropriations acts.

Transfers into the Homeownership program became part of the "assets held for resale" account. At the end of fiscal years 2004 and 2005, the balances in this account were estimates of what was believed to be the remaining cost associated with the inventory of homes yet to be sold. Eventually, the amount in the account was reduced and eliminated in the transactions that resulted from the sale of the homes. The imbalance in the interprogram receivables and payables was clearly reflected in the accounts as the result of the sale of the last home in the Homeownership program. However, the Authority did not have written procedures in place to reconcile interprogram accounts and investigate and correct imbalances. As a result, the unbalanced interprogram accounts could cause a misstatement of program revenues or expenses for the program involved.

Conclusion

There is little assurance that the costs identified above were appropriately allocated to HUD programs. The Authority's plan governing its allocation of costs was not reasonable and did not provide for a supportable determination of the chargeable time and costs for each activity or program. The plan used predetermined percentages to allocate shared resources' salaries and cost, which were not supported by a time study that determined the chargeable time and costs for each activity. Also, the Authority's interfund transactions resulted in an imbalance between its interprogram accounts receivable and payable accounts, and it did not have procedures to reconcile accounts involving interprogram transactions. A clearly supportable allocation and stronger controls over interfund

transfers will help to ensure that the Authority properly accounts for all of its federal funds and will provide assurance to HUD that the Authority has appropriately allocated all of its costs to its federal programs.

Recommendations

We recommend that the director of the Office of Public Housing require the Authority to

- 4A. Conduct a time study on a periodic or annual basis to determine the proper allocation of salaries and benefits to the Voucher and Public Housing Operating Fund programs.
- 4B. Provide support for salary expenses totaling \$354,139 charged to the Voucher and Public Housing Operating Fund programs or reimburse these federal programs accordingly.
- 4C. Provide support for interprogram transactions totaling \$556,967 or, if support cannot be provided, reimburse the applicable federal programs accordingly.

SCOPE AND METHODOLOGY

We conducted the audit between January and May 2007. Our fieldwork was completed at the Authority's central office located at 475 Maple Street, Holyoke, Massachusetts. Our audit covered the period January 1, 2004, to December 31, 2006, and was extended when necessary to meet our objectives. To accomplish our audit objectives, we

- Interviewed the Authority's directors of operations, management, and housing opportunities; chief financial officer; lead inspector; and lease housing and fee accountants to determine policies and procedures to be tested.
- Reviewed the financial statements, general ledgers, tenant files, rent reasonableness data, and cost allocation plans as part of our testing for control weaknesses.
- Reviewed program requirements including federal laws and regulations, Office of Management and Budget circulars, the consolidated annual contributions contract between the Authority and HUD, and the Authority's administrative plan to determine its compliance to applicable HUD procedures.
- Selected and reviewed a statistical sample of 44 of the Authority's Voucher program households' files using EZ-Quant, a statistical analysis audit tool designed by the Defense Contract Audit Agency, from the Authority's 987 active Voucher program households as of March 1, 2007, to determine whether the Authority performed annual recertifications in a timely manner, maintained proper documentation to support tenant eligibility, and maintained supporting documentation and correctly calculated its housing assistance payments. Our sampling criteria used a 90 percent confidence level, 3 percent estimated error rate, and precision of plus or minus 10 percent.
- For the fiscal year ending December 31, 2006, identified 18 Authority staff that had 20 years of service or had reached the age of 55 with 10 years of service to determine who qualified for sick leave that equaled one day's pay for every one day of unused sick leave that would potentially be paid upon a person's death or retirement.
- For the period January 2004 through December 2006, reviewed the Authority's accounting controls over cost allocation and interprogram receivable and payables to determine whether the Authority had accounting controls in place to safeguard its assets.
- Summarized the results of our analyses.

We performed our review in accordance with generally accepted government auditing standards.

INTERNAL CONTROLS

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

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

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

- Controls over tenant eligibility, calculating housing assistance payments, tenant payments, and utility allowances;
- Controls over rent reasonableness;
- Controls over voucher use (eligibility, waiting lists, and use);
- Controls over housing quality standards inspections;
- Controls over expenditures to ensure that they were necessary and reasonable;
- Controls over Section 8 program accounting and reporting; and
- Controls over accounting for cost allocation and interprogram receivables and payables.

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 determined the following items to be significant weaknesses:

The Authority's

- Controls over tenant eligibility, calculating housing assistance payments, tenant payments, and utility allowances did not ensure housing assistance payments were properly calculated and supported and tenant files contain all the required tenant eligibility documentation (finding 1).
- Controls over rent reasonableness determinations did not ensure that the determinations of rents for units were conducted based on relevant factors identified in HUD regulations and its own administrative plan (finding 2).
- Controls over accounting for cost allocation and interprogram receivables and payables did not ensure a clearly defined or a supportable basis for its cost allocation plan and its interprogram funds were accounted for properly (finding 4).

APPENDIXES

Appendix A

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

Recommendation number	Ineligible <u>1/</u>	Unsupported <u>2/</u>	Unreasonable or unnecessary <u>3/</u>	Funds to be put to better use <u>4/</u>
1C		2,605		
1D		2,073		
2C	106,830			
3B				397,950
4B		354,139		
4C		556,967		
Totals	106,830	915,784	0	397,950

- 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 polices 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 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/ Unreasonable/unnecessary costs are those costs not generally recognized as ordinary, prudent, relevant, and/or necessary within established practices. Unreasonable costs exceed the costs that would be incurred by a prudent person in conducting a competitive business.
- 4/ 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. This includes reductions in outlays, deobligation of funds, withdrawal of interest subsidy costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings which are specifically identified.

AUDITEE COMMENTS AND OIG'S EVALUATION

Appendix B

Ref to OIG Evaluation

Auditee Comments



HOLYOKE HOUSING AUTHORITY AN EQUAL OPPORTUNITY / AFFIRMATIVE ACTION AGENCY

ADMINISTRATION BUILDING, 475 MAPLE STREET, HOLYOKE, MASSACHUSETTS 01040
TELEPHONE (413) 539-2220, FAX (413) 539-2227, T.D.D. 1-800-545-1833 EXT. 510

RAYMOND P. MURPHY, JR.
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JUAN PEDROSA
Commissioner

August 15, 2007

via fax/mail 617-565-6878

Kevin Smullen
Assistant Regional Inspector General for Audit
U.S. Dept. of HUD-Office of Inspector General
10 Causeway Street, Room 370
Boston, MA 02222-1092

Dear Mr. Smullen:

Enclosed please find the Holyoke Housing Authority's response to the draft audit report. I am enclosing supporting documentation with regard to Finding 4A and B, Salary Allocations.

I would like to thank your office for granting us an additional week to respond to this report.

If you have any questions or need additional information, please contact Rosalie Deane of my staff at 413-539-2204.

Very truly yours,

Raymond P. Murphy, Jr.
Executive Director

Cc: Donna Ayala, Director
John A. Dvorak, Regional Inspector General for Audit
Taylor Caswell, Regional Director
Robert Doocey, Senior Auditor

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Comment 1

Finding 1: *Housing Assistance Payments Were Not Always Properly Calculated and Tenant Eligibility Was Not Always Properly Supported*

Response to Recommendations:

1A. The Holyoke Housing Authority agrees to strengthen its internal controls to ensure that Authority staff follows the Authority's policies and procedures over housing assistance and utility allowance calculations and payments, and to ensure that payments are made in accordance with HUD's requirements and its administrative plan.

All Program Representatives have been given a copy of the Authority's new Section 8 Administrative Plan and have been directed to read and review it thoroughly and to refer to it in the event any questions arise. Furthermore, all Representatives do manual calculations which are verified through the computer system for accuracy. The Lead Program Representative is responsible for quality control and for conducting a statistical sampling to ensure that correct housing assistance payments are being made and that the correct utility allowance is being utilized.

1B. The Holyoke Housing Authority agrees to ensure that Authority staff performs adequate quality control reviews to ensure that all required documentation is maintained in its Voucher Program tenant files to support the eligibility of each tenant and to support the housing assistance payments.

Program Representatives use a checklist to ensure that all required documentation is present in the tenant file folders. The presence of these documents is double-checked by the Lead Program Representative during the quality control process.

1C. The Holyoke Housing Authority has verified the overpayment of \$2,605 in housing assistance payments for six Section 8 tenants. These inaccuracies are attributed to human error and have been brought to the attention of Section 8 Program Representatives. The Authority will negotiate with the HUD Field Office – Boston as to reimbursement.

1D. The Holyoke Housing Authority will reimburse to the four Section 8 tenants the underpayment of housing assistance totaling \$2,073. These inaccuracies are attributed to human error and have been brought to the attention of Section 8 Program Representatives.

Comment 1

Finding 2: *The Authority Did Not Adequately Conduct Its Rent Reasonableness Determinations in Accordance with HUD Requirements*

Response to Recommendations:

2A. The Holyoke Housing Authority agrees to establish controls that ensure HUD requirements and its administrative plan are followed in conducting reasonable rents determinations. The Authority will implement a computerized database by commissioning a market study to use as a baseline for the database. We estimate the

timeline for implementing the market study and Rent Reasonable Module to be approximately 6 months. After the initial market study and implementation of the module, the database will be updated monthly using resources such as landlord surveys and classified advertisements.

2B. The Holyoke Housing Authority will provide training for all Authority personnel involved in rent reasonableness determinations. The Rent Reasonable determination will be documented in each individual tenant file.

2C. While the Holyoke Housing Authority agrees that it was not following their own Section 8 Administrative Plan in total, there is a strong belief that the spirit of the Rent Reasonable regulation was supported in practice by the Authority. The Holyoke Housing Authority does not approve a HAP contract until the Authority has determined that the rent is reasonable.

According to 8-III.A. of the Authority's Section 8 Administrative Plan, the purpose of the rent reasonableness test is to ensure that a fair rent is paid for each unit rented under the Housing Choice Voucher Program. The Holyoke Housing Authority does ensure that rents charged under the HCVP do not exceed the rent charged for comparable unassisted units by a number of methods including landlord self-certification and on-site inspections and interviews with tenants of unassisted units. The Authority makes every effort to safeguard the taxpayer dollar and does not pay above the Fair Market Rents established in the area. There were no instances where auditors discovered unreasonable rents being paid to landlords.

The Office of the Inspector General recommends the Holyoke Housing Authority recapture or offset 5% of the administrative fees for fiscal years 2004, 2005, and 2006 in the amount of \$106,830 for not performing rent reasonableness determinations in accordance with HUD's rules and regulations or the Authority's administrative plan. The Holyoke Housing Authority requests approval to offset this amount with the costs associated with commissioning an outside contractor to perform a market study as well as the costs necessary for initial data entry required in order to implement the Rent Reasonable module and the technical services agreement of the housing software module. The Authority will negotiate the terms of the offset with HUD Field Office – Boston.

Comment 2

Finding 3: The Authority's Personnel Policy Regarding Payment for Unused Sick Leave Exceeded State Payment Practices

Response to Recommendations:

3A. Prior to the audit from the Office of the Inspector General, the Holyoke Housing Authority had begun negotiating the union collective bargaining agreements and had preliminary discussions with regard to the sick leave policy. The Holyoke Housing Authority will continue to work diligently with its Board of Commissioners and employee labor unions to change its unused sick leave policy to reflect a more prudent compensation practice. The Holyoke Housing Authority agrees with the auditor's recommendation to establish an effective date to change this policy moving forward with

a goal of January 1, 2008. The Authority will work with the HUD Boston field office to resolve this issue.

3B. The Holyoke Housing Authority will discuss this recommendation with the HUD Boston Field Office and will work to resolve this issue.

Comment 3

Finding 4: The Authority's Cost Allocations Lacked Support and Its Accounting Controls over Interprogram Transfers Were Weak

Response to Recommendations:

4A. The Holyoke Housing Authority has completed a time study to determine the proper allocation of salaries and benefits to the Voucher and Public Housing Operating Fund programs. The 2007 Salary Schedule was revised to reflect a more accurate cost allocation for the four positions in question and the Director of Development was not funded in 2007. The documentation is attached.

4B. The Holyoke Housing Authority is providing support for salary expenses totaling \$354,139 charged to the Voucher and Public Housing Operating Fund programs. The documentation is attached.

4C. The Holyoke Housing Authority can provide support for interprogram transactions totaling \$556,967. The Authority agrees with the Auditor's facts that interprogram balances were out of balance and that they were related to transactions between the Hope VI program and the Homeownership program. These transactions were in part Auditors' adjusting entries reflecting their estimates or calculations of the value of "Assets Held for Resale".

Support for the adjustment is hard to provide beyond the simple fact that at the end of the Homeownership program the value of the "Assets Held for Resale" was eliminated along with the sale of the units, regardless of whatever estimates had originally been made, and the corresponding interprogram balance was adjusted along with its elimination. It is important to note that the \$556,967 adjustment served to benefit the Federal Hope VI program, so any reimbursement would work to cost the Federal program unjustifiably.

The Authority has now implemented procedures wherein the interprogram receivables and payables are reconciled on a regular monthly basis. The new accounting software we are in the process of implementing should also provide better controls over this area of accounting and internal controls.

HOLYOKE HOUSING AUTHORITY
 SCHEDULE OF MAXIMUM APPROVABLE SALARIES
 BUDGET FIVE DECEMBER 31, 2007

09/03/2007 02:33 PM

ADMINISTRATION

03-Aug-2007 POSITION	2006 Budget	current ACTUAL	2007 Budget	MA ±1	\$ B HCY	\$ B MB	400C	689-1	MRVE	HOPE VI	Remov.Dev	PHDER	StMed.1918	Boss	CGE	Maximum Approvable TOTALS
EXECUTIVE DIRECTOR 1 Murphy, Ray	111,381	111,381	115,836 1,040	48,777 0.421	47,657 0.411	4,728 0.041	10,280 0.089	235 0.002	4,158 0.038							115,836 1,000
ASST EXEC DIR for MGT 2 Deane, Rosalie	83,386	83,386	86,732 1,040	35,529 0.410	34,713 0.400	3,444 0.040	9,140 0.105	209 0.002	3,698 0.043							86,732 1,000
ASST EXEC DIR for OPs 3 Coulter, John	79,313	79,313	82,488 1,040	60,181 0.730	0 0.000	0 0.000	6,202 0.075	565 0.007	0 0.000				6,977 0.085		8,561 0.104	82,488 1,000
DIRECTOR OF FINANCE 4 Darcy, Anne	70,522	70,522	73,343 1,040	31,167 0.425	30,452 0.415	3,021 0.041	6,097 0.083	140 0.002	2,467 0.034							73,343 1,000
Dir of Development was HOPE VI DIREC 5 Vacant	70,522	70,522	0 0.000	0 0.000	0 0.000	0 0.000	0 0.000	0 0.000	0 0.000						0 0.000	0 0.000
HOPE VI ASST. DIRECTOR 6 Eliminated	44,742	44,742	0 0.000	0 0.000	0 0.000	0 0.000	0 0.000	0 0.000	0 0.000	0 0.000					0 0.000	0 0.000
DIR of HOUSING OPPORTUNITIES 7 Maccini, Rita	70,522	70,522	73,343 1,040	53,023 0.731	0 0.000	0 0.000	19,183 0.262	538 0.007	0 0.000					0 0.000		73,343 1,000
DIRECTOR OF ADMIN. & OCCUPANCY 8 Combs, Mary	45,299	45,299	47,111 1,040	18,253 0.387	16,732 0.385	1,711 0.038	8,280 0.178	90 0.002	2,044 0.043							47,111 1,000
LEAD HOUSING PROG REP 9 Fern, C	40,509	40,509	42,545 1,040	0 0.000	37,125 0.873	2,580 0.060	0 0.000	0 0.000	2,860 0.067							42,545 1,000
LEASED HOUSING PROG REP 10 Quin, C	32,677	32,677	33,984 1,040	0 0.000	30,393 0.912	2,991 0.089	0 0.000	0 0.000	0 0.000							33,984 1,000
LEASED HOUSING PROG REP 11 Santigo, J.	32,677	32,677	33,984 1,040	0 0.000	30,683 0.912	2,981 0.088	0 0.000	0 0.000	0 0.000							33,984 1,000
LEASED HOUSING PROG REP 12 M. Curran	32,677	32,677	33,984 1,040	0 0.000	30,993 0.912	2,991 0.088	0 0.000	0 0.000	0 0.000							33,984 1,000
Lead LH. INSPECTOR 13 N. Ottomanello	40,509	40,509	42,545 1,040	0 0.000	38,801 0.912	3,744 0.088	0 0.000	0 0.000	0 0.000							42,545 1,000
L. H. INSPECTOR 14 Kane, Pat	34,763	34,763	36,154 1,040	15,189 0.420	14,840 0.410	1,472 0.041	4,549 0.126	104 0.003	0 0.000							36,154 1,000
STAFF ACCOUNTANT 15 Bay, Rosemary	44,742	44,742	46,532 1,040	18,406 0.388	17,984 0.386	1,784 0.038	5,855 0.126	134 0.003	2,369 0.051							46,532 1,000
EXEC. SECRETARY 16 L. Zeigler	43,789	43,789	45,641 1,040	30,631 0.673	6,813 0.145	649 0.014	7,217 0.158	175 0.004	382 0.006							45,641 1,000
SECRETARY 17 Megan Hance	35,350	35,350	36,764 1,040	31,249 0.850	0 0.000	0 0.000	0 0.000	0 0.000	0 0.000					5,515 0.180		36,764 1,000
JUNIOR ACCOUNTANT 18 Cassidy, Joyce	34,514	34,514	35,885 1,040	24,143 0.673	5,212 0.145	507 0.014	5,688 0.158	138 0.004	207 0.006							35,885 1,000
CLERK CASHIER 19 Vacant	29,919	29,919	0 0.000	0 0.000	0 0.000	0 0.000	0 0.000	0 0.000	0 0.000							0
CLERK CASHIER 20 D. Wagner	20,910	20,910	31,116 1,040	21,254 0.683	0 0.000	0 0.000	9,553 0.308	269 0.009	0 0.000							31,116 1,000
PURCHASING DIRECTOR 21 J. Hesly	45,324	45,324	47,137 1,040	21,104 0.448	18,164 0.385	1,802 0.038	5,931 0.126	136 0.003	0 0.000							47,137 1,000
RECEPTIONIST 22 Courchesne, I	31,725	32,677	32,677 1,000	32,677 1,000	0 0.000	0 0.000	0 0.000	0 0.000	0 0.000							32,677 1,000
MIS DIRECTOR 23 Burbank, B.	52,214	52,214	54,303 1,040	24,313 0.448	20,925 0.385	2,078 0.038	6,832 0.126	156 0.003	0 0.000							54,303 1,000
Facilities Coordinator 24 R. Krawczynski	64,263	64,263	66,834 1,040	53,354 0.798	0 0.000	0 0.000	12,802 0.193	578 0.009	0 0.000							66,834 1,000
STOREKEEPER 25 M. Lajoie	37,096	37,096	38,580 1,040	31,189 0.808	0 0.000	0 0.000	6,670 0.173	241 0.019	0 0.000							38,580 1,000
CLERK OF WORKS 26 Eliminated			0 0.000	0 0.000	0 0.000	0 0.000	0 0.000	0 0.000	0 0.000		0				0	0
TENANT INVESTIGATOR 27 Colan, A	35,426	35,426	36,843 1,040	36,843 1,000	0 0.000	0 0.000	0 0.000	0 0.000	0 0.000							36,843 1,000
GRANT ACCOUNTANT 28 N. Field	38,350	38,350	39,884 1,040	0 0.000	0 0.000	0 0.000	0 0.000	0 0.000	0 0.000				17,150 0.430	22,734 0.570		39,884 1,000
DIRECTOR of MOD and MAINTENANCE 29 Melville, Matthew	70,522	70,522	73,343 1,040	22,220 0.305	0 0.000	0 0.000	14,089 0.192	0 0.000	0 0.000						37,034 0.505	73,343 1,000
HOUSING MGR 30 Rosemary Thompson	34,760	34,760	36,150 1,040	36,150 1,000	0 0.000	0 0.000	0 0.000	0 0.000	0 0.000							36,150 1,000
PROPERTY MANAGER 31 Reyes, Jesse	46,350	46,350	48,204 1,040	0 0.000	0 0.000	0 0.000	45,312 0.940	2,892 0.060	0 0.000							48,204 1,000
HOUSING MGR 32 Dot Stefanik	34,278	35,306	36,150 1,024	36,150 1,000	0 0.000	0 0.000	0 0.000	0 0.000	0 0.000							36,150 1,000
TENANT SERVS. ADVOCATE 33 C. Baez	35,426	35,426	36,843 1,040	36,843 1,000	0 0.000	0 0.000	0 0.000	0 0.000	0 0.000							36,843 1,000

Appendix B

MESSENGER/CLERK 34 Open	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
RESIDENT SERVICE COORD 35 Open	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
FSS Coordinator (ROSS) 30 Open	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
SECTION 8 FSS CASE MANAGER 37 Jenny Velez	39,349	39,349	39,883 1,040	0	39,883 1,000	0	0	0	0	0					39,883 1,000	
ACCOUNTANT 38 Open was MacDonald, K	53,701	53,701	0.000	0	0	0	0	0	0	0			0		0	
LIFE SKILLS SPECIALIST 39 Healy, J.	39,350	39,350	39,884 1,040	0	0	0	39,884 1,000	0	0						39,884 1,000	
HUMAN RESOURCE MANAGER 40 S. Marciniak	48,402	46,402	50,338 1,040	20,765 0.413	19,397 0.385	1,925 0.038	6,334 0.126	145 0.003	1,773 0.025						50,338 1,000	
PH FSS Caseworker 41 Bailargeon, R.	39,350	39,350	39,884 1,040	0	0	0	0	0	0				39,884 1,000		39,884	
Home Ownership Counselor 42 Libby Hernandez	39,349	39,349	39,884 1,040	0	39,884 1,000	0	0	0	0						39,884	
LONGEVITY	9,125	9,125	11,000 1,205	4,224 0.384	3,672 0.352	396 0.038	2,013 0.183	22 0.002	473 0.043						11,000 1,000	
Merit Increase Pool	2,971	2,971	0	0 0.000	0 0.000	0 0.000	0 0.000	0 0.000	0 0.000						0	
	1,801,873	1,803,853	1,685,716	744,212	485,233	38,786	232,051	7,268	20,311	0	0	0	24,127	39,884	73,844	1,685,717
PY '08				838,834	463,286	38,281	217,219	6,576	19,085	44,742	0	0	29,649	67,389	76,812	1,801,873
					0.924		39,884 #1900		137855 grants							
							102,167 #4110		218992				80737 shift			
	Original 2008 budget	838,834	463,286	38,281	217,219	6,576	19,085	44,742	0	0	29,649	67,389	76,812	1,801,873		
		(94,922)	21,547	505	14,832	892	1,226	(44,742)	0	0	(5,522)	(27,505)	(2,968)	(136,166)		
PERCENT OF PRIOR YL:	0.923421	0.887	1.047	1.013	1.068	1.105	1.064	0.000	ERR							
				5-1	S & HCV	S & MR	490C	683-1	MRVP	HOPE VI	Ramos Dev	PHDEP	St Mod 1016	Ross	CGP	
							Total Sl.	205,647	prior yr.							
								220,042	w/ 7% increase							
								219,746	1,0886							
								298	OK							

Appendix B

Holyoke Housing Authority - Appendix B
Finding 4A

	Federal Program Share Original Budget Allocation - IG's Number			85%
	2006	2007	Total	
Dir of Dev	59,944	62,342	122,286	
Ex Secretary	43,789	45,541	89,330	
Secretary	35,350	36,754	72,114	
Jr. Acct	34,514	35,895	70,409	
Total	173,597	180,542	354,139	

	Federal Program Share Revised Budget Allocation - HHA Current Allocation		
	Original 2006	Revised 2007	Total
Dir of Dev	59,944	0	59,944
Ex Secretar	43,789	37,857	81,676
Secretary	35,350	36,764	72,114
Jr. Acct	34,514	29,862	64,376
Total	173,597	104,513	278,110 **

	Federal Program Share Positions Allocated by Units: 2006 & 2007			Federal = State =	81.3% 18.7%
	Unit Pro Revised 2006	Unit Pro Revised 2007	Total		
Dir of Dev	48,734	0	48,734		
Ex Secretary	35,600	37,025	72,625		
Secretary	28,740	29,880	58,620		
Jr. Acct	26,060	29,183	57,243		
Total	141,134	96,067	237,231	Total Federal Share 2006/2007	

** 278,110 Actual Salaries Allocations in Question
(\$40,879) State & Other Funds due to Fed.

OIG Evaluation of Auditee Comments

- Comment 1: The Authority agreed with the recommendations. The Authority's planned actions will be reviewed by HUD-PIH as part of the process to address and resolve the findings contained in the report.
- Comment 2: The Authority has agreed to work with HUD to resolve the recommendations. The Authority's planned actions will be reviewed by HUD-PIH as part of the process to address and resolve the findings contained in the report. However, the Authority should only charge the federal programs 20 percent of the total accrual for unused sick leave and begin immediately regardless of when it changes its internal policy. Any accrual amount in excess of 20 percent should be paid from nonfederal funds. After discussions with HUD PIH, the recommendations were modified to reflect that federal programs should no longer be charged more than 20 percent for the unused sick leave accrual, and that the Authority should provide monthly accounting of its accruals for unused sick leave.
- Comment 3: The Authority agreed with the recommendations and initiated corrective action. The Authority also attached support for salary expenses to its response. The documentation provided will be reviewed by HUD-PIH as part of the process to address and resolve the findings contained in the report.

Appendix C

TENANT FILE REVIEWS – SCHEDULE OF DEFICIENCIES AND HOUSING ASSISTANCE OVERPAYMENTS/UNDERPAYMENTS

Authority client #	Missing birth certificate	Missing Social Security card	Did not establish eligible immigration status	Missing third-party verification	Incorrect utility allowance	Incorrect payment standard	Missing lease addendum or tenancy addendum (HUD Form 52641-A)	Housing assistance overpayment/underpayment
5435								
221							x	
4922		X					x	
722							x	\$148
10101						x		
9399			x					\$895
1231								
7474					x		x	
5206								
1637							x	\$930
3112	x						x	
1438								
1439				x			x	\$(210)
1505	x	x			x		x	
5885	x							
907								
2998							x	
1652					x		x	\$48
605					x		x	
534							x	
7307	x		x				x	\$540
897				x				\$44
1245								
1377				x			x	\$(1,778)
10704								
8426								
1602						x	x	
1698							x	
6857					x		x	\$(11)
1286							x	
7183				x			x	
1262	x			x	x			\$(74)
1551								
6756				x				
1111								
10291								
582	x	x					x	
1538								
1368						x	x	
10644								
1367	x						x	
4898	x	x					x	
1393								
901	x	x						
Total	9	5	2	6	6	3	23	\$532

Appendix D

SELECTED CRITERIA FOR THE SECTION 8 VOUCHER PROGRAM

Consolidated Annual Contributions Contract, Section 11a, Use of Program Receipts: The HA [housing authority] must use program receipts to provide decent, safe, and sanitary housing for eligible families in compliance with the U.S. Housing Act of 1937 and all HUD requirements. Program receipts may only be used to pay program expenditures.

24 CFR [*Code of Federal Regulations*] 985.3B(ii)(b), SEMAP [Section 8 Management Assessment Program] Indicator 2, Form Reasonable Rent: The authority must report performance under 24 CFR 985.3B(ii)(b), SEMAP Indicator 2, Form Reasonable Rent. The authority self-certifies that it “takes into consideration the location, size, type, quality, and age of the program units and of similar unassisted units and any amenities, housing services, maintenance, or utilities provided by the owners.”

24 CFR [*Code of Federal Regulations*] 982.54, Administrative Plan: “(a) The PHA [public housing authority] must adopt a written administrative plan that establishes local policies for administration of the program. (b) The PHA must revise the administrative plan if needed to comply with HUD requirements. (c) The PHA must administer the program in accordance with the PHA administrative plan.”

24 CFR [*Code of Federal Regulations*] 982.507(4)(b): Consideration for rent reasonableness determinations must be given to not only location and bedroom size but quality, size, type, and age of the contract unit and any amenities, housing services, maintenance, and utilities to be provided by the owner.

24 CFR [*Code of Federal Regulations*] 982.152(2)(d): HUD may reduce or offset any administrative fee to the PHA, in the amount determined by HUD, if the PHA fails to perform PHA administrative responsibilities correctly or adequately under the program.