



U. S. Department of Housing and Urban Development

New York/New Jersey Office
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**MEMORANDUM NO:
2005-NY-1801**

December 14, 2004

MEMORANDUM FOR: Joan K. Spilman, Director, Public Housing Division, 2CPH

Alexander C. Malloy

FROM: Alexander C. Malloy, Regional Inspector General for Audit, 2AGA

SUBJECT: Section 8 Housing Choice Voucher Program
City of Niagara Falls, NY404
Niagara Falls, NY

INTRODUCTION

We completed an audit survey of the City of Niagara Falls' Section 8 Housing Choice Voucher program. The primary objective of our survey was to assess the City of Niagara Falls' management controls and procedures over the administration of its Section 8 program to determine whether any areas need additional audit coverage. The purpose of the assessments was to determine whether the City of Niagara Falls (1) verified the accuracy of the information on Section 8 applicants' applications, as well as Section 8 participants' recertification forms; (2) properly calculated the amount of participants' housing assistance payments; (3) ensured that participants were provided decent, safe, and sanitary housing; and (4) ensured that it is accurately reporting information to the U. S. Department of Housing and Urban Development (HUD).

The survey results show that the areas reviewed during our survey do not warrant additional audit coverage. However, the results disclosed that the City of Niagara Falls' controls over complying with HUD's reporting requirements are weak. The results of this disclosure are contained in this memorandum with recommendations for corrective action. We provided a draft copy of the report to the City of Niagara Falls, who generally agreed with the findings and recommendations and declined to provide written comments to the draft report.

In accordance with HUD Handbook 2000.06, REV-3, within 60 days, please provide us for each recommendation in this memorandum, a status report on (1) the corrective action taken, (2) the proposed corrective action and the date to be completed, or (3) why action is considered unnecessary. Additional status reports are required at 90 days and 120 days after the report is

issued for any recommendation without a management decision. Also, please furnish us copies of any correspondence or directives issued because of our review.

METHODOLOGY AND SCOPE

We performed our onsite work at the City of Niagara Falls Leased Housing Office and the HUD Buffalo Field Office. Generally, the survey covered the period between January 1, 2003, and August 31, 2004; however, it was extended as necessary. Our onsite survey work was conducted between September and November 2004.

We interviewed members of HUD's staff and employees of the City of Niagara Falls. Also, we reviewed program records maintained at HUD and the City of Niagara Falls.

BACKGROUND

The City of Niagara Falls administers Section 8 programs consisting of a voucher program with 788 vouchers and a moderate rehabilitation grant with 15 units. Also, the City of Niagara Falls manages 349 vouchers of the New York State Division of Community Renewal's Section 8 program in Niagara County, NY. Our survey focused on the 788 vouchers. For these vouchers, the City of Niagara Falls has been authorized \$3,278,661, of which \$2,900,929 was disbursed during fiscal year 2004. The Section 8 program's waiting list consists of 1,100 applicants.

SURVEY RESULTS

Our survey results show that the City of Niagara Falls is generally administering its Section 8 program in accordance with the program's requirements. However, the survey results disclosed weaknesses over the controls relating to HUD's reporting requirements. We found that incorrect Social Security numbers were entered into, and participants' actions were not recorded in HUD's Multifamily Tenant Characteristics System.

Incorrect Social Security Numbers Were Entered into the Multifamily Tenant Characteristics System

We found that the Social Security numbers for three Section 8 participants were incorrectly entered into HUD's Multifamily Tenant Characteristics System. For two of the participants, the City of Niagara Falls entered incorrect Social Security numbers into its own computer system and uploaded them into the HUD system. In both cases, the City of Niagara Falls made the changes in its own system but failed to ensure that the corrections were recorded in the HUD system. The Director of the Section 8 program indicated that officials of the program believed that they performed the correct procedures for a Social Security number change in the City of Niagara Falls' system. However, the HUD system rejected the submissions because there were no records of the correct Social Security numbers in the HUD system. The Director has been communicating with HUD officials to determine how to properly reflect the changes.

Regarding the third participant, we found that the City of Niagara Falls entered an invalid Social Security number into the Multifamily Tenant Characteristics System. The error was not

discovered throughout the time the participant received Section 8 benefits. Based on these results, we examined the current information in the Multifamily Tenant Characteristics System and found that four participants were entered into the system twice with different Social Security numbers. The Social Security numbers differed by one digit for each duplicate participant. We provided a list of the duplicate participants to the City of Niagara Falls so the necessary corrections can be made.

Two negative effects of an incorrect Social Security number are (1) participants can receive Section 8 benefits from more than one public housing authority without being readily detected and (2) information, such as income, can not be properly verified when performing computer matching of data in computer systems of other agencies, such as the Social Security Administration, the Internal Revenue Service, and the New York State Department of Social Services.

Participants' Actions Were Not Recorded in the Multifamily Tenant Characteristics System

For three cases, we found that participants' actions were not recorded in the HUD Multifamily Tenant Characteristics System. In one case, the participant had ended participation in the program; however, that action was not recorded in the HUD system. The City of Niagara Falls recorded the action in its own computer system, which did not upload the data into the HUD system. The Director is working with their computer system software personnel to determine why this occurred. The City of Niagara Falls assumed that actions recording the end of participants' participation were correctly reflected in the HUD system since those participants were removed from the City of Niagara Falls' system.

Regarding the other two cases, earlier participant actions were not recorded in the Multifamily Tenant Characteristics System. The Director of the Section 8 program believes that in one case, the data was not uploaded to the HUD system due to a software upgrade. In the other case, the Director believes that an error was made when the information was originally uploaded to the HUD system. The City of Niagara Falls made the correction in its system; however, the information was not automatically transmitted to the HUD system. The Director is working with HUD officials to determine how to record the transactions.

HUD requires public housing authorities to input participants' actions, including voucher issuance, voucher expiration, annual reexamination, end of participation, and others, in the Multifamily Tenant Characteristics System. At least one participant action should occur yearly and be entered into the system. We pulled information from the Multifamily Tenant Characteristics System and found 38 instances in which the system indicated that no participant action had taken place within a year. At the time of our survey completion, the City of Niagara Falls was performing the work necessary to resolve this issue.

The "Housing Choice Voucher Program Guidebook" provides that the Multifamily Tenant Characteristics System is the Department's automated system for recording demographic information about assisted families and data about units they occupy. It states further that HUD uses the data to monitor and assess each public housing authority's performance. We believe that

the City of Niagara Falls needs to ensure that the information in the Multifamily Tenant Characteristics System is current and accurate at all times. To accomplish this task, the City of Niagara Falls should implement a quality control plan to ensure that the information that is reported to HUD is current and accurate. Further, the City of Niagara Falls needs to match its rent roll and system data to the information in the HUD system periodically and reconcile all differences.

RECOMMENDATIONS

We recommend that the Director of the Public Housing Division, Buffalo Field Office,

- 1A. Ensure that the City of Niagara Falls develop and implement a quality control plan that includes a periodic matching of its system to the Multifamily Tenant Characteristics System.

Should you or your staff have any questions, please contact Garry Clugston, Assistant Regional Inspector General for Audit, at (716) 551-5755, extension 5901.