




Issue Date	September 29, 2006
Audit Report Number	2006-CH-1019

TO: Thomas Marshall, Director of Public Housing Hub, 5DPH

FROM:  Heath Wolfe, Regional Inspector General for Audit, 5AGA

SUBJECT: Lucas Metropolitan Housing Authority, Toledo, Ohio, Did Not Effectively Operate Its Section 8 Housing Choice Voucher Program

HIGHLIGHTS

What We Audited and Why

We audited the Lucas Metropolitan Housing Authority's (Authority) Section 8 Housing Choice Voucher program (program). The audit was part of the activities in our fiscal year 2006 annual audit plan. We selected the Authority based upon a risk analysis that identified it as having a high-risk program. Our objective was to determine whether the Authority managed its program in accordance with the U.S. Department of Housing and Urban Development's (HUD) requirements.

What We Found

The Authority's program administration regarding housing unit conditions and required documentation to support housing assistance and utility allowance payments was inadequate. Of the 62 housing units statistically selected for inspection, 49 (79 percent) did not meet HUD's housing quality standards, and 45 had 212 violations that existed at the time of the Authority's previous inspections. The 45 units had between 1 and 12 preexisting violations per unit. Based on our statistical sample, we estimate that over the next year the Authority will pay more than \$1.3 million in housing assistance payments on units with material housing quality standards violations.

The Authority failed to ensure that household files contained required documentation to support its payment of housing assistance and utility

allowances. Of the 67 files statistically selected for review, 37 did not contain the documentation required by HUD and the Authority's program administrative plan. The Authority also incorrectly calculated housing assistance payments, resulting in nearly \$23,000 in unsupported payments, more than \$21,000 in overpayments, and nearly \$1,300 in underpayments from April 2004 through March 2006.

The Authority had adequate procedures for abating units, conducted recertifications on time, and initiated quality control reinspections in June 2005.

What We Recommend

We recommend that the director of HUD's Cleveland Office of Public Housing require the Authority to reimburse its program from nonfederal funds for the improper use of program funds, provide support or reimburse its program from nonfederal funds for the unsupported housing assistance and utility allowance payments and related administrative fees, and implement adequate procedures and controls to address the findings cited in this audit report. These procedures and controls should help ensure that nearly \$2 million in program funds are spent on payments that meet HUD's requirements.

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 issued because of the audit.

Auditee's Response

We provided our file review results and supporting schedules to the director of HUD's Cleveland Office of Public Housing and the Authority's executive director during the audit. We also provided our discussion draft audit report to the Authority's executive director, its board chairman, and HUD's staff. We held an exit conference with the Authority's executive director on September 18, 2006.

We asked the Authority's executive director to provide comments on our discussion draft audit report by September 25, 2006. The Authority's executive director provided written comments dated September 25, 2006, and disagreed with our findings and recommendations. The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix B of this report.

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BACKGROUND AND OBJECTIVE

The Lucas Metropolitan Housing Authority (Authority) was established under Section 3735.27 of the Ohio Revised Code to provide decent, safe, and sanitary housing. The Authority's jurisdiction encompasses Lucas, Wood, and Fulton Counties in Ohio. A five-member board of commissioners governs the Authority. The Lucas County Common Pleas Court, Lucas County Probate Court, and Lucas County Board of County Commissioners appoint one member each to the Authority's board for five-year staggered terms. The mayor of the City of Toledo appoints two members to the board. The executive director is appointed by the board of commissioners and is responsible for coordinating established policy and carrying out the Authority's day-to-day operations.

The Authority administers a Section 8 Housing Choice Voucher program (program) funded by the U.S. Department of Housing and Urban Development (HUD). The Authority provides assistance to low and moderate-income individuals seeking decent, safe, and sanitary housing by subsidizing rents with owners of existing private housing. As of August 1, 2006, the Authority had 3,231 units under contract with annual housing assistance and utility allowance payments totaling more than \$17 million in program funds.

Our objective was to determine whether the Authority managed its program in accordance with HUD's requirements.

RESULTS OF AUDIT

Finding 1: Housing Quality Standards Inspections Were Poor

The Authority did not adequately enforce HUD's housing quality standards. Our inspections found that 49 of the 62 program units statistically selected for inspection did not meet minimum housing quality standards. The violations existed because the Authority failed to exercise proper supervision and oversight of its program unit inspections. The Authority also lacked adequate procedures and controls to ensure that its program units met HUD's housing quality standards. As a result, \$59,955 in program funds was not used efficiently and effectively, and program households lived in units that were not decent, safe, and sanitary. Based on our statistical sample, we estimate that over the next year the Authority will pay more than \$1.3 million in housing assistance payments on units with material housing quality standards violations.

HUD's Housing Quality Standards Not Met

From the 738 program units that were inspected by the Authority between January 1 and March 31, 2006, we statistically selected 62 units for inspection by using ACL Services Limited software. The 62 units were inspected to determine whether the Authority ensured that its program units met HUD's housing quality standards. Our appraiser inspected the 62 units between May 15 and May 26, 2006.

Of the 62 units inspected, 49 (79 percent) had 366 housing quality standards violations. In addition, 45 of the 49 units had 212 violations that existed before the Authority's previous inspections, and 35 units were considered to be in material noncompliance since they had multiple violations and/or a violation was noted in the Authority's previous inspections but not corrected. Fourteen units had 22 violations that were identified by the Authority during its previous inspections and shown on the Authority's inspection reports. The following table categorizes the 366 housing quality standards violations in the 49 units.

Category of violations	Number of violations
Electrical	96
Window	48
Stairs, railings, and porches	34
Lead-based paint	33
Exterior surfaces	25
Smoke detectors	21
Walls	20
Floors	14
Ceilings	10
Stoves	10
Security	9
Sinks	7
Foundation	5
Ventilation	5
Flush toilet in enclosed space, fixed wash basin, or lavatory in unit	4
Evidence of infestation	4
Refrigerators	3
Space for preparing, storing, and serving of food	2
Roofs and gutters	2
Plumbing	2
Garbage and debris	2
Inadequate unit access	2
Chimneys	2
Other hazardous conditions	2
Tubs and showers	1
Ventilation and cooling	1
Water heaters	1
Sewers	1
Total	<u>366</u>

We provided our inspection results to the director of HUD's Cleveland Office of Public Housing and the Authority's executive director on July 19, 2006.

Electrical Violations

Ninety-six electrical violations were present in 37 of the Authority's program units inspected. The following items are examples of electrical violations listed in the table: outlets with open grounds, openings in/on junction boxes, ground fault circuit interrupters that do not trip, and loose or exposed wires. The following pictures are examples of the electrical-related violations identified in the Authority's program units inspected.

Unit #1000070:
Outdoor lamp
hanging from wires
at the rear entrance.



Unit #1000073:
Electrical panel
missing the
knockout plug,
exposing wires.



Window Violations

Forty-eight window violations were present in 25 of the Authority's program units inspected. The following items are examples of window violations listed in the table: window does not lock, peeling paint, loose glazing, cracked panes, and rotting windows. The following pictures are examples of the window violations identified in the Authority's program units inspected.

Unit #1000080:
Cracked glass pane on
kitchen window.



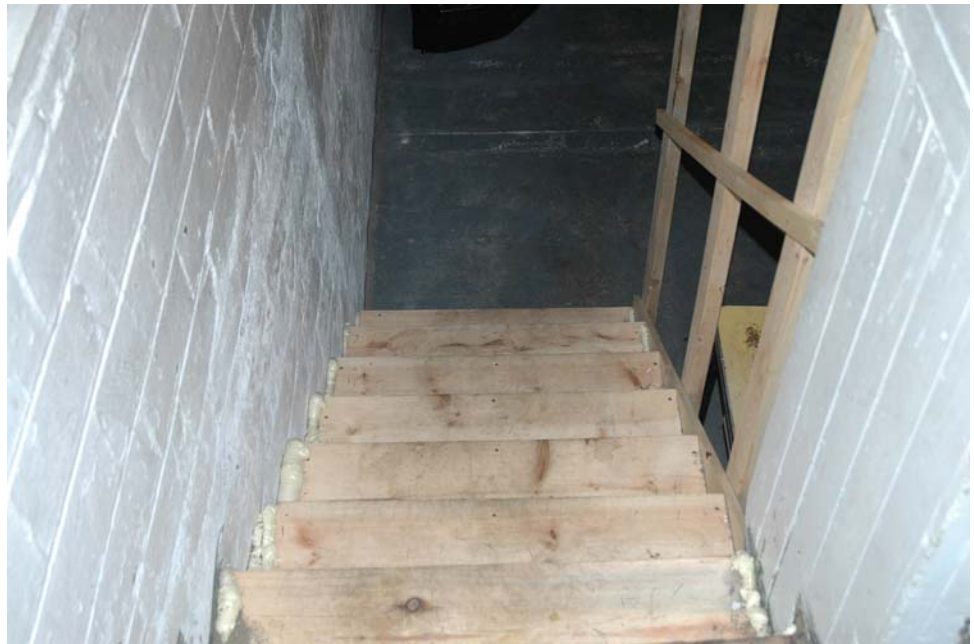
Unit #1000093:
Right rear bedroom
window does not align
to lock.



Stair, Railing, and Porch Violations

Thirty-four stair, railing, or porch violations were present in 22 of the Authority's program units inspected. The following items are examples of stair, railing, or porch violations listed in the table: rotten or damaged stairs; railings loose, short, or missing; and deteriorated porches. The following pictures are examples of the stair, railing, or porch violations identified in the Authority's program units inspected.

Unit #10000072:
Basement stairway
had no handrail.



Unit #10000102:
Loose front porch
boards pose a tripping
hazard.



Cause for Violations

The housing quality standards violations existed because the Authority failed to exercise proper supervision and oversight of its program unit inspections. The Authority also lacked adequate procedures and controls to ensure that its program units met HUD's housing quality standards. The Authority did not perform quality control reinspections until June 2005, and this hindered management's ability to determine whether inspections were being done properly and in accordance with the Authority's and HUD's requirements as discussed in 24 CFR

[Code of Federal Regulations] 982.401 and HUD's Housing Choice Voucher Program Guidebook 7420.10, dated April 2001.

Conclusion

The Authority's households were subjected to health and safety-related violations and the Authority did not properly use its program funds when it failed to ensure that units complied with HUD's housing quality standards. In accordance with 24 CFR [Code of Federal Regulations] 982.152(d), HUD is permitted to reduce or offset any program administrative fees paid to a public housing authority if it fails to enforce HUD's housing quality standards. The Authority disbursed \$54,127 in program housing assistance payments for the 35 units that materially failed to meet HUD's housing quality standards and received \$5,828 in program administrative fees.

If the Authority implements adequate procedures and controls over its unit inspections to ensure compliance with HUD's housing quality standards, we estimate that more than \$1.3 million in future housing assistance payments will be spent for units that are decent, safe, and sanitary. We determined this amount by multiplying 295 units (estimate that would be in material noncompliance with housing quality standards if appropriate actions are not taken by the Authority) times \$375 (average monthly subsidy of each housing unit). This amount was then annualized to give the total estimate.

Recommendations

We recommend that the director of HUD's Cleveland Office of Public Housing require the Authority to

- 1A. Certify, along with the owners of the 35 program units cited in this finding, that the applicable housing quality standards violations have been repaired.
- 1B. Reimburse its program \$59,955 from nonfederal funds (\$54,127 for housing assistance payments and \$5,828 in associated administrative fees) for the 35 units that materially failed to meet HUD's housing quality standards.
- 1C. Implement procedures and controls to ensure that all units meet HUD's housing quality standards to prevent \$1,327,500 in program funds from being spent on units that are in noncompliance with the standards over the next year.
- 1D. Routinely perform quality control inspections in accordance with established procedures and document feedback provided to inspectors to correct recurring inspection deficiencies noted.

Finding 2: Controls over Housing Assistance Payments Were Inadequate

The Authority failed to comply with HUD’s regulations and its program administrative plan regarding housing assistance payments. The Authority lacked documentation to support issuing housing assistance payments to program landlords and incorrectly calculated housing assistance payments because it did not have adequate procedures and controls to ensure that HUD’s regulations and the Authority’s administrative plan were appropriately followed. As a result, the Authority was unable to support \$108,913 in housing assistance payments made, overpaid \$21,469 in housing assistance payments, and underpaid \$1,292 in housing assistance payments.

The Authority Lacked Documentation to Support More Than \$86,000 in Housing Assistance Payments

The Authority lacked documentation to support housing assistance payments totaling \$86,703 for the period April 2004 through March 2006 (\$84,020 in housing assistance and \$2,683 in utility allowance payments). Of the 67 household files statistically selected for review, 37 (55 percent) had the following missing or incomplete documents:

Missing file document (11 files were missing multiple items)	Number of files	Percentage of sample	Unsupported payment
Missing evidence of background check done before admission	21	31	\$0
Missing birth certificate	9	13	0
Missing Section 214 declaration of citizenship	6	9	14,379
Missing rent reasonableness study	5	7	12,797
Missing current housing assistance payment contract	4	6	29,196
Missing current lease agreement	4	6	28,014
Missing HUD-50058, Family Report and supporting documents	<u>2</u>	3	<u>2,317</u>
Totals *	<u>37</u>		<u>\$86,703</u>
* Thirty seven files were missing documents but 11 files were missing more than one document as identified above.			

The 37 files did not include documentation required by HUD’s regulations and were not consistent with the Authority’s program administrative plan. Results of our household file reviews are shown at appendix D.

The Authority’s files were missing documentation because its program staff did not consistently maintain all required household documentation and supervisory

staff did not adequately review files to ensure that they contained the required documentation.

The Authority Incorrectly Calculated Housing Assistance Payments

The Authority incorrectly calculated housing assistance payments for 39 of 67 household files reviewed, resulting in overpayments of \$21,469, underpayments of \$1,292, and unsupported payments of \$22,210. To determine whether the Authority correctly calculated housing assistance payments, we reviewed income examinations conducted from April 2004 through March 2006 for 67 program household files statistically selected for review. Although the housing assistance payments were incorrect for 39 files, the Authority made errors in performing income examinations for 62 of the 67 files reviewed. The 62 files contained the following types of errors, with several files containing more than one error:

- 47 had annual income calculation errors for one or more years,
- 38 had incorrectly used third-party verifications,
- 37 had missing or unsent third-party verifications,
- 24 used incorrect utility allowances,
- 13 had incorrectly classified food stamps,
- 11 had unverified income figures identified by HUD's Enterprise Income Verification system,
- 10 used incorrect payment standards,
- Eight used the incorrect unit type,
- Six had incorrectly classified Social Security or Supplemental Security Income,
- Four used incomplete rent reasonableness studies,
- Four used an incorrect contract rent,
- Three used an incorrect voucher size,
- Two used undocumented utility types, and
- Two did not charge established minimum rents.

The annual income calculation errors were attributed to staff (a) not including bonuses, overtime, or pay increases or following the Authority's policies for annualizing incremental wages and child support; (b) erroneously including or excluding a family member's allowable income deductions; (c) erroneously including Medicare premium deductions; and (d) failing to make retroactive adjustments for unreported income. The errors occurred because the Authority's staff did not follow established procedures for completing income examinations through the use of standardized income examination and file management procedures. The Authority's program landlord manager also did not adequately document the consideration of utilities and other amenities for determining gross rent for rent reasonableness studies as required by HUD's regulations and the Authority's administrative plan. In addition, management performing quality control reviews did not adequately identify file deficiencies or require corrective

actions when deficiencies were identified—resulting in continued overpayments and underpayments of housing assistance. The Authority’s administrative plan also did not address how households would be reimbursed when an underpayment of housing assistance payment occurs.

Appendix E of this report details the housing assistance payment errors that resulted from the Authority’s incorrect calculations.

HUD performed a rental integrity monitoring review in 2003 and a rental integrity monitoring re-review in 2004. Both HUD reviews identified income calculation errors and third-party verification issues that we found during our file reviews. HUD made a recommendation for the Authority to adopt new policies based on HUD guidance to improve errors caused by third-party verifications. The Authority, however, had not adopted these policies and continued to have problems with income calculations and verifications.

Conclusion

The Authority did not properly use its program funds when it failed to comply with HUD’s regulations and its own administrative plan. As a result of these weaknesses, the Authority is at risk of overpaying an estimated \$627,646 (\$667,834 in overpayments and \$40,188 in underpayments) in program housing assistance payments over the next 12 months if the conditions cited in this finding are not corrected. Our calculation of this estimate is described in the Scope and Methodology section of this audit report.

As previously mentioned the Authority disbursed \$108,913 (\$86,703 plus \$22,210) in housing assistance payments without proper documentation, overpaid \$21,469 in housing assistance payments, and underpaid \$1,292 in housing assistance payments. In addition, the Authority received \$20,700 in program administrative fees related to the unsupported, overpaid, and underpaid housing assistance payments.

Recommendations

We recommend that the director of HUD’s Cleveland Office of Public Housing require the Authority to

- 2A. Provide supporting documentation or reimburse its program \$86,703 from nonfederal funds (\$84,020 in housing assistance and \$2,683 in utility allowances payments) for the unsupported payments related to the 37 household files cited in this finding.
- 2B. Implement adequate procedures and controls to ensure that all required documentation is maintained in its current household files to support eligibility for housing assistance and utility allowance payments.

- 2C. Provide documentation or reimburse its program from nonfederal funds for the \$22,210 in unsupported assistance due to the Authority's income calculation errors during the examination process.
- 2D. Reimburse its program \$21,469 from nonfederal funds for the overpayment of housing assistance payments cited in this finding.
- 2E. Reimburse the appropriate households \$1,292 for the underpayment of housing assistance payments.
- 2F. Reimburse its program \$20,700 from nonfederal funds for the administrative fees associated with the 39 household files with payment calculation errors cited in this finding.
- 2G. Implement adequate procedures and controls to ensure that its staff properly compute housing assistance payments and obtain required third-party verifications to prevent \$627,646 in program funds from being overspent within the next 12 months due to income calculation errors.
- 2H. Revise its program administrative plan to address how households will be reimbursed when an underpayment of housing assistance occurs.

SCOPE AND METHODOLOGY

To accomplish our objective, we reviewed:

- HUD's program requirements at 24 CFR [*Code of Federal Regulations*] Parts 5 and 982; HUD's Public and Indian Housing Notices 2004-1 and 2005-9; HUD document, entitled "Guidelines for Projecting Annual Income When Upfront Income Verification Data Is Available"; HUD's Housing Choice Voucher Program Guidebook 7420.10; and the Authority's program administrative plan, effective May 2003, and revised edition, effective September 2005.
- The Authority's program accounting records, household files, computerized database, written policies and procedures, board meeting minutes for 2004 and 2005, organizational chart, and program annual contributions contract.
- HUD's files for the Authority.

We also interviewed the Authority's employees, HUD staff, and program households.

Using ACL Services Limited software, we statistically selected 62 of the Authority's program units to inspect from 738 units that were inspected and passed by the Authority from January 1 through March 31, 2006. The 62 units were selected to determine whether the Authority ensured that its program units met HUD's housing quality standards. Our attribute sampling criteria used a 90 percent confidence level, 50 percent estimated error rate, and a precision of plus or minus 10 percent.

Our sampling results determined that 35 of 62 units (56 percent) materially failed to meet HUD's housing quality standards. This was above our 50 percent estimated error rate but within our precision range of plus or minus 10 percent. To be conservative, we used 40 percent (lower limit) as our expected error rate to estimate potential future savings (funds to be put to better use). Materially failed units were those units in which more than one of the identified violations existed but was not cited the last time the Authority conducted its inspections, or at least one violation was previously cited by the Authority but not corrected.

The Authority's January through March 2006 quarterly voucher management system data summary showed that the average monthly housing assistance payment was \$375. Using the lower limit of the estimate of the number of units and the average housing assistance payment, we estimated that the Authority will annually spend \$1,327,500 (295 units times \$375 average assistance payment times 12 months) for units that are in material noncompliance with HUD's housing quality standards. This estimate is presented solely to demonstrate the annual amount of program funds that could be put to better use on decent, safe, and sanitary housing if the Authority implements our recommendations. While these benefits would recur indefinitely, we were conservative in our approach and only included the initial year in our estimate.

Using our lower precision limit of 40 percent (based on a 50 percent error rate and a 10 percent precision), we applied this error rate to the population of 738 units inspected and passed by the Authority over a three-month period. We estimate that the Authority will spend more than \$1.3 million in housing assistance payments for 295 units that materially fail to meet housing quality standards (computed as 295 units times the average annual housing assistance payment of \$4,500) if appropriate actions are not taken to correct housing quality standards violations.

We also statistically selected 67 of the Authority's program household files using Excel and EZ Quant Dollar Unit Variable Statistical Sampling System software from the 3,383 current households enrolled in the Authority's program as of February 1, 2006. The 67 household files were selected to see whether the Authority determined household income and eligibility and issued housing assistance payments in accordance with HUD's regulations and its own administrative plan. Our sampling criteria used a 90 percent confidence level, 50 percent estimated error rate, and 10 percent precision rate.

To determine our estimate of \$627,646 in future overpayments due to calculation errors in household reexaminations during the next 12 months, we reviewed the accuracy of housing assistance payments made to our statistical sample of the 67 households. We applied an error rate of 4.37 percent in overpayments to the average annual housing assistance payments disbursed for the 3,383 households (\$15,280,488) and subtracted an error rate of .26 percent in underpayments to the same housing assistance disbursement of \$15,280,488. The error rates were determined by dividing the overpayments (\$21,469) and the underpayments (\$1,292) by the total housing assistance paid for the 67 households for the period of our review (\$491,222). We calculated the Authority's average annual housing assistance expense by annualizing the total payments made to all program households in our sample's population as of February 1, 2006 (\$1,273,374 times 12).

We determined the administrative fees applicable to household files with subsidy calculation errors by applying the average monthly administrative fee received per unit to the number of months that the Authority miscalculated the subsidy for each household.

We performed our on-site audit work between January and June 2006 at the Authority's program office, located at 211 South Byrne Road, Toledo, Ohio. The audit covered the period from July 1, 2004, through December 31, 2005, but was expanded when necessary. We were able to rely on the Authority's automated data on housing assistance payments, household data, and unit inspections through comparisons with hard copy documentation such as household files.

We performed our audit 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,
- Compliance with applicable laws and regulations, and
- Safeguarding resources.

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 objective:

- Program operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Validity and reliability of data – Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.
- Compliance with laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.
- Safeguarding resources – Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.

We assessed the relevant controls identified above.

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

Significant Weakness

Based on our review, we believe the following item is a significant weakness:

- The Authority failed to exercise proper supervision and oversight of unit inspections, household files, and housing assistance payments (see findings 1 and 2).

APPENDIXES

Appendix A

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

Recommendation number	Ineligible 1/	Unsupported 2/	Funds to be put to better use 3/
1B	\$59,955		
1C			\$1,327,500
2A		\$86,703	
2C		<u>22,210</u>	
2D	21,469		
2E			1,292
2F	<u>20,700</u>		
2G			<u>627,646</u>
Totals	<u>\$102,124</u>	<u>\$108,913</u>	<u>\$1,956,438</u>

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or federal, state, or local policies or regulations.
- 2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.
- 3/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an 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 that are specifically identified. In this instance, if the Authority implements our recommendations, it will cease to incur program costs for units that are not decent, safe, and sanitary and instead, will expend the proper amount of funds for units that meet HUD's standards. Once the Authority successfully improves its controls, this will be a recurring benefit. Our estimate reflects only the initial year of these recurring benefits. Additionally, we have addressed weaknesses in the calculation of housing assistance payments that should result in further recurring benefits for the Authority. We included only the first year benefit from added controls in this area.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments



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September 25, 2006

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Subject: Response to Audit of Section 8 Housing Choice Voucher Program

Dear Mr. Wolf:

The Lucas Metropolitan Housing Authority (LMHA) has received and reviewed HUD's Office of Inspector General Audit Draft Report of the Section 8 Housing Choice Voucher Program which identified two findings:

- Housing Quality Standards Inspections were poor.
- Controls and Housing Assistance Payments were inadequate.

We appreciate the opportunity to respond to your report. The continued success of this program is critical to the mission of LMHA, which states, "Through its programs and partnerships, the Lucas Metropolitan Housing Authority is committed to building better neighborhoods by providing comprehensive housing opportunities for qualified individuals and families through creative and professional services in partnership with the greater community."

We believe that after a thorough review of the documentation many of the findings cited will be determined to be in error. Where citations are found to be factual LMHA will implement the necessary corrective actions to ensure that such does not reoccur in the future.

Finding 1

1A. *Certify, along with the owners of the 35 program units cited in this finding, that the applicable housing quality standards violations have been repaired.*

The LMHA's initial response to this finding is that it should be null and void. According to SEMAP regulations, quality control inspections should be performed within 90 days from the last inspection. Auditors performed inspections on average of 120 days after LMHA's full inspection.

Lawrence R. Gaston, Director, Secretary

Comment 1



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Page 2

Comment 2

Although, LMHA does not agree with the number or types of HQS violations that were cited, all landlords have been notified of the deficiencies per the reports received. The LMHA inspectors have re-inspected for the GFCI outlets. The OIG auditor cited 55 GFCI outlets for "open ground". Some of the private housing stock on the program date back to 1896. Older homes having a two-wire system, have no provision for a dedicated path for grounding. Inspectors returned to these units and discovered that the GFCI outlets were in fact working properly.

Comment 3

The Housing Choice Voucher Program Guidebook, Chapter 10, encourages all PHA's to not unduly limit the amount and type of rental housing available by citing items that could be judged as "pass with comment." Such items include minor cracks on windowpanes and hairline cracks on socket covers and missing globe covers. The OIG auditor failed inspections for 7 missing globes, 12 minor cracked outlet covers, and 18 minor cracked windowpanes. In addition, 1 unit had 5 violations cited for tenant clutter, however, this unit was not occupied at the time of the LMHA inspection.

- 1B. *Reimburse its program \$59,955 from nonfederal funds (\$54,127 for housing payments and \$5,828 in associated administrative fees) for the 35 units that materially failed to meet HUD's housing quality standards.*

Comment 4

The LMHA does not agree with the total amount that is requested to be repaid. After determining the accuracy of all of the findings, the LMHA will recoup Housing Assistance Payments made to owners where the units were deemed not in material compliance with HQS and/or local codes as allowed by the Housing Assistance Payment Contract. LMHA is working closely with the owners to assure compliance with Housing Quality Standards. Inspection staff is scheduled to return to the 49 units in mid-October. However, we immediately inspected units that failed due to health & safety issues regarding GFCI outlets and smoke detectors. These have been re-inspected and have passed the Housing Quality Standards. Several of the GFCI outlets were determined to be in good working order, although the OIG auditor failed them for "not tripping".

- 1C. *Implement procedures and controls to ensure that all units meet HUD's housing quality standards to prevent \$1,327,500 in program funds from being spent on units that are in noncompliance with the standards over the next year.*

Comment 5

The LMHA believes that internal control procedures already in existence provide reasonable assurance that assisted units are in compliance with the Housing Quality Standards prior to the execution of any new or renewal HAP contract. LMHA also responds timely to complaints to ensure continued compliance after a participant is in residency. All inspection staff has been certified in HQS and all (except one) recently attended updated inspection training. Training will be done on an annual basis as made available through various resources.



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Page 3

Comment 6

1D. *Routinely perform quality control inspections in accordance with established procedures and document feedback provided to inspectors to correct recurring inspection deficiencies noted.*

The Landlord Manager is required to complete at least 5% reinspections as a quality control measure and to utilize any findings as a training tool for in-house training sessions. LMHA does not initiate HAP contracts until units pass HQS (oftentimes after several visits to the unit). On annual and complaint inspections, units are abated if the failed items are not completed within the required timeframe.

Note: There was an average of 120 days between the date of the original inspection by LMHA staff and the date of the OIG inspection dates. We believe that many of the failed items likely occurred after the initial inspections. Another possible cause for material non-compliance after the LMHA inspection could be due to the fact that 71 minors were living in the 35 units that failed for such items as: damaged walls, missing smoke detector batteries, missing light globes, etc.

Finding 2

2A. *Provide supporting documentation or reimburse its program \$86,703 from nonfederal funds (\$84,020 in housing assistance and \$2,683 in utility allowances payments) for the unsupported payments related to the 37 household files cited in this finding.*

The LMHA disagrees with this finding. All files in question have been reviewed and the missing documentation was either located or obtained from the appropriate source.

Comment 7

Evidence of Criminal Background Check Prior to Admission:

Twenty-one persons missing background information in the files. Housing Specialists individually track this information on a log in the files. The twenty one persons that are reported to have no evidence of background information did not have an actual report in the file, however, a main log is kept in an excel spreadsheet by a clerical specialist that tracks when the criminal history is requested and when it is received.

Additionally, all applications are approved by a supervisor and would not have been approved if the criminal history had not been present. A copy of the criminal record is not in the file as Part 5, Subpart J, 5.902 clearly states that the "PHA must ensure that any criminal record received from a law enforcement agency is destroyed, once the purpose for which the record was requested has been accomplished."



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Comment 8

Birth Certificates:

Nine files with missing birth certificates were found. Housing Specialists began physically pulling files in late 2005 to assure that all the information necessary for the family, including 214, photo ID, birth certificates and social security cards is complete. Additionally, when a file audit is done a supervisor notifies the housing specialist to obtain any missing information.

Comment 9

Signed Section 214 Declaration of Citizenship:

Six files were missing the 214 Declaration of Citizenship, however, for all nine files the birth certificates were present that clearly indicated that each family member was a natural born citizen of the United States. Again, in late 2005 housing specialists began pulling files for annual reviews to ensure that all required information is there. HUD hierarchy of verification clearly states that self-certification is the lowest form of verification, the 214 is a self-certification statement. Original birth certificates were viewed, copied and placed in the file in each of these cases and would be considered third party verification.

Comment 10

HUD-50058 Family Report and Supporting Verifications:

Two files were found to have missing 50058's and the supporting verifications. One of the reviews was located. As of the date of this writing the other review was not found in its entirety.

Comment 11

Current HAP Contract:

Four files were found to be without HAP contracts, one was excused because of the age of the contract. The landlords were contacted and forwarded what they had in their files. Both of these clients occupied the same units when the units were a part of the Mod Rehab program. The original contracts were kept in a separate file and are still available. When the Mod Rehab contracts expired the clients remained in place, same unit, same landlord. They were not new admissions nor were they rehoused clients. The HAP for the third participant was in the file.

Comment 12

Current Lease Agreement:

Four files were found not to have current lease agreements; one was excused because of the number of years the client had been in the unit. Two leases were in the file, we contacted the landlord for the third file to obtain a copy of the lease and it was forwarded to us.

Comment 13

Rent Reasonable Study:

Five files were found not to have rent reasonable studies. One client has been in the same unit since 1994, therefore, we are requesting this to be waived as in the case of another HAP and lease agreement due to the length of time the client has been in the unit. Although a rent reasonable was not found in the other four, we were able to locate rent reasonables that were done for other clients within the year time frame, within the same apartment complex. LMHA has been utilizing the same rent reasonable study performed for identical units within the same complex.



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Comment 14

2B. *Implement adequate procedures and controls to ensure all required documentation is maintained in its current household files to support eligibility for housing assistance and utility allowance payments.*

In late summer of 2005 the LMHA had already begun implementing procedures to ensure that all required documentation is maintained in household files. This procedure requires housing specialists to review each household file prior to meeting with the participant (s) to ensure that all required documentation is requested.

The LMHA disagrees with this finding. We believe that adequate procedures are already in existence, including a previous complete overhaul of the filing system. Staff will again be given follow up training, and expected to continue compliance.

Comment 15

2C. *Provide documentation or reimburse its program from nonfederal funds for the \$22,210 in unsupported assistance due to the Authority's income calculation errors during the examination process.*

The LMHA does not agree with the number of findings attributed to income calculation errors. Some documentation has been obtained and staff is continuing to review and recalculate the actual amount in error.

Comment 16

2D. *Reimburse its program \$21,469 from nonfederal funds for the overpayment of housing assistance payments cited in this finding.*

The LMHA disagrees with the total amount of overpayment as cited. Staff has determined the overpayment amount to be substantially less as a result of review and re-calculation of numerous files. This process will continue until all have been completed.

Comment 17

2E. *Reimburse the appropriate households \$1,292 for the underpayment of housing assistance payments.*

The LMHA is continuing to review the calculations for this finding. If it is determined to be accurate we will reimburse any underpayment of housing assistance payments after confirming the exact amount.

Comment 18

2F. *Reimburse its program \$20,700 from nonfederal funds for the administrative fees associated with the 39 household files with payment calculation errors cited in this finding.*

The LMHA does not agree with the total amount of repayment of administrative fees. Based on the responses above, we believe that the liability in those instances will be substantially less, thus reducing the amount of administrative fees in question. Additionally, the LMHA must continue to maintain an adequate level of staffing to ensure that the program will be able to continue to operate effectively in the future.



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Comment 19

2G. *Implement procedures and controls to ensure that its staff properly computes housing assistance payments and obtain required third-party verifications to prevent \$627,646 in program funds from being overspent within the next 12 months due to income calculation errors.*

The LMHA is continually updating and implementing procedures and controls to ensure that the staff properly computes housing assistance payments and obtains required third party verifications. Many new procedures/processes were initiated after the 2004 RIM review. The LMHA was proactive in seeking the advice of a consultant who performed an independent review of all the departmental functions. Staff will continue to be monitored closely, including exercising enhanced quality control functions to ensure that Standard Operating Procedures and other process requirements are adhered to pursuant to HUD regulations. Any calculations completed during the review period should not be used as a determination of funding owed or as a projection of funding that could be misused in the future for reasons previously stated. New procedures were developed and have been implemented to correct deficiencies identified in the RIM Review and as a result of the consultant's advice.

Comment 20

2H. *Revise its program administrative plan to address how households will be reimbursed when an underpayment of housing assistance occurs.*

The update of the current administrative plan is in process and this revision will be included.

Comment 21

Note: over a six-month period, the Auditors reviewed 39 files. On average, four (4) Housing Specialists are reviewing and processing 80 to 100 files on a monthly basis and they are not continually working on the same files. While they are expected to produce an accurate work product, obviously, time often becomes a factor when verifications are received and they must complete all calculations to ensure that recertifications are completed as required by regulations.

Trusting this is the information you required. Thank you for the opportunity to respond to this report.

Sincerely,

Lawrence E. Easter
Executive Director

Bjd

OIG Evaluation of Auditee Comments

- Comment 1** We statistically selected 62 units for inspection from the 738 program units that were inspected by the Authority between January 1 and March 31, 2006. Our appraiser inspected the units between May 15 and May 26, 2006. Our statistical sample was done to avoid selecting units that might have materially changed since the Authority's last inspections by focusing on units that the Authority passed within the last four months.
- Comment 2** We agree that the Authority does have some housing stock that was built before ground fault circuit interrupters were available. However, we disagree with the Authority's contention that a ground fault circuit interrupter will not operate properly in an older home having a two wire electrical system. A ground fault circuit interrupter can be installed to function as designed in these homes. When our appraiser inspected the units and tested the outlets with an electrical circuit tester, these safety devices either failed to trip or tripped but did not cut off the flow of electricity as designed.
- Comment 3** Our appraiser inspected the Authority's Section 8 units in accordance with HUD's housing quality standards. As evidenced by the photographs provided to the Authority, the violations we cited as defects were window cracks that allowed for water infiltration and also posed a potential cutting hazard. The outlet covers we cited were large cracks or holes that exposed the wiring underneath. We took a strict interpretation on missing light globes—such as exposed wiring or lights hanging loose from the fixtures. The Authority stated that we cited five violations for tenant clutter. We actually cited two such violations and these were not included as a preexisting condition.
- Comment 4** The amounts that we questioned represented monthly housing assistance payments made to the owners as well as the administrative fees paid to the Authority for the period of time the unit should have been abated—up until the end of May 2006. As previously stated in Comment 2, when our appraiser inspected the units and tested the electrical outlets with a circuit tester, these safety devices either failed to trip or tripped but did not cut off the flow of electricity as designed.
- Comment 5** The inspections conducted by our appraiser within four months of the Authority's inspections disclosed that 79 percent failed HUD's housing quality standards. Fifty six percent failed materially, due to more than one violation existing undetected during the Authority's inspections, or where at least one violation was cited by the Authority's inspectors but was later passed even though the condition was not corrected. The annual training for inspection staff is important and should be continued. The Authority also began conducting quality control reinspections in June 2005, but the Authority still needs to implement adequate procedures and controls to provide reasonable assurance that the assisted units are in compliance with HUD's housing quality standards.

- Comment 6** We did not cite any problems with the Authority's abatement process. However, as noted in previous comments, the Authority's inspection process needs improvement since the Authority's inspectors were not identifying all of the housing quality standards violations that existed.
- Comment 7** The Authority contends that a clerical specialist kept a spreadsheet to track criminal history checks. During the audit, we contacted the specialist for the program and she informed us that she maintained the spreadsheet from March 2003 through March 2005, when she was in that position. The specialist could not locate the spreadsheet during our audit. Another specialist at the Authority maintained a log of criminal background checks for its public housing program, but not for program households. The Authority is required to maintain complete and accurate accounts and other records for the program during the term of each assisted lease and for at least three years thereafter in accordance with HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.158(a).
- Comment 8** The nine files we cited for missing birth certificates were missing the birth certificates when we reviewed the files, and we did not question program costs for this issue.
- Comment 9** We agree that third party documentation is better than a certification. However, HUD's regulations at 24 CFR [*Code of Federal Regulation*] 5.508 specifically require a signed declaration of U.S. citizenship or U.S. nationality in order to be eligible for assistance.
- Comment 10** The Authority did not provide this documentation during our audit or with its comments to our report. The Authority should provide the documentation to HUD for review.
- Comment 11** As previously stated, the Authority is required to maintain complete and accurate accounts and other records for the program during the term of each assisted lease and for at least three years thereafter in accordance with HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.158(a). The Authority did not provide this documentation during our audit or with its comments to our report. The Authority should provide the documentation to HUD for review.
- Comment 12** A copy of the most recent lease should be retained despite the household's time of occupancy. The Authority did not provide this documentation during our audit or with its comments to our report. The Authority should provide the documentation to HUD for review.
- Comment 13** For the five files that were missing rent reasonableness studies, the Authority concluded that one should be ignored due to the household's length of occupancy and the other four should be dropped since they found rent reasonableness studies for other clients in the same complex. There should be a rent reasonableness study in every household's file demonstrating that the rent for that unit was determined to be reasonable. In addition, we determined that the Authority had not been considering utilities and amenities provided in its determinations of rent

reasonableness, so comparisons with other units in the same complex would not fully support rent reasonableness. The Authority should provide the documentation to HUD for review.

- Comment 14** We agree the Authority should provide staff with followup training. However, as evidenced by our audit results, the Authority's staff either forgot to obtain or file certain documents, or documents were removed when the filing system was overhauled. Adequate procedures and controls to ensure all required documentation is maintained in its current household files to support eligibility for housing assistance and utility allowance payments must still be implemented.
- Comment 15** The Authority did not provide any documentation to support a reduction in the amount of unsupported assistance we calculated due to its income calculation errors during the examination process.
- Comment 16** The Authority did not provide any documentation during our audit or with its comments to our report to warrant a reduction in the dollar amount of this finding. The Authority should provide the documentation to HUD for review.
- Comment 17** As previously stated, the Authority did not provide any documentation during our audit or with its comments to our report to warrant a reduction in the dollar amount of this finding. The Authority should provide the documentation to HUD for review.
- Comment 18** The recommendation is that the administrative fees be repaid from nonfederal funds in accordance with HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.152(d).
- Comment 19** Funds be put to better use are estimates of amounts that could be used more efficiently if an 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 that are specifically identified. Our Office is statutorily required by Section 5 of the Inspector General Act to report funds to be put to better use that are identified during our audits. Given our analysis and the statutory requirement, we believe that our calculation of funds to be put to better use is sound.
- Comment 20** When the Authority's administrative plan revisions are completed, a copy of the plan should be provided to HUD for review.
- Comment 21** We agree with the Authority that an increased workload may increase the risk of errors and further emphasizes the importance of having adequate procedures and controls that staff have been trained to follow.

Appendix C

CRITERIA

Finding 1

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.152(d) states that HUD may reduce or offset any administrative fee to a public housing authority, in the amount determined by HUD, if the authority fails to perform its administrative responsibilities correctly or adequately under the program, such as not enforcing HUD's housing quality standards.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.305(a) state that the public housing authority may not give approval for the family of the assisted tenancy or execute a housing assistance contract until the authority has determined that all of the following meet program requirements: (1) the unit is eligible, and (2) the unit has been inspected by the authority and passes HUD's housing quality standards.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.401 require that all program housing meet HUD's housing quality standards performance requirements, both at commencement of assisted occupancy and throughout the tenancy.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.404 require owners of program units to maintain the units in accordance with HUD's housing quality standards. If the owner fails to maintain the dwelling unit in accordance with the standards, the authority must take prompt and vigorous action to enforce the owner's obligations. The authority's remedies for such breach of the housing quality standards include termination, suspension, or reduction of housing assistance payments and termination of the housing assistance payment contract. The authority must not make any housing assistance payments for a dwelling unit that fails to meet housing quality standards unless the owner corrects the defect within the period specified by the authority and the authority verifies the correction. If a defect is life threatening, the owner must correct the defect within 24 hours. For other defects, the owner must correct them within 30 calendar days.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.405(a) require public housing authorities to perform unit inspections before the initial move-in and at least annually. The authority must inspect the unit leased to a family before the term of the lease, at least annually during assisted occupancy, and at other times as needed to determine whether the unit meets housing quality standards.

Finding 2

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 5.901(a) include requirements that apply to criminal conviction background checks by public housing authorities that administer Section 8 and public housing programs when they obtain criminal conviction records, under the authority of section 6(q) of the 1937 Act [*United States Code* 42.1437d(q)], from a law enforcement agency to prevent admission of criminals to public housing and Section 8 housing and to assist in lease enforcement and eviction.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.158(a) state that the public housing authority must maintain complete and accurate accounts and other records for the program in accordance with HUD requirements in a manner that permits a speedy and effective audit. During the term of each assisted lease and for at least three years thereafter, the authority must keep (1) a copy of the executed lease, (2) the housing assistance payment contract, and (3) the application from the family. The authority must keep the following records for at least three years: records that provide income, racial, ethnic, gender, and disability status data on program applicants and participants; unit inspection reports; lead-based paint records as required by part 35, subpart B of this title; records to document the basis for an authority's determination that rent to owner is a reasonable rent (initially and during the term of a contract); and other records specified by HUD.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 5.508 (a through c), state that eligibility for assistance or continued assistance is contingent on submission of documentary evidence of citizenship or eligible immigration status. U.S. citizens and U.S. nationals are required to provide a signed declaration of U.S. citizenship or U.S. nationality. Eligible non-citizens must provide a signed declaration of immigration status. Each adult in the household must sign a certification for himself/herself and an adult in the family must sign a certification for each child in the family. Subpart 5.520(c)(2) outlines how prorated assistance is calculated for family members who fail to submit evidence of citizenship or to establish eligible immigration status.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.516(a)(1) require the authority to conduct a reexamination of family income and composition at least annually. The authority must obtain and document in the household file third-party verification or why third party verification was not available for the following factors: (i) reported family annual income, (ii) the value of assets, (iii) expenses related to deductions from annual income, and (iv) other factors that affect the determination of adjusted income. At any time, the authority may conduct an interim reexamination of family income and composition. Interim examinations must be conducted in accordance with policies in the authority's administrative plan. Subpart (f) requires the housing authority to establish procedures to assure that income provided by the household is complete and accurate.

HUD's guidance, entitled "HUD Guidelines for Projecting Annual Income When Upfront Income Verification Data Is Available," states that its guidelines are provided to assist housing authorities in consistently and uniformly resolving income discrepancies. When upfront income verification data are substantially different from household-provided income information, housing authorities shall follow these guidelines: (1) the housing authority shall request written third-party verification from the discrepant income source, in accordance with 24 CFR 5.236(3)(i); (2) the housing authority should review historical income data for patterns of employment, paid benefits, or receipt of other income when the housing authority cannot readily anticipate income, such as in cases of seasonal employment, unstable working hours, and suspected fraud; (3) the housing authority must analyze all data, third-party verifications, and other documents provided by the family and attempt to resolve the income discrepancy; and (4) the housing authority will use the most current verified income data (and historical income data if appropriate) to calculate anticipated annual income.

HUD Housing Choice Voucher Program Guidebook 7420.10, chapter 5, states that generally the housing authority should use current circumstances to anticipate annual income unless verification forms indicate an imminent change. Housing authorities may choose among several methods to determine the anticipated annual income. The following are two acceptable methods of calculating annual income: calculating projected annual income by annualizing current income (and conducting an interim reexamination if income changes) or using information available to average anticipated income from all known sources when the sources are expected to change during the year. Lucas Metropolitan Housing Authority's Section 8 administrative plan does not describe procedures for calculating household income at annual or interim reexaminations. The Authority's policies and procedures manual describe specific procedures for annualizing income.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.507(a through b) state that the housing authority may not approve a lease until the authority determines that the initial rent to owner is a reasonable rent. The housing authority must determine whether the rent to owner is a reasonable rent in comparison with rent for other comparable unassisted units. To make this determination, the authority must consider the location, quality, size, unit type, and age of the contract unit and any amenities, housing services, maintenance, and utilities to be provided by the owner in accordance with the lease.

The Authority's program administrative plan, chapter VII, part D, states that when a voucher holder requests approval for a new unit, the gross rent for the requested unit is compared with gross rents for at least two units of the same size in the same census tract or in the closest census tracts for which current rental information is available. To the greatest extent possible, units used for comparison will be units that are similar to the subject unit in location, quality, size, unit type, age, and condition and in utilities, maintenance, housing services, and amenities provided by the owner. If the units used for comparison differ from the subject unit in any of these respects, upward or downward adjustments may be made to the rent approved. A certification of rent reasonableness, showing the method used to determine that the approved rent is reasonable, will be kept in the participant's file.

Appendix D

UNSUPPORTED ASSISTANCE PAYMENTS DUE TO MISSING FILE DOCUMENTATION

OIG created household identification number	Evidence of criminal background check before admission*	Birth certificate*	Signed section 214 declaration of citizenship	HUD-50058, Family Report, and supporting verifications	Current housing assistance payment contract	Current lease agreement	Rent reasonableness study	Total unsupported housing assistance payments paid
10000001								\$0
10000002		XXXXX						0
10000003	X							0
10000004		X						0
10000005								0
10000006								0
10000007								0
10000008								0
10000009	X				X		X	6,372
10000010								0
10000011			XX					1,412
10000012	X							0
10000013			X					2,119
10000014								0
10000015								0
10000016								0
10000017								0
10000018								0
10000019								0
10000020								0
10000021				X				2,317
10000022	X							0
10000023					X			13,217
10000024								0
10000025		XX						0
10000026								0
10000027								0
10000028								0
10000029								0
10000030	X		X					5,191
10000031	X							0
10000032	X	X						0
10000033	X				X**	X**		0
10000034	X							0
10000035		XX						0
10000036	X						X	8,613
10000037						X		10,693
10000038	X			X		X		10,185

Appendix D

UNSUPPORTED ASSISTANCE PAYMENTS DUE TO MISSING FILE DOCUMENTATION (CONTINUED)

OIG created household identification number	Evidence of criminal background check before admission*	Birth certificate*	Signed Section 214 declaration of citizenship	HUD-50058, Family Report, and supporting verifications	Current housing assistance payment contract	Current lease agreement	Rent reasonableness study	Total unsupported housing assistance payments paid
10000039	X							\$0
10000040			X					1,628
10000041								0
10000042								0
10000043		XXX						0
10000044								0
10000045			X					2,881
10000046								0
10000047	X		XX					1,148
10000048								0
10000049		XXX						0
10000050								0
10000051								0
10000052						X		7,136
10000053								0
10000054	X							0
10000055	X							0
10000056					X		X	9,607
10000057	X	X						0
10000058							X	1,636
10000059	X							0
10000060								0
10000061	X						X	2,548
10000062	X							0
10000063	X							0
10000064								0
10000065								0
10000066								0
10000067	X	XX						0
Totals	<u>21</u>	<u>9</u>	<u>6</u>	<u>2</u>	<u>4</u>	<u>4</u>	<u>5</u>	<u>\$86,703</u>

Note: * = Indicates document that although missing, is not required by HUD's regulations, so we did not question the related housing assistance payment.

X = For documents required for each family member; more than one X means the document was missing for multiple family members.

X** = We did not question the housing assistance payment since the household had lived in the same unit under the existing contract for more than 20 years.

Appendix E

HOUSING ASSISTANCE CALCULATION ERRORS

OIG created household identification number	Apr. 1, 2004, to Mar. 31, 2005 housing assistance payment errors			Apr. 1, 2005, to Mar. 31, 2006 housing assistance payment errors			Total audit scope housing assistance payment errors		
	Ineligible over (under)	Unsupported	Total	Ineligible over (under)	Unsupported	Total	Ineligible over (under)	Unsupported	Total
10000001	\$448		\$448	\$0		\$0	\$448	\$0	\$448
10000002	0		0	(30)		(30)	(30)	0	(30)
10000003	130		130	2,507		2,507	2,637	0	2,637
10000004			0	0		0	0	0	0
10000005	276		276	54		54	330	0	330
10000006	0		0	0	\$437	437	0	437	437
10000007	0		0	0		0	0	0	0
10000008	204		204	96		96	300	0	300
10000009	84		84	228		228	312	0	312
10000010	96		96	44		44	140	0	140
10000011	0		0	44		44	44	0	44
10000012	0		0	0		0	0	0	0
10000013	0		0	0		0	0	0	\$0
10000014	0		0	(43)		(43)	(43)	0	(43)
10000015	0		0	2,844		2,844	2,844	0	2,844
10000016	0		0	74		74	74	0	74
10000017	0		0	0		0	0	0	0
10000018	0		0	0		0	0	0	0
10000019	543		543	62		62	605	0	605
10000020	0		0	0		0	0	0	0
10000021	0		0	0		0	0	0	0
10000022	0		0	0		0	0	0	0
10000023	0	\$150	150	250	250	500	250	400	650
10000024	0		0	0		0	0	0	0
10000025	(57)		(57)	0		0	(57)	0	(57)
10000026	0		0	0		0	0	0	0
10000027	0		0	0		0	0	0	0
10000028	(142)		(142)	0		0	(142)	0	(142)
10000029	0		0	0		0	0	0	0
10000030	0		0	0		0	0	0	0
10000031	0		0	2,865		2,865	2,865	0	2,865
10000032	1,380		1,380	216		216	1,596	0	1,596
10000033	144		144	(12)		(12)	132	0	132
10000034	0		0	0		0	0	0	0
10000035	0		0	(401)		(401)	(401)	0	(401)
10000036	0		0	0		0	0	0	0
10000037	0		0	0		0	0	0	0
10000038	340		340	19		19	359	0	359

Appendix E

HOUSING ASSISTANCE CALCULATION ERRORS (CONTINUED)

OIG created household identification number	Apr. 1, 2004, to Mar. 31, 2005 housing assistance payment errors			Apr. 1, 2005, to Mar. 31, 2006 housing assistance payment errors			Total audit scope housing assistance payment errors		
	Ineligible over (under)	Unsupported	Total	Ineligible over (under)	Unsupported	Total	Ineligible over (under)	Unsupported	Total
10000039	\$0		\$0	\$0		\$0	\$0	\$0	\$0
10000040	780		780	0		0	780	0	780
10000041	0	\$732	732	60	\$366	426	60	1,098	1,158
10000042	0		0	0		0	0	0	0
10000043	48		48	186		186	234	0	234
10000044	2,652	2,544	5,196	0	1,272	1,272	2,652	3,816	6,468
10000045	197		197	595	354	949	792	354	1,146
10000046	60		60	40		40	100	0	100
10000047	300	2,700	3,000	(63)		(63)	237	2,700	2,937
10000048	0		0	0		0	0	0	0
10000049	0		0	0		0	0	0	0
10000050	0		0	0		0	0	0	0
10000051	0		0	1,506		1,506	1,506	0	1,506
10000052	0		0	0		0	0	0	0
10000053	156		156	26		26	182	0	182
10000054	0		0	(33)		(33)	(33)	0	(33)
10000055	(333)		(333)	(51)		(51)	(384)	0	(384)
10000056	0		0	0		0	0	0	0
10000057	0		0	0		0	0	0	0
10000058	0		0	0		0	0	0	0
10000059	0		0	0		0	0	0	0
10000060	0		0	(88)		(88)	(88)	0	(88)
10000061	732		732	84		84	816	0	816
10000062	602		602	273		273	875	0	875
10000063	0	5,388	5,388	0	8,017	8,017	0	13,405	13,405
10000064	96		96	110		110	206	0	206
10000065	12		12	81		81	93	0	93
10000066	0		0	0		0	0	0	0
10000067	(96)		(96)	(18)		(18)	(114)	0	(114)
Totals	\$8,652	\$11,514	\$20,166	\$11,525	\$10,696	\$22,221	\$20,177	\$22,210	\$42,387
Subtotals:									
Amount overpaid:	\$9,280			\$12,264			\$21,469		
Amount underpaid:	(\$628)			(\$739)			(\$1,292)		