



Issue Date	November 30, 2005
Audit Report Number	2006-KC-1001

TO: Patricia Straussner, Public Housing Program Center Coordinator, 7EPH

//signed//

FROM: Ronald J. Hosking, Regional Inspector General for Audit, 7AGA

SUBJECT: The Columbia Housing Authority, Columbia, MO, Is Unnecessarily Paying Housing Choice Voucher Program Funds for Overhoused Tenants

**HIGHLIGHTS**

**What We Audited and Why**

We reviewed the Columbia Housing Authority's (Authority) Housing Choice Voucher program (voucher program) to identify savings that the Authority will realize by not overhousing tenants. We selected the Authority for review based on a computer analysis, which identified tenants whose voucher size exceeded the number of members in their household.

**What We Found**

The Authority overhoused 99 tenants. Since 2002, the Authority has unnecessarily paid \$216,352 in voucher program funds for these tenants. The funds were overpaid because the Authority's procedures were ineffective in preventing overhousing. Better procedures are needed to ensure that voucher program tenants receive the proper voucher size and subsidy payment. By enhancing its procedures, the Authority could avoid future losses of \$300,276, thereby allowing it to provide vouchers to additional tenants.

## **What We Recommend**

We recommend that the public housing program center coordinator require the Authority to

- Immediately correct overhoused tenants' vouchers,
- Repay the voucher program fund from its reserve account, and
- Develop and implement procedures to ensure that tenants receive correct-size vouchers.

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

## **Auditee's Response**

We requested the Authority's response on October 13, 2005, and received their response on November 18, 2005. The Authority's written response indicated general agreement with our report. The complete text of the Authority's response can be found in appendix B of this report.

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## **BACKGROUND AND OBJECTIVES**

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The Columbia Housing Authority (Authority) is a municipal corporation, created by state statute and formed in 1956. The Authority is governed by a five-member board of commissioners (board), including one resident commissioner, that is appointed by the mayor of Columbia, Missouri. An executive director appointed by the board manages the Authority. The Authority has 52 employees and is funded primarily by federal funds from the U.S. Department of Housing and Urban Development (HUD).

The Authority operates HUD's Housing Choice Voucher program (voucher program). This program provides rental assistance to qualified applicants to facilitate rental of privately owned units. The Authority administers 1,062 voucher program units with a \$4,851,846 annual budget.

Through HUD's voucher program, public housing authorities assist families and individuals in meeting their housing needs. HUD pays the housing authority the subsidy for the family, along with an administrative fee. The subsidy is portable; an eligible family may take the subsidy to a new acceptable unit. The housing authority must inspect the dwelling and determine that the rent requested is reasonable.

The public housing authority determines a payment standard, based on HUD's fair market rent. This amount is generally needed to rent a moderately priced dwelling unit in the local housing market. The housing authority determines the voucher size and calculates the maximum subsidy allowable and gross rent of the unit. The monthly subsidy is paid by the housing authority directly to the landlord. The tenant pays the difference between the rent charged by the landlord and the amount subsidized by the program.

Our audit objective was to identify voucher program savings that the Authority will realize by not overhousing tenants.

## RESULTS OF AUDIT

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### Finding: The Authority Is Paying Unnecessary Subsidy Funds by Overhousing Tenants

The Authority overhoused 99 tenants during 2005 because its procedures were inadequate to prevent tenants from receiving larger vouchers than necessary. Overhousing these tenants resulted in unnecessary voucher program payments totaling \$216,352 and exposes the Authority to \$300,276 in future losses.

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#### 99 Overhoused Tenants

The Authority has overhoused 99 of its voucher program tenants by issuing larger than necessary vouchers. This overhousing occurred in the following manner:

Overhousing situations	Number of tenants
Reasonable accommodations:	
Care giver not documented	9
Doctor's note lacks nexus	27
Equipment not verified	11
Computer conversion	38
Processing errors	14
Total overhoused tenants	<u>99</u>

HUD's Housing Choice Voucher Guidebook explains that housing authorities should generally assign vouchers for units with the smallest number of bedrooms needed to house a family without overcrowding. The Authority's administrative plan provides that families are to be given appropriate-size units based on the Authority's occupancy standards, federal regulations, and fair housing guidelines. The Authority can grant exceptions when justified.

The Authority granted unjustified exceptions to the occupancy standards for reasonable accommodations. This includes nine exceptions granted for in-home care givers whose identities were not documented in the tenants' file. Either the care givers worked part time, or the medical condition was temporary or anticipated. For example, the Authority granted an exception for a care giver due to occasional migraines and an occasional care giver due to fibromyalgia. An

extra bedroom should not be allowed for temporary medical conditions or care givers who are not living in the unit.

In 27 cases, the Authority granted exceptions without questioning doctors' notes that were vague or did not identify a nexus between the larger voucher and the individual's disability. Section 504 of the Rehabilitation Act of 1973 indicates there should be a nexus to grant a reasonable accommodation. For example, the Authority improperly granted exceptions to the following tenants based on medical need documentation that did not provide for an adequate nexus between the medical condition and the requested accommodation:

- Tenant needed a more spacious unit.
- Tenant needed more windows and better light.
- Tenant needed no additional bedroom because medically unnecessary.
- Tenant needed an additional bedroom based on letters from a veterinarian and a registered nurse.

In addition, 11 tenants were granted unnecessary exceptions to the occupancy standards for specific items of medical or exercise equipment. We performed site visits that disclosed these tenants were not entitled to the larger voucher because

- Medical and exercise equipment did not exist,
- Equipment size did not justify a larger voucher, or
- Additional bedroom was not used for the stated medical condition.

The following pictures show that one tenant's circumstances did not justify the extra bedroom:



The additional bedroom was being used to house the tenant's brother, who was not on the lease.



The small oxygen tank (medical equipment) was found, not in the additional bedroom, but in the tenant's bedroom at the foot of the bed.

Overhousing also occurred when the Authority’s computer conversion improperly increased 38 tenants’ vouchers, causing these tenants, who had smaller vouchers than their unit size in 2002, to receive vouchers equal to their unit size in 2003. This error occurred when the Authority replaced its computer software in October 2002.

Additionally, the Authority made processing errors by issuing 14 tenants vouchers that exceeded the smaller occupancy standard. These tenants’ files did not contain explanations justifying the larger voucher. In some cases, the Authority’s notes in the files indicated that it needed additional documentation to support an extra bedroom. In other cases, the tenants were allowed to enter the voucher program and remain in their oversized units.

### Inadequate Procedures

The Authority’s procedures are inadequate to prevent overhousing. Current procedures allow staff to grant exceptions without adequately evaluating the nexus or reasonableness of the requested accommodation. This allows practically any tenant who requests a larger voucher to obtain one.

The Authority has not provided sufficient

- Criteria defining what justifies a larger voucher,
- Supervisory approval over granting exceptions to occupancy standards,
- Procedures for verifying additional space is used for the reasons it was granted, or
- Corrective action on larger vouchers caused by a computer conversion.

### \$516,628 in Excess Subsidies

Overhousing 99 tenants has caused the Authority to overpay voucher program funds totaling \$216,352. This amount was calculated from applicable recertifications for sampled tenants during 2002 through 2005. If the Authority corrects its weak controls, it will avoid additional overpayments totaling \$300,276. This estimate is based on the total current monthly overhousing cost of \$8,341 times 36 months, which is the average number of months a tenant stays in a unit.

Error type	Number of tenants	Overpayment funds	Future savings	Total
Reasonable accommodation	47	\$97,965	\$156,276	\$254,241
Computer conversion	38	\$95,537	\$112,392	\$207,929
Processing	14	\$22,850	\$31,608	\$54,458
<b>Totals</b>	<b>99</b>	<b>\$216,352</b>	<b>\$300,276</b>	<b>\$516,628</b>

## **Recommendation**

We recommend that the public housing program center coordinator ensure that the Authority

- 1A. Immediately corrects overhoused tenants' vouchers.
- 1B. Reimburses HUD the \$216,352 in excess housing assistance payments from its administrative fee reserves.
- 1C. Develops and implements procedures to ensure that each tenant receives the proper voucher size to put \$300,276 to better use.



## SCOPE AND METHODOLOGY

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Our review generally covered the period from October 1, 2002, through July 31, 2005. To achieve our objectives, we conducted interviews of the Authority's staff and staff of the local public housing office. We reviewed the Authority's policies and procedures, files, and audited financial statements. We also reviewed federal regulations and the Authority's administrative plan and obtained an understanding of the Authority's controls. We analyzed HUD data and inspected units.

To determine the extent and effect of overhousing, we applied a computer formula to HUD's Public Housing Information Center data to identify 99 potentially overhoused tenants. We reviewed tenant files to determine whether there was acceptable justification for issuing vouchers larger than the occupancy standards, and if not, we calculated the overhousing cost. This identified 80 overhoused tenants.

We expanded our testing beyond the original sample of 99 to identify tenants who were overhoused because of the Authority's October 2002 computer conversion. We identified 89 additional tenants who appeared to be overhoused by applying a computer formula to Public Housing Information Center data. These data showed tenants had smaller vouchers than their unit size in 2002 and vouchers equal to their unit size in 2003. We reviewed the data to eliminate tenants who did not fit the overhousing pattern and calculated the overhousing cost for those remaining. Of the 89 tenants, we determined 19 were overhoused.

To achieve our audit objective, we relied in part on computer-processed data contained in HUD's Public Housing Information Center database. We assessed the data's reliability and found it to be adequate. We also conducted sufficient tests of the data. Based on these tests and assessments, we concluded the data were sufficiently reliable to be used in meeting our audit objectives. The data were significant to our findings, conclusions, and recommendations.

We discussed our results with the Authority, as well as HUD staff, to obtain clarification and agreement.

We performed audit work from June through September 2005 at the Authority's main office located at 201 Switzler, Columbia, Missouri. This audit was conducted in accordance with generally accepted government auditing standards.

# INTERNAL CONTROLS

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

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## Relevant Internal Controls

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

- Controls over assigning voucher sizes.

We assessed the relevant controls identified above.

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

## Significant Weaknesses

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

- The Authority does not have adequate procedures in place to ensure that it assigns proper-size vouchers (see finding).

## APPENDIXES

### Appendix A

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

Recommendation number	Unreasonable or unnecessary 1/	Funds to be put to better use 2/
1B	\$216,352	
1C		\$300,276

- 1/ 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.
- 2/ “Funds to be put to better use” are quantifiable savings that are anticipated to occur if an Office of Inspector General (OIG) recommendation is implemented, resulting in reduced expenditures later for the activities in question. This includes costs not incurred, deobligation of funds, withdrawal of interest, reductions in outlays, avoidance of unnecessary expenditures, loans and guarantees not made, and other savings.

# Appendix B

## AUDITEE COMMENTS



201 Switzler Street  
Columbia, MO  
65203

### **HOUSING AUTHORITY** of the City of Columbia, Missouri

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#### COMMISSIONERS

*Marvin Kinney, Chairman*  
*Genie Rogers, Vice-Chair*  
*Mary Anne McCollum*  
*Fred J. Parry*  
*Jeffrey Johnson*

November 18, 2005

Ronald J. Hosking  
Regional Inspector General for Audit  
U.S. Department of Housing and Urban Development  
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400 State Avenue  
Kansas City, MO 66101-2406

RE: Audit Report

Dear Mr. Hosking:

Thank you for your letter received October 13, 2005 regarding the draft audit report and for the exit conference conducted with your staff, William Krueger and Carrie Gray, and CHA staff on October 25<sup>th</sup> at 10am.

In reviewing the draft audit report, CHA concurs with the comments outlined in this report. However, CHA would like to clarify the Recommendations proposed in the report and provide insight on what actions will be taken by CHA to remedy the issues of over housing and excess subsidies.

#### Recommendation

#### **1A. Immediately correct over housed tenants' vouchers.**

#### CHA Response

As discussed at the exit conference, CHA was unclear as to what the time frame "Immediately" entailed. After further discussion, it was agreed by Mr. Krueger and CHA staff that CHA would take action to correct the over housed tenant's vouchers within the next 30 to 60 days. This action will include immediately reviewing the 50058s of families whose voucher size differs from the size of the actual leased unit to see why these numbers conflict. Voucher sizes will be reduced where circumstances indicate reduction in bedroom size is appropriate in accordance with CHA policies and procedures.

**1B. Reimburses HUD the \$216,352 in excess housing assistance payments from its administrative fee reserves**

CHA Response

Based on the current financial status of CHA's Section 8 administrative fee reserves, the reimbursement of+ \$216,352 is not available in order to currently sustain the funding of the Section 8 Program. CHA will work with HUD in the future to formulate a reasonable agreement in order to reimburse this amount.

**1C. Develops and implements procedures to ensure that each tenant receives the proper voucher size to put \$300,276 to better use.**

CHA Response

CHA has recently implemented changes to its Section 8 Administrative Plan (S8 ADMIN PLAN) to strengthen current program regulations in allocating appropriate Voucher Payment Standards (VPS) to families participating on the Section 8 Program. Changes to the S8 ADMIN PLAN include:

- (1) Spouses and domestic partners will be assigned as a one bedroom VPS per two persons
- (2) No additional bedrooms will be assigned for a live-in aide's family
- (3) Additional bedrooms allowed a disability accommodation must not be used as a sleeping room for any household member or guest
- (4) A family must make a request in writing for a larger bedroom VPS in writing and documentation of need is required

CHA is currently devising a form for physicians to complete in order to justify increasing a VPS based on an accommodation for a disability. In the near future, CHA plans to request guidance from FHEO to determine nexus for physician statements and reasonable accommodation for disabilities.

Additional CHA Internal Procedures Implemented:

- (1) All future requests for an increase of a VPS due to an accommodation of a disability will be approved by the Section 8 Specialist who is the supervisor of the Section 8 Assistants.
- (2) When requesting Housing Quality Standard (HQS) inspections, Section 8 staff will notify CHA's HQS Inspectors if a family has been allocated a larger bedroom VPS due to a disability. Upon conducting inspections, these inspectors will verify if that extra bedroom allocated is being used for its intent (i.e. extra bedroom is being used for medical equipment or live-in aid accommodations vs. use as a sleeping room for an unauthorized guest).
- (3) At annual re-examination for each family participating on the Section 8 Program, Section 8 Assistants will review the 50058 to ensure that the VPS size corresponds

with the physical unit size unless otherwise authorized by documentation in the tenant file.

Again, CHA appreciates your comments and observations in identifying the potential savings that CHA can realize by more closely monitoring the over housing of Section 8 tenants and always welcomes suggestions for improving operation of the program.

If you have any questions, please feel free to contact me at (573) 443-2556, ext. 1110.

Sincerely,



Courtney A. Herbst  
Acting Executive Director