



U.S. Department of Housing and Urban Development
Office of District Inspector General for Audit
Capital District
Room 3154
451 7th Street, SW
Washington, DC 20410

**Audit Related Memorandum
No. 98-AO-203-1802**

March 3, 1998

MEMORANDUM FOR: Lee A. Palman, Director, Office of Public Housing, 3GPH

FROM: Austin B. Groom, Jr., District Inspector General for Audit, Capital District, 3GGA

SUBJECT: Corrective Action Verification
Audit Report No. 96-AO-203-1002
District of Columbia's Section 8 Certificate and
Voucher Payments System

We completed a corrective action verification review of the District of Columbia Housing Authority's (DCHA) actions to implement our report recommendations. Based on our review, we believe recommendations 1A, 1B, 1C, and 1D should remain closed. However, we are reopening recommendation 1E because DCHA continues to demonstrate poor efforts in collecting excess Section 8 Housing Assistance Payments (HAP) from landlords. Furthermore, recommendation 1F will remain open until DCHA documents and implements written policy and procedures to detect, prevent, and collect excess HAP.

We are also recommending that your office (1) require DCHA to expedite the collection process for excess HAP, (2) determine whether DCHA should pursue litigation as a remedy for collecting overpayments, and (3) coordinate with DCHA to implement procedures to handle excess HAP deemed uncollectible when all recovery efforts have been exhausted.

Background

We reported in our June 18, 1996, audit report number 96-AO-203-1002 that DCHA took many positive steps to strengthen internal controls over the Section 8 payment and collection system when it was placed under a court-appointed receiver. We recommended that HUD's District of Columbia Field Office (DCFO) ensure that DCHA:

1A. Adequately separates the function of payment generation and collection.

- 1B. Use a standard identification system such as tax identification or social security numbers in its new Section 8 system.
- 1C. Use correct information to develop the new Section 8 computer system files.
- 1D. Verify voucher payment calculations at the time of recertification until the Section 8 computer system is modified or replaced.
- 1E. Determine the status of each landlord overpayment and recover all appropriate portions of the \$440,000 in overpayments.
- 1F. Establish procedures to pursue and document collection activities.

DCHA informed us in their December 3, 1996, management response that payment generation and collection functions would be separated between the Section 8 and Finance departments; tax identification and social security numbers would be used to identify landlords and participants; voucher payment calculations would be reviewed for accuracy during the annual recertification process; and the new Section 8 computer system would automatically calculate voucher payments. DCHA also informed us that formal procedures to forgive the \$440,000 in excess HAP to landlords would be initiated. Based on DCHA's response, we closed recommendations 1A, 1B, 1C, 1D and 1E. We also agreed to a management decision for implementing recommendation 1F and set a final target date of October 31, 1997, to establish collection procedures.

Scope and Methodology

The objective of our review was to ensure that our audit recommendations were implemented. Our review period was from October 1, 1995, through February 10, 1998. We observed DCHA's activities to evaluate steps taken to separate payment generation and collection functions. We randomly selected and judgmentally tested tenant and landlord information contained in the Section 8 database system to determine accuracy and reliability. We assessed DCHA's efforts to track and collect excess HAP by interviewing staff in the DCFO, DCHA, and the collection agency contracted by DCHA.

Review Results

Poor Collection Efforts for Recovering Excess HAP
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We found that DCHA demonstrated poor efforts to collect excess HAP. Overpayments occurred when landlords continued to receive HAP checks in the months after a Section 8 tenant moved and failed to notify DCHA. Our 1996 audit reported uncollected excess HAP of approximately \$440,000 from fiscal years 1993 to 1995. We found that DCHA recovered only 15 percent or \$64,000 of the \$440,000. Furthermore, our current review noted an additional \$227,373 in excess HAP made during fiscal years 1996 and 1997.

Recommendations

Based on our review, we believe recommendations 1A, 1B, 1C, and 1D should remain closed. However, we are reopening recommendation 1E because DCHA continues to demonstrate poor efforts in collecting and recovering excess HAP. Furthermore, recommendation 1F will remain open until DCHA documents and implements written policy and procedures to detect, prevent, and collect the excess HAP.

We also recommend that your office:

1. Require DCHA to expedite recovery of excess HAP and reimburse the Section 8 program. We believe \$603,373 in overpayments are due from landlords. See Appendix A.
2. Determine whether DCHA should pursue litigation as a remedy to recover all identifiable excess HAP.
3. Coordinate with DCHA to implement a HUD approved policy and procedure to handle excess HAP deemed uncollectible when all recovery efforts have been exhausted.

Within 60 days, please give us, for each recommendation made in the report, 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. Also, please furnish us copies of any correspondence or directives issued because of this audit.

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Should you have any questions, please call me or Joan S. Hobbs, Assistant District Inspector General for Audit, on (202) 708-0351.

Appendix A

Aging Schedule on Uncollected Excess Housing Assistance Payments Due From Landlords (As of February 10, 1998)

Fiscal Year	Landlords Receiving Overpayments	Outstanding Balance	Age of Overpayments
1993	87	\$137,925	5 Years
1994	93	161,024	4 Years
1995	122	77,051	3 Years
1996	103	122,666	2 Years
1997	84	104,707	1 Year
Totals:	489	\$603,373	