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New York/New Jersey Office
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OFFICE OF INSPECTOR GENERAL
Office of Audit

September 1, 2000

Audit Memorandum
No. 00-NY-202-1802

TO: Carmen Valenti, Director, Office of Public Housing, 2FPH

Alexander C. Malloy

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

SUBJECT: North Bergen Housing Authority
Low Rent Housing Program
North Bergen, New Jersey

In response to a citizen complaint, we performed a limited review of the Housing Authority of the Township of North Bergen (herein referred to as the Public Housing Authority (PHA)). The review was conducted to determine the validity of complaints pertaining to the PHA's tenant selection procedures and occupancy policy. Specifically, the complainant alleged that: (1) tenants were not reporting their full income or family size; (2) tenants were allowed to occupy units that exceeded their needs; (3) employees were not required to pay appropriate rents; and (4) applicants were selected without regard to waiting lists. The review covered the period from January 1, 1999 to December 31, 1999. Our onsite work was performed between April and July 2000.

To accomplish our objective, we reviewed the PHA's tenant files, application logs, and occupancy policies and records. We also reviewed documentation provided by the HUD New Jersey State Office (NJSO), and Federal, State and local government regulations. In addition, we interviewed members of the PHA's staff including management officials.

Within 60 days, please furnish this office, for each recommendation cited in this memorandum a status report on: (1) the corrective action taken; (2) the proposed corrective action and the date to be completed; or (3) why action is not considered necessary. Also, please furnish us copies of any correspondence or directives issued related to this review.

If you have any questions, please contact William H. Rooney, Assistant District Inspector General for Audit at (212) 264-8000, extension 3976.

SUMMARY

We conducted a limited review of the PHA's operations to determine the validity of complaints pertaining to the PHA's tenant selection procedures and occupancy policy. Specifically, the complainant alleged that: (1) tenants were not reporting their full income or family size; (2) tenants were allowed to occupy units that exceeded their needs; (3) employees were not required to pay appropriate rents; (4) applicants were selected without regard to waiting lists.

Our review disclosed that three tenants (two of whom were named in the complaint) did not disclose their entire household income. Therefore, the amount of each tenant's rent, as computed by the PHA, was not accurate. Also, the PHA did not collect back rent from those tenants after discovering that their rents were not correct. This occurred because the PHA staff did not adhere to Federal Regulations, nor did it exercise its own policy of taking action against tenants who misrepresent their eligibility status. Specifically, PHA staff did not recover the assistance improperly provided to the tenants whose rents were inaccurate. As a result, three tenants, who are currently living at the PHA, inappropriately received a total of \$42,468 in HUD assistance because their rents were not based on their total household income.

We found that the second complaint is valid because numerous families are improperly housed in units with either an insufficient or an excessive number of bedrooms. The PHA's Admission and Continuing Occupancy Policy, dated December 17, 1999, provides that each bedroom should have at least one occupant but no more than two occupants per bedroom. However, a review of family compositions disclosed that the PHA placed large families in small units and did not relocate the small families that occupied large units. PHA management officials stated that they have been working on the problem for over a year, and provided us with lists showing tenants who have been recently relocated. A review of the lists disclosed that the PHA staff appear to be making an effort to re-house seniors in appropriate size units. However, we believe that the PHA did not make a sufficient effort to assure that large families received the appropriate size units. In this regard, we found 21 instances where large families were overcrowded; while at the same time, 19 large units (12 two bedroom and 7 three bedroom units) contained tenants that had small families.

We found that the third complaint is not valid. The PHA reduces the rent of employees who reside at the PHA and are on call 24 hours a day to assist the PHA in performing various PHA functions. In return, the rents of those employees are reduced to \$100 per month. This gives the appearance that employees are not required to pay appropriate rents. However, a review of this matter disclosed that HUD allows PHAs to have such arrangements with tenant employees, and that the tenant employees at the subject PHA are paying the appropriate amount of rents.

Regarding the fourth complaint, we found that this complaint is not valid. Our review disclosed that when applicants apply for units at the PHA, they are assigned priorities, such as a resident or a non-resident status. An applicant who is a resident in the PHA's area is given a higher priority for placement in a PHA unit than an applicant who is a non-resident. Thus, a resident applicant who recently applied for a unit at the PHA, will most likely be placed in a unit before a non-resident applicant. This gives the appearance that applicants are selected without regard to the waiting list, when in fact it is allowable according to HUD's policies.

Regarding the first and second complaints, which are valid, we recommend that: (1) the NJSO require the PHA to collect back rent of \$42,468 from those tenants whose rents were inaccurately computed; and (2) the NJSO direct the PHA to increase its efforts to relocate those families that are overcrowded into appropriate size units.

We held an exit conference on August 3, 2000 at the PHA, which was attended by the PHA's Executive Director, Executive Assistant, and the HUD Office of Inspector General (OIG), Senior Auditor. The Executive Director concurred with our findings, provided informal details regarding PHA actions to resolve the findings, but declined to provide a written response for inclusion in this report.

BACKGROUND

The Housing Authority of the Township of North Bergen (PHA) was created through a resolution of the Township of North Bergen, New Jersey. It was organized as a public housing authority as defined by State Statute N.J.S.A. 4A: 12A-1, et seq. (the Housing Authority Act), to provide housing for eligible low and moderate-income families. The PHA functions under the supervision of HUD and the N.J. Department of Community Affairs (DCA). The PHA's Board of Commissioners is a seven-member board with six members appointed locally and one member appointed by the DCA Commissioner.

The Board of Commissioners is ultimately responsible for ensuring that the PHA complies with Federal, State and Local regulations and policies. The Executive Director is responsible for carrying out daily activities and the general administration and management of the PHA.

The PHA administers 1,405 units as follows:

<u>Program</u>	<u>Contract No.</u>	<u>Project Number</u>	<u>Units Authorized</u>
Low-Income	NY-214	NJ 4-1, 2, 3 & 4	985
Section 8 Certificates	NY-1210	NJ 39-E-004-008	310
Section 8 Vouchers	NY-1210	NJ 39-V-004-009	110

The PHA also received Community Development Block Grant funds from the Township. The funds are not designated by a Grant Agreement or Contract and the costs are capitalized as part of the Low-Income Housing Program.

RESULTS OF REVIEW

COMPLAINT 1

Tenants were not reporting their full income or family size.

EVALUATION OF COMPLAINT 1

Our review disclosed that the first complaint is valid because three tenants (two of whom were named in the complaint) received income that was not included in the household income that was used to compute their rents. (See Finding 1 below.)

We were unable to determine if other allegations regarding unreported household income or unreported family size had merit; therefore, we forwarded the names of the various tenants to our Office of Investigation for further review. When the Office of Investigation completes its review you will be provided the results.

Finding 1

The PHA did not collect back rent from tenants whose rents were not based on their total household income.

Our review disclosed that three tenants (two of whom were named in the complaint) did not disclose their entire household income. Therefore, the amount of each tenant's rent, as computed by the PHA, was not accurate. Also, the PHA did not collect back rent from those tenants after discovering that their rents were not correct. This occurred because the PHA staff did not adhere to Federal Regulations, nor did it exercise its own policy of taking action against tenants who misrepresent their eligibility status. Specifically, PHA staff did not recover the assistance improperly provided to the tenants whose rents were inaccurate. As a result, three tenants, who are currently living at the PHA, inappropriately received a total of \$42,468 in HUD assistance because their rents were not based on their total household income.

The Code of Federal Regulations, 24 CFR, Part 5.528, requires tenants to reimburse HUD for funds they receive by misrepresenting their eligibility status. Moreover, the Code encourages the PHA to refer such tenants to the Office of Inspector General for further investigation. The PHA's own policy states that tenants who do not provide timely and accurate information regarding their incomes will have their leases terminated.

Our review disclosed that a retired professor avoided paying \$32,400 in rent by not reporting his pension benefits between 1995 and 1998. The review further disclosed that a retired postal worker avoided paying rent in the amount of \$7,020 by not reporting his pension benefits between 1994 and 1997. When PHA staff became aware of the unreported income, the PHA

confirmed the amount of the pensions, re-certified the tenants and began charging them the appropriate rents. However, we found no evidence that the PHA staff attempted to determine and recover the undercharged amounts that resulted from the rents being inaccurately computed.

Additionally, a brother and sister living at the PHA were not charged rent in the amount of \$3,048 during the period between July 1999 and February 2000. The PHA only used the sister's income in the rent calculations. However, our review disclosed that the brother's income should have been included in the total household income prior to February 2000, and that back rent should be paid to the PHA.

Auditee Comments

During the Exit Conference, the Executive Director stated that one tenant executed a payment agreement with the PHA, but the other two tenants (retired professor and postal worker) have not been willing to sign a payment agreement. The Executive Director stated that the PHA staff will continue its efforts to collect all back rents.

Evaluation of Auditee Comments

No evaluation of Auditee Comments is necessary.

RECOMMENDATIONS

- 1A. We recommend that the NJSO require the PHA to collect back rent of \$42,468 from those tenants, whose rents were inaccurately computed.

COMPLAINT 2

Tenants were allowed to occupy units that exceeded their needs.

EVALUATION OF COMPLAINT 1

We found that this complaint is valid because the PHA has numerous families residing in over crowded or under utilized units. (See Finding 2.)

Finding 2

The PHA has allowed tenants to occupy units that are either too small or too large for the size of their families.

The PHA's Admission and Continuing Occupancy Policy dated December 17, 1999, provides that each bedroom should have at least one occupant but no more than two occupants per bedroom. A review of family compositions at the PHA disclosed that large families are residing in small units, and that small families in large units are not being relocated.

PHA Officials stated that they have been working on the problem of overcrowded and under utilized units for over a year. Those officials provided us with lists showing tenants who have been recently relocated. Specifically, the lists showed that 19 families were relocated to larger units and that three families were in process of being relocated. Also, it showed that nine families were relocated into smaller units in the Senior Buildings. In this regard, the PHA staff appear to be making an effort to correct this problem.

However, we believe that more needs to be done. We found that 21 one bedroom units were overcrowded; while at the same time 19 large units (12 two bedroom and 7 three bedroom units) contained tenants that have small families. We observed that in at least 15 of the 19 large units, small families were in these units since 1997 and possibly earlier. This occurred because of changes in family compositions. For example, families had children who reached adulthood and moved out of the units.

Auditee Comments

During the Exit Conference, the Executive Director stated that the PHA is making progress, and will continue its efforts to relocate tenants. The Executive Director also said that the PHA has only 6 families left to relocate.

Evaluation of Auditee Comments

No evaluation of Auditee Comments is necessary.

RECOMMENDATIONS

- 2A. We recommend that the NJSO direct the PHA to increase its efforts to relocate families to appropriate size units to alleviate the overcrowded conditions.

COMPLAINT 3

Employees were not required to pay appropriate rents.

EVALUATION OF COMPLAINT 3

We found that this complaint is not valid. The PHA reduces the rent of some employees who reside at the PHA and are on call 24 hours a day to assist the PHA in performing PHA various functions. In return, the rents for those employees are reduced to \$100 per month. Our review of this matter disclosed that HUD allows PHAs to have such arrangements with tenant employees and that tenant employees at the subject PHA are paying the appropriate amount of rents.

COMPLAINT 4

Applicants were selected without regard to waiting lists.

EVALUATION OF COMPLAINT 4

We found that this complaint is not valid. Our review disclosed that when applicants apply for units at the PHA, they are assigned priorities, such as a residents or a non-residents status. An applicant who is a resident in the PHA's area is given a higher priority for placement in a unit than an applicant who is a non-resident. Thus, a resident applicant who recently applied for a unit at the PHA, will most likely be placed in a unit before a non-resident applicant. This gives the appearance that applicants are selected without regard to the waiting list, when in fact it is allowable according to HUD's policies.

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