



Issue Date	June 19, 2007
Audit Report Number	2007-CH-1008

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

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

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

## **HIGHLIGHTS**

### **What We Audited and Why**

We audited the Dayton 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 our analysis of risk factors relating to the housing agencies in Region V's jurisdiction. Our objective was to determine whether the Authority administered 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, abatement of units that did not meet housing quality standards, housing assistance payments calculations, and adequate documentation to support the calculation of households' housing assistance payments was inadequate. Of the 59 housing units statistically selected for inspection, all 59 did not meet HUD's housing quality standards, and 56 had 214 violations that existed at the time of the Authority's previous inspections. The 56 units had between 1 and 11 preexisting violations per unit. Based on our statistical sample, we estimate that over the next year, HUD will pay nearly \$1.8 million in housing assistance payments for units with housing quality standards violations.

Program rents were not abated for units that failed the Authority's quality control inspections. Five units that failed quality control inspections performed in December 2006 also failed quality control reinspections in January or February 2007. However, the Authority failed to abate the program rents for the five units, resulting in an improper payment of nearly \$3,900 in housing assistance and administrative fees.

The Authority incorrectly calculated households' payments, resulting in nearly \$39,000 in overpayments and more than \$1,500 in underpayments for the period January 2005 through August 2006. Based on our statistical sample, we estimate that over the next year, the Authority will overpay more than \$1 million in housing assistance and utility allowance payments. The Authority did not ensure that its households' files contained required documentation to support its housing assistance and utility allowance payments. Of the 67 files statistically selected for review, 37 did not contain documentation required by HUD and the Authority's program administrative plan to support more than \$254,000 in housing assistance and utility allowance payments.

We informed the Authority's executive director and the director of HUD's Cleveland Office of Public Housing of minor deficiencies through a memorandum, dated June 7, 2007.

### **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 more than \$63,000 in program funds, provide documentation or reimburse its program more than \$282,000 from nonfederal funds for the unsupported housing assistance payments and administrative fees, and implement adequate procedures and controls to address the findings cited in this audit report to prevent more than \$2.8 million from being spent on units with material housing quality standards violations and excessive housing assistance.

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 during the audit. We held an exit conference with the executive director on May 24, 2007.

We asked the executive director to provide comments on our discussion draft audit report by June 4, 2007. The executive director provided written comments, dated June 1, 2007, and generally agreed with our recommendations. The complete text of the written comments, along with our evaluation of that response, can be found in appendix B of this report.

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## **BACKGROUND AND OBJECTIVE**

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The Dayton 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 all of Montgomery County, Ohio, with the exception of the Village of Verona, Ohio. A seven-member board of commissioners governs the Authority. Since July 2005, two members have been appointed by the mayor of the City of Dayton (City), one of whom is a resident of the Authority, one each have been appointed by the Montgomery County Probate Court and the Montgomery County Common Pleas Court, and three have been appointed by the Montgomery County Board of County Commissioners. Board appointments are for five-year staggered terms. The Authority's 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). It 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 February 2007, it had 3,462 units under contract with annual housing assistance and utility allowance payments totaling more than \$15.3 million in program funds.

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

## RESULTS OF AUDIT

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### Finding 1: Controls over Housing Quality Standards Need Improvement

The Authority did not adequately enforce HUD's housing quality standards. Of the 59 program units statistically selected for inspection, all 59 did not meet minimum housing quality standards, and 56 had material violations that existed before the Authority's previous inspections. Further, the Authority did not follow its abatement procedures for program units that failed its quality control inspections. The violations and the lack of abatements occurred because the Authority lacked adequate procedures and controls to ensure that its program units met HUD's housing quality standards. As a result, nearly \$21,000 in program funds was spent on units that were not decent, safe, and sanitary. We estimate that over the next year, the Authority will pay nearly \$1.8 million in housing assistance on units with housing quality standards violations.

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#### HUD's Housing Quality Standards Not Met

From the 408 program units that passed the Authority's inspections between November 1 and December 8, 2006, we statistically selected 59 units for inspection by using the U.S. Army Audit Agency's Statistical Sampling System software. The 59 units were inspected to determine whether the Authority ensured that its program units met HUD's housing quality standards. Our appraiser inspected the 59 units between January 16 and February 1, 2007.

All 59 units inspected had a total of 792 housing quality standards violations. In addition, 56 units were considered to be in material noncompliance since they had exigent health and safety violations that predated the Authority's previous inspections. Of the 792 violations, 19 units had 39 violations that were identified by the Authority during its previous inspections and were shown on the Authority's inspection reports but were not corrected. The following table categorizes the 792 housing quality standards violations in the 59 units.

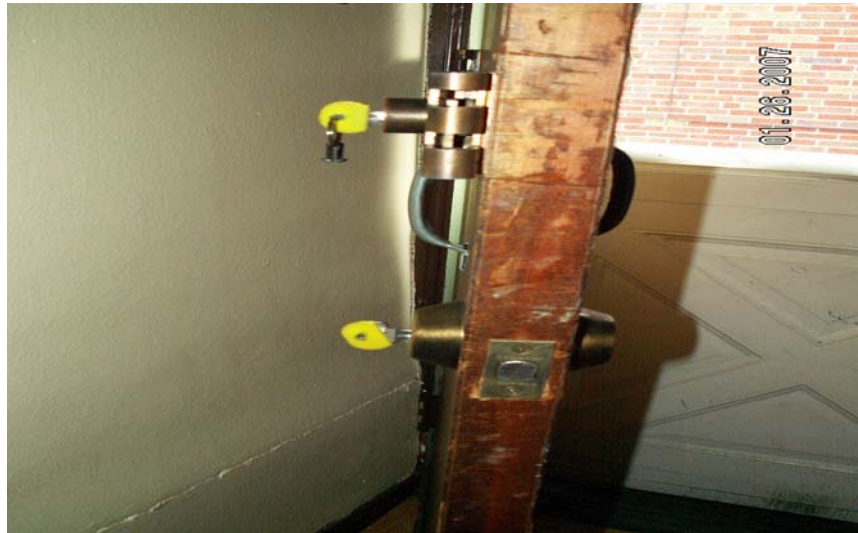
Category of violations	Number of violations
Security	128
Electrical	92
Tub or shower in unit	68
Other interior hazards	54
Roof/gutters	44
Ventilation	44
Window	39
Exterior surfaces	35
Range/refrigerator	32
Heating equipment	28
Water heater	28
Flush toilet in enclosed room	27
Sink	26
Stairs, rails, and porches	22
Garbage/debris/refuse disposal	21
Interior stairs and common halls	18
Smoke detectors	17
Floor	14
Plumbing/sewer/water supply	12
Wall	9
Ceiling	9
Other hazards	9
Site and neighborhood	5
Foundation	4
Infestation	3
Fire exits	2
Space for storage and preparation of food	1
Elevators	<u>1</u>
<b>Total</b>	<b><u>792</u></b>

We provided our inspection results to the director of HUD's Cleveland Office of Public Housing on March 16, 2007, and the Authority's executive director on March 20, 2007.

### Security Violations

One hundred twenty-eight security violations were present in 43 of the Authority's units inspected. The following items are examples of the security violations listed in the table: inoperative door locks, dead bolts and door hinges not properly installed and/or missing, doors not closing securely, and split door frames. The following pictures are examples of the security-related violations.

Unit #036090:  
Improper double keyed  
dead bolt and missing  
standard lock and key  
with handle.



Unit #023121: Entry  
door frame severely  
damaged and split;  
door not secure when  
closed.

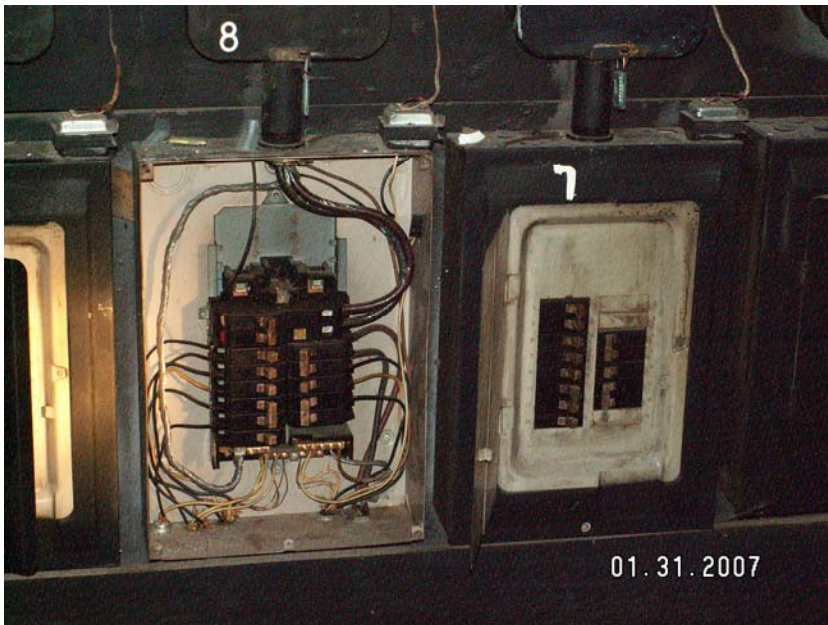


## Electrical Violations

Ninety-two electrical violations were present in 30 of the Authority's units inspected. The following items are examples of electrical violations listed in the table: no cover on junction box, electrical sockets placed upside down exposing wiring; main service panel and electrical meter not secured to building exterior, and exposed electrical wires. The following pictures are examples of the electrical-related violations identified.



Unit #019153: Missing cover for the electrical panel in basement.



Unit #469801: Main electrical wire bare and exposed to weather conditions entering the unit.



## Window Violations

Thirty-nine window violations were present in 22 of the Authority's units inspected. The following items are examples of window violations listed in the table: loose/missing glaze, rotting windows, replacement window smaller than exterior window frame, and plywood used to make a seal around the window. The following pictures are examples of the window-related violations identified.

Unit #458508: Window frame separated from home and replacement window not the proper size.



Unit #000471: Window sides exposed more than 1 inch and not sealed properly allowing air infiltration.



### **Quality Control Inspections Not Performed in a Timely Manner**

The Authority did not perform its required supervisory quality control inspections in a timely manner. According to the Authority's program administrative plan, 5 percent of the total approved inspections completed each month must have a supervisory quality control inspection. Quality control inspections were not conducted from December 2005 through November 2006 because the Authority's inspection services supervisor hired in January 2006 lacked adequate time to perform them. In December 2006, quality control inspections were performed on 10 units inspected by the Authority in October 2006, and all units failed to meet HUD's housing quality standards. During the January and February 2007 quality control reinspections, five still did not meet HUD's housing quality standards. In accordance with HUD's regulations at 24 CFR [*Code of Federal Regulations*]

982.404, the Authority must take prompt and vigorous action to enforce the owners' obligations. Owners have 30 days to make the necessary repairs for routine violations and 24 hours for any life-threatening violations. The Authority must not make any housing assistance payments for a dwelling unit that fails to meet HUD's housing quality standards.

The Authority failed to abate the program housing assistance for the five units. At the time the quality control inspections were performed, the Authority's computer system was not operational due to an equipment upgrade. However, the Authority's responsible staff was never provided the documentation required for them to enter the data into the system once it became operational.

Based on our inspection results, the Authority performed an inspection on March 16, 2007, of the five units that failed the quality control reinspections in January and February 2007. The reinspection results showed that the repairs were completed for two units and because the repairs were not completed for the other three units, the housing assistance was abated beginning April 1, 2007. As a result, the Authority improperly paid \$3,463 in housing assistance and received \$389 in administrative fees for the five units during February and March 2007, and the households resided in units that were not decent, safe, and sanitary.

## Conclusion

The housing quality standards violations existed because the Authority failed to exercise proper supervision and oversight of its program unit inspections. It also lacked adequate procedures and controls to ensure that its program units met HUD's housing quality standards. The Authority also failed to ensure that supervisory quality control inspections were completed timely and to abate units' housing assistance payments since the units did not meet housing quality standards. 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 \$18,783 in housing assistance payments for the 56 units that materially failed to meet HUD's housing quality standards and received \$2,180 in program administrative fees. Further, it inappropriately used \$3,463 in program funds for the five units that failed its quality control reinspections and received \$389 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 nearly \$1.8 million in future housing assistance payments will be spent for units that are decent, safe, and sanitary. Our methodology for this estimate is explained in the Scope and Methodology section of this audit report.

## 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 59 units cited in the finding, that the applicable housing quality standards violations have been repaired.
- 1B. Reimburse its program \$20,963 from nonfederal funds (\$18,783 for housing assistance payments and \$2,180 in associated administrative fees) for the 56 units that materially failed to meet HUD's housing quality standards.
- 1C. Implement adequate procedures and controls to ensure that all units meet HUD's housing quality standards to prevent \$1,793,340 in program funds from being spent on units that are in noncompliance with the standards.
- 1D. Reimburse its program \$3,852 (\$3,463 for housing assistance payments and \$389 in associated administrative fees) from nonfederal funds for the five units that failed to meet HUD's housing quality standards and for which the program rents were not abated in a timely manner.
- 1E. Implement adequate procedures and controls to ensure that supervisory quality control inspections are conducted and documented, along with the feedback provided to inspectors to correct recurring inspection deficiencies noted.

## Finding 2: Controls over Housing Assistance and Utility Allowance Payments Were Inadequate

The Authority failed to comply with HUD's regulations and its program administrative plan regarding housing assistance and utility allowance payments. It incorrectly calculated housing assistance and utility allowance payments and lacked documentation to support housing assistance and utility allowance payments to program landlords and households, respectively, because it did not have adequate procedures and controls to ensure that HUD's regulations and its program administrative plan were appropriately followed. As a result, it overpaid more than \$38,000 and underpaid nearly \$1,600 in housing assistance and utility allowance payments, and was unable to support nearly \$254,000 in housing assistance and utility allowance payments made. Based upon our statistical sample, we estimate that over the next year, the Authority will overpay more than \$1 million in payments.

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### **Incorrect Housing Assistance and Utility Allowance Payments**

From the Authority's 4,466 active program households as of November 15, 2006, we statistically selected 67 households' files by using the U.S. Army Audit Agency's Statistical Sampling System software. The 67 households' files were reviewed to determine whether the Authority accurately verified and calculated the income information received from the households for their housing assistance and utility allowance payments for the period January 1, 2005, through August 31, 2006. Our review was limited to the information maintained by the Authority in its households' files.

According to HUD's regulations at 24 CFR [*Code of Federal Regulations*] 5.240(c), public housing authorities must verify the accuracy of the income information received from program households and change the amount of the total tenant payment, tenant rent, or program housing assistance payment or terminate assistance, as appropriate, based on such information.

The Authority's miscalculations resulted in overpayments of \$38,827 and underpayments of \$1,591 in housing assistance and utility allowance payments. The Authority incorrectly calculated housing assistance and utility allowance payments for 38 of the 67 (57 percent) households in one or more of the annual certifications. It correctly calculated housing assistance payments for 27 households. Two files did not contain enough information to determine whether the Authority correctly calculated the housing assistance and utility allowance payments. The 38 files contained the following errors:

- 33 had total tenant payment calculation errors for one or more years,
- 25 had annual income calculation errors for one or more years,
- 15 had utility assistance payment calculation errors for one or more years,

- 10 had total tenant payment determinations,
- Three annual income determinations,
- Three had incorrect utility allowance determinations,
- Two utility allowance payment determinations,
- One had payments made after the household moved out of the unit, and
- One had payments that were not made according to the family report.

The errors occurred because the Authority did not use the appropriate annual income amounts, program payment standards, utility allowances, deduction allowances; repayment agreements and/or interim certifications were not established; there were repayment agreements with an outstanding balance, annual certifications were not processed in a timely manner; payments were not made according to the certification; and/or payments were made for months after the household moved out. Therefore, overpayments and underpayments of housing assistance and utility allowances occurred. As a result, program funds were not used efficiently and effectively.

**The Authority Lacked Documentation to Support More Than \$254,000 in Housing Assistance and Utility Allowance Payments**

The Authority lacked documentation to support housing assistance and utility allowance payments totaling \$254,273 for the period January 2005 through August 2006. Of the 67 household files statistically selected for review, 37 (55 percent) were missing or had incomplete documents as follows:

- 28 were missing proof of a criminal activity screening;
- 21 were missing a final housing application;
- 13 were missing a declaration of U.S. citizenship certifications;
- 11 were missing HUD Form 52517, Request for Tenancy Approval;
- Nine were missing proof of Social Security numbers;
- Eight were missing proof of legal identity;
- Six were missing disclosures of information on lead-based paint;
- Five were missing HUD Form 50058, Family Report;
- Four were missing a lease agreement;
- Four were missing HUD Form 52641, Housing Assistance Payment Contract;
- Four were missing HUD Form 52641-A, Tenancy Addendum; and
- Three were missing HUD Form 9886, Authorization for the Release of Information and Privacy Act Notice.

The 37 files did not include documentation required by HUD's regulations and the Authority's program administrative plan.

HUD performed a rental integrity monitoring review in July 2003 and a rental integrity monitoring re-review in August 2004. The 2003 review identified that the Authority's household files contained errors similar to the ones cited in this finding. HUD's 2004 re-review revealed that the Authority's household files still included errors. HUD and the Authority had been aware of the file errors since July 2003. As previously discussed, the Authority's maintenance of required documentation in its household files continues to be a problem. The Authority failed to correct this issue for nearly four years.

### **The Authority's Procedures and Controls Had Weaknesses**

The weaknesses regarding incorrect calculations, missing documentation, and inappropriate payments occurred because the Authority lacked adequate procedures and controls to ensure that it appropriately followed HUD's regulations and its program administrative plan. It did not ensure that it fully implemented HUD's regulations and its administrative plan and standardized household certifications and file management procedures. The program administrative plan also did not address how households would be reimbursed when an underpayment of housing assistance payment occurred.

### **Conclusion**

The Authority did not properly use its program funds when it failed to comply with HUD's regulations and its administrative plan. In accordance with 24 CFR [*Code of Federal Regulations*] 982.152(d), 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.

As previously mentioned, the Authority disbursed \$254,273 in housing assistance and utility allowance payments without supporting documentation and overpaid \$38,827 and underpaid \$1,591 in housing assistance and utility allowance payments. In addition, it received \$27,812 in program administrative fees related to the unsupported payments for the 37 program households.

If the Authority implements adequate procedures and controls over its housing assistance and utility allowance payments to ensure compliance with HUD's regulations and its program administrative plan, we estimate that more than \$1 million in payments will be accurately spent over the next year based on the error rate found in our sample. Our methodology for this estimate is explained in the Scope and Methodology section of this audit report.

## Recommendations

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

- 2A. Reimburse its program \$38,827 for the overpayment of housing assistance and utility allowance payments cited in this finding from nonfederal funds.
- 2B. Reimburse the appropriate households \$1,591 for the underpayment of housing assistance and utility allowance payments from program funds.
- 2C. Provide supporting documentation or reimburse its program \$282,085 (\$254,273 in housing assistance and utility allowance payments and \$27,812 in associated administrative fees) from nonfederal funds for the unsupported payments and associated administrative fees related to the 37 households cited in this finding.
- 2D. Implement adequate procedures and controls over its housing assistance and utility allowance payments to ensure that they meet HUD's regulations and its program administrative plan. The procedures and controls should include but not be limited to ensuring, that all required documentation is maintained in the Authority's current household files to support housing assistance and utility allowance payments and that payment calculations are correct. By implementing adequate procedures and controls, the Authority should help ensure that \$1,059,175 in program funds is appropriately used for future payments.
- 2E. Revise its program administrative plan to address how households will be reimbursed when an underpayment of housing assistance or utility allowance occurs.



## SCOPE AND METHODOLOGY

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To accomplish our objective, we reviewed

- Applicable laws; regulations; the Authority's 2005 program administrative plan; and HUD's program requirements at 24 CFR [*Code of Federal Regulations*] Parts 5 and 982; HUD's Public and Indian Housing Notices 2004-12, 2005-9, 2005-24, 2005-28, and 2006-3; and HUD's Housing Choice Voucher Guidebook 7420.10.
- The Authority's accounting records; annual audited financial statements for 2003, 2004, and 2005; general ledgers; household files; computerized databases; policies and procedures; board meeting minutes for 2005 and 2006; 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.

We statistically selected 59 of the Authority's program units to inspect using the U.S. Army Audit Agency's Statistical Sampling software from the 408 units that were inspected by the Authority from November 1 through December 8, 2006. The 59 units were selected to determine whether the Authority ensured that its program units met HUD's housing quality standards. Our sampling criteria used a 90 percent confidence level, 50 percent estimated error rate, and precision level of plus or minus 10 percent.

Our sampling results determined that 56 units materially failed to meet HUD's housing quality standards. Materially failed units were those with exigent health and safety violations that predated the Authority's previous inspections.

The Authority's November and December 2006 and January 2007 Voucher Management System reports showed that the average monthly housing assistance payment was \$405. Projecting our sampling results of the 56 units that materially failed to meet HUD's housing quality standards to the population indicates that 369 units or 90.56 percent of the population contains the attributes tested (would materially fail to meet HUD's housing quality standards). The sampling error is plus or minus 4.35 percent. In other words, we are 90 percent confident that the frequency of occurrence of the attributes tested lies between 90.56 and 99.27 percent of the population. This equates to an occurrence of between 369 and 405 units of the 408 units in the population.

- The lower limit is 90.56 percent times 408 units = 369 units that materially failed to meet HUD's housing quality standards.
- The point estimate is 94.92 percent times 408 units = 388 units that materially failed to meet HUD's housing quality standards.
- The upper limit is 99.27 percent times 408 units = 405 units that materially failed to meet HUD's housing quality standards.

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 \$1,793,340 (369 units times \$405 average payment times 12 months) for units that materially failed to meet 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 recommendation. While these benefits would recur indefinitely, we were conservative in our approach and only included the initial year in our estimate. We also considered that (1) the Authority did not identify many of the preexisting violations during its most recent inspections, (2) the units would not be scheduled for reinspection for another year under normal circumstances, and (3) it would take the Authority at least a year to complete all inspections under an improved inspection process.

From the Authority's 4,466 active program households as of November 15, 2006, we statistically selected 67 households' files for review by using the U.S. Army Audit Agency's Statistical Sampling software. We reviewed the 67 files to determine whether the Authority maintained adequate documentation to support the households' admission and selection for its program. We also reviewed the 67 files to determine whether the Authority accurately verified and calculated the income information received from the households for its housing assistance and utility allowance payments for the period January 1, 2005, through August 31, 2006. The Authority incorrectly calculated payments for 38 of the 67 files reviewed. This resulted in total miscalculation of payments by \$40,418—to include overpayments of \$38,827 and underpayments of \$1,591 in housing assistance and utility allowances.

Unless the Authority improves its calculation process, we estimate that it could make \$1,059,175 in future excessive housing assistance and utility allowance payments. We determined this amount by multiplying 6.9 percent (the percentage of the total housing assistance and utility allowance for the 67 households' files in the sample that received excessive payments) times \$15,350,360 (the total payments for the population of households served). We determined the 6.9 percent by annualizing the net excessive payments of \$37,236 (\$38,827 in overpayments minus \$1,591 in underpayments divided by the audit period of 20 months times 12 months, or \$22,342) for our sample of 67 households divided by the \$325,620 in housing assistance and utility allowance payments for one year (67 households times \$405 which is the average monthly housing assistance payment times 12 months). This estimate is presented solely to demonstrate the annual amount of program funds that could be put to better use on appropriate payments if the Authority implements our recommendation. While these benefits would recur indefinitely, we were conservative in our approach and only included the initial year in our estimate.

We performed our on-site audit work between October 2006 and April 2007 at the Authority's offices located at 400 Wayne Avenue and 225 West First Street, Dayton, Ohio. The audit covered the period from January 1, 2005, through August 31, 2006, but was expanded when necessary to include other periods.

We performed our audit 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,
- 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.

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## 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 Weaknesses

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

- The Authority lacked sufficient procedures and controls to ensure compliance with HUD's regulations and/or its program administrative plan regarding unit inspections, abatement for units that did not meet housing quality standards, household files, and housing assistance and utility allowance payments (see findings 1 and 2).

# APPENDIXES

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## Appendix A

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

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Recommendation number	Ineligible 1/	Unsupported 2/	Funds to be put to better use 3/
1B	\$20,963		
1C			\$1,793,340
1D	3,852		
2A	<u>38,827</u>		
2B			1,591
2C		<u>\$282,085</u>	
2D			<u>1,059,175</u>
Totals	<u>\$63,642</u>	<u>\$282,085</u>	<u>\$2,854,106</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 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 Office of Inspector General (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 which are specifically identified. In these instances, if the Authority implements our recommendations, it will cease to incur program costs for units that are not decent, safe, and sanitary and for excessive housing assistance payments and, instead, will expend those funds in accordance with HUD's requirements. Once the Authority successfully improves its controls, this will be a recurring benefit. Our estimate reflects only the initial year of this benefit.


# Appendix B

## AUDITEE COMMENTS AND OIG's EVALUATION

### Ref to OIG Evaluation

### Auditee Comments

June 1, 2007

  
Dayton Metropolitan Housing Authority

Mr. Ronald Farrell, Assistant RIGA  
Office of Inspector General  
U.S. Department of Housing and Urban Development  
200 N. High Street - Room 334  
Columbus, OH 43215-2499

**"Committed to Making Lives Better."**

**SUBJECT: Housing Choice Voucher Program – IG Audit**

Dear Mr. Farrell:

Dayton Metropolitan Housing Authority has received and reviewed the HUD's Inspector General Audit Report. The report identified findings in the following areas:

1. Housing Quality Standards
2. Housing Assistance and Utility Allowance Payments and Income Verifications
3. Portability

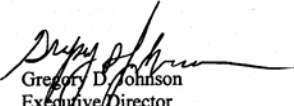
We appreciate the opportunity to respond to your report and the professionalism of the audit staff.

DMHA is committed to providing low to moderate income residents of Montgomery County access to decent, safe, affordable housing and to advocate on behalf of our clients on community issues and services that affect their ability to secure and maintain housing.

DMHA believes that after a review of the documents provided by the Office of Inspector General, DMHA has found a lot of the citations sited will be determined to be in error and/or have already been corrected. DMHA does agree there were minimal citations found to be true. In these cases, DMHA has implemented the necessary corrective actions to ensure there will be no reoccurrences in these areas in the future.

Thank you for the opportunity to respond to this draft report.

Sincerely,

  
Gregory D. Johnson  
Executive Director

Enclosures

Administrative/Admissions  
400 Wayne Avenue  
Post Office Box 8750  
Dayton, Ohio 45401-  
email@dmha.org

Main: 937.910.7500  
Fax: 937.222.3554  
Job Line: 937.910.7525  
www.dmha.org

Section 8 Offices  
225 W First Street  
Dayton, Ohio 45402-3003  
housing@dmha.org

Main: 937.910.5400  
Fax: 937.910.5491  
TDD: 937.910.5440

Board of Housing Commissioners

Steven B. Stanley  
Chairman

Wilbert O. Shanklin  
Vice-Chairperson

William Vaughn  
Charles A. Jones  
Carole L. Grimes  
Alvin Freeman  
Danyelle S. T. Wright

Gregory D. Johnson  
Executive Director

Comment 1

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**Dayton Metropolitan Housing Authority's Section 8 units did not meet HUD's Housing Quality Standards.**

DMHA is very serious about our Housing Choice Voucher Program. As we reviewed the citations in your audit report, we disagree with some of the statements: The IG report indicated that out of the 59 units inspected, there were 13 citations per unit. This number conflicts with the previous information you presented to DMHA which shows only 35 of the units had two or more violations, in addition, your appraiser decided that many of the HQS violations were present in the unit at the time of the last annual inspection which indicates that DMHA missed these violations when we inspected the units. The appraiser asked the tenants if the HQS items were missed by DMHA inspectors. This means your appraiser relied solely upon the tenants response to these inquires, also in some instances batteries had been removed from smoke alarms where the tenants voluntarily admitted to removing the batteries. These items were indicated on our list of citations which DMHA had no control over. Other items like these include broken refrigerator bars and handles of tenant owned appliances. The inspections the appraiser performed were conducted on an average of 120 days after DMHA inspections were completed. Because of this time lapse, citations and/or deficiencies could have happened from the time DMHA inspected the unit and your appraiser re-inspected the units. Although there were some citations found that warranted immediate attention, DMHA has taken the proper steps to correct these immediate citations and all others found. At this time, all landlords have been notified of the citations that were stated in your report and DMHA inspectors have re-inspected all 59 units.

Comment 2

Comment 3

In addition to inspecting 100 percent of the 59 units and of the 59 units, 74 percent is in compliance. The other 26 percent DMHA is taking the appropriate measure to ensure that families are residing in quality housing. Also in accordance to DMHA's Section 8 Administrative Plan, DMHA is in the process of instituting a quality control inspection contract that will inspect 10 percent of all units that are under a HAP contract. All DMHA inspectors will again be certified in HQS within the next three months.

**Dayton Metropolitan Housing Authority's Section 8 Portability Program**

After reviewing the audit report pertaining to our portability, DMHA recognizes there are additional oversight policies that would ensure proper transaction as it pertains to portability.

Through our "Corrective Action Plan", DMHA will ensure that proper oversight will be carried out because of the following new policies and procedures:

- As of April 1, 2007, an updated fact sheet has been developed;
- A check list sheet has been developed
- A log of incoming/outgoing ports
- The ongoing log will show client name, applicant number and place where they are porting to and port date
- The incoming port log will show client's name, authority where they are coming from and date

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By developing and implementing these additional processes, DMHA feels this will ensure proper documentation as it pertains to portability.

**Dayton Metropolitan Housing Authority's Housing Assistance and Utility Allowance Payments and Income Verifications**

DMHA disagrees with the statement "DMHA controls over housing and utility assistance payments were inadequate".

Based on the audit finding, there was not criminal documentation contained in 28 files. These were tenants that received their vouchers between 2001 and 2002. In 2004, DMHA changed the client filing system which may have caused some of this missing information. Through the application process, all supervisors approve all appropriate criteria items. In the future, all files will have a check list for all information that must be in the file at all times.

The nine clients identified in your audit having missing social security cards have been contacted to provide the information to our office. The information will be placed in the tenant file upon receipt. If the information is not received, DMHA will take the appropriate steps to terminate these clients off the program. In the future, all files will have a check list for all information that must be in the file at all times.

The thirteen clients identified in your audit having missing U.S. Certification forms have been contacted to provide the information to our office. The information will be placed in the tenant file upon receipt. If the information is not received, DMHA will take the appropriate steps to terminate these clients off the program. In the future, all files will have a check list for all information that must be in the file at all times.

The eight clients identified in your audit having missing proof of legal identity have been contacted to provide the information to our office. The information will be placed in the tenant file upon receipt. If the information is not received, DMHA will take the appropriate steps to terminate these clients off the program. In the future, all files will have a check list for all information that must be in the file at all times.

**Dayton Metropolitan Income Oversight of its Income Verification Process**

Based on the six files identified in your audit citing that the Authority failed to recapture over \$29,000 in housing assistance payments DMHA took the appropriate steps in accordance to our Section 8 Administrative Plan. Five of the families have been terminated from the program and their accounts have been turned over to our collection agency. One family died while under contract and the landlord has been turned over to collections and reported to the HUD IG Investigation Department for prosecution. Any family that had a balance of \$5,000 or more has been turned over to HUD IG Investigation for prosecution.



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DMHA values HUD's feedback and recommendations and has developed a "Corrective Action Plan". A quality control partnership for HQS inspection with the City of Dayton Inspections Department is in the works, advance HQS training for all housing inspectors is scheduled and training on rent calculations for all of our Section 8 specialists has been scheduled.

cc: Mr. Thomas Marshall  
Mr. Michael LaRicca  
Ms. Renee Woods  
Mr. Steven B. Stanley, DMHA Board Chairman

## OIG Evaluation of Auditee Comments

- Comment 1** Our audit cites that all 59 units inspected had a total of 792 housing quality standards violations. While this would equate to 13 citations per units, we focused on the 56 units that materially failed inspections. Materially failed units were those with exigent health and safety violations that predated the Authority's previous inspections. We provided the results of our inspections to the Authority on March 20, 2007. Our appraiser used the information contained on the Authority's previous inspection reports as well as information received from the applicable households. The households were specifically asked if the exigent health and safety violations existed at the time of the Authority's previous inspections. All failing items were included in our inspection results. We agree that there were failing items that are not within the Authority's control, but these items must still be reported as housing quality standards violations and corrected per HUD's requirements.
- Comment 2** We conducted our inspections between January 16 and February 1, 2007, for the 59 units that passed the Authority's inspections between November 1 and December 8, 2006. Ninety-three days would be the longest time lapse between the Authority's inspections and our appraiser's inspections. Our inspections included units that the Authority had inspected and passed in the previous 77 to 93 days.
- Comment 3** We agree that the Authority's actions to reinspect all 59 units inspected during our audit are indicative of its concern for its program and households. The Authority indicated during the exit conference that it had removed nonconforming landlords and their respective units from the program.
- Comment 4** The Authority's July 1999 program administrative plan, chapter 4, section E, makes reference to denying admission to families that have engaged in drug-related or violent criminal activity. Initial screening will be composed of checks through the LEADS system through the State Highway Patrol.

## Appendix C

### FEDERAL REQUIREMENTS

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#### Finding 1

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.152(d) state 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 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 24 CFR [*Code of Federal Regulations*] 982.404 (a) state that the owner must maintain the unit in accordance with HUD's housing quality standards. If the owner fails to maintain the dwelling unit in accordance with HUD's housing quality standards, the authority must take prompt and vigorous action to enforce the owner obligations. Remedies for such breach of the housing quality standards include termination, suspension or reduction of housing assistance payments, and termination of the housing assistance payments contract. The authority must not make any housing assistance payments for a dwelling unit that fails to meet the 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 no more than 24 hours. For other defects, the owner must correct the defect within no more than 30 calendar days (or any public housing authority-approved extension).

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*] 5.216(a) state that each assistance applicant must submit the complete and accurate Social Security number assigned to the applicant and to each member of the household who is at least six years of age. The

documentation necessary to verify the Social Security number of an individual is a valid Social Security number issued by the Social Security Administration or such other evidence of the Social Security number as HUD and, where applicable, the authority may prescribe in administrative instructions.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 5.230(a) require each member of the family of an assistance applicant or participant who is at least 18 years of age and each family head and spouse regardless of age to sign one or more consent forms.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 5.508(b) require each family member, regardless of age, to submit the following evidence to the responsible entity:

(1) For U.S. citizens or U.S. nationals, the evidence consists of a signed declaration of U.S. citizenship or U.S. nationality. The responsible entity may request verification of the declaration by requiring presentation of a U.S. passport or other appropriate documentation, as specified in HUD guidance.

(2) For noncitizens who are 62 years of age or older or who will be 62 years of age or older and receiving assistance under a Section 214-covered program on September 30, 1996, or applying for assistance on or after that date, the evidence consists of a signed declaration of eligible immigration status and proof of age document.

(3) For all other noncitizens, the evidence consists of a signed declaration of eligible immigration status, one of the documents referred to in 5.510, and a signed verification consent form.

(c) Declaration: (1) For each family member who contends that he or she is a U.S. citizen or a noncitizen with eligible immigration status, the family must submit to the responsible entity a written declaration, signed under penalty of perjury, by which the family member declares whether he or she is a U.S. citizen or a noncitizen with eligible immigration status. (i) For each adult, the declaration must be signed by the adult. (ii) For each child, the declaration must be signed by an adult residing in the assisted dwelling unit who is responsible for the child.

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*] 982.4 state that the voucher is the document issued by the authority to a family selected for admission to the voucher program. This document describes the program and procedures for the authority's approval of a unit selected by the family. The voucher also states obligations of the family under to the program.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.153 state that the public housing authority must comply with the consolidated annual contributions contract, the application, HUD regulations and other requirements, and its program administrative plan.

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. The authority must prepare a unit inspection report. 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 authority 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*] 982.162(a)(3) state that the authority must use program contracts and other forms required by HUD headquarters including the tenancy addendum required by HUD.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.305(d) state that after receiving the family's request for approval of the assisted tenancy, the housing authority must promptly notify the family and owner of whether the assisted tenancy is approved.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.311(d) state that if the family moves out of the unit, the authority may not make any housing assistance payment to the owner for any month after the month when the family moves out. The owner may keep the housing assistance payment for the month when the family moves out of the unit.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.505(B)(4) state that if the payment standard amount is increased during the term of the contract, the increased payment standard amount shall be used to calculate the monthly housing assistance payment for the family beginning at the effective date of the family's first regular reexamination on or after the effective date of the increase in the payment standard amount.

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 client file third-party verification of the following factors or must document in the client file why third-party verification was not available: (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. As a condition of admission to or continued assistance under the program, the authority shall require the family head and such other family members as the authority designates to execute a HUD-approved release and consent form (including any release and consent as required under 5.230 of this title) authorizing any

depository or private source of income or any federal, state, or local agency to furnish or release to the authority or HUD such information as the public housing authority or HUD determines to be necessary. The authority and HUD must limit the use or disclosure of information obtained from a family or from another source pursuant to this release and consent to purposes directly in connection with administration of the program.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.517(a) state that the authority must maintain a utility allowance schedule for all client-paid utilities, for cost of client-supplied refrigerators and ranges, and for other client-paid housing services.