



Issue Date  
May 7, 2007

Audit Report Number  
2007-LA-1010

TO: Stephen Schneller, Director, Office of Public Housing, Region IX, 9APH

*Joan S. Hobbs*

FROM: Joan S. Hobbs, Regional Inspector General for Audit, Los Angeles, CA,  
Region IX, 9DGA

SUBJECT: The Housing Authority of the County of Contra Costa, Martinez, California,  
Admitted an Overincome Family to the Section 8 Housing Choice Voucher  
Program, and Did Not Adequately Screen and Document Eviction Histories

## HIGHLIGHTS

### What We Audited and Why

In accordance with our annual audit plan, we reviewed the County of Contra Costa Housing Authority's (Authority) tenant eligibility determinations for its Section 8 Housing Choice Voucher program.

Our objective was to determine whether the Authority ensured that only eligible tenants were admitted to its Section 8 program and allowed to continue receiving assistance in compliance with U.S. Department of Housing and Urban Development (HUD) rules and regulations.

### What We Found

The Authority generally determined eligibility for Section 8 housing in accordance with HUD requirements. The Authority screened applicants to exclude individuals who were ineligible due to criminal activity. It obtained criminal history reports for all adult Section 8 applicants as part of its screening process. It also screened applicants to ensure that assistance was not awarded if any prospective household member was subject to a lifetime registration

requirement under the state's sex offender registration program. However, of 37 new vouchers that were issued between January 1, 2005, and December 31, 2006<sup>1</sup>, we identified one family that was ineligible because its income exceeded HUD's limit for Section 8 eligibility. In addition, the Authority needs to improve procedures for determining whether prospective tenants were previously evicted from assisted housing for drug-related activity. Specifically, our review disclosed that the Authority

- Obtained eviction histories for applicants but did not ensure that the histories covered a full three years,
- Did not have procedures to identify evictions by Section 8 landlords, and
- Did not document the results of eviction checks.

### **What We Recommend**

We recommend that the director of HUD's Office of Public Housing require the Authority to (1) repay HUD the \$2,559 in housing assistance payments disbursed between February 1, 2006, and February 1, 2007, for the overincome tenant plus any additional amounts paid since then, (2) implement a control procedure that will document the comparison of an applicant family's annual income with the applicable income limit and the determination of income eligibility, and (3) implement new procedures to ensure that eviction reviews are documented and cover the required three years and that there were no evictions from Section 8 housing.

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 provided the Authority a draft report on April 9, 2007, and held an exit conference on April 19, 2007. The Authority provided written comments on April 26, 2007. It generally agreed/with the report.

The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix B of this report.

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<sup>1</sup> Only six of the 37 new vouchers were included in the nonstatistical sample selected for the eligibility review; however, the annual incomes listed for the remaining 36 families appeared to meet eligibility requirements.

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## **BACKGROUND AND OBJECTIVES**

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The Housing Authority of the County of Contra Costa (Authority) is a public housing agency as defined in the United States Housing Act of 1937 as amended. It was established in 1942 and currently owns 1,168 public housing units and 262 low-income tax credit units. The Authority also administers approximately 6,781 vouchers under the Section 8 Housing Choice Voucher program. Section 8 housing choice vouchers allow income-eligible families to obtain affordable, decent, and safe housing. During the period from January 1, 2005, through December 31, 2006, the Authority received funding from the U.S. Department of Housing and Urban Development (HUD) in the amount of \$133.3 million for housing assistance payments. For the same period, it also received \$10.9 million in administrative fees for administering the Section 8 program.

The Authority's current executive director held the position of deputy executive director for four years before becoming the acting executive director on October 1, 2005. On February 28, 2006, he became the executive director. The director of housing assistance programs (Section 8) was hired by the Authority for this position in November 2005. We observed an ongoing commitment to improvement under the current executive director, which included eliminating a backlog in annual recertifications that went back as far as 2004 and implementation of procedures to screen tenants porting in from other housing authorities.

The Authority's procedures, in compliance with HUD requirements, included obtaining verification of income, expenses, and assets from the appropriate third parties, including employers, the Employment Development Department (to determine whether unemployment income was received), and banks.

The objective of this review was to determine whether the Authority ensured that only eligible tenants (1) were admitted to its Section 8 program and (2) were allowed to continue receiving assistance in compliance with HUD rules and regulations.

We previously completed a review of the Authority's oversight of Section 8 rent reasonableness and our results are contained in audit report 2007-LA-1004, dated December 15, 2006.

## RESULTS OF AUDIT

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### Finding: The Authority Admitted an Overincome Family to the Program, and Did Not Adequately Screen and Document Eviction Histories

The Authority issued a Section 8 voucher to one family whose income exceeded the income limit established by HUD. As a result, it paid \$2,559 in ineligible assistance. This noncompliance occurred because the Authority did not have written procedures to ensure that annual income was compared to the appropriate income limit or that a review of income eligibility was documented as part of the quality assurance review. In addition, the Authority's procedures for determining whether Section 8 applicants had prior evictions from assisted housing did not ensure compliance with HUD's requirement to exclude individuals with prior evictions from assisted housing for drug-related criminal activity.

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#### **The Authority Admitted an Overincome Family to the Program**

Better controls are needed to ensure that families are income eligible at initial admission. The Authority awarded 1 of 37 new vouchers issued between January 1, 2005, and December 31, 2006, to a family whose income exceeded the Section 8 income limit by \$32,939. The family of four was admitted on January 4, 2006, with an annual income of \$74,339. At that time, the applicable published income limit for this size family in Contra Costa County was \$41,400.

The supervisor for the initial eligibility team said that she currently performs a quality control review of every new file before signing the housing choice voucher. The ineligible family's file was approved by a senior employee in December 2005, which was before the supervisor implemented her current quality control procedures. The supervisor and current staff were aware of income requirements and said that they check for income eligibility, but the checks were not clearly documented. Therefore, we recommend that the Authority implement a procedure to ensure that each tenant file contains documents showing that the applicant's annual income is within the applicable income limit. We also recommend that the Authority repay HUD for all housing assistance payments it made to the family's landlord. As of February 1, 2007, ineligible housing assistance payments totaled \$2,559. The Authority notified the family that it would be terminated from the Section 8 program, effective April 5, 2007.

## **Better Screening Is Needed for Prior Evictions from Section 8 Housing**

The Authority's process for screening Section 8 applicants included obtaining criminal history reports, verification that applicants were not registered sex offenders, and reports showing past evictions. Although the criminal history reports and registered sex offender checks allowed the authority to comply with HUD requirements, the eviction reports did not include the full three-year period HUD requires, nor did the Authority have a procedure to identify evictions from Section 8 housing. In addition, the Authority destroyed the eviction reports along with the criminal history reports, but unlike the criminal history reports, the eviction results were not documented in the files. As a result, there is no assurance that the Authority identified and denied assistance to applicants who had been evicted from assisted housing for drug-related criminal activity during the prior three years.

We requested that the Authority order new reports for the nine adults in the six households included in our sample of new admissions. Six of the reports showed no filings or evictions. Three of the reports showed filings and/or evictions. The reports listed a maximum of four eviction filings, regardless of whether they resulted in a judgment or eviction. None of the filings listed on the reports reviewed were from public housing, and all were for nonpayment, rather than criminal or other undesirable behavior. However, the reports showed only the four most recent filings, followed by the statement: "There were additional eviction filings found. Please contact National Credit Reporting for further information on additional filings." The Authority's staff said that they did not follow up to obtain additional information necessary to review evictions for three years prior to admission.

None of the plaintiffs in the reports reviewed were public housing authorities, so we asked how the Authority could identify evictions from Section 8 housing, since the plaintiff would be the landlord, rather than a housing authority. Officials said that they had no way of identifying Section 8 landlords. The Authority should have known if an applicant received Section 8 assistance within its own jurisdiction in Contra Costa County but should have procedures for followup if an applicant was evicted within the last three years from housing in another jurisdiction for drug-related activity.

## **Conclusion**

There was one case in which an overincome family was admitted into the program, resulting in improper payment of \$2,559 in Section 8 subsidy. The Authority also did not screen applicants for prior evictions from Section 8 housing over the entire three-year period required and did not adequately document the results of its eviction reviews.

## **Recommendations**

We recommend that the director, Office of Public and Indian Housing, Region IX, require the Authority to

1A. Reimburse HUD from nonfederal funds \$2,559 and any additional amount used to subsidize rent for an overincome Section 8 tenant.

1B. Develop and implement a procedure to ensure that each tenant file contains documents showing that the applicant's annual income is within the applicable income limit.

1C. Develop and implement procedures to ensure that applicants admitted to the program have not been evicted from assisted housing, including Section 8 housing, for drug-related activity during the last three years.

1D. Develop and implement a procedure to ensure that all eviction screening results are documented in tenant files.

## SCOPE AND METHODOLOGY

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To accomplish our objective, we

- Identified and evaluated pertinent HUD and Authority criteria.
- Obtained an understanding of the Authority's tenant eligibility procedures.
- Interviewed eligibility interviewers and eligibility managers to obtain an understanding of the Authority's procedures.
- Reviewed a nonstatistical sample of tenant files containing hard copies of supporting documents for initial and continuing eligibility.
- Reviewed six tenant files to determine whether initial eligibility was determined correctly and in compliance with HUD and Authority requirements before admitting a family to the program.
- Reviewed six files for families due for annual recertifications in 2005 and 2006 to determine whether the Authority complied with requirements for continued eligibility.

We performed on-site work at the Authority's Section 8 office at 1805 Arnold Drive, Martinez, California, from December 2006 through February 2007. The audit covered the period January 2005 through December 2006.

We performed our review 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:

- Administration of the Section 8 program as it relates to tenant eligibility determinations in compliance with HUD regulations,
- Maintaining complete and accurate records, and
- Safeguarding Section 8 program resources.

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 did not have adequate procedures to ensure that new Section 8 tenants had not been evicted from assisted housing for drug-related activity within the last three years.

## APPENDIXES

### Appendix A

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

Recommendation number	Ineligible 1/
1A	\$2,559

- 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. We determined that housing assistance payments of \$2,559 are ineligible costs because the assisted family's income exceeded the limit for eligibility for the program.

# Appendix B

## AUDITEE COMMENTS AND OIG'S EVALUATION

### Ref to OIG Evaluation

### Auditee Comments

HOUSING AUTHORITY  
OF THE  
COUNTY OF CONTRA COSTA

April 25, 2007



Joan S. Hobbs, Regional Inspector General for Audit  
U. S. Department of Housing and Urban Development  
Office of Inspector General, Region IX  
611 West Sixth Street, Suite 1160  
Los Angeles, CA 90017-3101

Subject: Housing Authority Response to Draft Audit Report of April 8, 2007

Dear Ms. Hobbs:

The following is in response to the above-subject draft audit report. The findings and recommendations are restated with the Housing Authority response statement following each recommendation.

**HUD-OIG FINDING:** The Authority admitted an over income family to the Program, and did not adequately screen and document eviction histories.

The Authority issued a Section 8 voucher to one family whose income exceeded the income limit established by HUD. As a result, it paid \$2,559 in ineligible assistance. This noncompliance occurred because the Authority did not have written procedures to ensure that annual income was compared to the appropriate income limit, or that a review of income eligibility was documented as part of the quality assurance review. In addition, the Authority's procedures for determining whether Section 8 applicants had prior evictions from assisted housing did not ensure compliance with HUD's requirement to exclude individuals with prior evictions from assisted housing for drug-related criminal activity.

**HUD-OIG RECOMMENDATIONS:**

We recommend that the Director, Office of Public and Indian Housing, Region IX (SFOPH), require the Authority to:

- 1A. Reimburse HUD from nonfederal funds \$2,559 and any additional amount used to subsidize rent for an over income Section 8 tenant.

*Housing Authority Response:*

*The Housing Authority has checked all thirty-seven files that were reviewed by the HUD-OIG staff for income eligibility and concurs that one applicant family file did not meet the federal requirements as stated in 24CFR 982.201 et seq. The Housing Authority has reviewed the housing assistance payment history to the owner and*



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*had given the owner thirty days notice on March 15, 2007 that the Housing Assistance Payment Contract would be terminated on April 15, 2007. This action has been completed along with the termination of rental assistance on that same date for the ineligible family.*

*The Housing Authority is awaiting the necessary wire transfer information which will be used to transmit the \$2,862 to the San Francisco Office of Public Housing (SFOPH).*

- 1B. Develop and implement a procedure to ensure that each tenant file contains documents showing that the applicant's annual income is within the applicable income limit.

*Housing Authority Response:*

*The Housing Authority has added an additional step in the income eligibility determination procedures. It will now require three signatures on the income eligibility checklist rather than two. In addition to the signatures of the eligibility Housing Assistant and Housing Specialist, a Housing Manager is now required to review and approve the income eligibility computation and checklist as provided by the Housing Specialist.*

*The quality control related to income eligibility will be conducted by the Housing Operations Manager/Internal Auditor, a newly created position within the Section 8 program. The procedures for conducting and documenting applicant eligibility quality control are being finalized and will be forwarded to the Director, San Francisco Office of Public Housing (HUD-SFOPH) upon the Director's request.*

- 1C. Develop and implement procedures to ensure that applicants admitted to the program have not been evicted from assisted housing, including Section 8 housing, for drug-related activity during the last three years.

*Housing Authority Response:*

*The Housing Authority has the ability to check its Section 8 and Low Income Public Housing (LIPH) database to determine if an applicant was a previous federally assisted housing participant terminated for violations of its family obligations related to fraud, drug-related or violent criminal activity, and/or lease violations. The Housing Authority staff can easily determine ineligibility for evictions for drug-related activity during the last three years while participants on the Housing Authority's Section 8 or LIPH Programs.*

*The Housing Authority will be developing and implementing procedures to ensure that applicants have not been evicted during the last three years from other federally assisted housing programs. These procedures will ensure that the Housing Authority will make every reasonable effort to investigate evictions due to drug-related activity (and will exclude from this process non-payment of rent evictions). The documentation will demonstrate that the Housing Authority made*

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*every reasonable effort to comply with 24 CFR 982.553 et. seq. This documentation will become a permanent part of the applicant file.*

*The procedures for this activity are being finalized and will be forwarded to the Director, San Francisco Office of Public Housing (SFOPH) upon the Director's request.*

- 1D. Develop and implement a procedure to ensure that all eviction screening results are documented in tenant files.

*Housing Authority Response:*

*The Housing Authority has developed procedures for conducting and documenting that an applicant's eviction screening results are documented in each applicant's file. These procedures will be forwarded to the Director, SFOPH upon the Director's request.*

INTERNAL CONTROLS

Significant Weaknesses

Based on our review, we believe the following items are significant weaknesses:

- The Authority did not have adequate procedures to ensure that new Section 8 households were income eligible and had not been evicted from assisted housing for drug-related activity within the last three years.

*Housing Authority Response:*

*The Housing Authority does not believe that the one finding indicates a significant weakness in determining income eligibility by an applicant for the Section 8 Housing Choice Voucher program. With procedures that were in effect, and the new procedures and documentation in the Housing Authority response to 1B above, there should be no future findings related to income eligibility of Section 8 applicants.*

*There is a weakness in determining evictions from federally assisted housing for drug-related activity within the last three years. The Housing Authority is using a "reasonable person" approach to address this weakness based upon the following:*

- ◆ *There is no accessible regional or national database listing of all the federally assisted housing developments.*
- ◆ *There is no accessible regional or national database listing of renters that have rented, or are renting units, within a federally assisted housing development.*
- ◆ *There is no cooperative agreement between this Housing Authority and other PHAs in the Northern California region to provide assistance and/or exchange information of Section 8 or LIPH applicants to ensure compliance with 24 CFR 982.553,et.seq.. It*

Comment 1

Comment 2

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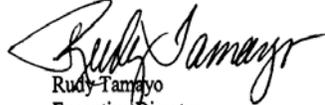
*may be, as is the case with this Housing Authority, within their respective Section 8 Administrative Plans, but full compliance will require a broader regional approach requiring HUD SFOPH assistance in this effort.*

*This regulatory requirement may have to be addressed by HUD and its regional offices to develop a process to allow PHAs access to regional or national databases of federally assisted housing developments, if such a database exists.*

*Until there is a more regional or national approach of the availability of federally assisted housing developments, this weakness will always exist. The Housing Authority will make every reasonable attempt, within its internal control process and working with other local PHAs, to mitigate this weakness.*

Should you desire further discussion regarding this response please contact Acting Director of Assisted Housing at 925-957-7090 or me at 925-957-8019.

Sincerely,



Rudy Tamayo  
Executive Director  
Housing Authority of the County of Contra Costa

Cc: Commissioner Mary N. Piepho, Chair  
Board of Supervisors, District III

Commissioner Federal D. Glover, Vice-Chair  
Board of Supervisors, District V

Commissioner John M. Gioia  
Board of Supervisors, District I

Commissioner Gayle B. Uilkema,  
Board of Supervisors, District II

Commissioner Susan A. Bonilla  
Board of Supervisors, District IV

John Cullen  
County Administrative Officer

Stephen Schneller, Director  
San Francisco Office of Public Housing

### **OIG Evaluation of Auditee Comments**

**Comment 1:** After considering the Authority's comments, we removed the overcome issue from the internal control section of the report.

**Comment 2:** It is the Authority's responsibility to follow HUD's requirement (24 CFR 982.553) to exclude applicants who were evicted from assisted housing for drug related activity during the past three years. At the exit conference we discussed possible ways the Authority may be able to meet this requirement.

## Appendix C

### CRITERIA

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Regulations at 24 CFR [*Code of Federal Regulations*] Part 982 and HUD's Housing Choice Voucher Guidebook outline requirements for ensuring that assistance is provided to eligible families. In 24 CFR Part 982.552 and 982.553, HUD requires denial or termination of assistance if

1. A family member has been evicted from assisted housing for drug-related criminal activity in the last three years.
2. Any household member is subject to a lifetime registration requirement under a state sex offender registration program (this is the only requirement in which the CFR specifically states that the public housing agency (PHA) must do a criminal background check).
3. The PHA determines that any household member is currently engaging in illegal use of a drug.
4. The PHA has reasonable cause to believe that a household member's illegal drug use or pattern of illegal drug use threatens the health, safety, or right to peaceful enjoyment of the premises of other residents.
5. Any household member had a conviction for drug-related criminal activity for the manufacture of methamphetamine on the premises of federally assisted housing.
6. An assisted family has been evicted from Housing Choice Voucher program housing for a serious violation of the lease.

Extension of Notice PIH [Public and Indian Housing] (HA) 96-27, "Occupancy Provisions of the Housing Opportunity Program Extension Act of 1996," outlines changes required of housing authorities. The law made changes to Subsection 6(r) and Section 16(e) of the United States Housing Act of 1937, as amended (USHA) (42 U.S.C. 1437 et seq.), which apply to the Section 8 certificate, voucher, and moderate rehabilitation programs. Specifically relevant to our review, housing authorities were required to amend their administrative plans to state their policies for implementing the provisions below.

Paragraph 4A, Ineligibility If Evicted for Drug-Related Activity, defines drug-related criminal activity as the illegal manufacture, sale, distribution, use, or possession with intent to manufacture, sell, distribute, or use a controlled substance. The notice goes on to require exclusion from the program of any persons evicted from federally assisted housing for drug-related criminal activity for three years from the date of the eviction. The notice allows a waiver if the person successfully completed a rehabilitation program or no longer resided in the household because of incarceration.

Paragraph 4B, Screening Out Illegal Drug Users and Alcohol Abusers, requires the housing authority to establish policies and procedures to prohibit admission to the program of persons using illegal drugs or whose abuse of alcohol interferes with the health, safety, or right to peaceful enjoyment of the premises by other residents.

Paragraph 4C, Terminating Assistance to Illegal Drug Users and Alcohol Abusers, further requires the housing authority to establish policies and procedures to terminate assistance to persons using illegal drugs or whose abuse of alcohol interferes with the health, safety, or right to peaceful enjoyment of the premises by other residents.