



U.S. Department of Housing and Urban Development  
**Office of Inspector General, Rocky Mountain**  
633 17<sup>th</sup> Street, North Tower, 14<sup>th</sup> Floor  
Denver, CO 80202-3607  
(303) 672-5452  
Fax (303) 672-5006

OFFICE OF INSPECTOR GENERAL FOR AUDIT

**MEMORANDUM NO:**  
2003-DE-1801

February 11, 2003

**MEMORANDUM FOR:** Linda J. Camblin, Director HUD's Office of Public Housing, 8APH

**FROM:** Robert C. Gwin, Regional Inspector General for Audit, 8AGA

**SUBJECT:** Review of the Section 8 Housing Choice Voucher Program for the Housing Authority of the City and County of Denver  
Denver, Colorado

**INTRODUCTION**

We completed a review of the Section 8 Housing Choice Voucher Program of the Housing Authority of the City and County of Denver. We conducted the review to determine if the Denver Housing Authority is operating its Section 8 Programs in accordance with HUD requirements, has established controls to assure effective and efficient administration of program funds and has established controls to assure the Section 8 Housing Choice Voucher units meet HUD's quality standards.

**METHODOLOGY AND SCOPE**

We reviewed the Denver Housing Authority's operations to determine whether the Authority used funds in accordance with applicable HUD policies and procedures. Specifically, we reviewed the selection of applicants; tenant admissions, to include certification and annual recertifications; receipt and disbursement of HUD funds; and Housing Quality Standards for the period January 01, 2000 through October 31, 2002. We accomplished our objectives by: reviewing and evaluating records and files maintained by the Denver Housing Authority, interviewing the Housing Authority's staff, and conducting housing inspections of properties housing voucher recipients. In addition, we reviewed applicable HUD records and files and interviewed HUD staff within Denver's Office of Public Housing. We performed the on-site review work from November 2002 through January 2003. We performed this audit in accordance with the Generally Accepted Government Auditing Standards.

## **BACKGROUND**

The U.S. Housing Act of 1937 authorized local Public Housing Authorities (PHAs) established by individual states. The 1937 Act also initiated the public housing program. Local PHAs owned and managed public housing and, at that time, the public housing program began. PHAs adopted a production approach to providing affordable housing for low-income families because of the Depression Era emphasis on job creation and slum elimination. For nearly 30 years, public housing owned and managed by local PHAs was the primary source of housing assistance for low-income families. Over time, the federal government strategy for housing assistance shifted from sole involvement by PHAs toward involvement by the private housing sector.

The Housing and Community Development Act of 1974 authorized the Section 8 program. The Section 8 existing housing program, also known as the rental certificate program, signaled a significant shift in the federal housing strategy from locally owned public housing to privately owned rental housing. In 1987, the Housing and Community Development Act formally authorized the rental voucher program. The program was similar to the rental certificate program, but it allowed families more options in housing selection. In October 1998, Congress passed housing reform legislation, including a full merger of the certificate and voucher programs. This legislation eliminated all differences, and required that the subsidy types merge into one housing choice voucher program. In May 1999, HUD published an interim rule providing for the complete merger of the certificate and voucher programs into the new housing choice voucher program.

The Housing Authority of the City and County of Denver (DHA) was established in 1938 to house low to moderate-income families. The Denver Housing Authority provides more than 21,500 very low-, low and middle-income residents with subsidized housing. The Denver Housing Authority currently administers approximately 4,878 Section 8 vouchers, 3,849 public housing units and 850 non-HUD housing units.

The Denver Housing Authority is defined as a “public non-profit corporation” and is governed by a nine member Board of Commissioners, appointed by the Mayor, and confirmed by the Denver City Council. Members of DHA’s Board of Commissioners serve five-year terms. The Board is responsible for setting DHA’s policy, long-term goals, objectives, and directions.

Denver Housing Authority's Executive Division, which includes the Executive Director, is responsible for the overall management, direction, and accountability of DHA. This Division implements the policies established by the Board of Commissioners. It also coordinates and monitors all of DHA's other divisions to ensure that program goals and objectives are met. Finally, this Division makes sure DHA fulfills its responsibilities to local, state, federal, and community entities. The Denver Housing Authority employs more than 300 staff members, the majority in salaried positions ranging from entry-level clerical and maintenance jobs to managerial, professional, and administrative positions.

## **RESULTS OF REVIEW**

Based upon the review and analysis of the records and files of both HUD's Denver Public Housing Office and the Denver Housing Authority and an inspection of properties housing voucher recipients, we determined that the Authority is substantially complying with all the rules and regulations applicable to the Section 8 Housing Choice Voucher Program. We also determined that the Finance Department had adequate internal controls to safeguard and manage HUD funds. We noted that the Authority maintains a thorough and comprehensive housing inspection program. We communicated insignificant or immaterial deficiencies noted during our audit survey to officials of the Authority separately. Management took our recommendations under advisement and in most cases initiated corrective actions immediately. Often the changes were in place before we completed the review. Our review did not identify any areas that require additional audit work or corrective action.

We discussed this memorandum with officials from the Denver Public Housing Office on January 31, 2003 and the Board of Directors for the Denver Housing Authority on February 11, 2003. The officials from both of these entities stated that they had read and discussed the draft memorandum on the Denver Housing Authority and they have no comments concerning the memorandum.

We appreciate the courtesies and assistance extended by the personnel of HUD's Denver Public Housing Office and the Denver Housing Authority. Should you have any questions, please contact Ernest Kite, Assistant Regional Inspector General for Audit, at (303) 672-5452.

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