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Audit Case Number	2004-PH-1001

TO: Malinda Roberts, Director of Public Housing, Philadelphia Area Office, 3APH

*Daniel G. Temme*

FROM: Daniel G. Temme, Regional Inspector General for Audit, Mid-Atlantic, 3AGA

SUBJECT: Bucks County Housing Authority  
Utilization of Tenant-Based Section 8 Funds  
Doylestown, Pennsylvania

### INTRODUCTION

We audited the Bucks County Housing Authority's (Authority) Tenant-Based Section 8 Program. The objective of the audit was to determine whether the Authority is adequately administering its Section 8 Program to ensure available funds are fully utilized to assist the maximum number of eligible families under the Program.

To accomplish our audit objective, we:

- Reviewed applicable Federal and U.S. Department of Housing and Urban Development (HUD) regulations to gain an understanding of Section 8 Program requirements.
- Interviewed responsible staff from the Authority's Section 8 Department and from HUD's Pennsylvania Office of Public Housing.
- Examined the Authority's policies, procedures, files, records, plans, and reports.
- Reviewed the Authority's system of management controls over Section 8 utilization.

We conducted the audit from June 2003 to August 2003 and covered the Authority's operations from October 1999 to April 2003. The audit complied with generally accepted government auditing standards.

In accordance with HUD Handbook 2000.06 REV-3, within 60 days please provide us, for each recommendation without a management decision, a status report on: (1) the corrective action taken; (2) the proposed corrective action and the date to be completed; or (3) why action is considered unnecessary. Additional status reports are required at 90 days and 120 days after report issuance for any recommendation without a management decision. Also, please furnish us copies of any correspondence or directives issued because of the audit.

Should you or your staff have any questions, please contact John Buck, Assistant Regional Inspector General for Audit, at (215) 656-3401, extension 3486.

### **SUMMARY**

We found, for the most part, that the Authority is administering its Section 8 Program in an efficient manner. However, we found several areas where the Authority can improve its operations. These areas include: re-evaluating staffing levels to determine if they are adequate; developing a landlord outreach program to keep current landlords informed of changes to the Program and to encourage new landlords to enter the Program; creating and providing desk manuals to its Section 8 employees to aid in performing their specific tasks; and developing a formal training plan to identify needed training and provide employees with current and adequate training.

### **BACKGROUND**

The Authority was organized under the laws of the Commonwealth of Pennsylvania in 1941 to provide low-rent housing for qualified applicants in accordance with the rules and regulations prescribed by HUD and other Federal agencies. The Authority's Section 8 Housing Choice Voucher Program uses rental vouchers to assist qualified low-income applicants to lease an existing privately owned house or apartment.

The Annual Contributions Contract provides a housing authority with funds for housing assistance and program administration, and establishes its responsibilities in administering the funds. By accepting HUD funds, the housing authority agrees to: comply with the requirements of the U.S. Housing Act of 1937 and all HUD regulations and other requirements; comply with its HUD-approved Administrative Plan; and proceed expeditiously with the Program.

The following chart shows the Authority's Section 8 resources from 2000 to 2003:

<b>Fiscal Year</b>	<b>Certificates (In millions)</b>	<b>Vouchers (In millions)</b>	<b>Total (In millions)</b>
2000	\$ .6	\$9.9	\$10.5
2001	\$ .04	\$12.3	\$12.3
2002	-	\$15.3	\$15.3
2003	-	\$17.2	\$17.2

Under the Section 8 Management Assessment Program (SEMAP), HUD measures housing authority utilization at the end of each housing authority’s fiscal year. HUD expects high performing housing authorities to maintain an average utilization rate at or above 98 percent, with standard performance between 95 to 97 percent. As of December 31, 2002, the Authority’s utilization rate had dropped to 83 percent.

### **FINDING 1**

#### **The Authority Generally Administered Its Section 8 Program Effectively**

Although the Authority utilized only 83 percent<sup>1</sup> of its available Section 8 vouchers, we found, for the most part, the Authority administered its Section 8 Program effectively. We found the Authority’s utilization rate dropped from 95 percent in 1998 to 83 percent by the end of 2002 because it was unable to use all of the additional 1,284 vouchers HUD provided from two apartment complexes opting to drop the Section 236 Program<sup>2</sup>. In large part, we attributed the Authority’s difficulty in leasing-up the vouchers to Bucks County’s very tight housing market, high rents, and a lack of available housing. However, during our review we did identify a number of areas where the Authority could improve its operations. These areas include: re-evaluating staffing levels to determine if they are adequate; developing a landlord outreach program to keep current landlords informed of changes to the Program and to encourage new landlords to enter the Program; creating and providing desk manuals to its Section 8 employees to aid in performing their specific tasks; and developing a formal training plan to identify needed training and provide employees with current and adequate training.

#### ***Opt-out Voucher Influx***

In 1998, HUD considered the Authority a standard performer with a utilization rate of 95 percent. Because Creekside Apartments opted out of the Section 236 Program and Center Square Apartments’ new owners did not want to participate in the Section 236 Program, HUD provided the Authority with a total of 932 opt-out and 352 preservation Section 8 Housing Choice Program vouchers from 1999 through 2002. The Authority

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<sup>1</sup> As of December 31, 2002

<sup>2</sup> Rental and Cooperative Housing for Lower Income Families Program – Section 236 of the National Housing Act

used 550 of these vouchers for the residents of the two developments. This left the Authority with 734 vouchers because the remaining residents did not respond to the Authority's request for income verifications, or the Authority determined they were ineligible or already provided Section 8 assistance. Due to the influx of these additional vouchers, the Authority's utilization rate dropped to 83 percent. The Authority's available and leased units from 1999 through 2003 are summarized below:

<b>Fiscal Year Ending</b>	<b>Certificates/Vouchers per ACC<sup>3</sup></b>	<b>Certificates/Vouchers Leased</b>	<b>SEMAP Unit Utilization Rate (percent)</b>
12/31/1999	2,001	1,883	93
12/31/2000	2,400	2,017	83
12/31/2001	2,400	2,195	90
12/31/2002	3,047	2,517	83
12/31/2003	3,399	N/A <sup>4</sup>	N/A <sup>4</sup>

In September 2001, the Authority tried to return to HUD 500 vouchers that it could not use. At that time, HUD did not have procedures for voluntary voucher reductions, so the Authority withdrew its request and tried to issue as many of the vouchers as possible. On June 7, 2002, HUD issued PIH Notice 2002-14, Procedures for Voluntary Reduction of Baseline Units. This Notice provided procedures for voluntary reduction of housing choice voucher baseline units that housing authorities had not used in their jurisdiction. Based on this Notice, the Authority again requested HUD take back 500 vouchers. However, after discussions with HUD program staff in January 2003, the Authority withdrew its request and agreed to analyze HUD's recommendations on program improvements to use the additional vouchers despite a tight housing market.

### ***Housing Market Conditions***

The Authority attributed the difficulty in leasing-up the additional vouchers HUD provided to the tight housing market in Bucks County. The 2000 Census Bureau and an independent housing study corroborated the Authority's assertion of a tight housing market. The Census Bureau rental vacancy rate for Bucks County was 4.2 percent and an independent housing study, dated September 2000, reported an even lower vacancy rate of 1.8 percent. The independent study also acknowledged that a "normal" vacancy rate that allows adequate room for turnover is generally considered to be 5-7 percent. Further, we noted that the Authority already took some positive steps to solve the challenges confronting them. To address the high rent problem, the Authority requested and

<sup>3</sup> Figure represents the number of units (vouchers) under contract at the beginning of the Authority's fiscal year.

<sup>4</sup> Current fiscal year. Data is not finalized.

received exception rents for 19 townships and boroughs in Bucks County. In addition, in August 2002, the Authority hired an additional intake employee in an effort to use the 500 unused vouchers. However, we believe the Authority can take additional measures to improve utilization.

### ***Staffing Levels***

The Authority needs to re-evaluate its staffing levels in the Occupancy Department to reduce the number of unused vouchers and increase its utilization rate. The Occupancy Department issues about 80 vouchers a month and leases-up about 40 vouchers a month. However, about 40 families leave the Program each month. As a result, the Authority is not making any progress in reducing the 500 unused vouchers. The Occupancy Department consists of three employees who process all incoming applications. Currently, one of the employees is on indefinite sick leave. The Authority intends to hire an additional staff person in the Occupancy Department on a trial basis, and plans to re-evaluate the situation in six months to determine the effect of the additional employee on their utilization rate.

### ***Landlord Outreach***

Our review disclosed the Authority does not have a formal landlord outreach program. In June 2003, the Authority attended a landlord outreach event which the Bucks County Housing Group sponsored. The Authority also held a meeting in Quakertown to encourage new landlords to enter the Section 8 Program, but only a handful of landlords attended. Because available housing is a problem in Bucks County, the Authority needs to be more aggressive in this area by contacting and encouraging more landlords to participate in the Program. HUD's Housing Choice Voucher Program Guidebook provides various techniques on how to attract new landlords. Further, the Authority should contact current landlords to advise them of changes to the Program and to identify problems they may have. Also, the Authority should determine why landlords leave the Program, which could help to identify ways to improve operations, correct any problems noted, and keep landlords in the Program.

### ***Desk Manuals***

We also found that the Authority does not have desk manuals for all positions in the Section 8 Department. Although the Authority has a policies and procedures manual, it does not detail the steps employees need to perform their specific duties. This may have attributed to errors we found with key data entered into the Authority's Management Information System. Also, one employee stated he was told he was filing paperwork incorrectly and another relied on personal notes of other employees as guidance in performing his duties. Having a desk manual is important for the staff to perform their duties consistently. Interviewed employees stated that having a job-related desk manual would be beneficial in performing their jobs.

## ***Training***

The Authority does not have a formal training plan, requiring employees to submit training requests, nor does it track the training that it provides to employees. The Authority provides training to new employees when they are first hired and periodically trains the Section 8 Coordinator on changes to the Program. The Section 8 Coordinator then returns and disseminates the information to the rest of the staff. Although the Authority updates the employees' guidebooks when necessary, the Authority should provide employees adequate and necessary training regarding changes in the Program. The Section 8 Coordinator stated that the Authority could develop a training plan that provides for training given to new employees. This would also include periodically providing training to the entire staff to update them on changes in the Program. The Executive Director also stated that the Authority would improve their documentation of training that it provides to its employees.

### **AUDITEE COMMENTS**

We discussed the draft finding with responsible Authority personnel and the Executive Director during the audit. On October 6, 2003, we provided a discussion draft of the audit report to the Executive Director. The Executive Director declined a formal exit conference. We received the Authority's written comments on October 24, 2003 and updated comments on October 29, 2003.

In its response, the Authority described actions it had taken or was taking on all of our audit recommendations. The Authority stated it had reevaluated its staffing needs and on October 6, 2003 hired a Management Aide to work in the application department. It expects the new Aide to certify an additional 40 Section 8 applicants each month. On September 18, 2003, the Authority also promoted a staff member to the position of Assistant Section 8 Coordinator for Continued Occupancy to take over many of the routine administrative tasks that the Section 8 Coordinator currently performs. The Authority anticipates that this will allow the Coordinator to more aggressively contact and encourage landlords to participate in the Program. The Authority is also developing desk manuals for the staff and expects to complete them by November 30, 2003. Regarding our recommendation to develop a formal training plan, the Authority stated that the Section 8 Coordinator periodically attends training, and is responsible for disseminating the information to the Section 8 staff. The Coordinator will now document, by a memo to the staff, any Program changes she has learned during her training. The Authority also stated it would continue to send all new employees to a course for initial training and a broad overview of the Section 8 Program.

### **OIG EVALUATION OF AUDITEE COMMENTS**

We considered the Authority's comments in preparing the final report and included the full narrative portion of the Authority's response as Appendix A.

The Authority's response described several measures it has implemented that should help it improve its operations. We agree that hiring a new Management Aide for the Application Department should help the Authority increase the number of applicants it certifies each month. Additionally, establishing an Assistant Section 8 Coordinator for Continued Occupancy should allow the Section 8 Coordinator to more aggressively pursue landlord outreach. Further, developing the desk manuals should provide the Authority with a corporate knowledge base and provide Section 8 employees with necessary instructions for performing their day-to-day functions. Lastly, we agree the Authority will help ensure its Section 8 staff is kept up-to-date on Section 8 Program changes by documenting them in a memo to its staff. However, we continue to believe a formal training plan is needed to assist the Authority in effectively planning and conducting its overall training needs.

### **RECOMMENDATIONS**

We recommend that the Philadelphia Area Office of Public Housing require the Bucks County Housing Authority to:

- 1A. Re-evaluate staffing levels to determine if they are adequate to lease-up the 500 remaining vouchers.
- 1B. Develop a landlord outreach program to keep current landlords informed of Program changes and to encourage new landlords into the Program.
- 1C. Develop desk manuals that provide detailed guidance on job performance for all Section 8 positions.
- 1D. Develop a formal training plan to identify needed training and provide employees with current and adequate training.

## MANAGEMENT CONTROLS

Management controls include the plan of organization, methods, and procedures adopted by management to ensure that its goals are met. Management controls include the processes for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

We determined policies, procedures, control systems, and other management tools implemented to ensure the Section 8 Program met its utilization goal were relevant to our audit objective. It is a significant weakness if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet an organization's objectives.

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

The Authority did not:

- Evaluate staffing levels to determine if they are adequate to lease-up its remaining vouchers.
- Develop a landlord outreach program to maximize the number of landlords participating in the Section 8 Program.
- Develop desk manuals containing detailed guidance for performing Section 8 functions.
- Develop a formal training plan to identify and provide current and adequate training to employees.



**AUDITEE COMMENTS**



JOHN T. COYNE, JR., Chairman  
JOYCE E. SNYDER, Vice-Chairman  
JOHN W. DOMANICO  
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DONALD E. GRONDAHL, Executive Director  
THOMAS J. PROFY, III, Solicitor

October 24, 2003

Daniel G. Temme  
Regional Inspector General for Audit  
U.S. Department of Housing Urban Development  
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100 Penn Square East  
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Dear Mr. Temme:

The following responds to the four recommendations in the draft audit memorandum report that you sent us on October 6, 2003 for your recently completed audit of our utilization of tenant-based Section 8 funds.

- 1 A. Recommendation- Re-evaluate staffing levels to determine if they are adequate to lease -up the 500 remaining vouchers.

Response- We have re-evaluated our staffing levels and we hired a Management Aide on October 6, 2003 to work in the application department. We expect this employee to certify an additional 40 applicants each month.

- 1 B. Recommendation- Develop a landlord outreach program to keep current landlords informed of Program changes and to encourage new landlords into the Program.

Response- We already are aware of all of the apartment complexes in Bucks County. We know which ones accept Section 8 vouchers and which ones don't. As your draft report noted, there is a tight housing market in Bucks County which means that landlords can pick and choose tenants. Nevertheless, on September 18, 2003 we promoted a staff member to the position of Section 8 Coordinator for Occupancy with the intent that she will take over many of the routine administrative tasks that the Section 8 Coordinator is currently doing. This should free up the Coordinator to more aggressively contact and encourage landlords to participate in the Program.

- 1 C. Recommendation- Develop desk manuals that provide detailed guidance on job performance for all Section 8 positions.

Response- We are currently in the process of developing desk manuals.

**BUCKS COUNTY HOUSING AUTHORITY**

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- 1 D. Recommendation- Develop a formal training plan to identify needed training and provide employees with current and adequate training.

Response- As your draft report noted, our Section 8 Coordinator periodically attends training and she is then responsible to disseminate information to the rest of the staff. It is our preference to continue this practice because this way we know that each employee is informed of all program changes. No one can use the excuse that their training course didn't cover such and such. The Coordinator will document by a memo to the staff any program changes that she has learned of at her training. Also, we will continue our practice of sending all new employees to a course for initial training and a broad overview of the Section 8 Program.

If you have any questions, do not hesitate to call.

Very truly yours,

BUCKS COUNTY HOUSING AUTHORITY

  
Donald E. Grondahl  
Executive Director

DEG:sk  
cc: Bonnie Bascio, Section 8 Coordinator  
File: Admin- Sect.8 OIG Audit



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October 29, 2003

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Dear Mr. Temme:

The following documents my phone conversation today with Rick McPherson regarding my October 24, 2003 response to the four recommendations in the draft audit memorandum report of our utilization of tenant-based Section 8 funds:

- 1B. Please correct my response to read "we promoted a staff member to the position of Assistant Section 8 Coordinator for Continued Occupancy".
- 1C. Please add to my response the following sentence: The manuals should be completed by November 30, 2003.
- 1A. and 1D.  
These responses remain unchanged.

If you have any questions, do not hesitate to call.

Very truly yours,

BUCKS COUNTY HOUSING AUTHORITY

Donald E. Grondahl  
Executive Director

DEG:gb  
cc: Bonnie Bascio, Section 8 Coordinator  
File: Section 8 - IG Audit