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# AUDIT REPORT



GLENS FALLS HOUSING AUTHORITY  
LOW-RENT PUBLIC HOUSING AND SECTION 8  
HOUSING CHOICE VOUCHER PROGRAMS  
GLENS FALLS, NEW YORK

2005-NY-1001

NOVEMBER 10, 2004

OFFICE OF AUDIT  
NEW YORK/NEW JERSEY REGION

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Issue Date	November 10, 2004
Audit Case Number	2005-NY-1001

TO: Joan Spilman, Director, Public Housing Division, 2CPH

*Alexander C. Malloy*

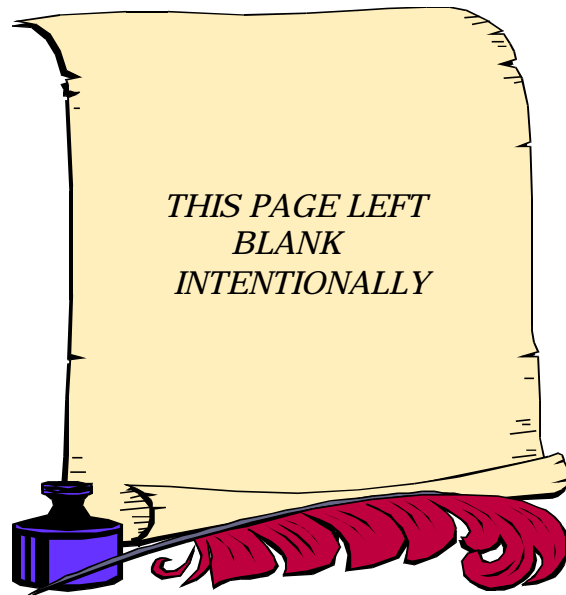
FROM: Alexander C. Malloy, Regional Inspector General for Audit, 2AGA

SUBJECT: Glens Falls Housing Authority  
Section 8 Housing Choice Voucher and Low-Rent Public Housing Programs  
Glens Falls, New York

We completed an audit of the Section 8 Housing Choice Voucher and Low-Rent Public Housing Programs of the Glens Falls Housing Authority (hereafter also called the Housing Authority). Our review focused on tenant selection and continued occupancy activities, and whether such activities are being carried out in accordance with requirements and regulations of the U. S. Department of Housing and Urban Development (HUD). Specifically, for the Section 8 Housing Choice Voucher Program, the audit objectives were to determine whether the Housing Authority calculated rental assistance payments properly, and ensured that units under the Section 8 program met Housing Quality Standards (HQS). For both the Section 8 Housing Choice Voucher and Low-Rent Public Housing Programs, the audit objectives were to determine whether the Housing Authority implemented admission policies consistent with HUD requirements and verified information on program participants' applications and recertification forms properly. The review covered the period between January 1, 2003, and March 31, 2004. This report contains two findings with recommendations.

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 Garry Clugston, Assistant Regional Inspector General for Audit, on (716) 551-5755, extension 5901.




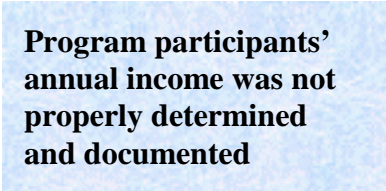
# Executive Summary

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We completed an audit of the Section 8 Housing Choice Voucher and Low-Rent Public Housing Programs of the Glens Falls Housing Authority. Our review focused on tenant selection and continued occupancy activities, and whether such activities are being carried out in accordance with HUD requirements and regulations. Specifically, for the Section 8 Housing Choice Voucher Program, the audit objectives were to determine whether the Housing Authority calculated rental assistance payments properly, and ensured that units under the Section 8 program met Housing Quality Standards (HQS). For both the Section 8 Housing Choice Voucher and Low-Rent Public Housing Programs, the audit objectives were to determine whether the Housing Authority implemented admission policies consistent with HUD requirements and verified information on program participants' applications and recertification forms properly. The audit covered the period between January 1, 2003, and March 31, 2004.

The results of our review disclosed instances where rental assistance payments under the Section 8 program were not calculated properly, HQS violations in units in the Section 8 program were either not detected or detected but not reported properly by inspectors of the Housing Authority. Also we found, for both the Section 8 Housing Choice Voucher and Low-Rent Public Housing Programs, that the Housing Authority's admission policies are not consistent with certain HUD requirements; that information on applications and recertification forms were not properly verified; and that tenants' income was not properly determined. We attribute these deficiencies to weaknesses in the Housing Authority's procedures for verifying and documenting program participants' annual income, calculating program participants' rental assistance payments and rental amounts, and inspecting units under the Section 8 program. These issues are summarized below and discussed in detail in the two findings in this report.

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**Program participants' annual income was not properly determined and documented**

Under the Section 8 program, our review disclosed deficiencies with the Housing Authority's initial and/or annual income examinations of six of the 31 cases in our statistical sample. For four of these participants, we noted that the Housing Authority did not have adequate documentation or verification of the participants' annual income used in their reexaminations. Regarding the other two participants, it appears that the Housing Authority incorrectly calculated their annual income. The errors occurred because the Housing Authority did not ensure that the participants' annual income was properly determined and documented. As a result, the Housing Authority cannot be assured that the Housing Assistance Payments for those participants were accurately calculated. Consequently, the Housing Authority could be disbursing excess Housing Assistance Payments. Details of the inadequate documentation and verification of income were provided to the Housing Authority staff.

**HQS violations were not identified and/or reported**

Regarding Housing Quality Standards (HQS), our review disclosed that during inspections of Section 8 units the Housing Authority' inspectors either did not identify certain HQS violations, or identified violations, but fail to properly report them. Our review disclosed that eleven units in our statistical sample of 31, or about 35 percent of the units, had HQS violations. Projecting this result over the Housing Authority's 633 Section 8 units indicates that about 221 units may not meet HQS. Consequently, Housing Assistance Payments were made for units that did meet HQS.

The above conditions exist because the Housing Authority failed to ensure that all Section 8 participants' housing assistance were determined in accordance with program requirements and procedures. The conditions also exist because the Housing Authority's inspections were not adequately performed. As a result, the Housing Authority is unable to provide HUD with adequate assurance that its monthly housing assistance payments were used for decent, safe and sanitary housing for Section 8 participants. Consequently, an estimated 35 percent, or \$745,352, of the Housing Authority's \$2,129,578 Housing Assistance Payments for Fiscal Year 2004 may have been spent on units that did not meet Housing Quality Standards.

**Tenant admission and continued occupancy procedures were not followed**

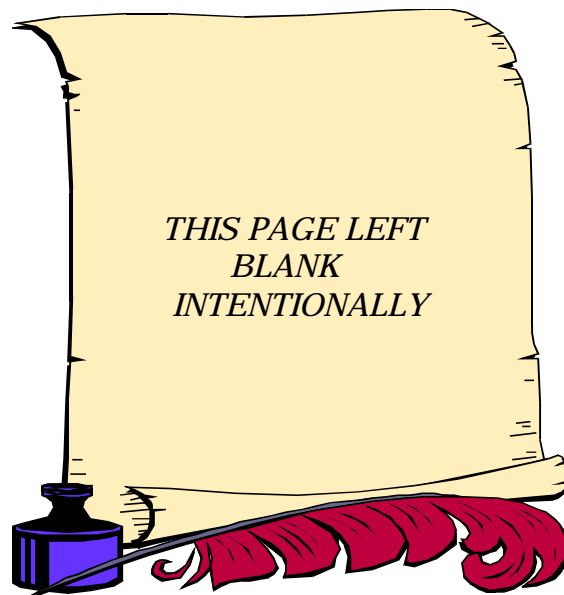
Apart from the above, we noted that the Housing Authority needs to improve controls over its Low-Rent Housing Program tenant admissions and continued occupancy activities. Our review disclosed weaknesses in procedures documenting tenants' social security numbers or declarations of citizenship, and calculating the amounts of tenants' annual income. This occurred because the Housing Authority did not assure that tenant admission and continue occupancy procedures were conducted in accordance with HUD requirements and the Housing Authority's Admission and Continued Occupancy Plan. As a result, tenants may have been admitted to the Housing Authority's low-rent housing units that were not eligible and/or may have been charged incorrect amounts of rent.

**Recommendations**

As provided under each finding, we recommend that HUD require the Housing Authority to implement procedures and controls to correct the deficiencies and weaknesses cited in this report.

**Exit conference**

The results of our audit were discussed with Housing Authority officials throughout the course of the on-site audit work and during an exit conference held on October 28, 2004. We provided a draft copy of the report to officials of the Housing Authority, who generally agreed with the findings and recommendations. Although we requested written comments, officials of the Housing Authority chose not to provide any for inclusion in this report.



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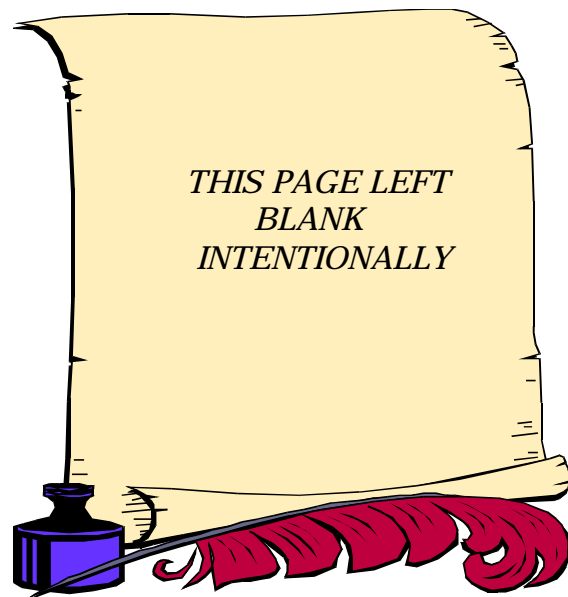
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## Abbreviations

CFR	Code of Federal Regulations
HAP	Housing Assistance Payments
HQS	Housing Quality Standards
HUD	U.S. Department of Housing and Urban Development
OIG	Office of Inspector General
PHA	Public Housing Authority
SSN	Social Security Number





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# Introduction

A seven member Board of Commissioners governs the Glens Falls Housing Authority. The board establishes policy and takes official action as required by Federal and State law. The Executive Director, who is responsible for managing the overall day-to-day operations of the Housing Authority, is Robert J. Landry. The books and records are maintained at the administration office located at Stitchman Towers, Jay Street, Glens Falls, New York.

The Housing Authority operates two senior developments. One contains 100 units and the other 75 units. In addition, the Housing Authority administers 131 units of State housing at two developments. One development contains 81 units of senior housing and the other 50 family units. Also, the Housing Authority administers 633 units of Section 8 housing.

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## Audit objectives

The review focused on tenant selection and continued occupancy activities, and whether such activities are being carried out in accordance with requirements and regulations of HUD. Specifically, for the Section 8 Housing Choice Voucher Program, the audit objectives were to determine whether the Housing Authority calculated rental assistance payments properly, and ensured that units under the Section 8 program met Housing Quality Standards (HQS). For both the Section 8 Housing Choice Voucher and Low-Rent Public Housing Programs, the audit objectives were to determine whether the Housing Authority implemented admission policies consistent with HUD requirements and verified information on program participants' applications and recertification forms properly.

## Audit scope and methodology

To accomplish the audit objectives, the following audit procedures were performed:

- Interviewed HUD and Housing Authority officials and employees.
- Examined reports and information the Housing Authority maintained on HUD's Public and Indian Housing Information Center.
- Reviewed applicable Federal and Housing Authority policies and procedures to gain an understanding of their requirements.
- Used Audit Command Language software to select a statistical sample of the Housing Authority's Low-Rent and Section 8 tenant files for review.

- Inspected the Section 8 units included in our statistical sample to determine whether the units met Housing Quality Standards.



**Audit period**

The audit covered the period from January 1, 2003 to March 31, 2004. However, activity prior and subsequent to the audit period was reviewed, as we deemed necessary. We conducted our review at the administrative offices of the Housing Authority between April 2004 and August 2004.

The audit was conducted in accordance with Generally Accepted Governmental Auditing Standards.

# The Housing Authority is not Properly Administering its Section 8 Housing Choice Voucher Program

Under the Section 8 program, our review disclosed deficiencies with the Housing Authority's procedures for documenting and verifying program participants' initial and/or annual income, and for ensuring that units meet Housing Quantity Standards (HQS). These conditions exist because the Housing Authority failed to ensure that housing assistance payments for all Section 8 units was determined in accordance with program requirements and procedures, and that all participating units meet HQS. As a result, the Housing Authority is unable to provide HUD with adequate assurance that its monthly housing assistance payments were accurately calculated and used for decent, safe and sanitary housing for all Section 8 participants. In this regard, we estimated that 35 percent, or \$745,352, of the Housing Authority's \$2,129,578 housing assistance payments for Fiscal Year 2004 may have been spent on units that did not meet HUD's Housing Quantity Standards. Moreover, since we noted numerous deficiencies with the Housing Authority's administration of its Section 8 program, we question whether the Housing Authority earned the \$384,085 in Section 8 administrative fees it was paid during Fiscal Year 2004. Accordingly, we consider those fees unsupported pending an eligibility determination by HUD.

## Scope

We selected a statistical sample of 31 units from the Housing Authority's 633 units administered under its Section 8 Housing Choice Voucher Program. We reviewed the participants' files to determine whether recertification occurred in accordance with HUD requirements. We examined the files to determine whether participants' annual income and expenses were adequately documented and verified, and whether the Housing Authority correctly computed each participant's annual income, rental payment, and housing assistance payments. Additionally, we inspected each unit in our sample to determine whether HQS violations exist.

## Criteria

24 CFR Part 5.240(c) states the responsible entity must verify the accuracy of the income information received from the family and change the amount of the total tenant payment as appropriate, based on such information.

24 CFR Part 982.516(a) states the Public Housing Authority (PHA) must conduct a reexamination of family income and composition at least annually. The PHA must obtain and document in the tenant file third party

verification, or must document in the tenant file why third party verification was not available.

**Six cases with deficiencies**

From our statistical sample of 31 units, we found six cases (19 percent) with deficiencies in the Housing Authority's initial and/or annual income examinations process. As such, we project that 19 percent of the Housing Authority's 633 Section 8 units (120 units) may have deficiencies pertaining to the income examination process.

Specifically, for four participants, our review disclosed that the Housing Authority did not have adequate documentation or verification of the participants' annual income. For two participants it appears that the Housing Authority incorrectly calculated the participants' annual income. This occurred because the Housing Authority Staff failed to identify or follow up on discrepancies in income documentation and therefore did not ensure that the participants' annual income was properly determined, verified, and documented. As a result, the Housing Authority cannot be assured that the housing assistance payments for those participants were accurately calculated. The results of our review were provided to the Housing Authority staff.

**Criteria**

Section 10 of the Consolidated Annual Contribution Contract requires the Housing Authority to comply with all applicable HUD regulations and requirements. Further, Section 9 requires each requisition for periodic payments to contain a certification that housing assistance payments were made in accordance with HUD requirements and that units were inspected by the Housing Authority in accordance with HUD requirements.

Title 24 Part 982.401 of the Code of Federal Regulations (CFR) established Housing Quality Standards for the Section 8 Tenant Based Assistance Program. All program housing must meet the HQS requirements throughout the tenancy period. Further, Part 982.405 requires housing authorities to inspect each leased unit at least annually to determine if HUD's standards are met. Housing Authorities must conduct supervisory quality control inspections.

**35 Percent of units do not meet HOS**

From our statistical sample of 31 units we found 11 units (35 percent) with HQS violations. As such, we project that 35 percent of the Housing Authority's 633 Section 8 units may not meet Housing Quality Standards. Consequently,



35 percent, or \$745,352, of the Housing Authority's \$2,129,578 housing assistance payments for Fiscal Year 2004 may have been for units that would not meet HUD's Housing Quality Standards. Furthermore, the Housing Quality Standards violations identified during our review pose a serious concern for the well being of the Section 8 participants. The following pictures illustrate this.

**Tenant ID # 6100325**



Large Hole in Ceiling and Exposed Electrical Wiring

**Tenant ID # 620512**



Entry Way Door Not Secure

**Tenant ID # 6810826**



Unsafe Kitchen Floor

**Tenant ID # 6810826**



Potential Lead-Based Paint Hazard

**Inspection process is inadequate**

The inspection process used by the Housing Authority does not assure HUD that its Section 8 units meet Housing Quality Standards. We noted that the Housing Authority's inspectors (a) did not identify all violations, (b) passed units with HQS violations, and (c) did not properly ensure that reported violations were corrected. In accordance with



program requirements, the Housing Authority is to ensure that participating Section 8 units meet HQS. In this regard, we believe that once the units with violations are brought into compliance with Housing Quality Standards, the associated housing assistance payments of \$745,352 for those units will result in funds put to better use.

**Inspectors did not identify violations and passed units with violations**

A comparison of our inspections to the Housing Authority's most recent inspections showed that the inspectors either failed to note any Housing Quality Standards violations, or noted violations and provided comments indicating violations, but allowed the unit to pass the inspection. Each of those units should have failed the inspection and the Housing Authority should have required the landlords to take corrective action.

**Units not re-inspected**

Furthermore, the Housing Authority did not re-inspect the units where the inspectors noted violations, and did not ensure that the landlord corrected the violations. The Housing Authority's Section 8 staff told us that they did not have the manpower or time to perform the re-inspections. In this regard, we noted that the Housing Authority has only two employees assigned to the Section 8 Housing Choice Voucher Program to perform all the initial, annual and interim certifications, and to conduct all the initial and annual HQS inspections and re-inspections. In our opinion, the Housing Authority does not have sufficient staff assigned to the Section 8 Housing Choice Voucher Program to assure its proper administration.

**Summary**

In summary, it is our position that the Housing Authority is not properly managing its Section 8 Program in accordance with HUD requirements since the Housing Authority does not have adequate management controls to provide HUD with assurances that its annual housing assistance payments under its Section 8 program are accurately calculated and only used for decent, safe and sanitary housing. Consequently, we question whether the Glens Falls Housing Authority has earned the \$384,085 Section 8 administrative fees it was paid in Fiscal Year 2004. Accordingly, we consider the amount of those fees unsupported pending an eligibility determination by HUD.

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**Recommendations**



We recommend that the Director, Public Housing Division of HUD's Buffalo Field Office, require the Housing Authority to:

- 1A. Implement procedures and controls to ensure that Section 8 participants' annual income is properly determined, verified, and documented. For the two participants identified with incorrectly calculated annual income, determine the correct housing assistance payments and take appropriate actions to correct any over or under payments.
- 1B. Implement procedures and controls to ensure that management monitors the Section 8 certification and recertification process.
- 1C. Ensure that it has sufficient staff to properly perform the inspection process for all its Section 8 units.
- 1D. Re-inspect its Section 8 housing units and ensure that all Housing Quality Standards violations are identified and corrected within required timeframes.
- 1E. Discontinue requests of Housing Assistance Payments on units we identified as not meeting Housing Quality Standards as well as those units identified during the implementation of Recommendation 1D.

We also recommend that the Director, Public Housing Division.

- 1F. Determine whether the Glens Falls Housing Authority earned the \$384,085 Section 8 administrative fee paid to it during Fiscal Year 2004. If any of the fees are determined to be ineligible, that amount is to be reimbursed to HUD from non-Federal funds.

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# The Housing Authority is not Properly Following its Low-Rent Housing Program's Admission and Continued Occupancy Procedures

Under the Low-Rent Housing Program, our review disclosed weaknesses in the Housing Authority's admission and continued occupancy procedures pertaining to documenting tenants' social security numbers or declarations of citizenship, and calculating the amounts of tenants' annual income. This occurred because the Housing Authority did not assure that the tenant selection and continue occupancy procedures were carried out in accordance with HUD requirements and the Housing Authority's Admission and Continued Occupancy Plan. As a result, applicants may have been admitted to units under the Housing Authority's Low-Rent Housing Program that were not eligible and/or charged inappropriate amounts of rent.

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## Scope

We selected a sample of eight units from the Housing Authority's 175 Low-Rent Public Housing units to review the tenants' files. We reviewed the tenant files to determine whether the Housing Authority is conducting its tenant selection and continued occupancy activities as required by HUD regulations and its own Admission and Continued Occupancy Plan.

## Criteria

24 CFR Part 5.216 requires each assisted applicant to submit their complete and accurate social security number for all household members who are at least six years of age. In addition, each family member is to submit a written declaration asserting the individual family member is a United States citizen or a non-citizen with immigration status. The regulations also provide that the documentation necessary to verify the social security number should be a valid Social Security card issued by the Social Security Administration.

Section 12 of the Glens Falls Housing Authority Admission and Continued Occupancy Plan states that age, relationship, U.S. citizenship, and social security numbers will generally be verified with documentation provided by the family. It further notes that photocopies of the documents provided by the family will be maintained in the file.

24 CFR Part 5.240(c) states the responsible entity must verify the accuracy of the income information received from the family and change the amount of the total tenant payment as appropriate, based on such information.

24 CFR Part 960.257(a) requires the PHA to conduct a reexamination of family income and composition at least annually and must make appropriate adjustments in the rent. Further 24 CFR Part 960.259(c) requires the PHA to obtain and document in the family file third party verification of reported family income and expenses related to deductions from family income, or must document in the file why third party verification was not available.

**Documentation of citizenship and SSN not in files**

Our review disclosed that for all eight units in our sample the Housing Authority did not document family members' social security numbers or declarations of citizenship in the tenant files. The only evidence of citizenship and social security number were annotations made by the staff on the required verification forms that were contained in the tenant files. The files did not contain any photocopies or other documentation referring to the tenants' Social Security Number. Nor did the files have the required declaration statement identifying each family member's citizenship or eligible immigration status. Without proper documentation the Housing Authority is unable to demonstrate that its tenants and individual family members are eligible to participate in the HUD funded Low-Rent Housing Program.

**Deficiencies in tenant admissions and occupancy process.**

For six of the eight cases in our sample we found deficiencies with the Housing Authority's tenant selection and continued occupancy process. Specifically, the Housing Authority incorrectly calculated the tenants' income in two cases resulting in the amount of tenants' rent being overstated. The Housing Authority overstated one tenant's monthly rent by \$7 and the other tenant's monthly rent by \$20. Regarding the other four cases, the tenant files did not contain adequate documentation or verification of the tenants' income and/or medical expenses. Details regarding the above deficiencies were provided to the Low-Rent Housing Program staff for their review.

As previously stated, the Housing Authority did not ensure that all tenants' annual income was properly verified and documented. Without proper verification and documentation

the Housing Authority cannot be assured that the amounts of the tenants' rents are accurately calculated. This can cause the tenant's share of the rent to be either overstated or understated. This occurred because the Housing Authority staff relied on prior year's documentation and/or information provided by the tenants, as well as, management's failure to provide proper oversight.

### Summary

As discussed in this finding, the Housing Authority's Low-Rent Housing Program has weaknesses in its tenant selection and continued occupancy procedures that need to be addressed. Proper corrective actions are needed to obtain adequate assurances that applicants meet the initial program requirements, as well as all program requirements applicable to continued occupancy. Corrective actions are also need to ensure that tenants are charged the appropriate amount of rent.

### Recommendations

We recommend that the Director, Public Housing Division of HUD's Buffalo Field Office require the Housing Authority to:

- 2A. Obtain and photocopy each family member's Social Security Card and/or related documents.
- 2B. Ensure that all necessary citizen eligibility forms are obtained for all applicable family members.
- 2C. Obtain and properly verify each tenant's annual income and medical expenses during annual reexaminations.
- 2D. Recalculate tenant rents for all tenants to ensure that the amount of each tenant's annual rent is properly calculated.
- 2E. Make adjustments to correct the overcharged rent for the two tenants noted in the finding.
- 2F. Implement management controls and procedures to ensure proper and consistent implementation of the Admission and Occupancy plan and HUD regulations.

- 2G. Implement a quality control program whereby management oversight is provided to ensure that all applicable documentation is maintained and that the amount of each tenant's rent is properly calculated.

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# Management Controls

In planning and performing our audit, we considered the management controls of the Glens Falls Housing Authority to determine our auditing procedures, not to provide assurance on the 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. Management controls include the systems for measuring, reporting, and monitoring program performance.

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## Relevant management controls

We determined that the following management controls were relevant to our audit objectives:

- Program Operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- 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.
- 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.

We assessed all the relevant controls identified above.

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.

## Significant weaknesses

Based on our review, we believe that significant weaknesses exist in the following management controls. These weaknesses are described in the findings section of this report and summarized below.

- The Housing Authority did not ensure its Section 8 housing units met HUD's Housing Quality Standards, or that tenant initial certifications and /or

recertifications were performed in accordance with program requirements (Finding 1, Program Operations, Compliance with Laws and Regulations, Safeguarding Resources and Validity and Reliability of Data).

- The Housing Authority did not ensure that tenant selection and continued occupancy activities were carried out in accordance with its own procedures and HUD requirements (Finding 2, Program Operations, Compliance with Laws and Regulations, Safeguarding Resources and Validity and Reliability of Data).

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 Schedule of Questioned Costs and Funds Put to Better Use

<u>Finding Number</u>	<u>Type of Questioned Costs Unsupported Costs 1/</u>	<u>Funds Put to Better Use 2/</u>
1	<u>\$384,085</u>	<u>\$745,352</u>
Total	<u>\$384,085</u>	<u>\$745,352</u>

1/ Unsupported costs are costs whose eligibility cannot be clearly determined during the audit since such costs were not supported by adequate documentation. A legal opinion or administrative determination may be needed on these costs.

2/ Funds put to better use are costs that will not be expended in the future if our recommendations are implemented, for example, costs not incurred, de-obligation of funds, withdrawal of interest, reductions in outlays, avoidance of unnecessary expenditures, loans and guarantees not made, and other savings.