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| Issue Date          | July 28, 2005 |
| Audit Report Number | 2005-KC-1008  |

TO: Patricia Straussner, Public Housing Program Center Coordinator, 7EPH

//signed//

FROM: Ronald J. Hosking, Regional Inspector General for Audit, 7AGA

SUBJECT: The St. Louis Housing Authority Overhoused Section 8 Tenants and Had Inaccurate Tenant Data

## **HIGHLIGHTS**

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

We reviewed the St Louis Housing Authority's (Authority) Section 8 Housing Choice Voucher program to identify cost savings that the Authority could attain by eliminating excess subsidy payments for overhoused tenants and to verify whether the Authority ensures the accuracy of data entry of key identification information. We selected the Authority for review due to its size, its amount of funding for its Section 8 and public housing programs, the length of time since its last Office of Inspector General (OIG) audit, and its risk level score assigned by the U.S. Department of Housing and Urban Development (HUD) for both programs. In addition, we identified overhousing and the accuracy of data entry as two higher risk areas during the initial phase of our audit.

### **What We Found**

The Authority has 15 tenants who are overhoused with excess subsidy payments and 167 tenants who are overhoused with the potential to have excess subsidy payments. The Authority does not have adequate procedures in place to ensure that its tenants receive the proper voucher size. The Authority's 15 tenants with excess subsidy payments caused the payment of \$24,750 in excess housing

assistance payments. By enhancing its procedures, the Authority could avoid incurring \$173,618 in additional losses of Section 8 funds, which would allow it to provide vouchers to additional tenants.

In addition, the Authority does not ensure the accuracy of data entry of key tenant identification information. The Authority's staff does not always reverify the tenant identification information after its initial entry; therefore, data entry errors by staff go undetected. Without accurate tenant identification information, HUD and the Authority cannot be assured that tenant income information is available from the Enterprise Income Verification system when calculating tenant rent and subsidy payments.

### **What We Recommend**

We recommend that the public housing program center coordinator require the Authority to repay HUD the \$24,750 in excess subsidy payments from its administrative fee reserves. We also recommend that HUD ensure that the Authority develops and implements procedures to ensure that each tenant receives the proper voucher size. In addition, we recommend that the Authority review the accuracy of the input of the tenant's name, Social Security number, and date of birth at initial entry and at each recertification.

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**

The Authority generally agreed with our findings, but disagreed with parts of the recommendations. We provided the draft report to the Authority on July 7, 2005. The Authority provided written comments on July 20, 2005. It also provided documentation showing that it has initiated corrections to the subsidy amounts for all of the 15 overhoused tenants.

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

## TABLE OF CONTENTS

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|  |    |
|--|----|
| <a href="#"><u>Background and Objectives</u></a>   | 4  |
| Results of Audit   |    |
| <a href="#"><u>Finding 1: The Authority Is Paying Excess Subsidies for 15 Overhoused Tenants</u></a> | 5  |
| <a href="#"><u>Finding 2: The Authority Does Not Ensure the Accuracy of Tenant Information</u></a>   | 8  |
| <a href="#"><u>Scope and Methodology</u></a>   | 10 |
| <a href="#"><u>Internal Controls</u></a>   | 12 |
| Appendixes   |    |
| A. <a href="#"><u>Schedule of Questioned Costs and Funds to Be Put to Better Use</u></a>             | 13 |
| B. <a href="#"><u>Auditee Comments and OIG's Evaluation</u></a>                                      | 14 |

## **BACKGROUND AND OBJECTIVES**

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The St. Louis Housing Authority (Authority) is a municipal corporation created by state statute, formed in 1939. The Authority is governed by a seven-member board of commissioners; five members are appointed by the mayor, and two are elected by the public housing residents. The Authority has 98 employees with an annual operating budget of approximately \$60 million and is funded entirely by federal funds from the U.S. Department of Housing and Urban Development (HUD).

The Authority operates two major housing programs, public housing and the Housing Choice Voucher program. Public housing units are owned by the Authority and rented to qualified applicants. The Housing Choice Voucher program provides rental assistance to qualified applicants to facilitate rental of privately owned units. The Authority presently administers 5,675 Section 8 housing choice vouchers.

Through HUD's Housing Choice Voucher program, public housing authorities assist families and individuals with their housing needs. Housing assistance under the Housing Choice Voucher program is provided on behalf of the family or individual, and participants are responsible for locating their own housing. HUD pays the housing authority the subsidy for the family, along with an administrative fee. As long as the family remains otherwise eligible, the family may take the subsidy to a new acceptable unit. Rental units must meet minimum standards of health and safety, as determined by the housing authority. The housing authority must inspect the dwelling and determine that the rent requested is reasonable.

The public housing authority also determines a payment standard, based on HUD's fair market rent, which is the amount generally needed to rent a moderately priced dwelling unit in the local housing market. The housing authority calculates the maximum subsidy allowable, based on the payment standard and gross rent of the unit, and pays the monthly subsidy directly to the landlord on behalf of the participant. The participant pays the difference between the actual rent charged by the landlord and the amount subsidized by the program.

Our overall objective was to identify Housing Choice Voucher program cost savings that the Authority could attain by eliminating overhousing of tenants and to verify whether the Authority is ensuring the accuracy of data entry of key identification information.

## RESULTS OF AUDIT

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### Finding 1: The Authority Is Paying Excess Subsidies for 15 Overhoused Tenants

The Authority has 15 tenants who are overhoused with excess subsidy payments and 167 tenants who are overhoused with the potential to have excess subsidy payments. The Authority does not have adequate procedures in place to ensure that its tenants receive the proper voucher size. The Authority's 15 tenants with excess subsidy payments caused the payment of \$24,750 in excess housing assistance payments. If the proper procedures are implemented, the Authority could avoid incurring \$173,618 in additional losses of Section 8 funds, which would allow it to provide vouchers to additional tenants.

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**Excess Subsidies Totaled  
\$24,750**

The Authority has 182 tenants with Section 8 vouchers larger than the number of people in their households (overhoused tenants). HUD's Housing Choice Voucher Guidebook explains that when determining unit size, the subsidy standards must provide for the smallest number of bedrooms needed to house a family without overcrowding. In addition, the Authority's administrative plan says that there must be at least one person per bedroom on the voucher.

Of the 182 overhoused tenants, 15 tenants are overhoused with excess subsidy payments, and 167 tenants have the potential to result in subsidy overpayments due to the following situations:

- The tenant is currently overhoused, but he has not yet reached his next annual recertification since his household composition changed. If the Authority continues to pay at the same rate after the next recertification, it will be paying an excessive subsidy.
- The tenant is currently overhoused, but his gross rent is below the payment standard; an increase in the contract rent could raise the gross rent above the payment standard, resulting in an excess subsidy payment.
- The tenant currently has a larger voucher than the number of family members and his unit size; the tenant can obtain a larger unit because he has a larger voucher, and if the larger unit has a higher rent, this would increase the subsidy payment to an excessive amount.

For some of these 182 tenants, their family report form does not accurately reflect the number of persons residing in the unit. For example, the Authority frequently does not list live-in aides and foster children on the forms, even though there is a

space on the form for them. This omission leads to the appearance that the voucher size is excessive for the household size.

The Authority does not have adequate procedures in place to ensure that its tenants receive the proper voucher size. In some cases, the Authority issued the wrong size voucher from the beginning of the tenant's participation in the Section 8 program and did not detect the error. In other cases, it failed to downgrade the voucher at the next annual recertification when there were changes in family composition, as required by the guidebook. In addition, the Authority did not always list live-in aides on the family report form, making a comparison of the household composition to the voucher size more difficult.

By not documenting all household members on the family report form, the Authority does not have assurance that the tenant has received the correct voucher size and has less certainty that the live-in aides are still residing in the unit. Further, when the Authority grants a larger unit for a medical reason, such as storage of wheelchairs or medically necessary exercise equipment, this is based on a doctor's note. It is thereby documenting need but not verifying actual use.

The Authority's 15 overhoused tenants caused the payment of \$24,750 in excess subsidy payments. The Authority's maximum exposure risk from all 182 overhoused tenants is \$1,362,168 (\$37,838 per month x 36 months). We reviewed 33 of the 182 tenants and found that 12 of these tenants at one point were overhoused with no resulting overpayments but later caused the housing authority to pay excessive subsidies. Based on the circumstances of these 12 tenants, we estimate that the housing authority may pay \$173,618 in excess subsidies for the tenants with oversize vouchers over the next 36 months.

## Conclusion

The Authority does not have adequate procedures in place to ensure that its tenants receive the proper voucher size. The household composition on the family report form should be appropriate for the family's voucher size unless there is a medical justification. The Authority could strengthen its controls by having its inspectors ensure that tenants are using larger units for the intended purposes when performing housing quality standards inspections. The Authority's 15 overhoused tenants caused the payment of \$24,750 in excess housing assistance payments. If the proper procedures are implemented, the Authority could avoid incurring \$173,618 in additional losses of Section 8 funds, which would allow it to provide vouchers to additional tenants.

## Recommendations

We recommend that the public housing program center coordinator ensure that the Authority

1A. Reimburses HUD the \$24,750 in excess housing assistance payments from its administrative fee reserves.

1B. Develops and implements procedures to ensure that each tenant receives the proper voucher size to put \$173,618 to better use.

1C. Develops and implements procedures to verify that when a tenant is granted a larger unit for medical reasons, the additional space is used for the reason intended.

## Finding 2: The Authority Does Not Ensure the Accuracy of Tenant Information

The Authority does not ensure the accuracy of data entry of key tenant identification information. The Authority's staff does not always reverify the tenant identification information after its initial entry; therefore, data entry errors by staff go undetected. Without accurate tenant identification information, HUD and the Authority cannot be assured that accurate tenant income information is available from the Enterprise Income Verification system when calculating tenant rent and subsidy payments.

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### **Inaccurate Tenant Identification Information**

The Authority does not ensure the accuracy of data entry of key identification information. The *Code of Federal Regulations* explains that complete and accurate Social Security numbers are required for housing assistance participants. In addition, the Authority's administrative plan states that Social Security numbers will be verified by reviewing the household members' Social Security cards. We identified 30 cases in which staff did not ensure the accuracy of data entry of key identification information. The Authority's computer system contained five cases with invalid Social Security numbers and 25 cases with an incorrect date of birth. Of the 30 errors, 13 of the tenants are new tenants that have not gone through a recertification. The remaining 17 tenants have had a recertification with the errors not detected.

The incorrect tenant information in the Authority's computer system was due to data entry errors by staff responsible for entering the information, as well as staff responsible for verifying the accuracy of the data. The Authority's staff does not always reverify the tenant identification information after its initial entry; therefore, data entry errors are not detected.

Without accurate tenant identification information, such as name, Social Security number, and date of birth, HUD and the Authority cannot be assured that accurate tenant income information is available from the Enterprise Income Verification system when calculating tenant rent and subsidy payments. This system provides wage, unemployment, and Social Security Administration benefit information for households covered by a family report form. The system uses a data matching process to verify tenant identities against Social Security Administration records by using the tenant's name, Social Security number, and date of birth. If the verification fails, the income information will not be displayed. In summary, the Enterprise Income Verification system provides the Authority with tenant income information only if the family report form contains accurate tenant information.

## **Conclusion**

The Authority's staff does not always reverify the tenant identification information after its initial entry; therefore, data entry errors are not detected. The Enterprise Income Verification system requires accurate tenant information to obtain tenant income information. Without accurate tenant identification information, tenant income information is not available from the Enterprise Income Verification system when calculating tenant rent and subsidy payments.

## **Recommendation**

We recommend that the public housing program center coordinator ensure that the Authority

- 2A. Develops and implements procedures to review the tenant's name, Social Security number, and date of birth at initial entry and at each recertification.

## SCOPE AND METHODOLOGY

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Our review generally covered the period from October 1, 2003, through May 1, 2005. We expanded our review to the time when overhousing began.

To achieve our objectives, we conducted interviews of the Authority's staff, HUD's Section 8 Financial Management Center staff, and staff of the local public housing office. We also reviewed the Authority's policies and procedures, hard-copy and computer tenant files, records of payments to tenants and property owners, and audited financial statements. We reviewed federal regulations and the Authority's administrative plan.

During the initial phase of our audit, we conducted limited testing to determine whether the Authority was operating its Housing Choice Voucher program in compliance with HUD requirements. We selected five tenants that most recently were issued vouchers to test waiting list selection. We tested 20 tenants to verify that the Authority properly determined eligibility and rent and subsidy payments. We conducted onsite inspections of 10 units that had received housing quality standards inspections in January and February 2005 to test for adequate inspections by Authority staff. We selected 20 tenants that were identified as overhoused by computer formulas to test the Authority's use of Section 8 funding, which includes the issuance of proper voucher sizes to tenants. Finally, we selected five tenants from the St. Louis Baseline Income Discrepancy Report, as of December 18, 2004, that have had a recertification since the Authority obtained access to HUD's income verification system to test the Authority's use of the system. We obtained an understanding of the Authority's controls in each of these areas. We identified overhousing and the accuracy of data entry as two higher risk areas during this testing, and therefore decided to focus our audit on these areas.

To determine the number and effect of overhoused tenants, we applied a computer formula to the Authority's data to identify potentially overhoused tenants. We reviewed the family report form and notes in the tenant files of those overhoused tenants who appeared to cause overpayments. This review enabled us to determine the voucher size, the number in household, the unit size, the payment standard used to calculate rent and subsidy, the length of time the tenant had been overhoused, and the amount of subsidy overpayment. We discussed the results of the file review with the Authority's Section 8 staff, as well as HUD staff, to obtain clarification.

To determine the accuracy of tenant identification information, we queried all of the Section 8 residents' Social Security numbers through a database that confirms whether the Social Security number is valid or if it was issued before the date of birth provided. We interviewed the Authority's staff to obtain an understanding of their process for obtaining and verifying tenant information. We had the Authority attempt to access the Enterprise Income Verification information for some of these tenants to confirm that results were unavailable.

To achieve our audit objectives, we relied in part on computer-processed data contained in the Authority's database. We assessed the reliability of these data and found them to be adequate.

We also conducted sufficient tests of the data. Based on these tests and assessments, we conclude the data are sufficiently reliable to be used in meeting our audit objectives.

We conducted our review from February through May 2005 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:

- Controls over assigning voucher sizes
- Controls over the accuracy of the data entry of tenant identification information

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 items are significant weaknesses:

- The Authority does not have adequate procedures in place to ensure that its staff will assign the proper voucher size (see finding 1).
- The Authority does not have adequate procedures in place to ensure that its staff review and verify tenant identification information (see finding 2).

# APPENDIXES

## Appendix A

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

|    | Ineligible 1/ | Funds to be put<br>to better use 2/ |
|----|---------------|-------------------------------------|
| 1A | \$24,750      |                                     |
| 1B |               | \$173,618                           |

- 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/ “Funds to be put to better use” are quantifiable savings that are anticipated to occur if an Office of Inspector General (OIG) recommendation is implemented, resulting in reduced expenditures at a later time for the activities in question. This includes costs not incurred, deobligation of funds, withdrawal of interest, reductions in outlays, avoidance of unnecessary expenditures, loans and guarantees not made, and other savings.

## Appendix B

# AUDITEE COMMENTS AND OIG'S EVALUATION

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### Ref to OIG Evaluation

### Auditee Comments

SAL F. MARTINEZ  
*Chairman*  
JERRY BAKER  
*Vice-Chairman*  
ALICIA BROWN  
*Treasurer*  
REV. CHARLES BURGOON  
*Commissioner*  
LAWSON CALHOUN  
*Commissioner*  
ANTOINE GILKEY  
*Commissioner*  
MARY SHERIDAN  
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July 20, 2005

Ronald J. Hosking  
Regional Inspector General for Audit  
U.S. Department of Housing and Urban Development  
Office of Inspector General  
400 State Avenue  
Kansas City, Kansas 66101-2406

Dear Mr. Hosking:

### Comment 1

The St. Louis Housing Authority (SLHA) is providing the following comments to the draft audit report for an audit conducted by your office of SLHA's Housing Choice Voucher program. SLHA made some comments about the wording in the draft report in the exit interview held on July 15, 2005. SLHA expressed its view that the overall scope of the review should be more particularly described, certain references that SLHA has no procedures should be modified to state that SLHA's procedures are not adequate and a reference to SLHA not knowing the requirement to list live-in aides on the family report be modified. SLHA understands that the Inspector General staff agrees with the changes SLHA proposes and the final report will reflect the wording changes discussed in the exit interview.

### Comment 2

In addition to the wording changes, SLHA expresses its concern about recommendation 1C. The recommendation states that SLHA should develop and implement "procedures to verify that when a tenant is granted a larger unit for medical reasons, the additional bedroom is used for the reason intended". SLHA contends that this recommendation exposes SLHA to liability over the fair housing requirements to provide reasonable accommodations to disabled participants. The recommendation suggests that judgement of the SLHA staff can override a doctor's statement regarding the medical needs of a participant. SLHA expresses its concern that the substitution of judgement suggested in the recommendation may be inconsistent with the requirement to make reasonable accommodations and may subject SLHA to litigation and an increased number of fair housing complaints.



As the regulatory requirements prohibit SLHA from inquiring about the nature of the medical condition or dictating to a family how the space in their unit is utilized, SLHA contends that the inquiry required to meet the recommendation may violate the fair housing requirements.

**Comment 3**

In addition to a potential violation of the fair housing requirements, SLHA expresses a concern that the recommendation creates an excessive administrative burden. To implement the recommendation, SLHA will have to require a doctor's statement to name specific equipment. Then SLHA will have to develop a tracking system to determine which equipment belongs to which unit in order to alert the inspector to inspect the unit for the specific equipment. Our current computer system does not have the capacity to track this type of item. Therefore, the tracking will likely have to be done manually. This will be a very arduous time consuming process.

**Comment 4**

In addition, SLHA does not agree with the overpayment calculation in the draft audit. The overpayment calculation in the draft audit does not consider the actual date the payment standards increased. The calculation is based solely on the annual re-examination date. The calculation uses the payment standard that was in place at the time the participant was overhoused and does not increase the payment standard until the next annual recertification date.

SLHA acknowledges that the method used to calculate the overpayment reflects the actual process by which HAP payments are established; however, SLHA contends that for the purpose of calculating overpayments, the payment standard should be adjusted on the date a new payment standard was adopted. SLHA's position is based on the fact that once a new payment standard is approved, SLHA is authorized to pay up to the amount of the payment standard. Technically, the amount of overpayment is the difference in what SLHA was authorized to pay and what was actually paid. Therefore, SLHA contends that the overpayment calculation should use the higher payment standard on the date such standards were adopted instead of applying the higher standard at the annual recertification date. Using SLHA's methodology, the overpayment amount is \$22,938.00

SLHA appreciate the opportunity to comment on the draft report. Should you have any questions about these comments, please contact me at (314) 286-4357.

Sincerely,



Cheryl Lovell  
Executive Director

cc: Carrie Gray  
Anthony Anderson

## OIG Evaluation of Auditee Comments

**Comment 1** We agreed to the Authority's proposed wording changes to the draft audit report. We added information regarding the other areas reviewed in the scope and methodology section of the report.

**Comment 2** We changed the wording of recommendation 1C by replacing the word "bedroom" with the word "space" so that it was clear we are not dictating how people arrange their living space.

Representatives from HUD's Office of Fair Housing and Equal Opportunity, Office of General Counsel, and Office of Public Housing agreed that this recommendation could be implemented without a problem from their perspective. They stated that a reasonable accommodation requires medical documentation and that documentation must be specific, or have a direct correlation, to the person's medical condition. Also, the housing authority has a right to follow-up with the doctor if the medical documentation provided is not specific, and the housing authority should not feel that they have to accept any documentation provided by a tenant if the information is vague. The housing authority can ask for specific information regarding the reason for the accommodation (such as specifying what type of equipment is needed - treadmill, bike, oxygen tank, etc.) Also, the housing authority can question the tenant's reasonable accommodations if an inspector verifies that the tenant is not using the space for its intended purpose. As long as the policy is applied consistently, the housing authority will not have a problem with the fair housing regulations.

We are not suggesting that the Authority use its judgment to override a doctor's note in regards to the tenant's medical condition, but use its judgment in regards to the legitimacy of the doctor's note when it feels the need for reasonable accommodation is questionable. We are suggesting that the Authority follow-up with the doctor and obtain specific information regarding the type of reasonable accommodation needed and a correlation to the additional space. We are not suggesting that the Authority request information regarding the tenant's medical condition, which would be a violation of privacy laws.

**Comment 3** We do not think it will be overly burdensome because from our review, it appears the Authority has granted a relatively small number of equipment exceptions. Manual tracking should not be overly burdensome for the number of units in question. We suggested the Authority accomplish the verification by having inspectors observe whether the equipment is present during the course of their normal annual inspections. The Authority is free to design and implement another verification method that it feels is less burdensome.

**Comment 4** We do not agree with the Authority's methodology of calculating the overpayment amount. Our calculations were based upon the tenant's lease date. When a tenant's family composition decreases, the tenant is allowed a grace period, until the end of the lease, before his voucher is downgraded. We allowed the grace period when we calculated the overpayment amount. The tenant's rent amount is locked-in during the life of the lease, tenant family composition changes are not evaluated until the end of the lease, and the tenant's rent was calculated based upon the payment standard that was in effect at the time of the start of the lease. We believe our methodology provides an accurate accounting of the Authority's overpayment amount, through May 2005.