



Issue Date June 21, 2006
Audit Report Number 2006-SE-1004

TO: Harlan Stewart, Director, Region X Office of Public Housing, OAPH

Joan S. Hobbs

FROM: Joan S. Hobbs, Regional Inspector General for Audit, Region X, OAGA

SUBJECT: The Housing Authority of the City of Bremerton, Washington, Inaccurately Reported Its 2005 Section 8 Management Assessment Program Results

HIGHLIGHTS

What We Audited and Why

As part of the inspector general's annual plan, we audited the Housing Authority of the City of Bremerton's (authority) Section 8 Housing Choice Voucher program to determine whether it operated the program in accordance with U.S. Department of Housing and Urban Development (HUD) requirements. We wanted to determine whether the authority assisted only eligible families, calculated and paid tenant subsidies accurately, maintained housing quality standards, managed its portability program properly, and reported its Section 8 Management Assessment Program scores accurately.

What We Found

The authority generally administered its Section 8 program in accordance with HUD requirements. However, during its 2005 Section 8 Management Assessment Program review, it incorrectly evaluated the quality control samples for waiting list selection and housing quality standards enforcement. As a result,

HUD assigned the authority inflated scores in these areas, and HUD, authority management, and the authority's board of commissioners did not have the information needed to identify and correct program weaknesses in these areas.

What We Recommend

We recommend that the Region X director of the Office of Public Housing require the authority to develop a formal process for its Section 8 Management Assessment Program, perform an on-site verification to confirm the effectiveness of the process, and correct the waiting list procedures.

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 draft report to the authority on May 31, 2006, and held an exit conference on June 5, 2006. We requested the authority's written response by June 16, 2005, and received it on June 16, 2006. The authority fully agreed with the report finding.

The complete text of the auditee's response is in appendix A of this report.

TABLE OF CONTENTS

Background and Objectives	4
Results of Audit	
Finding 1: The Authority Incorrectly Performed Two Section 8 Management Assessment Program Quality Control Reviews	5
Scope and Methodology	9
Internal Controls	10
Appendix	
A. Auditee Comments	12

BACKGROUND AND OBJECTIVES

Housing Authority of the City of Bremerton

The Housing Authority of the City of Bremerton (authority) was created in 1940 to provide safe, sanitary dwellings to low-income persons in the city. The authority operates 603 units of public housing and administers more than 1,000 housing choice vouchers. It also administers the Section 8 programs of Kitsap County, Mason County, Lewis County, and Jefferson County.

Section 8 Housing Choice Voucher Program

The Housing Choice Voucher program is the federal government's major program for helping very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. Participants are free to choose any housing that meets program requirements. Public housing agencies administer the U.S. Department of Housing and Urban Development (HUD)-funded housing choice vouchers, which pay a housing subsidy directly to the landlord on behalf of the participating family. Public housing agencies determine family eligibility based on income and family size and determine the amount of tenant subsidy. Annually, the agencies verify family income and composition and ensure that the unit meets minimum housing quality standards.

Our objective was to determine whether the authority operated its tenant-based Section 8 program in accordance with HUD requirements. We wanted to determine whether the authority

1. Assisted only eligible families,
2. Calculated and paid tenant subsidies accurately,
3. Maintained HUD housing quality standards,
4. Managed its portability program in accordance with HUD requirements, and
5. Administered its Section 8 Management Assessment Program correctly.

RESULTS OF AUDIT

Finding 1: The Authority Incorrectly Performed Two Section 8 Management Assessment Program Quality Control Reviews

During its 2005 Section 8 Management Assessment Program review, the authority incorrectly evaluated the quality control samples for waiting list selection and housing quality standards enforcement. This occurred because the staff was unfamiliar with the quality control sample review requirements and the authority had no formal procedure for its Section 8 Management Assessment Program. Consequently, HUD, authority management, and the authority's board of commissioners did not have the information needed to identify and correct program weaknesses in the authority's Section 8 waiting list selection and enforcement of housing quality standards. Further, the authority's incorrect evaluation resulted in HUD designating the authority as a high performer when it should have only qualified as a standard performer.

The Section 8 Management Assessment Program Measures Authority Performance

Under the Section 8 Management Assessment Program, HUD sets performance standards for key areas of Section 8 program management to measure whether a housing authority administers its program properly and effectively. To measure their performance in certain key areas, housing authorities must determine whether documented work conforms to program requirements by selecting and reviewing quality control samples. Housing authorities then compare the results of their quality control sample reviews to the performance standards and certify the results to HUD. HUD uses these results to identify housing authority management capabilities and deficiencies. Housing authorities can also use the results to assess and improve their program operations.

The waiting list selection area shows whether an authority follows its written policies for selecting applicants who reach the top of the waiting list and for admitting applicants into the Section 8 program. The housing quality standards enforcement area shows whether an authority requires timely correction of housing quality standards inspection deficiencies or takes other appropriate action.

The Authority Did Not Select Section 8 Voucher Applicants According to Its Policy

In 2005, the authority reported that it selected at least 98 percent of the eight newly admitted Section 8 voucher families in its quality control sample from the waiting list by application date and time in accordance with its written policy. However, our comparison of the application dates of the newly admitted families in the sample to the current waiting list found that one newly admitted family had a later application date than some families on the current waiting list. Therefore, only 87.5 percent of the families in the sample were admitted in accordance with authority policy.

The authority also reported that at least 98 percent of the seven families in its quality control sample reached the top of the waiting list by application date and time. We compared the application dates of the families in the sample who reached the top of the waiting list to the current waiting list and found that all of the families in the sample had later application dates than some families on the waiting list. Therefore, none of the families in the sample was selected from the waiting list in accordance with the authority's waiting list policy.

In order for the authority to earn 15 points on the Section 8 Management Assessment Program review score, at least 98 percent of the families in both samples must have been selected from the waiting list and admitted to the Section 8 voucher program in accordance with the authority's policies. The samples selected by the authority did not meet this criterion, and the authority should not have been awarded the 15 points for the waiting list key area.

In evaluating the selection from the waiting list key area, the authority did not compare the samples to the waiting list but compared them to a computer-generated pull list. The computer software generated the pull list from the waiting list, and the authority relied on the pull list for its selection of new voucher recipients. We compared the pull list, dated December 6, 2004, to the waiting list, dated December 2, 2004, and found many families on the waiting list had earlier application dates than families on the pull list.

Since the authority used the inaccurate pull list instead of the waiting list for its sample, it could not have properly evaluated the selection from the waiting list. Had a written procedure specified a comparison with the waiting list, authority management would have had the information it needed to correctly evaluate this key area and would have known about the skipped applicants on the waiting list.

Authority management told us that they replaced the computer software in the fall of 2005 because it did not always select families from the waiting list in the correct order. The authority has also taken steps to include the skipped eligible families in the next group receiving vouchers.

The Authority Did Not Require Timely Correction of Housing Quality Standards Deficiencies

The authority reported that its sample of failed housing inspections showed that all cited life-threatening deficiencies were corrected within 24 hours or that it took appropriate action if a deficiency was not corrected. However, our review of the 15 case files in the sample found that the authority did not require the repair or replacement of malfunctioning smoke detectors within 24 hours of the housing quality inspections for two of the cases in the sample. In order for the authority to earn points on the Section 8 Management Assessment Program review score, HUD requires that, for the case files sampled, any life-threatening deficiencies shown are corrected within 24 hours of the inspection. The malfunctioning smoke detectors represent life-threatening situations, and no points should have been awarded to the authority for this key area.

In evaluating the housing quality standards enforcement key area, authority staff thought they had to reinspect the units in the sample within three months of the original inspection to determine whether the cited deficiencies had been corrected. However, the regulations require a review of case file documents to determine whether the cited deficiencies were corrected in a timely manner. Had a written procedure specified a case file review, authority management would have had the information it needed to correctly evaluate this key area and would have known it was not requiring timely correction of life-threatening deficiencies.

Authority Staff Was Unfamiliar With Review Requirements

The authority incorrectly evaluated the quality control samples for waiting list selection and housing quality standards enforcement because (1) the staff was unfamiliar with the quality control sample review requirements and (2) the authority had no formal procedure for its Section 8 Management Assessment Program.

Since authority staff did not fully follow HUD requirements when evaluating the samples during its Section 8 Management Assessment Program review, HUD, authority management, and the authority's board of commissioners did not have

the information needed to identify and correct weaknesses in the waiting list and housing quality standards areas. Further, the inflated scores assigned to these areas allowed the authority to qualify as a high performer, giving it a competitive advantage when applying for certain HUD grants. If the authority had followed the Section 8 Management Assessment Program review procedures properly, it would have only qualified as a standard performer.

Recommendations

We recommend that the director of the Region X Office of Public Housing

- 1A. Require the authority to implement a formal process for administering its Section 8 Management Assessment Program.
- 1B. Perform an on-site confirmatory review to determine the effectiveness of the process.
- 1C. Require the authority to verify that its present computer software selects applicants from the waiting list in accordance with its administrative plan.
- 1D. Require the authority to verify that the eligible skipped applicants will be included in the next group to get vouchers.

SCOPE AND METHODOLOGY

Our review of the authority's Section 8 program covered the period of October 1, 2004, through September 30, 2005 (fiscal year 2005). We conducted the audit from February through April at the authority's office in Bremerton, Washington.

To accomplish our objectives, we reviewed authority records and tenant files and interviewed authority staff, HUD program staff, and housing choice voucher holders. We also performed housing quality standards inspections of authority housing choice voucher units.

We used 100 percent sampling in our review of the authority's Section 8 Management Assessment Program quality control samples for selection from the waiting list and housing quality standards enforcement.

We performed our review in accordance with generally accepted government auditing standards.

INTERNAL CONTROLS

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.

Relevant Internal Controls

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

- Effectiveness and efficiency of program operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Validity and reliability of data – Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained.
- Compliance with laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resources are used consistent with laws and regulations. This includes the Section 8 administrative fee that is the subject of the complaint assessment portion of the audit.

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 an internal control process for evaluating and certifying its Section 8 Management Assessment Program scores (finding 1).


APPENDIXES

Appendix A

AUDITEE COMMENTS

Auditee Comments

06/16/2006 FRI 16:35 FAX 002/003



HOUSING AUTHORITY OF THE CITY OF BREMERTON

June 15, 2006

Ms. Joan S. Hobbs
Regional Inspector for Audit
US Department of Housing and Urban Development
Office of Inspector General, Region X
Federal Office Building
909 First Ave, Suite 126
Seattle, Washington 98104-1000

Subject: Response to Audit Report

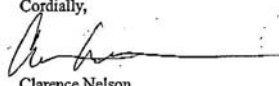
Dear Ms. Hobbs:

The Housing Authority of the City of Bremerton (BHA) has reviewed the draft audit report provided by your office. Enclosed in this document (Attachment A), is the BHA response for the final report.

I would like to thank you for the consideration shown to the BHA staff by the OIG auditors. The experience was a positive one that has enabled BHA to improve its processes and procedures and by extension provide better services to our clientele.

If you have any questions regarding this response please contact either Jennifer Laslovich, Housing Programs Operations Manager at 360-616-8559 or Nancy Austin, Assistant Director at 360-782-5424.




Cordially,



Clarence Nelson
CMS Director

Enc.

110 Russell Road • P.O. Box 4460 • Bremerton, WA 98312 • Phone: (360) 479-3694 • TDD (360) 377-8606 • Fax: (360) 377-5355

 Equal Housing Opportunity  Barrier Free 

Auditee Comments

06/16/2006 FRI 16:35 FAX

003/003

Attachment A

“The Authority did not select Section 8 Voucher Applicants According to Its Policy”

BHA agrees with the finding by the OIG that the Section Eight Management Assessment Program (SEMAP) quality control sample from the waiting list was incorrectly compared to the waiting list pull records rather than the actual waiting list. This problem occurred due to lack of knowledge of the sampling requirements. BHA has taken the following steps to correct this problem:

- 1) Section 8 program managers have recently received training on managing the SEMAP process.
- 2) Management is in the process of developing a formal procedure for SEMAP. This procedure should be in place by the end of June 2006 and will be used to manage the 2006 SEMAP.
- 3) BHA has converted to new software that allows for more accurate management of the waiting list as well as provides more comprehensive SEMAP reports. This new software will allow BHA staff to complete a thorough analysis of the required SEMAP indicators.
- 4) The group of persons that were overlooked on the waiting list fell within the date range of the most recently pulled group of applicants. Despite being pulled incorrectly they would not yet have been served. BHA has taken steps to ensure that these applicants are served in the proper order. Of the 50 applicants pulled incorrectly 5 were found to be ineligible, 11 have been issued vouchers and the remaining applicants are being processed.

“The Authority Did Not Require Timely Correction of Housing Quality Standards Deficiencies”

BHA agrees with the finding by the OIG that the SEMAP quality control sample for failed Housing Quality Standards (HQS) was reviewed incorrectly. Rather than performing a file review the Section 8 Managers re-inspected the failed units to ensure that they were in compliance. BHA has taken the following steps to correct this error:

- 1) See steps one and two above.
- 2) BHA Section 8 manager recently attended HQS certification training.
- 3) Prior to the arrival of the OIG auditors, BHA management discovered that the inspectors were not re-inspecting units that had failed due to malfunctioning smoke detectors within 24 hours. This problem was rectified by 1) allowing the inspectors to carry 9 volt batteries with them to reactivate smoke detectors while performing an inspection, 2) providing instruction to the inspectors and oversight of this function to ensure that all life-threatening fails are re-inspected within 24 hours.