
AUDIT REPORT



Hartford Housing Authority, Hartford, Connecticut, Had
Housing Choice Voucher Program Deficiencies Resulting in
More Than \$2.6 Million in Cost Exceptions

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OFFICE OF AUDIT, REGION 1
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TO: Donna J. Ayala, Director, Office of Public Housing, Boston, MA, Regional Office, 1APH

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FROM: for John A. Dvorak, Regional Inspector General for Audit, 1AGA

SUBJECT: Hartford Housing Authority, Hartford, Connecticut, Had Housing Choice Voucher Program Deficiencies Resulting in More Than \$2.6 Million in Costs Exceptions

HIGHLIGHTS

What We Audited and Why

As part of our fiscal year 2005 annual audit plan, we reviewed the Housing Choice Voucher program at the Hartford Housing Authority (Authority). Our audit objective was to determine whether the Authority properly administered its Section 8 Housing Choice Voucher program (Voucher program) in accordance with its annual contributions contracts and U.S. Department of Housing and Urban Development (HUD) requirements.

What We Found

The Authority did not properly administer its Voucher program in compliance with its annual contributions contracts and HUD requirements. As a result, we identified questioned costs and opportunities for funds to be put to better use ([see appendix A](#)) totaling more than \$2.6 million because the Authority

- Inaccurately reported leasing and cost data to HUD and incorrectly received more than \$841,000 in funding.
- Improperly charged more than \$714,000 in administrative costs to the Voucher program.
- Approved unreasonable rents, resulting in ineligible and prospective ineligible costs totaling more than \$595,000.
- Improperly awarded and managed its housing inspection contract and also paid the contractor \$158,492 in unreasonable costs.
- Failed to ensure subsidized housing met minimum standards and paid for substandard housing.
- Did not account for its portable voucher receivables and failed to collect past-due receivables.

What We Recommend

We recommend that the Office of Public Housing, Boston, Massachusetts, require the Authority to

- Implement procedures to properly track and report housing assistance payments and administrative fees and repay HUD (\$841,245,) of which \$425,725 was repaid during our review.
- Repay the Voucher program \$714,678 and properly allocate administrative costs, thereby reducing future expenses by \$177,542.
- Repay the Voucher program \$1,395 for unreasonable rents and establish quality controls to ensure rents are reasonable, which may reduce subsidized rent payments by \$594,270 this year.
- Repay the Voucher program \$158,491 for unreasonable inspection costs and perform housing inspections in house, which should reduce program expenses by \$119,723 this year.

For each recommendation in the body of the report without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Also, please furnish us copies of any correspondence or directives issued because of the audit.

Auditee's Response

The auditee generally agreed with our findings and is the processes of implementing corrective actions that should eliminate the conditions noted in this report. The auditee's response, along with our evaluation of that response, can be found in appendix B of this report.

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BACKGROUND AND OBJECTIVES

The Hartford Housing Authority (Authority) was created under the United States Housing Act of 1937 and section 8-40 of the Connecticut General Statutes to provide low-income public housing for qualified individuals. The Authority is headed by an executive director and governed by a board of commissioners. The Authority's long-time former executive director retired in March of 2005. It hired a new executive director in October of 2005.

The Authority administers one of the largest Housing Choice Voucher programs (Voucher program) in Connecticut. It received more than \$49 million in Voucher program funds from the U.S. Department of Housing and Urban Development (HUD) to support more than 2,000 families in fiscal years 2002 through 2005.

The Authority must operate its Voucher program according to the rules and regulations prescribed by HUD in accordance with the United States Housing Act of 1937, as amended, and its annual contributions contract.

Our overall audit objective was to determine whether the Voucher program was administered according to the annual contributions contracts and HUD program requirements. The specific audit objectives were to determine whether the Authority

- Accurately reported leasing and cost data to HUD.
- Properly charged administrative and insurance costs to the Voucher program.
- Ensured that subsidized rents were reasonable.
- Obtained inspection services from the lowest responsible bidder.
- Ensured that subsidized housing units complied with HUD's housing quality standards.
- Properly accounted for its portable voucher accounts receivable.

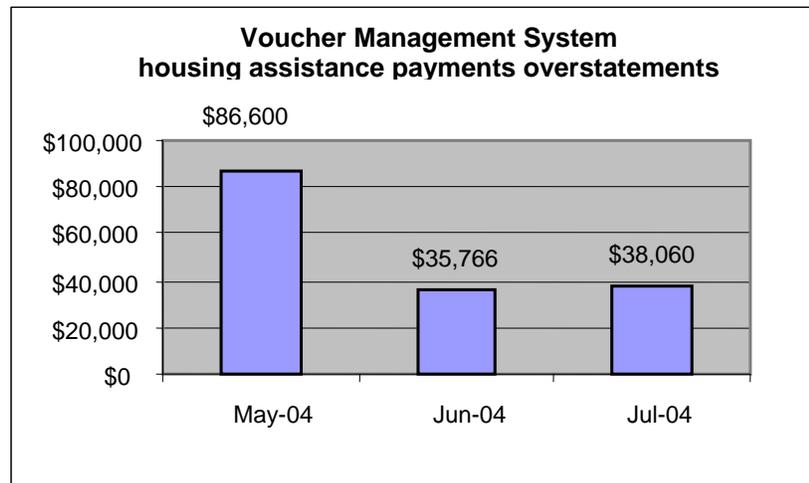
RESULTS OF AUDIT

Finding 1: The Authority Inaccurately Reported Units Leased and Cost Data to HUD and Incorrectly Received \$841,245 in Funding

The Authority misreported units leased and cost data for the housing assistance and administrative fee payments received during fiscal years 2002, 2004, and 2005. This occurred because the Authority did not ensure lease and cost data reports presented to HUD for payment were accurate or maintain its books and records in accordance with HUD's requirements. However, HUD relied on the Authority's inaccurate reports in providing Voucher program funds. As a result, the Authority incorrectly received \$841,245 in additional Voucher program funds that could have assisted other public housing agencies.

Overfunding of \$396,661

Congress requires that housing authorities accurately report leasing and cost data to HUD on the Voucher Management System. In fiscal year 2005, Congress also required that HUD provide funds to housing authorities in 2005 based on leasing and cost data averaged for the months of May, June, and July of 2004. The Authority's records showed that during this three-month period, it overstated the assistance payments made on the behalf of program participants by \$160,426 (see the chart below).



The overstatement occurred because the Authority did not reconcile its Voucher program records to the Voucher Management System reports to ensure the reports were accurate. In addition, the Authority did not reconcile Voucher program records with its general ledger to ensure cost and leasing data reported to HUD for

reimbursement were accurate and complete. As a result, HUD relied on the Authority's inaccurate reports and provided the Authority \$396,661 in funds that the Authority was not entitled to receive.

Overfunding for Portable Vouchers of \$425,725

In addition, the Authority received a duplicate payment for portable vouchers in fiscal year 2004. This occurred because the Authority incorrectly included the portable voucher payments in its Voucher Management System reports. This resulted in the Authority incorrectly receiving \$425,725 in Voucher program funding that could have assisted other public housing agencies. However, the Authority repaid HUD for the duplicate payment after our review verified that it had to be repaid.

Inaccurate Program and Accounting Records

The Authority received unearned administrative fees in fiscal years 2002 and 2004. This occurred because the Authority misinterpreted its monthly performance reports and made improper adjustments to the number of program units under lease. As a result, the Authority overstated the number of units under lease on its year-end settlement statements (form HUD 52681) and Voucher Management System reports. HUD overpaid the Authority \$18,859 based on the overstated number of units under lease. The Authority also failed to maintain its books and records in accordance with HUD's requirements. We asked the Authority to provide support for Voucher program funds received during fiscal years 2002 through June of 2005. The Authority took more than three months to provide adequate support. This occurred because the Authority did not maintain a housing assistance payment register as required by HUD.

Conclusion

The Authority inaccurately reported units leased and cost data to HUD on the Voucher Management System and on its year-end settlement statements (form HUD 52681). This occurred primarily due to the lack of procedures to properly track and report housing assistance payments and administrative fees. As a result, the Authority incorrectly received more than \$841,000 for housing assistance and administrative fee payments during fiscal years 2002, 2004, and 2005.

Recommendations

We recommend that the director of the Office of Public Housing

1A. Require the Authority to develop and implement procedures to properly track, document, and report housing assistance payments and administrative fees.

1B. Require the Authority to repay HUD \$396,661 for ineligible housing assistance payments received in fiscal year 2005 from nonfederal funds or through reductions in future housing assistance funding.

1C. Verify the \$425,725 repayment for ineligible portability housing assistance payments in fiscal year 2004 was properly credited.

1D. Require the Authority to repay HUD \$18,859 for unearned administrative fees received in fiscal years 2002 and 2004 or establish a repayment plan to repay HUD with future excess administrative fees.

1E. Require the Authority to restate Voucher Management System reports for fiscal year 2005 to reflect the actual amount of housing assistance payments and units under lease.

RESULTS OF AUDIT

Finding 2: The Authority Improperly Charged the Voucher Program \$714,678 in Administrative Costs

The Authority improperly charged to the Voucher program \$614,593 for employee salaries and benefits and \$100,085 for automobile insurance. This occurred because the Authority's accounting procedures were inadequate and failed to allocate reasonable and necessary expenses to the benefiting programs. As a result, \$714,678 was not available for other program needs. In addition, implementing procedures to properly allocate costs will reduce Voucher program expenses by an estimated \$177,542.

Improper Salary Allocations Totalled \$614,593

The Authority's Annual Contributions Contracts with HUD allow that only Voucher program costs can be charged to the Voucher program.¹ The review showed that the Authority's policy of charging administrative (indirect) costs resulted in the Authority overcharging salaries and benefits to the Voucher program. This occurred because salaries and benefits charged were based on the number of housing units, and did not accurately reflect the time spent on administrative functions that benefited the Voucher program. As a result, the Authority improperly charged the Voucher program \$614,593 for salary costs during the period of January 1, 2002, to September 30, 2005, as follows:

Year	Amount charged	Audited allocation	Amount overcharged
2002	\$320,330	\$134,145	\$186,185
2003	\$291,970	\$122,269	\$169,701
2004	\$301,426	\$126,229	\$175,197
2005			\$ 83,510
Total			\$614,593

Ineligible Insurance Charges Totalled \$100,085

In addition, the Authority improperly charged the Voucher program \$100,085 for automobile insurance during fiscal years 2002 through 2004. This occurred because the Authority allocated more than 40 percent of its automobile insurance

¹ Consolidated Annual Contributions Contract, Section 11, "Use of Program Receipts."

costs to the Voucher program based on the number of housing units. However, the Voucher program used only 3 percent of the Authority's vehicles, and, therefore, only 3 percent of the costs should have been charged as follows:

Year	Amount charged	Audited allocation	Amount overcharged
2002	\$35,211	\$2,693	\$32,518
2003	\$35,211	\$2,648	\$32,563
2004	\$37,491	\$2,487	\$35,004
Total			\$100,085

The Authority agreed with our finding and developed a new cost allocation plan. Applying the new allocation plan to fiscal year 2005 expenditures, the comptroller repaid the Voucher program \$83,510 in administrative costs and reduced the amount of future automobile insurance costs by \$38,358. The comptroller also agreed to repay the Voucher program for administrative and automobile insurance overcharges in fiscal years 2002 through 2004. The plan should ensure the proper future allocations of administrative costs once formally established and properly implemented. Implementing proper allocation procedures would further reduce Voucher program administrative expenses by \$177,542.²

Conclusion

The Authority overcharged more than \$714,000 in expenses to the Voucher program due to inadequate allocation procedures. The Authority needs to repay the misallocated costs and implement an allocation plan to properly allocate costs to its federal programs. We estimate that by implementing proper allocation procedures, the Authority can reduce Voucher program costs by \$177,542.

Recommendations

We recommend that the director of the Office of Public Housing require the Authority to

2A. Reimburse its Voucher program \$714,678 for ineligible administrative and insurance expenses, of which \$83,510 has been repaid. The remaining \$631,168 should be reimbursed from the appropriate benefiting program(s).

² This includes a \$27,827 reduction in costs for October through December 2005, and a \$159,705 reduction in costs for the Authority's fiscal year 2006.

2B. Establish and implement formal written procedures that properly allocate costs to the benefiting programs, which would reduce Voucher program expenses, resulting in \$177,542 in funds to be put to better use (reduced outlays).

RESULTS OF AUDIT

Finding 3: The Authority Approved Unreasonable Rents That Resulted in Ineligible Costs and Could Potentially Cost More Than \$594,000

The Authority approved rents without performing proper rent reasonableness determinations. This occurred because it lacked adequate procedures to make rent reasonableness determinations when required, did not compare subsidized rents to similar unassisted rents in the market place, and lacked a quality control process to verify contractor determinations. As a result, the Authority approved \$1,395 in unreasonable rents and had fewer Voucher program funds available to house families. If the condition is not corrected, it will result in excessive rent payments totaling \$594,270 for the year.

Inadequate Procedures and Quality Controls

Federal regulations require the Authority to ensure subsidized rents are reasonable before approving leases and rent increases. This determination involves two comparisons: (1) the Authority must compare the subsidized rent to rents for similar unassisted rents in the market place, and (2) the subsidized rent must be compared to rents charged for similar units on the premises.³ Without determinations, the Authority cannot show rents for its units were reasonable. Our sample of 35 tenant files showed the Authority approved two leases and five rent increases without determining whether the rent charged was reasonable and may have approved another 28 leases and 136 rent increases without a rent reasonableness determination. This occurred because the Authority's procedures did not comply with federal regulations and did not compare similar units. For example, rents charged for subsidized units of minimal quality were compared with market rate rents charged for units in good or excellent condition, and rents charged for the Authority's units were incorrectly compared with market rents charged in another area. Additionally, the tenant files failed to show that subsidized rents were comparable to rents charged for similar unassisted units on the premises.

These deficiencies persisted because the Authority did not have an effective quality control review program. For example, the Authority reviewed only 2 of 1,997 determinations completed by its contractor in fiscal year 2004. Without adequate procedures and reviewing an adequate number of rent reasonableness determinations, the Authority could not ensure rents charged by owners were

³ 24 CFR [Code of Federal Regulations] 982.507, "Rent to Owner, Reasonable Rent," and HUD Handbook 7420.10g, chapter 9, "Rent Reasonableness."

reasonable. The Authority agreed with our review and hired a consultant to establish new rent reasonableness procedures. The new procedures must comply with federal requirements and include an effective quality control and review program to ensure they are properly implemented.

Subsidized Rents Exceeding Market Rents

Our statistical sample of 35 tenant files also showed rents for 10 subsidized units exceeded market rents by a total of \$1,395.

Voucher	Subsidized rent	Audited comparable rent	Ineligible rent
V0346	\$1,037	\$964	\$73
V0350	\$840	\$723	\$117
V0426	\$1074	\$864	\$210
V0584	\$1,016	\$864	\$152
V0588	\$1,041	\$864	\$177
V5975	\$1,019	\$964	\$55
V6608	\$1,016	\$814	\$202
V8273	\$1,031	\$864	\$167
V8780	\$924	\$864	\$60
V9622	\$1,046	\$864	\$182
Total			\$1,395

Based on our sample, we estimate that 18.7 percent or 355 rents were not reasonable and that the subsidized rents might exceed market rents by \$594,270 this year⁴ if this condition is not corrected.

Conclusion

The Authority failed to make proper rent reasonableness determinations for some of its units. The proper determinations were not made because the Authority's procedures did not provide for reasonableness determinations in accordance with HUD requirements. As a result, the subsidized rents exceeded market rents by \$1,395 for 10 units. If this condition persists, subsidized rents may exceed market rents by \$594,270 this year.

⁴ Projecting the results from our statistical sample of 35 units, there would be 355 units per month at \$139.50 per unit for 12 months or a total of \$594,270 in excessive rent payments.

Recommendations

We recommend that the director of the Office of Public Housing require the Authority to

3A. Develop and implement adequate procedures and quality controls to ensure subsidized rents are reasonable and in accordance with HUD requirements, which should result in funds to be put to better use of \$594,270 annually.

3B. Repay the Voucher program \$1,395 for unreasonable and ineligible rents from nonfederal funds.

RESULTS OF AUDIT

Finding 4: The Authority Did Not Properly Award and Efficiently Manage a Housing Inspection Contract and Paid \$158,492 in Unreasonable Costs

The Authority did not award a housing inspection contract to the lowest bidder. This occurred because the Authority did not have adequate contracting procedures. As a result, the Authority paid the contractor \$158,492 too much for inspection services. In addition, the Authority did not efficiently manage its contracted housing inspection costs while maintaining two in-house inspectors. This occurred because the Authority conducted some initial inspections in-house that were the types of inspections provided for under the inspection contract. The Authority agreed its inspectors were not efficiently used and canceled its inspection contract (see [finding 5](#)). This change reduced the annual inspection costs by \$119,723.

The Authority's Procurement Procedures Were Inadequate

Federal regulations⁵ require the Authority to conduct procurements in a manner that provides for full and open competition and maintain sufficient records to support the procurement. However, the Authority's solicitation for inspection services failed to provide for full and open completion because did not identify the number of required inspections. As a result, none of the four companies bidding based their proposal on the same number of inspections. Two of the companies also indicated their proposed fixed price might be adjusted downward depending on the number of inspections performed. The disparity of bids and the unnecessary costs that resulted were due to the Authority's failure to clearly identify the number of inspections required, which also made the bids difficult to evaluate.

The Authority Did Not Properly Evaluate Proposals

The Authority's evaluation of bid proposals failed to show that bidders were treated equally and the contract awarded was cost effective. The Authority did not maintain (1) a list of qualified or potentially qualified bidders, (2) a memorandum of negotiation objectives, (3) best and final offers received from the bidders, or (4) a negotiation memorandum to justify the selection of the winning bidder. Since the Authority had not established procedures to adequately

⁵ 24 CFR [Code of Federal Regulations] 85.36 and HUD Handbook 7460.8, REV-1.

document procurement activities, it could not justify why the contract was not awarded to the lowest responsible bidder.

The Authority Overpaid \$158,492 for Inspections

Our review also disclosed that the Authority’s failure to select the lowest responsible bid resulted in unnecessary costs. The Authority received a low-cost bid to perform comparable inspections for \$27 each inspection. However, the Authority selected a higher priced bidder’s proposal without justification and awarded a fixed-price contract to perform an estimated 6,000 inspections per year for \$235,000.⁶ Using the number of annual inspections from the awarded contract, we determined that the Voucher program paid an additional \$158,492 in unreasonable and ineligible costs over a 26-month period as follows:

Amount	
\$235,000	Annual contracted cost
(161,850)	Less proposal to perform 6,000 inspections @ \$27 each
\$ 73,150	Equals the additional costs per year
\$6,095.83	Divided by 12 months
26	Times months in the contract (Sept. 1, 2003-Oct. 31, 2005)
\$158,492	Additional costs

The Authority agreed that services were not received from the lowest responsible bidder. They later revised their contracting policies and procedures to address the deficiencies noted above. The new competitive proposal procedures, when implemented, should ensure compliance with HUD requirements.

Inspection Costs Were Not Efficiently Managed

The Authority also paid more than \$200,000 for two in-house inspectors during the period September 2, 2003, through October 31, 2005. The Authority’s inspectors performed initial inspections; however, the costs were not an efficient use of program funds because the Authority also was paying the contractor mentioned above to perform all the required inspections. The Authority agreed its inspectors were not fully used, canceled its inspections contract (after multiple deficient inspections were identified; see [finding 5](#)) and decided to perform

⁶ This results in a cost of \$39 per inspection (\$235,000/6,000).

housing inspections in house. We determined that these actions should reduce Voucher program costs by as much as \$119,723 annually.

Conclusion

The Authority charged the Voucher program more than \$158,000 in unreasonable inspection costs due to inadequate contracting procedures. The Authority also did not efficiently manage housing inspection costs when it contracted for all inspections while still maintaining two in-house inspectors. The Authority canceled its inspections contract to conduct the inspections in house and reduced its annual inspection costs by \$119,723.

Recommendations

We recommend that the director of the Office of Public Housing require the Authority to

4A. Implement the newly developed contracting procedures to ensure effective competitive contracting procedures.

4B. Repay \$158,491 to the Voucher program administrative fee reserve account from nonfederal funds or through reductions in future administrative fees for unreasonable inspection costs, and conduct the inspections in house, which will result in funds to be put to better use of \$119,723.

RESULTS OF AUDIT

Finding 5: Housing Did Not Meet Minimum Standards, and the Authority Paid for Substandard Housing

The Authority did not always ensure subsidized housing units met HUD's minimum housing quality standards. This occurred because the Authority failed to implement effective quality control procedures to monitor its contract inspectors and identify when its contractor failed to identify serious deficiencies. Further, the Authority did not abate \$11,604 in payments to owners when owners failed to correct deficiencies within required timeframes. As a result, tenants did not always live in housing that was decent, safe, and sanitary. In addition, we determined that the Authority may make an additional \$37,758 in ineligible payments for substandard housing this year if this condition is not corrected.

The Authority Lacked Adequate Quality Controls

HUD requires that housing authorities complete quality control inspections for a sample of its initial and annual housing inspections to ensure the reliability of inspection results. Under these requirements, the Authority was required to conduct a minimum of 30 quality control inspections to ensure the reliability of its inspection results. However, the Authority's quality control procedures did not ensure substandard housing conditions were detected and corrected. The Authority's records showed only 4 of the 30 inspections were conducted in fiscal year 2004. This occurred primarily because the Authority did not implement a system to track the number of inspections conducted or evaluate the quality of inspector's work. Without conducting an adequate number of quality control inspections, the Authority could not ensure the reliability of inspection results or ensure subsidized housing was decent, safe, and sanitary.

The Contractor Did Not Identify Serious Deficiencies

As a result of our audit, the Authority conducted 10 quality control inspections on July 20, 2005. Six of the inspections found numerous deficiencies that were not identified during the contractor's inspection. In one instance, the Authority performed a quality control inspection on the same day the contractor completed a follow-up inspection. The contractor certified that all the repairs were completed and advised the Authority to lift the abatement. However, the Authority's quality control inspection cited 15 deficiencies, including the following health and safety hazards:

- All smoke detectors are missing batteries.
- Ground fault interrupter did not work.
- Ceiling in bedroom is falling down and needs paint.
- Windows in the bedroom need locks.

The contractor passed two other units on their annual inspections. However, the Authority's quality control inspections cited 16 deficiencies, including the following serious health and safety hazards:

- Smoke detector not functioning properly.
- Ground fault interrupter not working.
- Rodent and cockroach infestation.
- Broken windows in the kitchen and bedroom.

The Authority agreed with our finding, canceled its inspection contract, and on November 1, 2005, started performing all housing inspections itself.

The Authority Failed to Abate Payments

Federal regulations require prompt and vigorous action to abate assistance payments for housing that fails to meet minimum quality standards.⁷ Five of the ten units receiving quality control inspections in July of 2005 required abatement. However, the Authority continued making assistance payments for four of the five units that required abatement. In addition, our statistical sample of 35 tenant files showed the Authority did not stop payment for another four tenants when their housing units did not meet minimum quality standards. These improper payments continued because the Authority had not established procedures that ensured rents were abated according to federal regulations and its own administrative plan, resulting in \$11,604 in payments made for ineligible substandard housing as follows:

⁷ 24 CFR [Code of Federal Regulations]982.404(a)(3), "Maintenance: Owner and Family Responsibility; PHA [Public Housing Authority] Remedies."

Voucher	Date failed	Date passed	Amount unabated
V9427	Mar, 17, 2005	Lease terminated	\$ 912
V0588	Dec. 16, 2005	Mar. 17, 2005	552
V0911	Mar. 1, 2004	Sept. 23, 2005	4,423
PV200-0008	Mar. 17, 2005	Aug. 5, 2005	234
V6858	Mar. 24, 2005	July 15, 2005	1,054
V1155	Mar. 15, 2005	July 31, 2005	1,234
V0345	Mar. 9, 2005	July 31, 2005	2,205
V-0158	Apr. 19, 2005	July 20, 2005	990
Total			\$11,604

Based on the sample results that identified four unabated substandard units, we determined that 5.1 percent or 96 tenants' housing units were not abated when required. In addition, the Authority could pay as much as \$37,758 this year for substandard housing if corrective action is not taken.

Conclusion

The housing inspections did not always identify serious housing deficiencies, and some tenants were living in housing that was not decent, safe, and sanitary. These deficiencies occurred because the Authority failed to implement effective quality controls for its housing inspection program to ensure that serious deficiencies were detected and corrected. Also, the Authority lacked effective procedures to ensure that rent payments were abated when owners failed to correct deficiencies within the required timeframes.

Recommendations

We recommend that the director of the Office of Public Housing require the Authority to

- 5A. Develop and implement an effective quality control process to ensure reliable inspections, correction of substandard housing, and abatement of payments for housing that does not meet HUD's standards, which will reduce payments for substandard housing by a minimum of \$37,758 this year.

RESULTS OF AUDIT

Finding 6: The Authority Did Not Account for Its Portable Voucher Receivables or Collect Amounts Owed

The Authority did not properly account for its receivables for portable vouchers. Its accounting records indicated that \$31,039 in receivables was past due and other authorities may have overpaid the Authority. These deficiencies occurred because the Authority failed to establish accounting procedures for its portability voucher billings and to notify payees when payments were due. As a result, the Authority did not know whether it had collected its receivables and may have lost the opportunity to collect \$31,039 in overdue payments.

Authorities Must Track Portable Voucher Payments

HUD requires that initiating housing authorities make payment for portability tenants within 30 days of receiving a bill and pay monthly thereafter. Also, the receiving authorities must promptly notify initiating authorities when payment has not been received by the fifth working day of the month.⁸ However, the Authority failed to track the amounts billed to other authorities, which resulted in incomplete and inaccurate accounts receivable. For example, the Authority's accounting records indicated that the Authority received \$74,987 more in portability payments than it billed. This amount was inaccurate because not all billings were recorded as accounts receivable. The Authority's records also showed that at least \$31,039 in receivables was more than 61 days past due on August 31, 2005. However, the Authority was not actively following up on uncollected receivables. Without active pursuit of these accounts, the Authority could lose \$31,039 in voucher income.

Conclusion

The Authority failed to bill or actively pursue collection of payment for portability vouchers because it did not have procedures to ensure accurate accounts receivable records or timely collections of its accounts receivable. As a result, the Authority may not be able to collect funds for its portable vouchers that are owed.

⁸ 24 CFR [*Code of Federal Regulations*] 982.355 and HUD Public and Indian Housing Notice 2004-12, paragraph 8.

Recommendations

We recommend that the director of the Office of Public Housing require the Authority to

6A. Establish procedures implementing HUD's Public and Indian Housing Notice 2004-12, reconcile all portability bills with receipts, reimburse authorities for any overpayments, and follow up on past due accounts, thereby resulting in funds to be put to better use totaling \$31,039.

SCOPE AND METHODOLOGY

We performed our review in accordance with generally accepted government auditing standards. We conducted the audit between March and December 2005 and covered the Authority's fiscal years 2002 through 2005. Our fieldwork was completed at the Authority's office located at 180 Overlook Terrace in Hartford, Connecticut. Our audit covered the period January 1, 2002, through December 31, 2005. To accomplish our audit objectives, we

- Reviewed program requirements including federal laws and regulations, Office of Management and Budget circulars, and the consolidated annual contributions contract between the Authority and HUD.
- Reviewed the Authority's financial statements and independent public accountant's reports.
- Interviewed Authority and HUD personnel and officials and reviewed meeting minutes from the Authority's board.
- Analyzed the Authority's records for fiscal years 2002 through 2005.
- Selected a statistical sample of Voucher program tenant files, which we reviewed for compliance with program requirements. The purpose of our testing was to ensure program participants were eligible, housing assistance payments were properly supported and calculated, housing deficiencies were corrected in a timely manner, and rents paid were reasonable. To accomplish this, we selected randomly 35 tenant files from a universe of 1,898 Voucher program tenants as of March 3, 2005, to perform detailed attribute testing. Our sample resulted in a confidence level of 90 percent and a precision of 10 percent. Based on the errors we found in our sample files, we used the lower confidence limit to estimate the error rate for the universe of 1,898 files.
- Compared the amount of funds HUD provided with the amount of funds that should have been provided using accurate cost data.
- Summarized the results of our analyses.

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:

- Controls over tenant eligibility; calculating housing assistance payments, tenant payments, and utility allowances;
- Controls over rent reasonableness;
- Controls over voucher use;
- Controls over housing quality standards inspections;
- Controls over expenditures to ensure they were necessary and reasonable;
- Controls over Section 8 program accounting and reporting;
- Controls over accounting for portable voucher accounts.

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:

- Accounting procedures were not adequate to ensure cost and units leased data reported to HUD were accurate (see [finding 1](#)).
- Allocation procedures did not adequately ensure that expenses were charged to the appropriate programs (see [finding 2](#)).
- Rent reasonableness procedures were not adequate to ensure that contract rents were reasonable (see [finding 3](#)).
- Contracting procedures were not adequate to ensure housing inspection services were obtained and performed in a cost-effective manner (see [finding 4](#)).
- Quality control procedures were not effective to ensure that subsidized housing met minimum housing quality standards (see [finding 5](#)).
- Accounting procedures were not adequate to properly account for portable voucher receipts (see [finding 6](#)).

APPENDIXES

Appendix A

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

Recommendation number	Ineligible 1/	Unsupported 2/	Unreasonable or unnecessary 3/	Funds to be put to better use 4/
1B	\$396,661			
1C	\$425,725			
1D	\$18,859			
2A	\$714,678			
2B				\$177,542
3A				\$594,270
3B	\$1,395			
4B			\$158,491	\$119,723
5A				\$37,758
6A				\$31,039
Subtotal	\$1,557,318		\$158,491	\$960,332
Total				\$2,676,141

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/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.

3/ Unreasonable/unnecessary costs are those costs not generally recognized as ordinary, prudent, relevant, and/or necessary within established practices. Unreasonable costs exceed the costs that would be incurred by a prudent person in conducting a competitive business.

4/ “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

Ref to OIG Evaluation

Auditee Comments

Comment 1

THE HOUSING AUTHORITY OF THE CITY OF HARTFORD 180 OVERLOOK TERRACE, HARTFORD, CT 06106 (860) 723-8400

February 9, 2006

HUD-OIG
OFFICE OF AUDIT
BOSTON, MASSACHUSETTS

2006 FEB 13 PM 2:45

RECEIVED



John Dvorak
Regional Inspector General for Audit, Region I
U. S. Department of Housing and Urban Development
New England Office of District Inspector General for Audit, IAGA
10 Causeway Street
Boston, Massachusetts 02222-1092

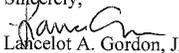
Dear Mr. Dvorak:

The audit has highlighted certain weaknesses, however, Management is in the process of strengthening internal controls to ensure compliance with HUD regulations. We look forward to working with the local HUD Office to resolve these findings.

Enclosed is a copy of Hartford Housing Authority's written comments to the draft audit report from HUD's Office of Inspector General. The Authority has met with staff and offers these comments after much consideration. While we appreciate the positive comments made by OIG at the exit conference, the Authority strongly disagrees with the OIG conclusion that the audit discovered deficiencies resulting in more than \$2.6 Million in "Cost Exceptions". This is extremely misleading. The total actual cost that the OIG questioned amounted to \$886,169 and is comprised of the following:

- \$714,678 in Administrative Costs
- \$1,395 in Unreasonable Rents
- \$158,492 in Unreasonable Costs for HQS Contract
- \$11,604 in Ineligible Housing Assistance Payments

Those readers not familiar with the process, terminology or charge of the OIG will believe that the Authority actually misspent a total amount of \$2.6 Million, which the OIG presents as "Cost Exceptions". It is the Authority's position that Appendix A should be revised to remove the over funding amounts from the "Ineligible Cost" category and delete "Funds to be put to better use" category since these amounts are not actual costs charged to the program.

Sincerely,

Lancelot A. Gordon, Jr.
Executive Director

cc: D. Jeannotte, OIG Hartford Office
C. Anderson, Chairman of the Board of Commissioners

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Comment 2

*Housing Authority of the City of Hartford
Response to HUD OIG Audit Findings January 2005*

Finding 1: The Authority Inaccurately Reported Leased and Cost Data to HUD and Incorrectly Received \$841,245 in Funding

Recommendation 1A Require that the Authority develop and implement procedures to track, document, and report housing assistance payments and administrative fees.

Response: The Authority had a procedure in place that was ineffective. It is presently developing a more efficient system that will ensure the validity of the information being reported to VMS. A HAP Register was developed in November detailing all the required information. Using the HAP Register and any subsequent disbursements reports, the Authority will reconcile these sources to the General Ledger amounts monthly. The Authority is currently working with our software vendor to ensure that the breakdown of the amounts posted can be traced back to the HAP Register and other source documents. The amount of the HAP entered into VMS will be taken from the General Ledger. All unit month totals will be entered from the Monthly Performance Report generated by Section 8 department. These procedures will be formally documented and implemented by May 30, 2006.

Comment 3

Recommendation 1B Require the Authority to repay HUD \$396,661 for Ineligible Housing Assistance Payments received in Fiscal 2005 from Non-Federal Funds.

Response: The Housing Authority agrees that it was overpaid based on information entered in VMS and clarifies that the funds were spent on Housing Assistance Payments. However, the OIG's report does not reflect \$137,553 in Administrative Fees that the program was under-funded in 2003. The Authority asserts that the only amount that should be repaid is the difference between the amount received from HUD minus the actual Housing Assistance Payments to Landlords and other Agencies. The Authority further asserts that it is owed \$118,694 for under-funding of Administrative Fees in 2003 (see response to 1D). The under-funded amount should be applied to offset any amount that is owed to HUD. If it is determined that the Authority is liable to repay the difference, that amount should be deducted from the 2006 funding since the Authority has no non-federal funds with which to repay HUD.

Comment 4

Recommendation 1C Verify the \$425,725 repayment for ineligible portability housing assistance payments in fiscal year 2004 was properly credited.

Response: The Authority received an over payment of \$425,725 in portability housing assistance payments in 2004. It immediately called HUD to report the error, deposited the check in a special account and reimbursed the funds immediately. See attached check as verification. Also the Authority objects to this amount being considered as a part of the \$2.6 Million cost exceptions.

Comment 5

Recommendation 1D Require the Authority to repay HUD \$18,859 for unearned Administrative Fees received in 2002 and 2004 or recover this amount through future funding reductions.

AUDITEE COMMENTS AND OIG's EVALUATION

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Auditee Comments

Comment 6

*Housing Authority of the City of Hartford
Response to HUD OIG Audit Findings January 2005*

Response: The Authority agrees that the Administrative Fees was overpaid for those respective years. However OIG's report does not reflect the \$137,553 under funding of Administrative Fees in 2003. The Authority contends that it is owed \$118,694 (\$137,553 - \$18,859). This amount of \$ 118,694 should be applied to reduce any amount that is owed to HUD.

Recommendation 1E Require the Authority to restate Voucher Management System reports for fiscal year 2005 to reflect the actual amount of housing assistance payments and units under lease.

Response: The Authority has made the corrections to the Voucher Management System for fiscal year 2005.

Finding 2: The Authority Improperly Charged the Voucher Program \$714,678 in Administrative Costs.

Comment 7

Recommendation 2A Reimburse its Voucher Program \$714,678 for ineligible administrative and insurance expenses, of which \$83,510 has been repaid. The remaining \$631,168 should be reimbursed from appropriate benefiting program(s).

Response: HHA disagrees with this finding and asserts that the basis of allocation (on total number of units) has been in place for over 20 years and has never been questioned. Additionally, the unit-based allocation was an acceptable accounting practice and the last one approved by HUD. HHA will consider amending the basis of allocation but understands that it must obtain approval from the Area HUD Office. For 2005, the Authority has revised the basis of allocating Administrative costs to reflect the direct salaries charged to each program. Again, the change must be approved by the Area HUD Office to be final. The Authority maintains that it should not be punished retroactively for following a practice that was acceptable until now, and that changes be applied going forward.

Comment 8

Recommendation 2B Establish and implement formal written procedures that properly allocate costs to the benefiting programs, which would reduce Voucher program expenses, resulting in \$177,542 in funds to be put to better use (reduce outlays).

Response: The Authority objects to the publication of the projection of funds that could be put to better use, as the \$177,542 was never really spent and therefore, does not represent a reduction of outlay. The Authority has proposed a new allocation basis, which it will formally implement upon approval. If approved, the new basis will be formalized in writing shortly thereafter.

AUDITEE COMMENTS AND OIG'S EVALUATION

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Comment 9

*Housing Authority of the City of Hartford
Response to HUD OIG Audit Findings January 2005*

Finding 3: The Authority Approved Unreasonable Rents That Resulted in Ineligible Costs of \$1,395 (and Could Potentially Cost More Than \$594,000)

Recommendation 3A Develop and implement adequate procedures and quality controls to ensure subsidized rents are reasonable and in accordance with HUD requirement, which should result in funds to be put to better use of \$594,270 annually.

Response: The Authority disagrees with the inclusion of \$594,270 in this recommendation, as it does not represent real savings or real dollars and asks that the finding be revised with the deletion of the phrase in parenthesis. It is a projection, which, if included, leaves the impression that the Authority has or would have mishandled this amount. The Authority contends that it had a process and policy in place for rent reasonableness. Additionally, it has hired a consultant to improve the rent reasonableness component.

Comment 10

Recommendation 3B Repay the Voucher program \$1,395 for unreasonable and ineligible rents.

Response: The Authority disagrees with this recommendation. The Authority asserts that it did compare subsidized rents to unassisted rents in the market place. The system that was established included gathering information on unassisted rents from local papers, websites, and a vacant unit registry. The OIG objected to the vacant unit registry as it utilized rental information telephoned, faxed or emailed from area owners, including those who accessed the Authority via its website that offered downloadable forms for that express purpose. The OIG argued that rents were higher based upon the fact that owners had prior knowledge of FMR, therefore requested inflated rents. The Authority asserts that the rental information gathered by this method met HUD's definition of "unassisted" if, at the time the unit was vacant and not currently being subsidized. Also, given the saturation of the rental market in the City of Hartford (40% subsidized housing), it would be difficult to find a rental unit that had not been subsidized in the past or a landlord who had no knowledge of the FMR. On the side of the OIG, HHA has since hired a contractor to gather data on unassisted units in Hartford and has confirmed that in some instances, the quoted rents were cheaper when not associated with the possibility of a subsidy.

Once the Authority's rent reasonableness methodology was rejected, the OIG proceeded to review additional rent reasonableness certifications in the file provided by HQS contractor. These were routinely generated as a part of the annual HQS process. Again, the OIG took exception to the methodology, stating that rents for comparable units were inconsistently applied. HHA contends that while the information was included in the file, it was not used to determine the rents for increases or initial moves, so should not be held against the Authority.

The OIG goes on to assert, that the ability to identify a lower rent as a comparable for the determination of rent reasonableness, obligates the Section 8 HCVP to tie the new rent to

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it and not exceed it. While the Authority acknowledges that it is the overall goal to lease at the lowest possible rates in order to serve the greatest number of families, some of the comparable units that appear on the list, are not truly comparable when you look at the actual property. The survey does not rate and rank; there is no good/better/ best comparison, just rental and utility information. For the OIG to go to the lowest possible rent in the area based upon the survey and to conclude that it represents a comparable rent for the proposed assisted unit is inconsistent with HUD's survey of the market that establishes the FMR based on an average of actual rents by bedroom size in the specific region. The lowest possible rent represents the landlord's assessment of what he can get. The Authority contends that, in its experience, there is often a correlation between, way-below market average rent and the quality of the unit. Why should rents for decent properties be tied to those that may not be as good? In the final analysis, the Authority inspects all units prior to lease so there is a confirmation of value. That cannot be said for units listed on a survey or taken out of the newspaper. In all these cases, we are at an equal disadvantage. If the HHA HCVP were to go to the lowest possible rents as an out default, it would take the "Choice" out of HCVP.

The HHA HCVP is in a unique position in that it is the smallest of three entities doing business in the City of Hartford. The other two concerns have had Payment Standards higher than the Authority, in one instance, much higher. The Authority has to compete for rental units in a market where owners have a choice to do business with the other entities that can pay a higher rent. The Authority, as well as assisted families, would be at a distinct disadvantage if it had pay drastically lower rents. The obligation to certify that a rent is reasonable should not mean that assisted families are relegated to the worst possible units. HUD has allowed PHAs to set its payment standard between 90% and 110% of the FMR. HUD has determined the FMR based upon its own survey of the housing market in this region. The Authority should have the latitude to navigate within these parameters while seeking the highest quality rental units available and be able to make the determination that the rent is reasonable in compliance with all regulations and requirements.

Finding 4: The Authority Did Not Properly Award and Efficiently Manage a Housing Inspection Contract and Paid \$158,492 in Unreasonable Costs

Recommendation 4A Implement the newly developed contracting procedures to ensure effective competitive contacting procedures.

Response: HHA takes issue with finding number four. Although HQS inspection services were awarded at a higher rate compared to other proposals received, they were performed. Subsequently, the Authority has hired its own in-house General Counsel who had prepared a new Procurement Policy in conformance with the suggested provisions in HUD's Procurement Handbook. The Procurement Policy went before Board of Commissioners and was adopted on September 13, 2005. Additionally, the Board

Comment 11

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Comment 12

*Housing Authority of the City of Hartford
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approved an Amended Policy in December of 2005, as the Authority became aware of areas that needed further revision. A copy of the Amended Policy is attached.

In addition, we are in the ongoing process of developing the necessary procedures required to implement the Policy. To date, the following has been accomplished:

- General Counsel has been designated Procurement Officer; Procurement Officer will review all solicitations and will monitor the ongoing process, in particular the evaluation and selection procedures of each solicitation and advise Executive Director re: award of contract
- An Evaluation Committee has been established; the members (unless recused for a given reason) will serve on panels to evaluate Proposals
- The Deputy Executive Director has been directed to oversee all procurement requests over \$100 in an effort to monitor and control spending
- The Director of Capital Improvements has been delegated to collect, catalogue and present a package of responses to the Executive Director for his review
- Procurement files are monitored by the Procurement Officer to insure compliance with the law and with the terms of our Policy and to insure that adequate recordkeeping is being maintained.

Prior to the end of May 2006, the Accounting and Legal Departments will jointly conduct a training session in the Procurement Policy and procedures for all relevant employees.

Recommendation 4B Repay \$158,491 to the Voucher program administrative fee reserve account from nonfederal funds, for unreasonable inspection costs and conduct the inspections in house, which will result in funds to be put to better use of \$119,723.

Response: The Authority contends that reference of \$119,723 as funds put to better use be deleted from this report. The amount represents a sum that was never spent or misspent and its inclusion serves no real purpose. The Authority requests that any amounts to be repaid be deducted from future Administrative Fees because the Authority does not have the non-federal resources to repay HUD.

Finding 5: Housing Did Not Meet Minimum Standards, and the Authority Paid for Substandard Housing

Comments

The number of Quality Control HQS Inspections was insufficient to meet the minimum requirements in 2004. Due to numerous physical office moves, these records were lost. HCVP could not produce evidence of QC HQS inspections ever having been preformed.

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Comment 13

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Current electronic files had been overwritten with newer data and the older files could not be retrieved.

Recommendation 5A Develop and implement an effective quality control process to ensure reliable inspections, correction of substandard housing and abatement of payments for housing that does not meet HUD's standards, which will reduce payments for substandard housing by a minimum of \$37,758 this year.

Response: The Authority has established its own in-house HQS Unit. It has developed a tracking method that will provide real time data as to the status of units under HHA's jurisdiction. It has significantly and positively impacted upon the processing of abatements, timeliness of inspections, lease ups and communications with all parties.

Also, the Authority disagrees with the inclusion of the projected reduction of payments for substandard housing by a minimum of \$37,758 as part of the Audit Report on grounds that is not a real but projected figure and leaves the impression that it represents an amount we have actually overspent. The Authority has developed and implemented a HQS Quality Control Procedure.

Comment 14

Recommendation 5B Repay the Voucher Program \$11,604 for ineligible housing assistance payments.

Response: The Authority requests that future Administrative Fees be reduced by \$11,604.

Finding 6: The Authority did not account for its Portable Voucher Receivables or Collect Amounts Owed.

Comment 15

Recommendation 6A Establish procedures implementing HUD's Public and Indian Housing Notice 2004-12, reconcile all portability bills with receipts, reimburse authorities for any overpayments, follow up on past due accounts, thereby resulting in funds to be put to better use totaling \$31,039.

Response: The Authority is in the process of implementing procedures whereby prior to billing, the accounting department will reconcile the amount to be billed with the Section 8 report. Any discrepancies will be corrected prior to billing. Payments received from other agencies are processed against the detailed amounts billed. All discrepancies between amounts billed and amounts received are reviewed by Accounting with the Section 8 staff to determine reason for difference and appropriate corrective action to be taken. The Accounting Staff will monitor the total balance in this account, along with the aging, to ensure that amounts billed are collected in full and on a time. These procedures will be formalized by May 31, 2006. The Authority asserts that the reference to \$31,039 as funds to be put to better use be deleted from this report, as it does not represent an actual amount, but is rather a projection of what we *might* save.

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| Comment 1 | <p>The total amount of cost exceptions reported included ineligible expenditures and fund receipts totaling \$1,557,318, unreasonable costs \$158,491, and opportunities for funds put to better use in the future totaling \$960,332 (see Appendix A). The \$841,245 in over funding is included with the total ineligible costs of \$1,568,922 because the use of the funding was not allowable by law, contract, or regulation and repayment is required. In addition, although the funds put to better use are costs that were not incurred, they are a quantifiable saving if the recommendations are implemented and therefore, the Authority would not incur or have to repay any of these funds if the corrective actions described in the recommendations are implemented.</p> |
| Comment 2 | <p>The Authority agreed with recommendation 1A, and the new procedures when properly implemented should ensure cost and leasing data is properly tracked and reported to HUD.</p> |
| Comment 3 | <p>The Authority agreed with recommendation 1B but proposed an alternative repayment method whereby they would offset the amount of ineligible housing assistance overpayments received in fiscal year 2005 by the amount of underpayments received in fiscal year 2003. However, the offset is not authorized because the enacting appropriations law prohibits it. According to the appropriations as enacted, funds for fiscal year 2003 were available until expended; and as all funds have been expended a valid payable from HUD cannot be established.</p> <p>Further, although the Authority stated they should only repay the difference between the amounts received from HUD less the actual housing assistance payments to landlords, the Authority was not entitled to receive the \$396,661 by law and as cited in the 2005 Consolidated Appropriations Act. Therefore, the entire amount must be repaid.</p> |
| Comment 4 | <p>The Authority agreed with our recommendation 1C that \$425,725 in ineligible housing assistance payment funds required repayment. However, the Authority's statement that the ineligible payments were immediately repaid was inaccurate. The Authority received \$1,096,021 from HUD as part of its year end settlement on April 29, 2005 and did not repay HUD until July 27, 2005, almost three full months later. Further, repayment was made only after our audit advised the Authority that repayment was required.</p> |

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Comment 5	The Authority agreed with recommendation 1D that it was overpaid \$18,859 for unearned administrative fees in 2002 and 2004 and requested the amount be offset by \$137,553 in under funding of administrative fees in fiscal year 2003. We agree the Authority was under funded \$133,974 for in administrative fees in 2003 because the Authority under reported the number of units under lease. However, the offset is not authorized under the enacting appropriations law. According to the appropriations as enacted, funds for fiscal year 2003 were available until expended; and as all funds have been expended, a valid payable from HUD cannot be established.
Comment 6	The Authority agreed with recommendation 1E, and the corrective actions when properly implemented should ensure the leasing and cost data properly tracked and reported to HUD.
Comment 7	Although the Authority said they disagreed with the finding, their reduction in the amount of salaries charged to the Voucher program during 2005 was responsive to recommendation 2A. Further, although the Authority contends that HUD approved their allocation plan, the Authority could not show that several management employees, whose salaries were being charged to the Voucher program, provided significant services to the Voucher program. Therefore, the Authority's revised allocation procedures should ensure that they only charge the Voucher program for employees that provide services for the Voucher program, and the Authority should make retroactive adjustments to fiscal years 2002 through 2004 and provide the adjustments to HUD for verification.
Comment 8	The Authority was responsive to recommendation 2B, and the new allocation plan when properly implemented should ensure the Voucher program is charged an appropriate amount of expenses. It should be noted that \$177,542 in funds put to better use are prospective costs that may be avoided each year if the Authority properly charges expenses to the Voucher program.
Comment 9	The Authority was responsive to our recommendation 3A by hiring a consultant to improve rent reasonableness procedures. Although the Authority had some rent reasonableness procedures, the procedures were not effective and contract rents exceeded comparable market rents (see comment 10 below). Therefore, if the Authority revises its procedures to ensure rents are approved in accordance with 24 CFR 982.507, the rents that exceed market rents by

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\$594,270 will be adjusted, these are Voucher program funds will be better used each year to house eligible participants.

Comment 10

The Authority did not agree with the finding that rents were not reasonable or recommendation 3B. However, the Authority did not present any evidence to show that subsidized rents were reasonable. In addition, the Authority did not use its contractor's rent reasonableness determinations to ensure that subsidized rents were reasonable and had its own rent reasonableness procedures. However, the Authority's procedures were not effective because subsidized rents exceeded rents for comparable unassisted units (see the chart in finding 3). Further, the Authority's statement that the rental survey did not rate and rank unassisted units is inaccurate. Although the Authority did not use the contract surveys, the surveys clearly indicated the size, type, location, and quality of unsubsidized housing units in Hartford Connecticut. Our review compared the subsidized rents the Authority approved with the highest comparable unsubsidized rent listed on the contractor's independent rental survey plus all possible utility allowances. Therefore, the Authority should fully implement recommendation 3A to ensure that it approves reasonable rents in accordance with 24 CFR 982.507.

Comment 11

The Authority was responsive to recommendation 4A, and the proposed contracting procedures when properly implemented should ensure that contracts are properly competed and awarded.

Comment 12

The Authority's comments were responsive to the recommendation and we changed recommendation 4B to include an alternative for the Authority to repay the Voucher program through reductions in future administrative fees. Although the Authority objected to our estimate of future cost savings, they presented no evidence to dispute that \$199,000 a year would be saved by bringing all inspections in-house.

Comment 13

The Authority's comments were responsive to recommendation 5A, and the proposed corrective actions when properly implemented should ensure compliance with HUD's housing quality standards, and satisfy recommendation 5A.

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Comment 14

Recommendation 5B for recovery of HAP payments was removed from the report because HUDOIG policy is to question a portion of the administrative fee rather than improper HAP payments for uncorrected HQS violations. However, due to the minimal amount of administrative fees, there are no questioned costs because it would not be cost effective to determine and recover of the fees for these improper payments.

Comment 15

The Authority's proposed corrective actions, when properly implemented, should ensure it properly tracks and collects portable voucher receivables, and satisfy recommendation 6A.