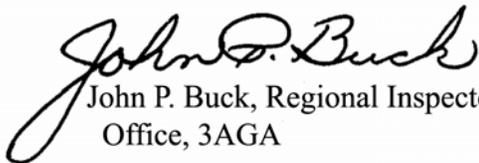




Issue Date March 23, 2006

Audit Report Number 2006-PH-1009

TO: William D. Tamburrino, Director, Baltimore Public Housing Program Hub,
3BPH

FROM:  John P. Buck, Regional Inspector General for Audit, Philadelphia Regional
Office, 3AGA

SUBJECT: The Housing Authority of the City of Annapolis, Annapolis, MD, Did
Not Adequately Administer Its Section 8 Waiting List

HIGHLIGHTS

What We Audited and Why

We audited the Housing Authority of the City of Annapolis' (Authority) Section 8 Housing Choice Voucher program as part of our fiscal year 2006 annual plan. Our audit objective was to determine whether the Authority adequately administered its Section 8 program according to U.S. Department of Housing and Urban Development (HUD) requirements.

What We Found

The Authority generally administered its Section 8 program according to HUD requirements but did not adequately administer its waiting list. It generally followed HUD procedures and provided reasonable housing assistance payments to eligible recipients. It also inspected housing units annually to ensure its Section 8 tenants were provided decent, safe, and sanitary housing.

However, the Authority did not follow controls in its Section 8 administrative plan requiring it to update and purge its waiting list annually and to maintain its Section 8 applications in a permanent file in the order in which the applicants applied for assistance. These controls were needed to ensure that families received assistance as quickly and efficiently as possible and to provide assurance that the Authority provided fair and consistent treatment of families. This occurred because the Authority needed to improve its management oversight and control of its waiting list.

What We Recommend

We recommend that HUD require the Authority to provide adequate management oversight to ensure its Section 8 waiting list is updated and purged on an annual basis and its Section 8 applications are maintained in a permanent file in order of date and time of the application.

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 discussed the report with the Authority during the audit and at an exit conference on March 10, 2006. The Authority provided written comments to our draft report on March 20, 2006. In its response, the Authority agreed with the report and stated it would provide adequate oversight and controls to ensure it adequately administered its Section 8 waiting list. The complete text of the Authority's response can be found in appendix A of this report.

TABLE OF CONTENTS

Background and Objectives	4
Results of Audit	
The Authority Did Not Adequately Administer Its Section 8 Waiting List	5
Scope and Methodology	8
Internal Controls	9
Appendixes	
A. Auditee Comments	10

BACKGROUND AND OBJECTIVES

The Housing Authority of the City of Annapolis (Authority) was created in 1937 to provide affordable housing to very low-, low-, and moderate-income residents. The Authority is an independent agency under the direction of a board of commissioners appointed for five-year terms by the mayor of Annapolis, Maryland. The board of commissioners, which currently has seven members, appoints an executive director. The chairman of the board is Trudy McFall, and the executive director is Eric Brown. The Authority administers public housing and Section 8 programs and has 1,104 public housing units and 200 Section 8 vouchers under its annual contributions contract with the U.S. Department of Housing and Urban Development (HUD). The Authority's office is located at 1217 Madison Street, Annapolis, Maryland.

HUD authorized the Authority the following Section 8 assistance from fiscal years 2003 to 2005:

Fiscal year	Authorized funds
2003	\$1,053,568
2004	\$1,069,596
2005	\$1,120,844
Total	\$3,244,008

Our audit objective was to determine whether the Authority adequately administered its Section 8 program according to HUD requirements.

RESULTS OF AUDIT

The Authority Did Not Adequately Administer Its Section 8 Waiting List

The Authority did not adequately administer its Section 8 waiting list due to a lack of management oversight and controls. It did not follow provisions in its administrative plan requiring it to update and purge its waiting list annually and to maintain its Section 8 applications in a permanent file in the order in which the applicants applied. As a result, the Authority did not ensure that families received assistance as quickly and efficiently as possible and that it was providing fair and consistent treatment of families.

The Authority Did Not Update and Purge Its Section 8 Waiting List Annually

The Authority did not update and purge its waiting list on an annual basis, which caused its waiting list to be outdated and resulted in inefficiencies. According to 24 CFR [*Code of Federal Regulations*] 982.204, a housing authority is required to select participants from its waiting list in accordance with its administrative plan, and its administrative plan should state when applicants are to be removed from the waiting list. The Authority's Section 8 administrative plan stated that the waiting list was to be updated and purged at least annually to ensure that only interested families were listed.

In November 2005, the Authority was able to successfully issue 22 new vouchers. However, to issue these 22 vouchers, it expended considerable time and effort to contact 101 applicants on the waiting list. Of the 101 applicants, 70 (69 percent) either did not respond or were no longer interested in obtaining housing assistance. Additionally, during the audit, the Authority had 200 Section 8 vouchers under its annual contributions contract with HUD. However, only 50 of those vouchers were available to issue to applicants at the time of our audit. Nevertheless, the Authority had a waiting list containing 2,058 applicants, many of whom needed to be removed from the list.

The Authority needs to purge and update its waiting list to prevent delays in leasing activities. Since the Authority's waiting list was significantly out of date, it was difficult to reach applicants. Considerable time and effort were unnecessarily expended by the Authority's employees.

The Authority Did Not Properly Maintain Applications

We selected 23 applicants from the Authority's waiting list and found it could not provide support for 11 (48 percent) of the 23 applicants we requested for review. As previously stated, 24 CFR [*Code of Federal Regulations*] 982.204 requires a housing authority to select participants from its waiting list in accordance with its administrative plan. However, the Authority's administrative plan requires all Section 8 applications be kept in a permanent file. Although the Authority properly selected from its current waiting list, without supporting documentation, the Authority could not ensure the list was complete and accurate and that tenants were always selected in the proper order.

We also noted the 22 applicants who received assistance in November 2005 had been on the waiting list for extended periods, ranging from 3 to 27 years. Since there was either no permanent file or no documentation in the permanent file to adequately explain why some applicants had not received assistance prior to this date, we have no assurance tenants were selected in the proper order.

The Authority Needs to Improve Management Oversight and Control

The Authority acknowledged its waiting list had not been updated and purged on an annual basis and its applications were not consistently and properly filed. It attributed this problem to its high management turnover and lack of management oversight. For example, during the 17-month period from May 2004 to October 2005, the Authority had three different executive directors. By providing improved management oversight and controls, the Authority can ensure its families receive assistance as quickly and efficiently as possible and that they are provided fair and consistent treatment.

Recommendations

We recommend that the director of the Baltimore Public Housing Program Hub

- 1A. Require the Authority to provide adequate oversight and controls to ensure its Section 8 waiting list is updated and purged on an annual basis.

- 1B. Require the Authority to provide adequate oversight and controls to ensure its Section 8 applications are maintained in a permanent file in order of date and time of the application.

SCOPE AND METHODOLOGY

We performed the audit

- From August 2005 through February 2006 in accordance with generally accepted government auditing standards.
- At the Authority, located in Annapolis, Maryland.

The audit covered transactions representative of operations current at the time of the audit and included the period July 2003 through June 2005. We expanded the scope of the audit as necessary.

To determine whether the Authority adequately administered its Section 8 program according to HUD requirements, we

- Reviewed applicable guidance and federal regulations and discussed operations with management and staff personnel at the Authority.
- Used audit software to randomly select and review 10 Section 8 tenant files to verify tenant eligibility and propriety of rental assistance and to verify that housing quality standards inspections were performed according to HUD requirements.
- Nonstatistically selected and reviewed 23 applicants from the fiscal year 2005 waiting list to determine whether the Authority organized and maintained its waiting list according to HUD requirements.
- Selected and reviewed all 22 new vouchers issued in November 2005 to determine whether the Authority selected applicants from its waiting list according to its administrative plan.
- Reviewed the Authority's Section 8 year-end settlement statements for years 2004 and 2005.
- Reviewed the Authority's independent auditor's report for fiscal year 2004.
- Nonstatistically selected and reviewed the Authority's financial transactions to determine whether financial information the Authority reported to HUD was complete and accurate.

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:

- Policies, procedures, and controls implemented to administer the Section 8 program properly.

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 provide adequate management oversight to ensure its waiting list was updated and purged on an annual basis and applications were maintained in a permanent file.

Appendix A

AUDITEE COMMENTS



HOUSING AUTHORITY OF THE CITY OF ANNAPOLIS

Board of Commissioners

Trudy McFall, Chair
Michael Jackson, Vice Chair
Howard Pinsky, Treasurer
Marita Carroll
Richard B. Callahan
Patricia Holliday
Phylliss A. Gibbs

Executive Director
Eric C. Brown

March 16, 2006

Mr. John S. Buck, Regional Inspector General for Audits
U.S. Department of Housing and Urban Development
Philadelphia Region
The Wannamaker Building
100 Penn Square East, 10th Floor
Philadelphia, PA 19107-3380

Re: Housing Choice Voucher Program Audit

Dear Mr. Buck:

This letter is to respond to the draft Office of the Inspector General (OIG) report date March 1, 2006. The audit's objective was to determine whether the Authority adequately administered its Section 8 program in accordance with U.S. Department of Housing and Urban Development (HUD) requirements. The following represent the agency's response to the draft report.

Finding 1: The Authority Did Not Adequately Administer Its Section 8 Waiting List

The Authority did not adequately administer its Section 8 waiting list due to a lack of management oversight and controls. It did not follow provisions in its administrative plan requiring it to update and purge its waiting list annually and to maintain its Section 8 applications in a permanent file in the order in which the applicants applied. As a result, the Authority did not ensure that families received assistance as quickly and efficiently as possible and that it was providing fair and consistent treatment of families.

Recommended Corrective Action 1A. Require the Authority to provide adequate oversight and controls to ensure its Section 8 waiting list is updated and purged on an annual basis.

HACA Response: The Authority agrees with the finding.

1217 Madison Street • Annapolis, MD 21403 • Phone: 410-267-8000 • Fax: 410-267-8290

Proposed Corrective Action. The Authority will follow the provisions outlined in the Administrative Plan requiring it to update and purge its waiting list annually and maintain its Section 8 applications in a permanent file in the order in which the applicants applied. The Authority has already begun the process of purging the waiting list by mailing out correspondence to all applicants that are currently on the waiting list. The deadline for responses is April 15, 2006. Each applicant's application will be maintained in a permanent file.

Recommended Corrective Action 1B. Require the Authority to provide adequate oversight and controls to ensure its Section 8 applications are maintained in a permanent file in order of date and time of the application.

Proposed Corrective Action. The Authority will provide adequate oversight and controls to ensure that the Housing Choice Voucher program applications are maintained in a permanent file in order of date and time of the application. Within the next 120 days the Authority will be install a new housing software system that will enhance the ability to track and monitor applications. Additionally, the authority will conduct periodic quality control reviews of files and documentation. This review will be conducted at least quarterly.

Please contact me at (410) 267-8000 ext. 116 if you have questions.

Sincerely,



Eric C. Brown
Executive Director

cc: William Tamburrino, Baltimore Hub
Christine Begola, Baltimore OIG