



Issue Date	September 29, 2006
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Audit Report Number	2006-CH-1020
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TO: Steven E. Meiss, Director of Public Housing Hub, 5APH

FROM:  Heath Wolfe, Regional Inspector General for Audit, 5AGA

SUBJECT: Rockford Housing Authority, Rockford, Illinois, Needs to Improve Its Controls over Program Housing Assistance and Utility Allowance Payments

## **HIGHLIGHTS**

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

We audited the Rockford Housing Authority's (Authority) Section 8 Housing Choice Voucher program (program). The audit was part of the activities in our fiscal year 2005 annual audit plan. We selected the Authority based upon a risk analysis that identified it as having a high-risk program. Our objective was to determine whether the Authority managed its program in accordance with the U.S. Department of Housing and Urban Development's (HUD) requirements.

### **What We Found**

The Authority's program administration regarding housing assistance and utility allowance payments was inadequate. The Authority did not ensure that its households' files contained required documentation to support its housing assistance and utility allowance payments. Of the 85 files statistically selected for review, 73 did not contain documentation required by HUD and the Authority's program administrative plan to support more than \$547,000 in housing assistance and utility allowance payments.

The Authority incorrectly calculated households' payments, resulting in nearly \$50,000 in overpayments and more than \$2,500 in underpayments for the period October 2003 through November 2005. Based on our statistical sample, we

estimate that over the next year the Authority will overpay more than \$338,000 in housing assistance and utility allowance payments.

We informed the Authority's interim executive director and the director of HUD's Chicago Office of Public Housing of minor deficiencies through a memorandum, dated September 29, 2006.

Based on our review, the Authority ensured that program units met HUD's housing quality standards.

### **What We Recommend**

We recommend that the director of HUD's Chicago Office of Public Housing require the Authority to provide documentation or reimburse its program from nonfederal funds for the unsupported housing assistance and utility allowance payments and associated administrative fees, reimburse its program from nonfederal funds for the improper use of program funds, reimburse the appropriate households for the underpayment of housing assistance and utility allowance payments, and implement adequate procedures and controls to address the deficiencies cited in this audit report.

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 issued because of the audit.

### **Auditee's Response**

We provided our discussion draft audit report to the Authority's interim executive director, its board chairman, and HUD's staff during the audit. We held an exit conference with the Authority's interim executive director on September 13, 2006.

We asked the Authority's interim executive director to provide comments on our discussion draft audit report by September 22, 2006. The interim executive director provided written comments dated September 21, 2006. The Authority generally agreed with our findings and recommendation to implement procedures and controls to address the issues contained in the report. However, the Authority disagreed with our recommendation to provide supporting documentation or reimburse its program more than \$750,000 from nonfederal funds for the unsupported payments and associated administrative fees. The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix B of this report except for 488 pages of documentation that was not necessary for understanding the Authority's comments. A complete copy of the Authority's comments plus the documentation was provided the director of HUD's Chicago Office of Public Housing.

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## **BACKGROUND AND OBJECTIVE**

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The Rockford Housing Authority (Authority) is a municipal corporation established by the City of Rockford, Illinois (City) in 1951 under chapter 310 of the Illinois Compiled Statutes to provide decent, safe, and sanitary housing for low-income families under the United States Housing Act of 1937. The Authority is governed by a five-member board of commissioners appointed by the City's mayor to five-year staggered terms. The board of commissioners' responsibilities includes overseeing the operations of the Authority, as well as the review and approval of its policies. The Authority's board of commissioners appoints the executive director, who is responsible for the general supervision of the administration of the Authority's business and affairs.

The Authority administers a Section 8 Housing Choice Voucher program (program) funded by the U.S. Department of Housing and Urban Development (HUD) in the City. The Authority provides assistance to low- and moderate-income individuals seeking decent, safe, and sanitary housing by subsidizing rents with owners of existing private housing. As of August 15, 2006, the Authority had 1,504 units under contract with annual housing assistance payments totaling more than \$8.2 million in program funds.

Our objective was to determine whether the Authority managed its program in accordance with HUD's requirements.

## RESULTS OF AUDIT

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### Finding: Controls over Housing Assistance and Utility Reimbursement Payments Were Inadequate

The Authority did not to comply with HUD's regulations and its program administrative plan regarding housing assistance and utility allowance payments. It lacked documentation to support housing assistance and utility allowance payments to program landlords and households, respectively, and incorrectly calculated payments because it lacked adequate procedures and controls to ensure that HUD's regulations and the Authority's administrative plan were appropriately followed. As a result, it was unable to support more than \$547,000 in housing assistance and utility reimbursement payments made, and overpaid nearly \$50,000 and underpaid more than \$2,500 in housing assistance and utility allowance payments. Based on our statistical sample, we estimate that over the next year the Authority will overpay more than \$338,000 in payments.

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#### **The Authority Lacked Documentation to Support More Than \$706, 000 in Housing Assistance and Utility Allowance Payments**

The Authority lacked documentation to support issuing housing assistance and utility allowance payments totaling \$547,238 for the period October 2003 through November 2005. Of the 85 households' files statistically selected for review, 73 (86 percent) were missing or had incomplete documents as follows:

- 39 were missing proof of criminal activity screening,
- 29 were missing 30 or 90-day zero-income certifications,
- 24 were missing or had incomplete signed United States citizen certifications,
- 15 were missing signed lease agreements,
- 12 were missing or had incomplete HUD Form 9886, Authorization for the Release of Information and Privacy Act Notice,
- 6 were missing proof of legal identity,
- 4 were missing rent reasonableness certifications, and
- 2 were missing proof of Social Security numbers.

The 73 files did not include documentation required by HUD's regulations and the Authority's program administration plan. Appendix D of this report shows the results of our household file reviews.

In addition, the Authority failed to conduct timely annual certifications for six households for one or more years and one annual certification was not performed.

HUD performed a rental integrity monitoring review in 2002 and rental integrity re-review in 2004. The 2002 review identified that the Authority's household files contained errors similar to the ones cited in this finding. HUD's 2004 re-review revealed that the Authority's household files still included errors. HUD and the Authority have been aware of the file errors since October 2002. As previously discussed, the Authority's maintenance of required documentation in its household files is still a problem. The Authority has failed to correct this issue for more than three years.

### **The Authority Incorrectly Calculated and Made Inaccurate Housing Assistance and Utility Allowance Payments**

The Authority incorrectly calculated and made inaccurate housing assistance and utility allowance payments, resulting in overpayments of \$49,034 and underpayments of \$2,550 from October 2003 through November 2005. To determine whether the Authority correctly calculated housing assistance and utility allowance payments, we reviewed the Authority's certifications affecting payments from October 2003 through November 2005 for 85 program households statistically selected for review. The Authority incorrectly calculated and/or made inaccurate housing assistance and/or utility allowance payments for 48 (56 percent) of the 85 households for one or more certifications. The 48 household files contained the following errors:

- 18 had payments that were not in accordance with one or more certifications,
- 18 had annual income calculation errors for one or more certifications,
- 13 had inappropriate use of income allowances for one or more certifications,
- 11 had incorrect utility allowances for one or more certifications,
- 10 had failures to establish or enforce repayment agreements,
- 10 had incorrect payment standards for one or more certifications, and
- 6 did not use the Authority's minimum rent.

Appendix E of this report details the housing assistance and utility allowance payment errors that resulted from the Authority's incorrect calculations.

## The Authority's Procedures and Controls Had Weaknesses

The weaknesses regarding missing documentation, incorrect calculations, and inappropriate payments occurred because the Authority lacked adequate procedures and controls to ensure that it appropriately followed HUD's regulations and the Authority's administrative plan. The Authority did not ensure that it fully implemented HUD's regulations and its administrative plan, and standardized tenant certifications and file management procedures.

The director of assisted housing said the Authority performed criminal background checks on households' members, but destroyed the documentation. She did not realize it was necessary to keep a record of the criminal background checks. The overpayments and underpayments occurred because the Authority did not use the appropriate annual income figures, program payment standards, and utility allowances; made payments based on prior calculations; and failed to establish or enforce repayment agreements. The Authority's administrative plan also did not address how households would be reimbursed when the Authority underpaid housing assistance and/or utility allowance payments.

## Conclusion

The Authority did not properly use its program funds when it failed to comply with HUD's regulations and the Authority's administrative plan. In accordance with 24 CFR [*Code of Federal Regulations*] 982.152(d), HUD may reduce or offset any administrative fee to public housing authorities (authorities), in the amount determined by HUD, if the authorities fail to perform their administrative responsibilities correctly or adequately under the program.

As previously mentioned, the Authority disbursed \$547,238 in housing assistance and utility allowance payments without proper documentation, and overpaid \$49,034 and underpaid \$2,550 in housing assistance and utility allowance payments. In addition, the Authority received \$67,430 in program administrative fees related to the unsupported and inappropriate payments for 79 of the 85 program households.

If the Authority implements adequate procedures and controls over its housing assistance and utility allowance payments to ensure compliance with HUD's regulations and its program administrative plan, we estimate that more than \$338,000 in payments will be accurately spent over the next year based on the error rate found in our sample. Our methodology for this estimate is explained in the Scope and Methodology section of this audit report.

## Recommendations

We recommend that the director of HUD's Chicago Office of Public Housing require the Authority to

- 1A. Provide supporting documentation or reimburse its program \$582,926 (\$547,238 in housing assistance and utility allowance payments and \$35,688 in associated administrative fees) from nonfederal funds for the unsupported payments and associated administrative fees related to the 73 household files cited in this finding.
- 1B. Reimburse its program \$80,776 (\$49,034 for the overpayment of housing assistance and utility allowance payments for 34 households and \$31,742 in administrative fees associated with the overpayment and underpayment of housing assistance and utility allowance payments for 48 households) from nonfederal funds.
- 1C. Reimburse the appropriate households \$2,550 for the underpayment of housing assistance and utility allowance payments for the 14 households.
- 1D. Implement adequate procedures and controls over its housing assistance and utility allowance payments to ensure that they meet HUD's regulations and the Authority's program administration plan. The procedures and controls should include, but not be limited to ensuring, that all required documentation is maintained in the Authority's current household files to support housing assistance and utility allowance payments and payment calculations are correct. By implementing adequate procedures and controls, the Authority should help ensure that \$338,477 in program funds is appropriately used for future payments.
- 1E. Revise its program administrative plan to address how households will be reimbursed when an underpayment of housing assistance or utility allowance occurs.

## SCOPE AND METHODOLOGY

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To accomplish our objective, we reviewed:

- Applicable laws; regulations; and the Authority's program administrative plans effective prior to and as of February 2004; and HUD program requirements at 24 CFR [*Code of Federal Regulations*] Parts 5, 35, 982, 984, and 985; HUD's Public and Indian Housing Notice 2005-9; and HUD's Housing Choice Voucher Guidebook 7420.10.
- The Authority's accounting records; annual audited financial statements for 2002, 2003, 2004, and 2005; general ledgers; checks; household files; computerized databases; by-laws; policies and procedures; board meeting minutes from October 2004 through September 2005; organizational chart; and program annual contributions contract.
- HUD's files for the Authority.

We also interviewed the Authority's employees, HUD staff, and program households.

We statistically selected 85 of the Authority's program households' files using Excel and ACL Services Limited software from the 1,523 households to which the Authority made housing assistance payments from October 2003 through November 2005. The 85 households were selected to determine whether the Authority had supporting documentation for and correctly calculated their housing assistance and utility allowance payments. Our sampling criteria used a 90 percent confidence level, 10 percent estimated error rate, and a precision of plus or minus 10 percent.

Our sampling results determined that the Authority incorrectly calculated and/or made inaccurate housing assistance and/or utility allowance payments for 48 (56 percent) of the 85 households. The Authority made \$874,480 in housing assistance and utility allowance payments for the 85 households from October 2003 through November 2005. The Authority made net overpayments totaling \$46,484 (\$49,034 in overpayments minus \$2,550 in underpayments). The net overpayments consisted of 5.3 percent (\$46,484 divided by \$874,480) of the total housing assistance and utility allowance payments.

The Authority's September 2005 through November 2005 housing assistance and utility allowance payments registers showed that the average payment was \$458. Using the lower limit of the estimate of the number of units and the average payment, we estimated that the Authority will annually make \$338,477 (1,162 units times \$458 average payment times 12 months times 5.3 percent) in overpayments of housing assistance and utility allowance payments for its program households. This estimate is presented solely to demonstrate the annual amount of program funds that could be put to better use on appropriate payments if the Authority implements our recommendation. While these benefits would recur indefinitely, we were conservative in our approach and only included the initial year in our estimate.

We performed our on-site audit work from October 2005 through February 2006 at the Authority's central office, located at 223 South Winnebago Street, Rockford, Illinois. The audit covered the period October 1, 2004, through November 30, 2005, and was expanded as determined necessary.

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

# INTERNAL CONTROLS

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Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved:

- Effectiveness and efficiency of operations,
- Reliability of financial reporting,
- Compliance with applicable laws and regulations, and
- Safeguarding resources.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

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## Relevant Internal Controls

We determined the following internal controls were relevant to our objective:

- 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, maintained, and fairly disclosed in reports.
- Compliance with laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.
- Safeguarding resources – Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.

We assessed all of 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 Weakness**

Based on our review, we believe the following item is a significant weakness:

- The Authority lacked adequate procedures and controls to ensure compliance with HUD's regulations and its administrative plan regarding housing assistance and utility allowance payments (see finding).

# APPENDIXES

## Appendix A

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

Recommendation number	Ineligible 1/	Unsupported 2/	Funds to be put to better use 3/
1A		<u>\$582,926</u>	
1B	<u>\$80,776</u>		
1C			\$2,550
1D			<u>338,477</u>
Totals	<u>\$80,776</u>	<u>\$582,926</u>	<u>\$341,027</u>

- 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 the 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/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an OIG recommendation is implemented. This includes reduction in outlays, deobligation of funds, withdrawal of interest subsidy costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, if the Authority implements our recommendation, it will cease to make overpayments of housing assistance and utility allowance, and instead will expend those funds for allowable housing assistance and utility allowance payments. Once the Authority successfully improves its procedures and controls, this will be a recurring benefit. Our estimate reflects only the initial year of these recurring benefits.

# Appendix B

## AUDITEE COMMENTS AND OIG'S EVALUATION

### Ref to OIG Evaluation

### Auditee Comments

HUD - OIG  
OFFICE OF AUDIT  
CHICAGO, ILLINOIS  
2006 SEP 25 AM 11:57  
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**"Human Growth and Dignity"**  
**ROCKFORD HOUSING AUTHORITY**

September 21, 2006

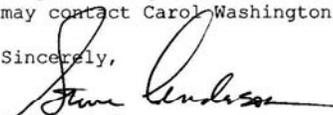
Brent Bowen, Assistant  
Regional Inspector General for Audit  
U.S. Department of HUD-Office OIG  
77 West Jackson Blvd, Suite 2646  
Chicago, IL 60604

Dear Mr. Bowen:

Attached is our response to the discussion draft audit report of HUD's office of Inspector General for Audit. We have reviewed the draft in the short time given to us and included comments. With the submission of information and documentations, we trust the revision will bring good news to the Housing Authority, which serves over 1500 families in our community.

In the Summary, we have addressed most (re-occurring) findings and recommendations to resolve these issues. We also have addressed why some findings became issues (i.e. the UIV/EIV not properly accessible).

If you have questions or desire further information, you may contact Carol Washington at 815/987-3644.

Sincerely,  
  
Steven Anderson  
Interim Executive Director

223 SOUTH WINNEBAGO STREET  ROCKFORD, IL 61102



OIG Audit Report Summary

Support Documentation Missing

50 Files Missing proof of criminal activity screening:  
A disk is included of the Administrative Plan prior to the current one. It states in the Admin Plan in chapter 15:6 Of the PHA destroying the criminal records once the purpose for which it was requested and accomplished. (see **attachment 1**)

RHA uses preliminary folders to obtain eligibility documents, which included the criminal background check. The criminal background denial or approval was written on the folder (see **attachment 2:1 - 2:4**). When the applicant found housing, a permanent file was made and the preliminary file was destroyed. There were Clients that ported from other areas; therefore a background check is not required.

Comment 1

SOLUTION:

A form has been created to show/document that the criminal background check has been completed and the results (see attachment 3).

Support Documentation Missing

35 missing initial zero income certifications:  
The Zero income certification form was initiated after the Admin Plan changed in 2004, so there was no requirement by RHA or HUD to sign a form prior to that period. RHA verified income through third party sources (i.e. AFDC, SS, SSI, written document from employers). Please see **the attachment 3 - page 8**.

Comment 2

It is not a HUD Regulation or RHA Policy that the zero income forms **must** be signed. We execute verification forms

**Comment 2**

to determine that the household is not receiving any form of income.

**SOLUTION:**

RHA will re-evaluate the use of this form and determine if it is feasible to the Program.

**Support Documentation Missing**

21 missing 90-day zero income certifications:  
There were Clients that didn't need to come in for 90-day certification because they had already reported income or had come in for their re-exam appointments during that time period and declared their income status.  
This policy became a part of the RHA Admin Plan after March 2004. There should be no findings prior to this date. (see attachment 4).

**SOLUTION:**

RHA will re-address the zero income policy to determine if the 90-day period is feasible.

**Support Documentation Missing**

**Comment 1**

34 missing or had incomplete signed United States citizen certifications:  
Many missing citizenship forms were found in 1<sup>st</sup> files and those missing because of births, the file contained birth certificate, which indicates they are legal citizens born in the United States. This is all that Immigration requires showing legal status.

**Comment 3**

**SOLUTION:**

RHA will incorporate into the re-exam process for each new addition (birth, guardianship, marriage and etc.) to the household; a Declaration of Citizenship will be completed by the adult or by the head of household if a minor.  
The one's that are missing, RHA has made contact with the family to obtain this certification.

**Support Documentation Missing**

**Comment 1**

20 missing or incomplete HUD form 9886:  
Document is provided to show RHA located the information in the file or family members were no longer in the household

**Ref to OIG Evaluation**

**Auditee Comments**

**Comment 1**

and required to sign form. Some members were not 18 year at time of re-exam. Form is required to sign only at annual re-exam not at interim.

**SOLUTION:**

RHA will not conduct a re-exam if all members are not present who are 18 years or older to secure that all are signing the required forms.

**Comment 1  
Comment 4**

**Support Documentation Missing**

18 missing signed lease agreements:  
Some were found in file, several move in units prior to 1998 when this was not a requirement, some were Owner changes and the Owner assumed the lease that was in place.

**SOLUTION:**

No payments are made without a lease between Tenant & Owner is obtained and present in file. When there is an Owner change, a new lease is required by Owner.

**Comment 1**

**Support Documentation Missing**

9 missing rent reasonableness certification:

Many were found in the files. Over the years, the form changed which may have made it difficult for the Auditors to locate.

**SOLUTION:**

NONE. RHA has always been very efficient in this area and will continue.

**Comment 1**

**Support Documentation Missing**

8 missing proof of legal identity:

Most birth certificate were found in Clients 1<sup>st</sup> file

**SOLUTION:**

No Families will be assisted without all members' birth certificates are in file & documented.  
RHA noted the problem area was with adding new members to the household without the birth certificates.

**Support Documentation Missing**

3 missing proof of Social Security numbers:

**SOLUTION:**

**Rent Calculation  
Inaccurate Housing Assistance  
Utility Allowance Payments**

The files were review for each of these issues and noted on the sheets. Some Findings we agreed and those that we disagreed are noted on sheet with comments.

UIV/EIV System: Staff attended the "PIH Rental & Integrity Summit" in January 2004. The State of Illinois UIV system was not accessible at this time.  
April 2004, information was given to HA's on the system.  
July 2005, RHA Staff registered to access the system and starting using it at that time. Some income was not included because we could not obtain the information through the UIV system; 2003-2004 it was not available.

HAP discrepancies:

The Auditors indicated there were overpayment/underpayments made for certain month, after review of those payments, the Housing Authority found that they were double payments for retro-move in, interim rent adjustments or adjustment

**Comment 5**

**Comment 5**

caused by abatements. (see explanation on Tenant OIG Finding sheet).

**PAYMENTS AFTER DEATH OF A TENANT**

**Comment 6**

RHA disagree with the Finding because Housing feels that the Policy states that Tenant and Landlord must give at lease a 30-day notice to terminate the Lease. Do to not knowing when a death will or has occurred, RHA allowed the 30-day notice in these cases.

**Solution:**

RHA will have written policy on the 30-day notice for deaths.

**Conclusion:**

RHA has Quality Control in place and have training frequently, all Staff members are certified. We feel that maybe the Auditors did not understand some aspects of the Program. We have not mis-managed any funding but only used the Funds to assist families in the community to have decent and affordable housing.

We are presently in re-payment agreement with Clients with over \$25,000 owed to RHA. RHA is considering a new policy on re-payment agreement because it has turned into a "Collection Agency".

**Comment 7**

The Recommendation to reimburse the Program \$750,660 + \$44,004 with non-federal funds is impossible because we are supported by federal funds. This would cause thousands of families to be without rental assistance in the community.

**Comments 1, 5, and 6**

We are asking you re-consider your recommendation to HUD Office.

The Housing Authority will change Policies and implement more quality control on files. The listing will include all of the issues in the Audit.

## OIG Evaluation of Auditee Comments

**Comment 1** We reduced the housing assistance and utility allowance payments in which the Authority lacked documentation to support from \$706,656 to \$547,238 for the period October 2003 through November 2005. We reduced the number of household files that were missing or had incomplete documentation from 76 (89 percent) to 73 (86 percent).

We reduced the number of household files that were missing or had incomplete:

- ❖ Proof of criminal activity screening from 50 to 39;
- ❖ 30 or 90-day zero-income certifications from 38 to 29;
- ❖ Signed United States citizen certifications from 34 to 24;
- ❖ Signed lease agreements from 18 to 15;
- ❖ HUD Form 9886 from 20 to 12;
- ❖ Proof of legal identity from eight to six,
- ❖ Rent reasonableness certifications from nine to four; and
- ❖ Proof of Social Security numbers from three to two.

We adjusted the recommendation to state the Authority provide supporting documentation or reimburse its program \$582,926 (\$547,238 in housing assistance and utility allowance payments and \$35,688 in associated administrative fees) from nonfederal funds for the unsupported payments and associated administrative fees related to the 73 household files cited in this finding.

We also made the necessary adjustments to Appendix D.

**Comment 2** Prior to February 2004, the Authority's program administrative plan, section D of chapter 6, stated that families who report zero income must complete a written certification of zero income every 30 days. As of February 2004, the Authority's program administrative plan, section D of chapter 6, states that families who report zero income must complete written certifications of zero income every 90 days. The written certifications require a signature.

**Comment 3** HUD's regulations at 24 CFR [*Code of Federal Regulations*] 5.508 require evidence of citizenship or eligible immigration status for each family member, regardless of age. For U.S. citizens or U.S. nationals, the evidence consists of a signed declaration of U.S. citizenship or U.S. nationality.

**Comment 4** HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.158(a) state that authorities must maintain complete and accurate accounts and other records for the program and in accordance with HUD requirements in a manner that permits a speedy and effective audit. Section 982.158(e) states that during the term of each assisted lease and for at least three years thereafter, authorities must keep a copy of the executed lease. HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.308(b) state the household and the owner must enter a written lease for the unit. The owner and the household must execute the lease.

**Comment 5** We reduced the housing assistance and utility allowance payments in which the Authority made overpayments and underpayments from \$53,348 to \$49,034 and \$2,473 to \$2,550, respectively, from October 2003 through November 2005. We reduced the number of households that the Authority incorrectly calculated and/or made inaccurate housing assistance and/or utility allowance payments from 49 (58 percent) to 48 (56 percent).

We reduced the number of household files that contained the following errors:

- Payments that were not in accordance with one or more certifications from 19 to 18; and
- Failures to establish or enforce repayment agreements from 13 to 10.

We adjusted the recommendation to state the Authority reimburse its program \$80,776 (\$49,034 for the overpayment of housing assistance and utility allowance payments for 34 households and \$31,742 in administrative fees associated with the overpayment and underpayment of housing assistance and utility allowance payments for 48 households) from nonfederal funds.

We adjusted the recommendation to state the Authority reimburse the appropriate households \$2,550 for the underpayment of housing assistance and utility allowance payments for the 14 households.

We also made the necessary adjustments to Appendix E.

**Comment 6** We adjusted the report by removing the section regarding the Authority inappropriately making \$1,146 in housing assistance payments the month after tenants passed away. We also removed the recommendation for the Authority to pursue reimbursement from the applicable landlords or its program \$1,146 from nonfederal funds for the inappropriate housing assistance payments made the month after three heads of household passed away.

**Comment 7** The Authority receives an administrative fee of 6.5 percent of gross collections for providing management services for Concord Commons, a Section 221 apartment complex owned by the Rockford Housing Development Corporation (Corporation). The Corporation is a nonprofit organization affiliated with the Authority.

## Appendix C

### CRITERIA

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HUD's regulations at 24 CFR [*Code of Federal Regulations*] 5.216 require that each assistance applicant submit the following information to the processing entity when the assistant applicant's eligibility under the program involved is being determined.

- ❖ A complete and accurate Social Security number assigned to the assistance applicant and to each member of the assistance applicant's household who is at least six years of age, or
- ❖ If the assistance applicant or any member of the assistance applicant's household who is at least six years of age has not been assigned a Social Security number, a certification executed by the individual involved.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 5.230(a) require each member of the family of an assistance applicant or participant who is at least 18 years of age and each family head and spouse regardless of age to sign one or more consent forms.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 5.240(c) state that authorities must verify the accuracy of the income information received from a household and change the amount of the total tenant payment, tenant rent, or program housing assistance payment, or terminate assistance, as appropriate, based on such information.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 5.508 require evidence of citizenship or eligible immigration status for each family member, regardless of age. For U.S. citizens or U.S. nationals, the evidence consists of a signed declaration of U.S. citizenship or U.S. nationality.

HUD regulations at 24 CFR [*Code of Federal Regulations*] 982.54 require authorities to adopt a written administrative plan that establishes local policies for the administration of the program in accordance with HUD requirements. The administrative plan states the authorities' policies on matters for which authorities have discretion to establish local policies. The authorities must administer the Program in accordance with their administrative plan.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.158(a) state that authorities must maintain complete and accurate accounts and other records for the program, and in accordance with HUD requirements in a manner that permits a speedy and effective audit. Section 982.158(e) states that during the term of each assisted lease and for at least three years thereafter, authorities must keep a copy of the executed lease, the housing assistance payment contract, and the application from the family. Section 982.158(e) states that authorities must keep the following records for at least three years: records that provide income, racial, ethnic, gender, and disability status data on program applicants and participants, and records to document the basis for authorities' determination that rental payments are reasonable (initially and during the term of a housing assistance payments contract).

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.305(a) state that authorities may not execute a housing assistance payments contract until the authorities determine that the

lease includes the tenancy addendum and the rent to the owner is reasonable. Section 982.305(b) requires that the owner and the household execute a lease before the beginning of the initial term of the lease. Section 982.305(c) states that a housing assistance payment contract must be executed no later than 60 calendar days from the beginning of the lease term. The authorities may not pay any housing assistance payment to an owner until the housing assistance payment contract has been executed.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.308(b) state the household and the owner must enter a written lease for the unit. The owner and the household must execute the lease.

HUD regulations at 24 CFR [*Code of Federal Regulations*] 982.451 require authorities to determine the amount of the monthly housing assistance payment in accordance with HUD regulations and other requirements.

HUD regulations at 24 CFR [*Code of Federal Regulations*] 982.505(b), state that authorities should pay a monthly housing assistance payment on behalf of a family participating in the program that is equal to the lower of the payment standard for the family minus the total tenant payment or the gross rent minus the total tenant payment. Section 982.505(c)(4) states that if the payment standard amount is increased during the term of the contract, the increased payment standard amount shall be used to calculate the monthly housing assistance payment for the family beginning at the effective date of the family's first regular reexamination on or after the effective date of the increase in the payment standard amount.

HUD regulations at 24 CFR [*Code of Federal Regulations*] 982.507 require authorities to re-determine reasonable rent before providing any increase in rent to the owner.

HUD regulations at 24 CFR [*Code of Federal Regulations*] 982.514(b) state that when the housing assistance payment exceeds the rent to the owner, authorities may pay the balance of the housing assistance payment (utility reimbursement) either to the family or directly to the utility supplier to pay the utility bill on behalf of the family.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.516(a)(1) require authorities to conduct a reexamination of family income and composition at least annually. The authorities must obtain and document in the household file third-party verification or why third-party verification was not available for the following factors: (i) reported family annual income, (ii) the value of assets, (iii) expenses related to deductions from annual income, and (iv) other factors that affect the determination of adjusted income. At any time, authorities may conduct an interim reexamination of family income and composition. Interim examinations must be conducted in accordance with policies in the authorities' administrative plans. As a condition of admission to or continued assistance under the program, the authorities shall require the family head and such other family members as the authorities designate, to execute a HUD-approved release and consent form (including any release and consent as required under 5.230 of this title) authorizing any depository or private source of income or any federal, state or local agency to furnish or release to the authorities or HUD such information as the authorities or HUD determine to be necessary. The authorities and HUD must limit the use or disclosure of information obtained from a family or from another source pursuant to this release and consent to purposes directly in connection with administration of the program.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.517 state that authorities must use the appropriate utility allowance for the size of dwelling unit leased by the family and the utility allowance schedules must take into consideration unit size and unit types.

Form HUD 9886, Authorization for the Release of Information/Privacy Act Notice, states that each member of an applicant's or participant's household, 18 years of age or older, of the program is required to sign the form.

### **The Authority's program administrative plans**

Section L of chapter 1 states that to demonstrate compliance with HUD's and other pertinent regulations, the Authority will maintain records, reports, and other documentation for a time that is in accordance with HUD requirements and in a manner that will allow an auditor, housing professional, or other interested party to follow, monitor, and or assess the Authority's operational procedures objectively and with accuracy.

Chapter 2 states that to be eligible for participation, an applicant must meet HUD's criteria, as well as any permissible additional criteria established by the Authority. Among other requirements, HUD eligibility criteria include that applicants must be within the appropriate income limits, furnish Social Security numbers or certify that they do not have one, and furnish evidence of citizenship or eligible immigrant status.

Section E(5) of chapter 2 states that the Authority will screen all applicants for criminal activity as part of the processing of an application for assistance. Applicants or applicant family members, who are found to have engaged in drug related or violent criminal activity within 36 months of the date of the initial application, will be denied admission.

Section A of chapter 6 states households are required to pay a minimum rent of \$25. Prior to February 2004, section D of chapter 6, stated that families who report zero income must complete a written certification of zero income every 30 days. As of February 2004, section D of chapter 6, states that families who report zero income must complete written certifications of zero income every 90 days. Section N states that minimum rent hardship exceptions are required to be in writing. Section P states that an air conditioning allowance will only be granted when the Authority has confirmed that the unit has an operable air conditioner in the unit.

Section A of chapter 7 states families are required to submit an affidavit or notarized statement to certify income when verification cannot be made by third-party verification or through a review of documents. Prior to February 2004, section A also stated that documents for verification purposes may not be more than 60 days old. As of February 2004, section A states that documents for verification purposes may not be more than 90 days old.

Section D of chapter 7 states that items to be verified include: all income from all sources, monetary or non-monetary; zero-income status of a household; family composition; full-time student status, to include students who are 18 years of age or older; assets and asset income; U.S. citizenship or eligible immigrant status; Social Security numbers; and disability for the determination of preferences, allowances, or deductions. Section E considers written verification from the registrar's office or other school official and school records indicating enrollment for a sufficient number of credits to be considered a full-time student by the educational institution as verification of full time student status. Section I requires applicants to furnish verification of

legal identity for all family members and consider receipt of supplemental security income or Social Security Administration disability payments as verification of disability.

Prior to February 2004, section D of chapter 11, stated and as of February 2004, section C of chapter 11, states that at least three units will be used for each rent determination and all comparable units must be based on current market rents.

Section E of chapter 12 states that families must report interim changes in income and assets to the Authority within 30 days after the change occurs. Increases in the household rent are effective on the first of the month following at least 30 days' notice. Increase in household rent will be effective retroactive to the date it would have been effective had it been reported on a timely basis. The family will be liable for any overpaid housing assistance and may be required to make a lump sum repayment. Decreases in household rent will be effective on the first of the month following completion of processing by the Authority and not retroactively.

Chapter 18 states that the Authority will use repayment agreements to recover overpayments of assistance for families. The Authority's repayment agreements state that a household under a repayment agreement is required to fully comply with the terms and conditions of the agreement. If the initial payment or any subsequent payment is not received on or before the due date, the household's assistance will be terminated.

## Appendix D

### HOUSEHOLD FILE REVIEWS – MISSING OR INCOMPLETE DOCUMENTATION

Household number	Criminal activity screening	Social Security number	United States citizen certification	Proof of legal identity	Lease	Information release	30-day and/or 90-day zero-income certification	Rent reasonableness	Housing/utility assistance payments not supported
14784	X					X	X		\$13,585
14818			X						0
14890					X				13,646
18586							X		11,115
19506	X						X		6,146
21210	X								3,019
21297	X								1,324
21311	X								1,996
21352	X								922
22003	X				X				1,824
2801	X								6,042
5071					X				172
5147	X								8,096
5282					X				5,586
5345							X		2,974
5425	X								20,520
5449			X						0
5612	X								8,404
5623						X			3,091
5710			X	X			X		15,871
5747	X						X		12,076
5818	X								12,124
5861	X								6,588
5873	X		X				X		12,157
5973	X		X						10,928
6001	X						X		19,705
6048			X						0
6056	X		X	X	X				10,002
6149					X				2,659
6186	X						X		11,449
6343	X								8,190
6383	X		X			X	X		7,187
6575			X				X		2,460
6593			X		X				8,053
6611	X		X						9,967
6624					X		X		7,005
6630	X					X	X		16,224
6762	X				X	X	X		14,766
6830	X							X	9,542
6848					X				7,734
6934			X		X		X		19,312
6967	X								13,567
6985			X	X					6,036
7044					X		X		11,484
7134	X				X				5,866
7143			X		X				9,852
7149			X			X	X		14,573
7203			X	X			X		13,650
7285							X		3,906

## HOUSEHOLD FILE REVIEWS – MISSING OR INCOMPLETE DOCUMENTATION (CONTINUED)

Household number	Criminal activity screening	Social Security number	United States citizen certification	Proof of legal identity	Lease	Information release	30-day and/or 90-day zero-income certification	Rent reasonableness	Housing/utility assistance payments not supported
7363			X				X		\$2,492
7372	X							X	10,055
7456								X	7,769
7517	X		X						3,430
7623	X								8,011
7741	X		X						13,728
7978						X	X		6,864
8144			X		X				5,258
8159	X		X						4,692
8372						X			1,236
8461	X		X						944
8598		X	X			X	X		9,102
8612						X	X		3,548
8673		X	X	X		X	X		10,567
8681							X		9,759
9047	X								1,364
12294							X		6,908
12318	X								1,770
21285	X								3,046
23563	X						X		1,912
23659	X				X				1,764
5136							X		5,033
6644	X					X		X	10,711
6933							X		5,880
<b>Totals</b>	<b>39</b>	<b>2</b>	<b>24</b>	<b>6</b>	<b>15</b>	<b>12</b>	<b>29</b>	<b>4</b>	<b>\$547,238</b>

**Note:** An “X” identifies the missing or incomplete documentation in the tenant’s file.

# Appendix E

## HOUSING ASSISTANCE AND UTILITY ALLOWANCE PAYMENT ERRORS

Household number	Total 2003 housing and utility assistance payments over(under)-payments	Total 2004 housing and utility assistance payments over(under)-payments	Total 2005 housing and utility assistance payments over(under)-payments	Total housing and utility assistance payments	
				Overpayment	Underpayment
14784	\$0	\$0	\$60	\$60	\$0
14818	N/A	(125)	(178)	0	(303)
14890	45	3,431	1,596	5,072	0
18586	0	(24)	0	0	(24)
19506	N/A	(1)	0	0	(1)
22003	N/A	N/A	80	80	0
5071	66	252	120	438	0
5147	123	492	451	1,066	0
5345	0	1,116	1,056	2,172	0
5449	729	1,334	0	2,063	0
5623	36	96	N/A	132	0
5642	0	284	890	1,174	0
5710	46	159	0	205	0
5747	0	1,407	2,765	4,172	0
5818	0	(106)	(583)	0	(689)
5873	(2)	0	0	0	(2)
6001	(93)	(81)	32	0	(142)
6056	(111)	(37)	0	0	(148)
6186	0	0	(186)	0	(186)
6340	0	464	0	464	0
6343	133	1,197	N/A	1,330	0
6383	36	186	132	354	0
6593	0	(104)	1,214	1,110	0
6624	0	710	554	1,264	0
6762	0	0	562	562	0
6830	27	252	203	482	0
6934	0	97	58	155	0
7044	0	(45)	393	348	0
7134	(3)	(67)	N/A	0	(70)
7143	0	136	(166)	0	(30)
7155	198	918	957	2,073	0
7285	1,086	3,798	1,626	6,510	0
7372	8	24	4	36	0
7402	0	(85)	(171)	0	(256)
7456	365	553	820	1,738	0
7623	319	61	28	408	0
7741	(30)	(100)	(110)	0	(240)
7978	348	552	483	1,383	0
8144	254	243	(152)	345	0
8457	143	564	222	929	0
8461	708	236	N/A	944	0
8598	182	(133)	0	49	0
8617	189	764	256	1,209	0
8673	36	24	513	573	0
8681	0	(528)	114	0	(414)
5019	36	462	364	862	0
5136	2,106	7,166	0	9,272	0
6644	0	0	(45)	0	(45)
<b>Totals</b>	<b>\$6,980</b>	<b>\$25,542</b>	<b>\$13,962</b>	<b>\$49,034</b>	<b>(\$2,550)</b>