



Issue Date	February 16, 2006
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Audit Report Number	2006-FW-1005
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TO: Floyd R. Duran
Program Center Coordinator, Office of Public Housing, 6BPHO

FROM: Frank E. Baca
Regional Inspector General for Audit, 6AGA

SUBJECT: Albuquerque Housing Services, Albuquerque, New Mexico, Generally Complied with HUD's Standards

HIGHLIGHTS

What We Audited and Why

We conducted a review of Albuquerque Housing Services' (Housing Services) Section 8 program to determine whether Housing Services operated its Section 8 programs in accordance with U. S. Department of Housing and Urban Development (HUD) requirements.

What We Found

We determined Housing Services generally followed HUD's requirements. However, we informed Housing Services, the director of the City of Albuquerque's Department of Family and Community Services, and HUD's program center coordinator of minor deficiencies through a memorandum, dated February 16, 2006.

What We Recommend

Since Housing Services generally complied with HUD's requirements, we did not recommend corrective action.

Auditee's Response

We did not request a response from Housing Services since it generally complied with HUD's requirements. We held an exit conference with Housing Services, the director of the City of Albuquerque's Department of Family and Community Services, and HUD's program center coordinator on February 14, 2006.

TABLE OF CONTENTS

Background and Objectives	4
Results of Review	4
Scope and Methodology	5
Internal Controls	7

BACKGROUND AND OBJECTIVE

Albuquerque Housing Services (Housing Services) is a division of the City of Albuquerque's Department of Family and Community Services. Housing Services has been providing housing assistance to low-income citizens of Albuquerque since 1967. Its purpose is to help people find safe and decent housing. Housing Services administers programs designed to help low- and moderate-income citizens with housing, rent subsidies, housing rehabilitation, housing opportunities, and self-sufficiency. Housing Services is assisting nearly 4,700 Albuquerque families. It administers a Section 8 Housing Choice Voucher program, consisting of 3,700 vouchers. During fiscal years 2004 and 2005, the U.S. Department of Housing and Urban Development (HUD) awarded Housing Services \$21,561,074 and \$21,490,586, respectively, to operate the Section 8 Housing Choice Voucher program. Housing Services also owns and operates 950 public housing units, including 373 units for the elderly and disabled. Currently, 1,900 qualified applicants are waiting for housing assistance.

The mayor of the City of Albuquerque appointed the director of the City's Department of Family and Community Service to govern Housing Services. The City of Albuquerque hired a manager to manage Housing Services' day-to-day operations. Housing Services maintains its office and records at 1840 University, Southeast, Albuquerque, New Mexico.

We selected Housing Services for review because it was one of the top 10 high-risk housing authorities in our region. The objective of this review was to determine whether Housing Services operated its Section 8 programs in accordance with HUD requirements.

RESULTS OF REVIEW

Housing Services generally followed HUD's requirements. For all 10 Section 8 tenant files reviewed, Housing Services properly verified tenant eligibility and family composition, performed timely inspections for housing quality standards, performed re-examinations annually, and verified rent reasonableness. However, testing found some minor issues that needed correction that were not material to Housing Services overall operations, which were addressed in a separate management letter to Housing Services and HUD's program center coordinator.

SCOPE AND METHODOLOGY

We conducted the review at Housing Services' offices in Albuquerque, New Mexico, and the local HUD offices in Houston, Texas, and Albuquerque, New Mexico. Our review period was from July 1, 2004, through June 30, 2005. During the review, we performed the following steps:

- Reviewed background information and the criteria that control Housing Services' Section 8 programs.
- Reviewed information on existing conditions at Housing Services. The data included the City of Albuquerque's Fiscal Year 2004 Comprehensive Annual Financial Report and HUD's rental integrity monitor follow-up review of Housing Services' Section 8 Housing Choice Voucher program, dated December 12, 2003.
- Selected and reviewed a nonstatistical sample of tenant files from the Section 8 programs to verify tenant eligibility and to conduct inspections to determine unit habitability. We accomplished this by downloading a listing of all tenants under HUD's Multifamily Tenant Characteristics System into an Excel file for the period from July 1, 2003, to October 17, 2005, under all categories. There were 4,647 tenants in the universe. Our sample population consisted of 3,603 tenants after we removed terminated tenants and tenants with portable vouchers. We then used EZ-Quant, a statistical sampling program, to generate 12 random numbers between 1 and 3,603 for a nonstatistical random sample. Sample selection desired was 10, but we generated two additional tenant numbers to use as replacements if needed.
- Obtained tenant family composition data from HUD's Multifamily Tenant Characteristics System database via the Public and Indian Housing Information Center System and analyzed the data to determine whether Housing Services was overpaying for tenants who were housed in a larger unit than Housing Services' policy allowed. From our universe of 4,647 tenants, we identified 238 tenants (sample population) who had a voucher size that did not match the family size as set out in Housing Services' administrative plan. We used nonstatistical sampling to select 10 tenants from a listing of 238 tenants for testing. We obtained and reviewed 10 tenant files to determine whether Housing Services assigned the correct voucher size.
- Reviewed Housing Services' housing assistance payment register for duplicate payments to the same address or tenants. Our universe consisted of 6,342 tenant data payment records provided by Housing Services in an electronic format. We used ACL software to analyze the entire universe. We analyzed the list of tenants to identify duplicates based on unit address. To do this, we created a separate data file containing only head-of-household Social Security numbers. This new file contained 3,735 records (sample population). We then related the new file to the supplemental file containing the unit addresses, looking for duplicate payments to the same address.
- Conducted interviews with Housing Services, City of Albuquerque, and HUD staff.

We performed the review at Housing Services during November and December 2005. We conducted our review in accordance with generally accepted government auditing standards.

INTERNAL CONTROLS

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

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

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

Relevant Internal Controls

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

- Program operations - Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Compliance with laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.

We assessed the relevant controls identified above.

A significant weakness exists if internal controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling programs operations will meet the organization's objectives. We noted no significant weaknesses in Housing Services' current internal controls.