



Issue Date	May 8, 2006
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Audit Report Number	2006-FW-1008
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TO: Dan Rodriguez
Program Center Coordinator, Office of Public Housing, 6EPH

A handwritten signature in blue ink that reads "Frank E. Baca".

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

SUBJECT: Brazos Valley Council of Governments, Bryan, Texas, Issued Vouchers Larger Than Its Policy Allowed.

HIGHLIGHTS

What We Audited and Why

We reviewed Brazos Valley Council of Governments' (Council's) Section 8 Housing Choice Voucher program to determine whether the Council properly applied the subsidy size standards in its administrative plan. We selected the Council for review based on a risk assessment and because reducing erroneous payments in rental programs is part of our strategic audit plan.

What We Found

Of the 20 tenant files reviewed, the Council assigned a larger voucher size than its subsidy size standards required to 11 tenants. However, it improperly paid \$552 in assistance for only two of the overhoused tenants. The Council's assignment of an improper voucher size for another nine tenants did not result in a material financial impact.

What We Recommend

We recommend that you require the Council to (1) repay the ineligible housing assistance overpayment of \$552, (2) develop and implement procedures to ensure it assigns the correct subsidy size for all tenants, and (3) correct the voucher size of the nine tenants identified and other incorrectly assigned vouchers to avoid future overpayments and ensure the tenants are housed in accordance with the Council's subsidy size standards.

For each recommendation without a management decision, please respond and provide status reports in accordance with U.S. Department of Housing and Urban Development (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 our review results with the Council during the audit. We provided a copy of the draft report to Council officials on April 18, 2006, for their comments and discussed the report with the officials at the exit conference on April 24, 2006. The Council provided written comments on April 28, 2006. The Council's executive director agreed with our report finding and indicated corrective action was being taken. The complete text of 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 Brazos Valley Council of Governments (Council), established in 1966, is one of 24 voluntary associations of local governments formed under Texas law. These associations deal with the problems and planning needs that cross the boundaries of individual local governments or that require regional attention. The Council serves the seven-county Brazos Valley region, consisting of Brazos, Burleson, Grimes, Leon, Madison, Robertson, and Washington counties as well as 25 incorporated cities and several unincorporated communities.

A 32-member board of directors (board), representing the seven counties, governs the Council. Board members serve three-year terms. The board hires an executive director to manage the Council's day-to-day operations. The Council maintains its office and records at 3991 East 29th Street, Bryan, Texas.

The Council provides housing, health, workforce, and senior services programs throughout the Brazos Valley. In addition, it administers the regional 9-1-1 plan, community and economic development programs, criminal justice planning and grants, solid waste planning and grants, and a county indigent health care program. The Council has 1,901 contracted Section 8 units under its Housing Choice Voucher program. During fiscal years 2003 to 2005, the U.S. Department of Housing and Urban Development (HUD) awarded the Council more than \$31 million to operate the Section 8 program.

We selected the Council for review based on a risk assessment and because reducing erroneous payments in rental programs is part of our strategic audit plan. The objective of this review was to determine whether the Council properly applied the subsidy size standards in its administrative plan.

RESULTS OF AUDIT

Finding: The Council Issued Vouchers Larger Than Its Policy Allowed

Of the 20 tenant files reviewed, the Council assigned a larger voucher than its subsidy size standards required to 11 tenants. However, the Council only overpaid \$552 over the three-year audit period for two of the overhoused tenants. The Council's assignment of an improper voucher size for another nine tenants did not result in a dollar impact because the Council used the correct payment standards when calculating those tenants' rent. Correcting the voucher size for these nine tenants will avoid future overpayments and ensure the tenants are housed in accordance with the Council's subsidy size standards. These errors occurred because the Council did not change the voucher size to adjust for a change in a family's composition or the change of subsidy size standards.

HUD regulations require the Council's board to adopt and follow a written administrative plan that establishes local policies for administration of its Section 8 program.¹ In its plan, the Council must establish subsidy size standards that determine the number of bedrooms needed for families of different sizes.²

The Council Overpaid Assistance for Two Tenants

The Council overpaid \$552 in housing assistance for one current tenant and one terminated tenant. In one case, the case manager issued the correct voucher size according to the Council's revised subsidy size standards. However, the case manager did not apply the correct voucher size or payment standard when calculating the tenant's rent. Consequently, the Council overpaid \$30 in housing assistance for the tenant. In the other case, the case manager used the correct payment standard of a one-bedroom size for a family of one but did not change the voucher size from two to one. Further, the case manager did not use the correct payment standards at the annual reexaminations because the tenant file still showed the voucher size of two. Consequently, the Council overpaid \$522 in housing assistance for the tenant.

¹ 24 CFR [Code of Federal Regulations] 982.153.

² 24 CFR [Code of Federal Regulations] 982.54(a) and (c).

Nine Tenants had the Wrong Size Voucher

The Council did not assign the correct voucher size for another nine tenants, but the error did not result in an overpayment of assistance. In these cases, the Council used the correct payment standards for the family composition and the actual unit size but did not change the voucher size to be consistent with its subsidy size standards. Since the Council used the correct payment standards,³ it did not overpay housing assistance for these tenants, but it may not use the correct payment standards at the next annual reexaminations due to the incorrect voucher sizes in the tenant files. As a result, it could overpay an estimated \$7,008 in housing assistance for these tenants during the next annual reexamination period.

The Council assigned tenants the wrong size vouchers and overpaid assistance because its case managers' review checklist did not include an item to check the voucher size. In addition, according to the Council's quality control unit leader, the case managers did not pay attention to the voucher size and did not change it as needed. To avoid future overpayments of housing assistance, the Council needs to correct the tenants' voucher size to be consistent with its subsidy size standards.

Recommendations

We recommend that HUD require the Council to

- 1A. Repay ineligible housing assistance overpayments of \$552.
- 1B. Develop and implement procedures to ensure it assigns tenants a housing voucher in accordance with the subsidy size standards in its administrative plan.
- 1C. Correct the voucher size of the nine tenants identified and revise other incorrectly assigned vouchers to ensure the tenant is housed in accordance with the Council's subsidy size standards. Correcting the voucher size of the nine tenants will ensure the Council avoids potential overpayments of \$7,008 in housing assistance for these tenants during the next annual reexamination period.

³ Payment standard is the maximum monthly assistance payment for a family assisted in the Housing Choice Voucher program. The payment standard is higher when the voucher size is larger.

SCOPE AND METHODOLOGY

We conducted the review at the Council's office in Bryan, Texas, and the local HUD office in Houston, Texas. Our review period was from January 1, 2003, through December 31, 2005. During the review, we performed the following steps:

- Reviewed background information and the criteria that control the Council's Section 8 program.
- Obtained computer data files from the Public and Indian Housing Information Center (PIC) system that contained Section 8 housing assistance payments and related information for all tenants during the review period. There were 3,016 tenants in the universe.
- Analyzed the data to identify the number of tenants whose vouchers were too large based on family composition and the Council's subsidy size standards. From the universe of 3,016 tenants, we identified 126 tenants whose vouchers were too large.
- Used EZ-Quant, a statistical sampling program, to generate 20 random numbers from the listing of 126 tenants identified previously for testing.
- Obtained and reviewed 20 tenant files to determine whether the Council properly applied the subsidy size standards in its administrative plan. If not, we determined whether the Council overpaid for tenants who were housed in a larger unit than the Council's policy allowed.
- Estimated the amount the Council could overpay in housing assistance for nine tenants assigned a larger voucher size than required by the Council's subsidy size standards. The estimate covered the tenants' next annual reexamination period and was calculated by determining the difference between the payment standard that was based on the voucher size and the actual payment standard used.
- Conducted interviews with Council and HUD staff.

We performed the review at the Council in January and February 2006. 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 audit objectives:

- Program operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objective.
- 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 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 Council did not have a system to ensure that the voucher size was correct (see finding 1).

APPENDIXES

Appendix A

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

Recommendation number	Ineligible <u>1/</u>	Funds to be put to better use <u>2/</u>
1A	\$552	
1C		\$7,008

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 polices or regulations.

2/ “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



BRAZOS VALLEY COUNCIL OF GOVERNMENTS
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April 28, 2006

Mr. Frank E. Baca
Regional Inspector General for Audit
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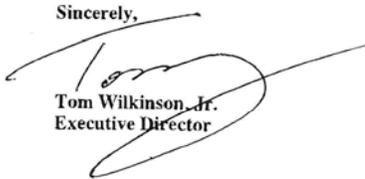
Re: Response to draft report

Dear Mr. Baca:

We have reviewed the report, audit report number 2006-FW-100W, and have discussed the finding with your audit team in an exit conference. We do not have any disagreements with the finding of the report and we have completed the process of correcting those files. Additionally, we appreciated your staff supplying BVCOG with the full universe of cases your staff reviewed and we are in the process of correcting any other cases misclassified.

We have instituted a change in our policies and added documentation to the file ledger system to insure that we do not continue making these mistakes in the future. Finally, I would like to thank your staff for the professional way this audit was conducted. They were efficient and courteous and did not interrupt the continuing workload of managing these vouchers and clients.

Sincerely,


Tom Wilkinson, Jr.
Executive Director

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Comment 1

OIG Evaluation of Auditee Comments

Comment 1 The auditee fully agreed with the finding and all recommendations. The auditee indicated it is taking steps to correct all misclassified cases and had revised its policies and procedures. We appreciate the auditee's proactive stance and prompt response which should correct the issues identified.