



Issue Date	June 29, 2006
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Audit Report Number	2006-FW-1012
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TO: Glen Chafey
Acting Program Center Coordinator, 6IPH

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

SUBJECT: Oklahoma Housing Finance Agency, Oklahoma City, Oklahoma, Made Minor
Mistakes in Computing Housing Assistance Payments and Housing Tenants

HIGHLIGHTS

What We Audited and Why

As part of the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) annual audit plan, we audited the Oklahoma Housing Finance Agency's (Agency) Section 8 program to determine whether the Agency overhoused or underhoused tenants, computed housing assistance payments correctly, and complied with housing quality standards.

What We Found

Overall, the Agency operated its Section 8 program in accordance with HUD requirements and complied with housing quality standards. During our audit period, the Agency assisted more than 11,000 tenants. It miscalculated nine housing assistance payments and one utility reimbursement and overhoused two tenants. One Agency employee was responsible for 8 of the 12 mistakes. The miscalculations and overhousing of tenants resulted in \$815 in overpayments and \$1,214 in underpayments. The Agency took appropriate corrective actions and incorporated improvements into its training sessions. As of May 16, 2006, we

verified that the Agency had reimbursed its housing assistance payment account for \$815 in identified overpayments and reimbursed its tenants \$1,104 of the identified underpayments.

What We Recommend

We recommend that HUD's acting program center coordinator, Office of Public Housing, require the Agency to (1) repay \$2,029 for housing assistance overpayments and underpayments,¹ (2) review potentially overhoused tenants at their next annual reexamination to ensure proper support for an additional bedroom, and (3) perform a quality control review of the files of the employee who had the majority of the mistakes. The Agency should correct any additional mistakes. This review can be conducted at the tenants' next annual reexamination.

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 provided the Agency with a draft report on June 7, 2006. We received the Agency's response on June 23, 2006. The response requested that we reevaluate conclusions reached on several files. The Agency's response, along with our evaluation, can be found in Appendix B. We did not include supporting documentation and redacted tenant and employee information.

¹ As discussed in the What We Found section, the Agency has corrected \$1,919 in payments.

TABLE OF CONTENTS

Background and Objectives	4
Results of Audit	
Finding: The Agency Made Minor Mistakes in Computing Housing Assistance Payments and Housing Tenants	5
Scope and Methodology	8
Internal Controls	9
Appendixes	
A. Schedule of Questioned Costs and Funds to Be Put to Better Use	10
B. Auditee Comments and OIG's Evaluation	11

BACKGROUND AND OBJECTIVES

The Oklahoma Housing Finance Agency (Agency) is an Oklahoma state beneficiary public trust. The governor of Oklahoma approved the creation of the Agency on May 1, 1975. The governor also appoints the five-member board of trustees and the resident board member representing the Section 8 program.

In fiscal year 2005, the Agency disbursed approximately \$44 million for 9,395 Section 8 housing choice vouchers and received a 96 on its Section 8 Management Assessment Program.² In fiscal year 2006, the Agency received a 100 on its Section 8 Management Assessment Program. As of May 20, 2006, the Agency has disbursed more than \$29 million for Section 8 housing choice vouchers in fiscal year 2006.

The Agency disburses Section 8 housing choice voucher funds through housing assistance payments and utility reimbursements. It pays a housing subsidy directly to the landlord on behalf of the participating family; the family pays the difference between the actual rent and the subsidy amount. The Agency determines eligibility based on income and family size in accordance with its administrative plan. It verifies family income and composition annually and ensures that the unit meets minimum housing quality standards.

The Agency's mission is to provide affordable housing resources and to help place people in homes. It maintains its records at 100 Northwest 63rd Street, Oklahoma City, Oklahoma.

Our objective was to determine whether the Agency overhoused or underhoused tenants, computed housing assistance payments correctly, and complied with housing quality standards.

² The Section 8 Management Assessment Program measures the performance of the public housing agencies that administer the Housing Choice Voucher program in 14 key areas.

RESULTS OF AUDIT

Finding: The Agency Made Minor Mistakes in Computing Housing Assistance Payments and Housing Tenants

Of the 25³ Section 8 tenant files reviewed, the Agency made 12 mistakes in computing housing assistance payments and housing tenants. It miscalculated nine housing assistance payments and one utility reimbursement. While the Agency properly assigned the appropriate voucher size for 23 of 25 tenants, it overhoused two tenants. One employee was responsible for 8 of the 12 mistakes. As a result, the Agency made \$815 in housing assistance overpayments and \$1,214 in housing assistance underpayments. The Agency has taken measures to correct the mistakes, recoup overpayments, and reimburse tenants for underpayments.

Miscalculations Resulted in Overpayments and Underpayments

Of the 25 files reviewed, the Agency miscalculated nine housing assistance payments and one utility reimbursement. Two of the nine housing assistance payments resulted in \$441 in overpayments. The remaining seven and one utility reimbursement resulted in \$1,214 in underpayments. One employee was responsible for six of the miscalculations.

For one of the two housing assistance payments that resulted in overpayments, the Agency did not use the correct utility allowance. It had corrected this mistake on the most recent reexamination and the previous examination. For the other overpayment, the Agency included medical deductions when it should not have. The Agency corrected the housing assistance payment.

The Agency did not apply the appropriate disability or dependent deductions in six housing assistance underpayments and one utility reimbursement underpayment. The remaining housing assistance underpayment was a result of the Agency including a loan as an asset when it should not have. It also used an incorrect payment standard for one of the housing assistance payments. The Agency corrected the mistakes.

³ Twenty tenant files had indications of potential overhousing and five had indications of potential underhousing.

The Agency Overhoused Two Section 8 Tenants

Of the 20 potentially overhoused tenant files reviewed, two contained mistakes that resulted in overhousing tenants. One of the two mistakes resulted in a housing assistance overpayment totaling \$374. The same employee that made six housing assistance mistakes was responsible for both overhousing mistakes.

One of the two overhoused tenants had a doctor's letter that described the need for an additional bedroom in the future. A future need does not constitute granting an additional bedroom in the present. The Agency made its last payment on behalf of this tenant in August 2004.

The final overhoused tenant had a son who moved out of the unit to attend college. The tenant told the Agency about the decrease in family size during her annual reexamination. However, the Agency did not reduce the voucher accordingly. This mistake did not result in an overpayment of housing assistance.⁴ The Agency corrected the mistake on the most recent reexamination and the previous examination.

Conclusion

While the Agency made minor miscalculations and overhoused two tenants, it has acted appropriately to correct the mistakes and minimize future occurrences. The Agency corrected its files, repaid its accounts or tenants as appropriate, and included discussions of the deficiencies in its training sessions.

As of May 16, 2006, we verified that the Agency has reimbursed its housing assistance payment account for \$815 in overpayments and five of the eight tenants for \$1,104 in underpayments. The Agency was unable to locate two former tenants and another tenant left without notice.

⁴ The tenant's rent was less than the maximum subsidy amount for the correct voucher size.

Recommendations

We recommend that HUD require the Agency to:

- 1A. Repay ineligible housing assistance overpayments of \$815 and reimburse tenants for housing assistance underpayments of \$1,214. As discussed in the finding above, we verified that the Agency has reimbursed its housing assistance account \$815, and reimbursed tenants \$1,104.
- 1B. Review potentially overhoused tenants at their next annual reexamination to ensure proper support for an additional bedroom.
- 1C. Perform a quality control review of the files of the employee who had the majority of the mistakes. The Agency should correct any additional mistakes. This review can be conducted at the tenants' next annual reexamination.

SCOPE AND METHODOLOGY

The audit covered the period from January 2003 through April 2006. To accomplish our objective, we analyzed HUD and Agency data. We reviewed the Agency's policies and procedures, tenant files, and audited financial statements. We also reviewed federal regulations and the Agency's administrative plans. We obtained an understanding of the Agency's internal controls and inspected units for compliance with housing quality standards. We performed fieldwork at the Agency's office in Oklahoma City, Oklahoma, from February to May 2006.

The Agency had 9,395 Section 8 housing choice vouchers for fiscal year 2005. During our audit period, the Agency disbursed funds for more than 11,000 vouchers. We analyzed Agency voucher data provided to HUD. Our analysis concluded that the Agency potentially overhoused 461 tenants, potentially underhoused 28 tenants, and had 225 tenant files with missing information. We selected a sample for each category.

We used statistical software to select our samples for the potentially overhoused and files with missing information, 20 files each. For the potentially underhoused, we selected five files.

We performed 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 objective:

- Calculation of housing assistance payments,
- Assignment of voucher size, and
- Compliance with housing quality standards.

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

Our reviewed disclosed no significant weaknesses in the above controls.

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	\$815	\$1,214

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/ “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. In this situation, funds to be put to better use also includes repayment to program participants for underpayments caused by noncompliance with regulations and avoidance of continued underpayments the Agency will realize by correcting the noncompliance issue.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments


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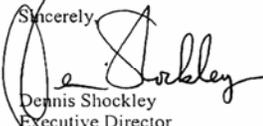
June 21, 2006

Mr. Frank E. Baca
Regional Inspector General for Audit
U.S. Department of Housing and Urban
Development
Office of Inspector General, Region VI
819 Taylor Street, Room 13A09
Fort Worth, Texas 76102

Re: Response to OIG Audit Finding: Oklahoma Housing Finance Agency Made
Minor Mistakes in Computing Housing Assistance Payments and Housing
Tenants

Dear Mr. Baca:

Attached is Oklahoma Housing Finance Agency's response to the recently completed
audit of our Housing Choice Voucher Program. If you have questions, please contact me
at (405) 419-8276 or Deborah Jenkins, Rental Assistance Team Leader, at (405) 419-
8290.

Sincerely,

Dennis Shockley
Executive Director

Enclosure

Cc: Tamara Wallinger, OIG
Oklahoma City


QUALITY
AWARD
WINNER

OKLAHOMA HOUSING FINANCE AGENCY
HOUSING CHOICE VOUCHER PROGRAM

RESPONSE TO HUD OIG AUDIT RECOMMENDATIONS

FINDING: THE AGENCY MADE MINOR MISTAKES IN COMPUTING HOUSING ASSISTANCE PAYMENTS AND HOUSING TENANTS

OIG Recommendation 1A – (i) Repay ineligible housing assistance overpayments of \$4,949 and (ii) reimburse tenants for housing assistance underpayments of \$1,351.

OHFA's Response to Recommendation 1A - (i) Oklahoma Housing Finance Agency ("OHFA") contends \$4,134 of the \$4,949 should be re-determined as eligible housing assistance payments, based upon the explanation below, and the total amount of ineligible housing assistance overpayments required to be reimbursed reduced to \$815.

As noted in the final audit report, OHFA has reimbursed its HAP account the full amount of \$4,949 for payments determined by the auditor to be ineligible housing assistance payments. Funds used to reimburse the HAP account were taken from OHFA's operating account.

Comment 1

Explanation of 1A (i): The OIG determined OHFA paid \$4,949 in ineligible housing assistance payments. Of the \$4,949 determined to be ineligible housing assistance payments, \$4,134 was due to OHFA's approval of larger units for two tenants who requested the larger units as a reasonable accommodation. The two tenants are [REDACTED]. The OIG final report states OHFA overpaid assistance on behalf of [REDACTED] in the amount of \$2,679 because the Agency did not have sufficient documentation to support approval of the additional bedroom. The report also states OHFA overpaid assistance on behalf of [REDACTED] in the amount of \$1,455 for the same reason given for [REDACTED].

24 CFR 982.402 (b) (8) states, "In determining family unit size for a particular family, the PHA may grant an exception to its established subsidy standards if the PHA determines that the exception is justified by the age, sex, health, handicap, or relationship of family member or other personal circumstances." OHFA's policy states, "Requests for a larger voucher based on health related reasons must be verified by a medical doctor." (Attachment 1)

[REDACTED] initial request for an additional bedroom includes a letter from her physician stating the additional bedroom was required due to her "disabilities." (Attachment 2)

[REDACTED] initial request for an additional bedroom includes a letter from her physician stating the additional bedroom was required due to her "age and health." (Attachment 3)

Neither letter from either physician stated the purpose of the additional bedroom. However, HUD regulation and OHFA policy and procedures in place at the time, justified approval of both requests.

In September 2005, prior to being notified of the scheduling of the OIG audit, OHFA's clarified for staff the proper documentation required prior to granting approval of an additional bedroom when requested as a reasonable accommodation. (Attachment 4)

OHFA has current documentation for [REDACTED] supporting the continued need for the additional bedrooms. (Attachment 5 & 6)

For the reasons listed above, OHFA believes the total amount of overpayments determined to be ineligible housing assistance payments and required to be reimbursed should be reduced from \$4,949 to \$815.

Comment 1

OHFA Response to Recommendation 1A – (ii) OHFA agrees with the auditor's determination that OHFA underpaid \$1,351 on behalf of eight tenants. However, OHFA contends the total amount required to be reimbursed to the eight tenants should be reduced to \$1,214. (see explanation below)

OHFA has reimbursed a total of \$1,104 to five of the eight tenants for underpayments. Funds used to reimburse tenants for underpayments were taken from OHFA's operating account. Three tenants [REDACTED], are no longer receiving assistance and OHFA has been unable to determine their current location. Underpayments for these three tenants total \$247.

Explanation of 1A (ii): OHFA underpaid a total of \$129 in assistance on behalf of [REDACTED] assistance was eventually terminated because she vacated the assisted unit without proper notice. This violation resulted in an overpayment of subsidy by OHFA to the landlord totaling \$99. OHFA believes the \$99 overpayment should be deducted from the total \$129 underpayment owed to [REDACTED]. Therefore, the total underpayment due [REDACTED] should be reduced to \$30.

OHFA underpaid a total of \$38 in assistance on behalf of [REDACTED] assistance was terminated because he vacated the assisted unit without proper notice. This violation resulted in an overpayment of subsidy by OHFA to the landlord totaling \$224. OHFA believes the \$224 overpayment should be deducted from the total \$38 underpayment owed to [REDACTED]. Therefore, the

total underpayment due [REDACTED] should be reduced to \$0.

Comment 2

OIG Recommendation 1B - Review potentially overhoused tenants at their next annual reexamination to ensure proper support for an additional bedroom.

OHFA's Response to Recommendation 1B - OHFA has obtained a list of potentially overhoused tenants. We are currently reviewing each tenant's file for proper documentation to support the additional bedroom. Additional documentation will be requested, if necessary. Review of all files for potentially overhoused tenants is scheduled to be completed by July 31, 2006.

OIG Recommendation 1C - Perform a quality control review of the files of the employee who had the majority of the mistakes. The Agency should correct any additional mistakes. This review can be conducted at the tenants' next annual reexamination.

Comment 3

OHFA's Response to Recommendation 1C - Quality control reviews are currently being conducted on 100% of the files processed by the employee responsible for the majority of the mistakes. We will continue to review 100% of the files until October 31, 2006. After October 31, 2006, if the employee is determined to be performing satisfactorily, the percentage of files quality controlled will be reduced to 50%. At no point will the percentage of files quality controlled for this employee be reduced below 25%.

The employee will be scheduled to complete on-line Occupancy and Rent Calculation training through Nan McKay. The employee will also be required to pass certification exams in each area. If the employee fails to pass either of these certification exams, [REDACTED]

OIG Evaluation of Auditee Comments

- Comment 1** We changed our report based on the Agency's comments and supporting documentation. We excluded two overhoused tenants from the report and reduced the amount of overpayments accordingly. We also reduced the amount of underpayments based on the Agency's response and supporting documentation.
- Comment 2** We commend the Agency for taking appropriate action concerning potentially overhoused tenants.
- Comment 3** We commend the Agency for implementing the recommendation.