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Audit Report Number	2006-FW-1015
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TO: Diana Armstrong
Director, Office of Public Housing, 6JPH

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

SUBJECT: The Housing Authority of the City of Austin, Texas, Overhoused Tenants and Paid excessive Housing Assistance Payments in the Section 8 Housing Choice Voucher Program

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 Housing Authority of the City of Austin's (Authority) Section 8 Housing Choice Voucher program to determine whether the Authority overhoused tenants and computed housing assistance payments correctly. We selected the Authority based on a computer analysis of data from HUD's Public and Indian Housing Information Center, which identified 662 tenants whose voucher size appeared to exceed the needs of the members of the households. We limited our review to the 662 vouchers.

What We Found

In 482 of the 662 vouchers reviewed, the Authority applied the correct voucher size and correctly computed housing assistance payments. However, it overhoused 180 tenants because it did not have effective controls in place to

ensure that staff assigned the correct voucher size. Staff used their own discretion and sometimes misapplied the policies for approving larger bedroom sizes because of the age/gender or live-in aides. Authority supervisors did not adequately review the assignment of voucher sizes to detect these staff errors. From April 1, 2003, through January 31, 2006, the Authority paid \$588,130 in excess housing assistance payments. We estimate the Authority could avoid future losses of up to \$768,000 by improving its controls over voucher size assignments. In addition, HUD overfunded the Authority's fiscal year 2006 Section 8 Housing Choice Voucher program budget by \$189,245 because it used costs incurred during three months in 2004 that contained overpayments of \$48,603 in the formula for calculating the budget and maximum funding.

What We Recommend

We recommend that you require the Authority to correct the voucher size for overhoused tenants and repay HUD for the housing assistance overpayments of \$588,130 that occurred from April 1, 2003, through January 31, 2006. In addition, we recommend that you require the Authority to repay any overpayments for the tenants that the Authority incurred after January 31, 2006. We also recommend that you ensure that the Authority improves and corrects its procedures to assign the correct subsidy size for all tenants to avoid future losses of up to \$768,000. Further, we recommend that you take the necessary action to reduce the Authority's fiscal year 2006 Section 8 budget by \$189,245 due to the use of 2004 overpayments in the formula for calculating the budget and funding.

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 Authority a copy of draft report on August 3, 2006, and had an exit conference on August 22, 2006. The Authority provided a written response at the exit conference. The Authority generally agreed with the report. The complete response and our evaluation are contained in Appendix B.

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BACKGROUND AND OBJECTIVES

The Housing Authority of the City of Austin (Authority) was established in 1937 by the City of Austin, Texas, and is governed by a five-member board of commissioners. The U.S. Department of Housing and Urban Development (HUD) has authorized the Authority to administer 5,023 Section 8 housing choice vouchers. From 2002 through 2006, HUD authorized the Authority more than \$201.8 million in Section 8 voucher program funds, nearly \$196.9 million of which the Authority had disbursed as of February 4, 2006.

The Authority uses its Section 8 voucher funds to provide eligible families with rental subsidies for decent, safe, and sanitary housing in the private market. It pays a housing subsidy directly to the property owner on behalf of the tenant; the tenant pays the difference between the actual rent and the subsidy amount. The Authority determines eligibility based on income and family size in accordance with its administrative plan. It verifies family income and composition annually and ensures the unit meets minimum housing quality standards.

With the HUD Appropriations Acts for federal fiscal years 2003 through 2006, Congress revised its method of calculating and distributing Section 8 renewal funds, housing assistance payments, and administrative fees. There were also provisions for a central fund and prohibitions on the use of Section 8 funds for overleasing. The revisions now require housing authorities to control the increasing costs of vouchers. In addition, the Housing Choice Voucher program became completely budget based in 2005. Housing authorities now must fiscally manage their voucher programs and leasing levels and keep costs within their budgets.

HUD calculated the budget allocations for 2005 and 2006 using the actual housing assistance payments from the May-July 2004 reporting period. HUD applied annual adjustment factors and pro rata reductions to the calculations to determine the renewal amounts.

Our objective was to determine whether the Authority overhoused tenants and computed housing assistance payment correctly.

RESULTS OF AUDIT

Finding: The Authority Overhoused Tenants and Paid Excessive Housing Assistance Payments

The Authority overhoused 180 tenants because it did not have effective controls in place to ensure that staff assigned the correct voucher size. The staff used their own discretion in assigning voucher sizes and, in some cases, misapplied the age/gender and medical policies for granting larger voucher sizes. Staff supervision and review of the staff's work did not detect these errors and require correct voucher sizes at the time of the annual reexaminations. As a result, from April 1, 2003, through January 31, 2006, the Authority paid \$588,130 in excess housing assistance payments. It could overpay an additional \$768,000 during the next 3.7 years, the median time a tenant stays in a unit, if the Authority does not adequately correct the erroneous voucher size assignments. In addition, HUD overfunded the 2006 Section 8 Housing Choice Voucher program by \$189,245 because it used 2004 overpayments in the formula for calculating the budget and maximum funding.

The Authority Established Subsidy Standards

HUD requires the Authority to adopt a written administrative plan that establishes local policies for administering the program in accordance with HUD requirements. The Authority must comply with the consolidated annual contributions contract and HUD regulations and administer the program in accordance with the administrative plan. It must also establish subsidy standards that determine the number of bedrooms needed for families of different sizes and compositions. The subsidy standards must provide for the smallest number of bedrooms needed to house a family without overcrowding.

The Authority's Section 8 administrative plan and standard operating procedures require staff to assign the voucher size to a participant based on the established minimum and maximum number of persons in a household. The Authority expects two people to share a bedroom unless they are of different sexes and one is at least seven years old. The Authority also may allow a family member a separate bedroom, upon written verification of a disability or handicap, and grant reasonable accommodations for tenants who require a live-in aide. Written verified proof from a doctor is required before approval of a live-in aide, and live-in aides must reside in the unit to be included in determining the family unit size. The Authority's policies require downgrades of tenants at annual reexaminations if there is a change in family composition during the interim period that caused a

decrease in family size. The Authority also requires the compliance supervisors to screen all annual reexaminations conducted by staff.

The Authority Overpaid \$588,130 in Housing Assistance Payments

We reviewed 662 vouchers of tenants who appeared to be overhoused to determine whether there was acceptable justification for issuing vouchers larger than the Authority’s administrative plan allowed. For 482 vouchers, we concluded that the Authority assigned the correct voucher size and ensured that an age/gender or medical exception applied. During the audit period, the Authority made \$588,130 in excessive housing assistance payments on behalf of 180 overhoused tenants.¹ We provided the calculations for all 180 overhoused tenant vouchers to the Authority’s compliance investigator for review. The Authority agreed with our calculations. The following table shows the number of vouchers and amount of overpayments for each type of situation that resulted in overhoused tenants.

Overhoused situations	Number of vouchers	Total overpayments
Tenant did not meet age/gender requirement	97	\$ 394,697
Live-in aide did not reside in unit	20	\$ 82,596
Change in family composition	43	\$ 67,876
No justification documented	20	\$ 42,961
Totals	180	\$ 588,130

The Authority’s Staff Misapplied the Written Policies When Assigning the Voucher Size

The Authority’s policies generally expect two people, besides the head of household, of the same gender to share a bedroom. The table below shows the Authority’s subsidy standards during the period:

Subsidy standards			
Voucher size	Minimum # of persons	Maximum # of persons	Maximum occupancy under housing quality standards (assumes a living room is used as a living/sleeping area)
0	1	1	1
1	1	2	4
2	2	4	6
3	4	6	8
4	6	8	10
5	8	10	12

¹ This represents about 3.6 percent of the HUD-authorized 5,023 vouchers.

However, the Authority can increase the voucher size and allow separate bedrooms for household members of the opposite sex if one is at least seven years old. For example, if a tenant household were to consist of a head of household, a teenage male, and a teenage female, the correct voucher size would be three. The head of household would get one bedroom, and the teenage male and teenage female would each get a separate bedroom. However, if a tenant household were to consist of a head of household and two teenage females, the correct voucher size would be two bedrooms. The head of household gets a bedroom, and the two teenage females will share a bedroom because they are of the same gender.

The Authority did not follow the age/gender exception policy when it increased the voucher size for 97 tenants. Authority staff used their own discretion instead of following written policies. Sometimes they allowed families with teenage children of the same sex to have their own bedrooms. One reason given was that they did not want to displace the family; therefore, if the family remained in the same unit, they allowed them to keep their voucher bedroom size.

The Authority granted medical exceptions for 20 tenants who required live-in aides. The Authority had written verification of the family member's disability or handicap and had obtained written verification from a doctor that a live-in aide was required. Written policies require the approval of a live-in aide prior to upgrading a voucher. However, staff apparently did not want to cause any additional hardship on the family and upgraded the voucher without first approving the live-in aide. The tenant files did not indicate that staff approved the live-in aides or that live-in aides resided in the units. HUD's and the Authority's policies require live-in aides to be on the lease and reside in the unit. The Authority should not have considered a live-in aide in determining the voucher size before ensuring that the live-in aide would be on the lease and would live in the unit.

The Authority should have downgraded 43 vouchers at its annual reexamination for tenants who had a change in family composition. During the annual reexamination, the Authority's housing counselors are responsible for reviewing the current family composition and applying the correct subsidy standards to the households. Tenant families experiencing a change in household size and composition during the interim period that warrants a smaller voucher size are required to be downgraded at the next annual reexamination. The Authority's compliance supervisors are responsible for reviewing all of the annual reexaminations conducted by staff. The supervisors' review process was not effective because these tenants should have been identified as overhoused and their vouchers downgraded at the annual reexamination.

The Authority also overhoused 20 tenants without justification in the files. The tenants' files did not have written verification of a disability or handicap required to grant reasonable accommodation for a live-in aide or an extra bedroom to store medical equipment. There were no justifications for extra bedrooms and larger

voucher sizes. The supervisory review process was not effective because these overhoused tenants should have been discovered during the interim and annual reexaminations.

For 18 of the 180 vouchers, overhousing did not result in housing subsidy overpayments. The gross rents were less than the correct payment standard. Although the overhousing did not result in overpayments in these instances, the Authority should correct the voucher sizes to avoid possible future overpayments.

The Authority Can Save About \$768,000 by Correcting Voucher Assignments

If the Authority corrects the voucher assignments for its overhoused tenants and assigns the correct voucher sizes at initial examinations and annual reexaminations, it could avoid additional overpayments of as much as \$768,000 over the next 3.7 years. This estimate is based on the average actual overhousing costs incurred per month during our audit period. See appendix C for our calculation of these savings.

HUD Overfunded the Authority's Section 8 Budget

The overhousing costs during the audit period resulted in overfunding the Authority's Housing Choice Voucher program. To arrive at the budget and maximum funding for 2006, the HUD Appropriations Act for 2006 required HUD to use the calendar year 2005 Housing Choice Voucher program renewal amount as the baseline. HUD adjusted the baseline amount by the annual adjustment factor and then by a proration factor that represents the 2006 percentage of 2005 funding. The 2005 budget was based on the average actual costs and number of units authorized during May, June, and July 2004, also adjusted by an annual adjustment factor. Since May, June, and July 2004 contained payments for overhoused tenants, the 2006 budget needs to be adjusted by the amount of overpayments and later adjustments. We calculated the downward adjustment to the 2006 Housing Choice Voucher program budget to be \$189,245. See appendix C for our calculation. HUD should reduce the 2006 budget by the costs associated with the overpayment of housing subsidies during those months.

The Authority Issued New Policies for Assigning and Reviewing Voucher Sizes

The Authority changed its policy on April 6, 2006, and no longer uses the age or gender of household members in determining an exception to policy for assigning

voucher size.² The Authority's policy now requires two people to share a bedroom regardless of their age or gender. According to the Authority, downgrade letters have been sent to the current overhoused tenants. The downgrade letters state that the tenant has a choice of keeping the larger unit and paying the higher portion of rent (if gross rent exceeds the new payment standard) or relocating to the appropriate unit size. The downgrades will take effect at the next annual reexaminations. Authority managers have also instructed staff not to upgrade vouchers until a live-in aide has been approved. Staff members are instructed to ensure that there is written verification of disability or handicap including a doctor's statement documenting the need for an extra bedroom for a live-in aide and/or medical equipment storage.

The Authority has also implemented new quality control measures to ensure proper application of the subsidy standards policy. The new standard operating procedures added a tighter quality control process that requires monthly reviews of a computer-generated report that compares number of people in the household with the voucher size. A compliance investigator will review the report for all situations in which the families appear to be overhoused. After the review, if the family requires a downgrade, staff will arrange an appointment, and the voucher will be downgraded if the family size does not meet the requirements. The new standards and procedures should help ensure that the Authority downgrades any currently overhoused tenants by their next annual reexamination and avoids overpaying housing assistance payments.

Recommendations

We recommend that HUD require the Authority to

- 1A. Correct the voucher size for all currently overhoused tenants.
- 1B. Repay HUD for housing assistance overpayments of \$588,130 during the audit period and any additional overpayments incurred after our audit period that ended January 31, 2006.

We also recommend that HUD

- 1C. Ensure that the Authority's annual reexaminations and supervisory review procedures are effective in assigning the appropriate voucher subsidy size for family composition in accordance with its administrative plan and HUD requirements to avoid future overpayments of up to \$768,031.
- 1D. Reduce the fiscal year 2006 Section 8 Housing Choice Voucher program budget and maximum funding by \$189,245 due to the use of the 2004 overpayments in the formula for calculating the budget.

² The policy is consistent with HUD guidance.

SCOPE AND METHODOLOGY

The audit covered the period from April 1, 2003, through January 31, 2006. To accomplish our objectives, we analyzed HUD data and data provided by the Authority. We reviewed the Authority's policies and procedures, tenant files, and audited financial statements. We also reviewed federal regulations and the Authority's annual and administrative plans. We interviewed HUD and Authority staff and obtained an understanding of the applicable internal controls. We performed fieldwork at the Authority's administrative offices in Austin, Texas, from February to June 2006.

The Authority uses the Emphasys Computer System for recording all financial transactions for all departments including finance, public housing, and Section 8 programs. The Authority uploads information from the Section 8 component in the system into HUD's Public and Indian Housing Information Center system. The HUD database contained 5,666 vouchers, and the Authority's database contained 6,443 vouchers for the survey period. We assessed the reliability of computer-processed data relating to our objectives. Using Access computer software, we merged the data and resolved all discrepancies; the new database contained 6,431 vouchers. Rent and utility payment assistance totaled more than \$124.7 million for the audit period.

We identified 662 potentially overhoused tenants from the 6,431 vouchers used during our audit period. We defined an overhoused tenant voucher as any voucher that did not have the minimum number of household members required by Authority's payment standards for voucher size. During the period, the Authority paid nearly \$15.3 million in rent and utility payments for the 662 tenants. We reviewed all 662 files for the potentially overhoused tenants to determine whether there was acceptable justification for assigning vouchers larger than the Authority's administrative plan allowed, and when there was not justification, we calculated the overpayments.

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 objectives:

- Application and reexamination processing,
- Assignment of subsidy standard and voucher size, and
- Calculation of housing assistance payments.

We assessed the relevant controls identified above.

A significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

Significant Weaknesses

Based on our review, we believe the following items are significant weaknesses (finding 1):

- The Authority permitted staff to use their own discretion in assigning voucher sizes that sometimes did not comply with policies and caused the tenant to be overhoused,
- The Authority did not have adequate controls to detect overhoused tenants during reviews of staff annual reexaminations.

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>
1B	\$588,130	
1C		\$768,031
1D		\$189,245
Totals	\$588,130	\$957,276



- 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. The \$768,031 represents future overpayments that HUD will avoid if the Authority implements procedures to assign families the appropriate voucher size, and the \$189,245 represents a reduction in HUD’s maximum funding of the Authority’s Section 8 Housing Choice Voucher program budget due to prior overpayments. See appendix C for calculations.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

 <p>Board of Commissioners Henry Flores, Chairman Carl S. Richie, Jr. Charles Bailey Trya Duncan-Hall Kelly Roth</p> <p>President & CEO James L. Hargrove</p>	<h3 style="text-align: center;">Housing Authority of the City of Austin</h3> <p style="text-align: center;"><i>Established in 1937</i></p> <p>August 22, 2006</p> <p>Mr. Frank E. Baca Regional Inspector General U. S. Department of Housing and Urban Development Office of Inspector General, Region VI 819 Taylor Street, Room 13A09 Fort Worth, Texas 76102</p> <p>Subject: HACA's Response to Draft HUD OIG Audit Report</p> <p>Dear Mr. Baca:</p> <p>The Housing Authority of the City of Austin has received and reviewed the HUD OIG Audit Draft Report for over-housed tenants. One of our agency's goals is to work efficiently and effectively to meet federal, state and local mandates. HACA understands why the audit was performed and appreciates the guidance and assistance HUD OIG provided. The following serves to clarify some aspects of the report.</p> <p>In terms of the overall impact of the \$588,130.00 overpayment - for the audit period, this represents .47 percent (or less than 1 percent) of the total amount approved by HUD for HAP, which equaled \$126,029,146.00. HACA has consistently achieved one of HUD's primary goals for the Housing Choice Voucher Program by leasing the maximum number of vouchers approved and ensuring that costs are within the approved HUD allocated budget. In addition, HACA implemented various cost savings measures in 2004, which saved HUD \$1,177,280.00 in calendar year 2005.</p> <p>HACA trains staff on all aspects of the Housing Choice Voucher Program to include the proper application of the Subsidy Standards. On July 26, 2004, a Standard Operating Procedure was written and reviewed with staff to clarify the proper application of subsidy standards. Quality Control measures were also in place to ensure that the proper subsidy standards were applied by means of a compliance supervisor checking initial leases and 100% of annual re-exams. Overall, HACA's quality control process resulted in 97% accuracy for applying the proper voucher size.</p> <p>The HUD OIG report misstated HACA's management directives to staff regarding voucher issuance. Management trained staff both orally and in writing regarding the procedures for voucher issuance. Management did not instruct staff to use their own discretion in assigning voucher size. The reasons for the errors were a result of staff's misinterpretation of the written policy, not a result of management's failure to provide proper instructions.</p> <p>HACA has taken action to clarify any areas of misunderstanding by updating the Subsidy Standards SOP, training staff on these procedures, and adding stronger controls to check that staff consistently applies subsidy standards based on approved policies.</p> <p><i>"We, the Housing Authority of the City of Austin, dedicate ourselves to creating and sustaining healthy communities that promote individual responsibility, economic growth, human dignity and hope for the future"</i></p> <p>1124 S. IH35, Austin, Tx. 78704 • P.O. Box 6159 Austin, Tx 78762-6159 • (512) 477-4488 • Fax (512) 477-0953</p> 
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Comment 1

Regarding approval of an additional room for live-in aids, each client had a physician's statement requesting a reasonable accommodation for an additional bedroom to accommodate a live-in aide or medical equipment. Management instructed staff of the requirement to approve the live-in aide prior to issuing a larger bedroom size both in written and verbal format. This is evidenced by an Add on Procedure issued on October 1, 2003 and the Subsidy Standard SOP issued on July 26, 2004. Errors in this area were a result of staff trying to accommodate the needs of a disabled person. Staff wanted to ensure that they provided the necessary reasonable accommodation to afford a disabled person an equal opportunity to enjoy a safe, secure home. HACA has implemented stricter policies to approve an additional bedroom for a live-in aide or for medical equipment, to include an inspection of the assisted unit and photos to justify the need.

Response to Recommendations

- 1A. Correct the voucher size of all currently over-housed tenants.

HACA has corrected all voucher sizes of currently over-housed tenants. Out of the 180 identified 61 have exited the program and 119 have been downgraded to the appropriate bedroom size.

- 1B. Repay HUD for housing assistance overpayments of \$588,130.00 during the audit period and any additional overpayments incurred after our audit period that ended January 31, 2006.

Since the implementation of the Federal Fiscal Year (FFY) 2003 Omnibus Appropriations Act, (HUD PIH Notice 2003-23) Housing Authorities have been prohibited from leasing more units than authorized by HUD (baseline vouchers). On April 22, 2004, HUD published Notice PIH 2004-7, which again prohibited the use of funds for over-leasing and also called on Housing Authorities to manage their Housing Choice Voucher program prudently, to ensure that program costs stayed within their approved HUD allocated budget and voucher baseline. HACA followed HUD's directives and in calendar year 2004, implemented various cost savings measures to include more rigorous and frequent rent reasonableness reviews; increased income matching/verification efforts; implemented a strong fraud prevention and investigation component, and developed stricter subsidy standard procedures. Evidence of these cost savings is reflected in the 2005 calendar year in which HACA leased 100% of available vouchers, and spent only 97.4% of allocated HAP funds. The end result is HUD HAP Subsidy's approved from January 2005 to December 2005 was \$45,014,352 and the total amount spent by HACA for HAP per the General Ledger total \$43,837,071. Total savings for HUD equals \$1,177,280.00 for the 2005 calendar year. Considering these facts, we request that HUD not require HACA to repay the \$588,130.00, as we have already saved HUD this money through cost savings measures.

- 1C. Ensure that the Authority's annual reexaminations and supervisory review procedures are effective in assigning the appropriate voucher subsidy size for family composition in accordance with its administrative plan and HUD requirements to avoid future overpayments of up to \$768,031.


HACA has already improved controls to ensure families receive the proper subsidy as approved in HACA's administrative plan. A revised SOP was issued in March 2006, which clarifies the previous SOP issued in July 2004. This new SOP was presented to staff both orally and in written format, with opportunities for discussion and feedback. These discussions resulted in further updates in the SOP to ensure that staff has a clear understanding of the policy. The compliance supervisors will continue to check for proper application of subsidy standards at initial lease-up and at annual reviews. In addition, an internal compliance investigator will review a monthly computer generated report that compares family size with voucher size. If after the review, the family requires an upgrade or downgrade, the family will be invited for an appointment and will be downgraded or upgraded as deemed appropriate. This review has already taken place and families have been upgraded or downgraded based on current subsidy standards.

- 1D. Reduce the fiscal year 2006 Section 8 Housing Choice Voucher budget and maximum funding by \$189,245 due to using the 2004 overpayments in the formula for calculating the budget.

HACA has implemented cost saving measures to reduce the overall HAP expenses for the program and will save HUD at least \$189,245 for calendar year 2006. In review of year-to-date spending, this amount has already been saved.

Again, thank you for the assistance and recommendations through the audit process. Please let me know if you have any additional questions.

Sincerely,


James L. Hargrove
President and CEO

cc: Mr. Lorenzo Garcia, Senior HUD OIG Auditor

OIG Evaluation of Auditee Comments

Comment 1 We reviewed the auditee's comments and revised our report to better explain the cause of tenants being overhoused.

Appendix C

CALCULATIONS OF FUNDS TO BE PUT TO BETTER USE

Calculation of savings by correcting voucher size assignments (recommendation 1C):

A. Amount of overpayments during the audit period	\$588,130
B. Number of months in the audit period	34
C. Average monthly overpayments (line A ÷ line B)	\$ 17,298
D. Average annual overpayments (line C x12)	\$207,576
E. Savings over the next 3.7 years ³ (line D x 3.7)	\$768,031
Funds to be put to better use	\$768,031

Calculation of the 2006 Housing Choice Voucher program overfunding adjustment (recommendation 1D):

2004 overpayments used in formula

May 2004	\$16,934
June 2004	15,799
July 2004	15,870
Total overpayments	\$48,603

Average overpayments (\$48,603 ÷ 3 months) \$16,201

Annualized overpayments (\$16,201 x 12 months)
for overfunding adjustment \$194,412

Renewal funding for calendar year 2006

	<u>Actual funding</u>	<u>Overfunding adjustment</u>	<u>Adjusted funding for 2006</u>
A. 2005 funding before proration for 2006	\$45,502,878	(\$194,412)	\$45,308,466
B. Annual adjustment factor	1.029	1.029	1.029
C. Adjusted 2006 eligibility (line A x line B)	\$46,822,461	(\$200,050)	\$46,622,412
D. Proration factor for 2006 (per HUD calculation)	.94599	.94599	.94599
E. 2006 final funding amount (line C x line D)	\$44,293,473	(\$189,245)	\$44,104,229
Funds to be put to better use		\$189,245	

³ Average time a tenant stays in a Section 8 unit in a large metropolitan area.