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Audit Report Number	2006-KC-1003
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TO: Debra L. Lingwall, Director, Office of Public Housing – Omaha Office, 7APH

//signed//

FROM: Ronald J. Hosking, Regional Inspector General for Audit, 7AGA

SUBJECT: The Omaha Housing Authority does not have Adequate Controls over its Housing Quality Standards Process and Tenant Eligibility Verification Procedures

HIGHLIGHTS

What We Audited and Why

We audited the Omaha Housing Authority's (Authority) Section 8 Housing Choice Voucher program (voucher program) to determine whether the Authority's program complied with U.S. Department of Housing and Urban Development (HUD) requirements. We selected the Authority for review based on our risk assessment of the larger housing authorities in Region VII.

What We Found

The Authority properly calculated tenant rent and subsidy payments and maximized the number of vouchers they used. However, it provided assistance on units that did not meet Section 8 housing quality standards and did not always verify and document that family members were eligible.

What We Recommend

We recommend that the HUD Region VII Office of Public Housing require the Authority to improve controls over its housing inspection process and procedures for verifying tenant eligibility.

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

The Authority agreed with the findings. We provided the draft audit report to the Authority on December 12, 2005 and requested their comments by December 27, 2005. The Authority provided their written response on December 23, 2005.

The complete text of the auditee's response is in appendix B of this report.

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BACKGROUND AND OBJECTIVES

The Authority began operations in 1935. The Authority receives funding for its rental assistance programs from HUD, tenant rents collected, and the City of Omaha. The rental assistance programs include HUD's public housing program and the Section 8 voucher program. The Authority also receives funding for its other housing programs through federal, private, and contractual agreements. Housing In Omaha, Incorporated operates the Authority's other programs. Housing In Omaha, Incorporated is one of the Authority's nonprofit affiliates.

A five member Board of Commissioners governs the Authority. An executive director manages the day-to-day operations. The Authority's administrative office is located at 540 South 27th Street, Omaha, Nebraska. Its public housing/Section 8 voucher program office is located at 3003 Emmett Street, Omaha, Nebraska.

The Authority received the following HUD funds during our audit period: \$21,331,999 in 2003; \$24,002,901 in 2004; and, \$26,346,436 in 2005. HUD's annual contributions contract with the Authority authorizes 3,964 Section 8 vouchers.

The objective of our audit was to determine whether the Authority operated its Section 8 voucher program in accordance with HUD requirements.

RESULTS OF AUDIT

Finding 1: The Authority's Housing Quality Standards Process Did Not Always Comply with HUD Requirements

The Authority's process for ensuring housing quality did not always comply with HUD requirements. This occurred because the Authority did not emphasize the importance of the inspection process. As a result, the Authority provided \$29,151 in rental assistance for homes that did not meet standards.

Problems existed throughout the Authority's housing inspection process. These problems included:

- Inspections did not find violations.
- Annual and initial inspections were not performed timely.
- Rental payments were not stopped when units failed inspections.
- Reinspections were not performed timely.

Authority Did Not Always Find Violations

The Authority's inspectors failed to find obvious housing quality deficiencies. We inspected 24 Section 8 assisted homes and found that twelve of the 24 homes failed to meet HUD's minimum standards. We found 84 deficiencies in the 24 homes. The deficiencies included 44 safety/health/tripping hazards and 40 other hazards. More importantly, 19 of the deficiencies in 24 homes existed when the Authority performed its most recent inspection.

Title 24 of the Code of Federal Regulations, Part 982 allows HUD to pay rental subsidies so eligible families can afford decent, safe, and sanitary housing. HUD's housing quality standards provides the minimum requirements for a Section 8 home. HUD requires that all Section 8 homes be decent, safe, and sanitary to be eligible for rental assistance.

A significant violation occurs when units are in extremely poor condition caused by (1) deficiencies that existed for an extended period; (2) identified deficiencies not corrected once identified; and/or (3) deferred maintenance that consistently fails the unit. The following photographs illustrate some of the significant violations we found.

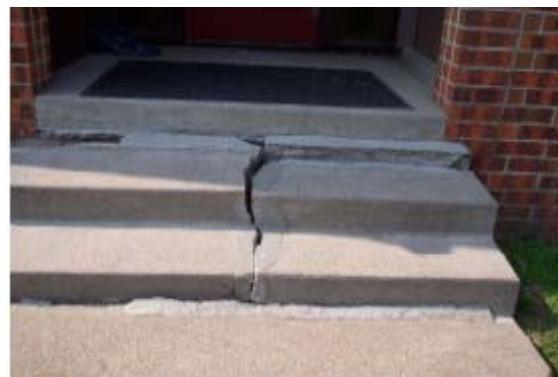
The bottom half of the garage's backside is missing (tenant t0006518).



Large rotting tree marked by the City of Omaha for removal (tenant t0003286).



The homes concrete steps are broken (tenant t0010629).



The Authority should have identified these problems during its inspections. Had it found the problems, it could have made the owners correct them. Since it did not find the problems, it paid assistance on units that were in significantly worse condition than allowed by the standards. The Authority should repay the amounts spent on those units.

Inspections Not Timely

The Authority’s staff did not perform timely annual and initial inspections. Of the 24 homes we tested, eight inspections were past due. HUD requires initial and annual inspections of each Section 8 home within a reasonable time. Initial inspections must be done before the tenant moves in. Annual reinspections must be done within one year of the prior inspection. The following table identifies, by tenant, the type of inspection and the number of days past due.

Tenants	Type inspection not conducted timely	Days past due
t0007741	Annual	29
t0003415	Annual	47
t0010834	Initial	13
t0006518	Annual	3
t0003501	Annual	18
t0005764	Annual	2
t0004495	Annual	20
T0003286	Annual	16

The Authority Did Not Stop Rental Payments on a Failed Home

The Authority did not properly stop rental payments on one home in our sample. HUD lets owners fix problems found during inspections and requires that the Authority verify correction of the problems. If the owner fails to fix the problems within 30 days, the Authority must stop making assistance payments (abate). Unit leased for tenant number t0010455 failed its annual inspection. The Authority staff reinspected the unit 30 days later, but the unit still failed. The unit finally passed a second reinspection after 25 more days. The Authority should have stopped assistance payments after the first reinspection.

Reinspections Not Always Timely

In seven of our sample cases, the Authority's staff did not complete reinspections within the required timeframe. Promptly following an inspection, the Authority must notify the owner of problems that need correction, and then reinspect the unit within 30 days. The following table identifies the nine late reinspections and the number of days past due.

Tenant number	Days past due
t0006160	2
t0006160	1
t0004495	1
t0004495	1
t0005747	2
t0006797	3
t0003286	1
t0004839	2
t0004203	2

Authority Did Not Adequately Oversee the Inspection Process

The Authority did not emphasize the importance of the inspection process. As a result, the Authority did not adequately train its staff or develop methods to ensure timely completion of the inspection process. Specifically, the Authority did not:

- Properly train its inspectors in HUD's housing quality standards and local building/housing codes.
- Have an adequate process to ensure timely correction of identified deficiencies.
- Have an adequate process to ensure rental payments were stopped when deficiencies were not corrected.
- Have an adequate process to ensure timely completion of inspections.

Excess Payments and Poor Living Conditions

The Authority paid \$29,151 in assistance for four homes that did not meet housing quality standards. This amount is based on the amount of time (months) the unit did not meet standards multiplied by the average annual assistance payment. The following table shows the inappropriate payments.

Tenants	Housing assistance payment made for not meeting standards
t0006518	\$15,939
t0010629	\$10,958
t0003286	\$1,992
t0010455	\$262
Totals	\$29,151

The Authority's actions also resulted in tenants living in homes that were not decent, safe, and sanitary.

Conclusion

The Authority did not identify and require correction of housing quality violations. Since the Authority did not emphasize the importance of the inspection process, it did not create adequate controls over the process. As a result, the Authority paid \$29,151 in housing assistance for homes that did not meet standards and caused tenants to live in homes that were not decent, safe, and sanitary.

Recommendations

We recommend that the HUD Region VII Office of Public Housing:

- 1A. Require the Authority to emphasize the importance of the inspection process by implementing sufficient controls to ensure it meets HUD requirements. This should include:
 - Providing training to inspectors on HUD's housing quality standards and local building/housing codes.
 - Developing a process to ensure timely performance of annual inspections and reinspections.

- Properly stopping payments on homes when the owner fails to correct problems.
- 1B. Require the Authority to repay \$29,151 in assistance payments on homes that did not meet standards and for problems not detected by the Authority. Payments must come from other nonfederal sources.

Finding 2: The Authority Did Not Consistently Follow Tenant Eligibility Verification Procedures

The Authority did not properly document the Social Security numbers and citizenship or immigration status of family members of those applying for assisted housing. The Authority did not ensure its staff consistently prorated assistance amounts based on the requirements specified in its administrative plan and HUD regulations. The assistant director of the Section 8 program and quality control review personnel did not perform adequate quality control reviews because corrective changes to identify deficiencies were not completed. As a result, the Authority overpaid \$29,360 in assistance.

Tenant Eligibility Procedures Not Followed

The Authority did not properly determine or document the eligibility of all family members. HUD limits rental assistance to citizens and certain immigrants. If a family includes ineligible members, the Authority must prorate the assistance.

Title 24 of the Code of Federal Regulations, Part 5, requires applicants to submit documents to show they are eligible, including Social Security numbers for all household members over five years of age. In addition, all family members must declare in writing whether they are a US citizen or a noncitizen with eligible immigration status. When applicants fail to submit these documents, the Authority must reduce the rental assistance for the ineligible family members.

Of the 20 tenant files we tested, 16 files contained 72 cases of improperly documented eligibility. The Authority:

- Did not obtain copies of Social Security cards or acceptable documentation on six family members.
- Received copies of Social Security cards for 18 family members after the 60-day limit.
- Did not have the copies of declaration of citizenship status on eight family members.
- Received copies of the declaration of citizenship status for nine family members after the 30-day limit.

The Authority's intake housing specialist requires and receives Social Security number and eligible citizenship or immigration status documentation. The intake-housing specialist must followup on missing documentation. The assistant director of the Section 8 housing choice voucher program and quality control personnel perform a quality control review on all files to ensure that all required documents exist.

Quality Control Process Not Monitored

The assistant director of the Section 8 program and quality control review personnel did not perform adequate quality control reviews because corrective changes to identified deficiencies were not completed. Even though the Authority established a process of quality control, it failed to monitor the process and make corrective changes. For example, the Authority does not require that its staff track when they need to followup on missing or incomplete documentation or when they need to prorate rents for ineligible family members.

The Authority Overpaid \$29,360

The Authority failed to prorate housing assistance payments to eight families. The Authority overpaid \$29,360 in assistance during the time there were ineligible family members living in the units.

Tenants	Housing assistance payment rendered by the authority	OIG calculation of prorated housing assistance payment	Overpayment --- housing assistance payment
t0006956	\$ 18,705	\$ 16,396	\$ 2,309
t0003411	\$ 22,548	\$ 18,038	\$ 4,510
t0006157	\$ 6,681	\$ 3,661	\$ 3,021
t0007581	\$ 7,242	\$ 3,621	\$ 3,621
t0007613	\$ 17,900	\$ 9,706	\$ 8,194
t0006275	\$ 6,325	\$ 4,648	\$ 1,677
t0005727	\$ 11,240	\$ 8,430	\$ 2,810
t0005473	\$ 9,653	\$ 6,435	\$ 3,218
Totals	\$ 100,294	\$ 70,935	\$ 29,360

Conclusion

The Authority did not properly document that family members were eligible. Without such documentation, the Authority is unable to show that the family should have received the entire amount of assistance. This occurred because the Authority failed to monitor its quality control process. As a result, the Authority overpaid \$29,360.

Recommendations

We recommend that the HUD Region VII Office of Public Housing:

- 2A. Require the Authority to ensure that it sufficiently monitors and oversees the quality control process so it meets all HUD requirements. This would include ensuring its staff obtains and properly files Social Security cards and necessary citizenship or immigration status documents.
- 2B. Require the Authority to repay from non Federal sources \$29,360 for overpaid housing assistance

SCOPE AND METHODOLOGY

To accomplish our audit objectives, we reviewed applicable Authority and HUD criteria. We interviewed appropriate Authority and HUD staff and reviewed HUD's files on the Authority. In addition, we reviewed records maintained by the Authority and tested the control structure. We also inspected a sample of units assisted under the Section 8 voucher program. We did not test 100 percent of the housing units or tenant files. We selected a small sample of each for detailed testing.

Our initial unit inspection sample contained four homes, one home for each of four inspectors. Our second sample contained 20 homes with three to four homes for each of five inspectors. Our results apply to only the units inspected and are not intended to be a representation of all units.

Our file review sample contained 20 tenant files containing invalid Social Security numbers, birthdates before January 1, 1998, and names matching a list from the Authority and the OIG. Our results apply to only the tenant files reviewed and are not intended to be a representation of all tenant files.

Our review period was January 1, 2003, through August 31, 2005. We conducted our audit work from March through July 2005 at the Authority's 3003 Emmett Street and 27th Street offices.

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 of the achievement of the following objectives:

- 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:

- Controls over inspecting Section 8 housing choice voucher program units
- Controls over enforcing corrective actions to cure housing quality standard violations
- Controls over ensuring the proper use of Section 8 housing choice vouchers
- Controls over determining tenant eligibility
- Controls over calculating tenant rent and subsidy payments
- Controls over the use of the Enterprise Income Verification System

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:

- The Authority did not emphasize the importance of the housing quality standards inspection process. (see finding 1).

- The assistant director of the Section 8 program and quality control review personnel did not perform adequate quality control reviews because corrective changes to identify deficiencies were not completed. (see finding 2).

APPENDIXES

Appendix A

SCHEDULE OF INELIGIBLE COSTS

Recommendation number	Ineligible 1/
1B	\$29,151
2B	\$29,360

1/ Ineligible costs are costs charged to a HUD financed or HUD insured program, activity that the auditor believes are not allowable by law; contract; or federal, state, or local polices, or regulations.

Appendix B

AUDITEE COMMENTS



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December 23, 2005

Mr. Ronald J. Hosking
Regional Inspector General for Audit
UMB Plaza Building
1670 Broadway, 24th Floor
Denver, CO 80202-4801

Dear Mr. Hosking,

Enclosed please find the Omaha Housing Authority's written comments for your report on the Section 8 Housing Choice Voucher Program audit your agency recently conducted. Also enclosed are the findings in the report that we dispute.

We look forward to discussing the findings with your staff at the exit conference once it is scheduled, and I wish to express my sincere appreciation for the professionalism of your audit team.

Sincerely,

A handwritten signature in cursive script, appearing to read "Brad Ashford", is written over the typed name and title.

Brad Ashford
Executive Director

AUDITEE COMMENTS

In August of 1999, the Omaha Housing Authority was first designated as a "troubled agency" and began working with the Troubled Agency Recovery Center (TARC) in Cleveland, Ohio. In October of 1999, TARC began working with our Section 8 department. During that time period, all of OHA's policies and procedures were reviewed and approved by TARC. It was not until April 1, 2003 that the oversight of OHA was returned to regional and local HUD offices.

General Comments for Finding 1:

The Omaha Housing Authority has already recognized the need to emphasize the importance of the inspection process by implementing sufficient controls to ensure it meets HUD requirements. Internally, OHA felt it was necessary to strengthen and improve the entire inspections process. On February 24, 2005, the OHA Board of Commissioners passed a resolution that incorporated the use of the code of the City of Omaha as well as HQS for all inspections. OHA clearly provided that HQS must be met in all circumstances, and if there was a discrepancy, the stricter of the two standards would prevail. The reasoning for this change was that OHA should not allow housing that could be later determined substandard by a City Inspector. In the Spring of 2005, the Inspections Department was removed from the Section 8 office and placed under the supervision of the Safety & Compliance Department. This change was made in order to provide a greater amount of accountability for the inspectors and to ensure greater quality control measures for the inspections process. The inspections clerks are much more closely supervised to ensure that inspections are being scheduled in a timely manner, and all staff attends frequent staff meetings to discuss inspections issues.

OHA has also identified the need for additional training for the inspections staff. All of the inspectors attended an all day in-service training session on May 13, 2005. They were instructed on regulations, fraud, emergency procedures, and other topics. During that training session, an inspector for the City of Omaha spoke about determining proper bedroom sizes under City code. In October of 2005, three staff members were sent to UPCS training in Kearney, Nebraska. All three of the staff members passed the training exam and received certificates. All of the inspections staff was scheduled to attend HQS training from November 28 through December 1, 2005; however, the training was cancelled due to lack of participation. It is OHA's hope that this training will be rescheduled in January of 2006, and if it is not, OHA will pursue other opportunities for training on HQS. OHA is in the process of locating additional training for inspectors on the code of the City of Omaha, which incorporates the International Property Maintenance Code and the International Residential Code.

Inspections staff have already developed a process to ensure timely performance of annual inspections and re-inspections. OHA's computer software allows the inspections department to track inspections electronically, and before a subsequent inspection is scheduled, the clerks are able to check the date of the last inspection and ensure that the latter inspection is scheduled in a timely manner.

AUDITEE COMMENTS

The "stopping payments" issue has also been addressed with additional staff training. The inspections clerks responsible for initiating the stopping of payments have been informed of regulations and rules in this regard, and are now properly applying them.

OHA does not believe that a repayment of \$29,151 is appropriate in light of the strides OHA has already made in regard to its inspections department. OHA can and will learn from any errors identified, and asks that you not assess this penalty. Moreover, OHA is without resources to pay this amount, as it does not currently have income from other nonfederal sources.

General Comments for Finding 2:

On August 27, 2004, the Omaha HUD Office sent OHA the findings of a Rims Review for both public housing and Section 8. At that time, HUD made a finding that OHA needed to improve documentation on social security numbers, proof of citizenship, and other certification forms such as the participant's declaration that they will provide the necessary documentation by a certain date.

In response to this August 27, 2004 finding, OHA created a quality control checklist to be used on every file which provides that the file cannot be approved by a quality control specialist or other manager without the necessary documentation being present. At the time of each annual review, if a housing specialist does not find the necessary documentation to be part of the file, the program participants are asked to provide them, and we follow-up this request in writing and have the family sign a declaration form. If the documents are not provided by the deadline given, the assistance is terminated or prorated as appropriate. OHA began this process in late 2004 after receiving the review findings and believes that it is already in the process of completing a full cycle through all its files, as we are finalizing January 2006 re-certifications.

In fact, many of the files identified as being deficient by this audit now contain all of the proper documentation. As the auditors were only reviewing from January 1, 2003 through December 21, 2004, all of the remedial work OHA has completed since the RIMS Review was not considered. OHA can do nothing at this point to go back and cure the deficiencies that existed in 2003 and 2004; however we ask that we not be assessed \$29,360 for overpaid housing assistance based upon the substantial efforts we have already made in this regard. Moreover, OHA is without resources to pay this amount, as it does not currently have income from other nonfederal sources.