



| | |
|------------|----------------|
| Issue Date | March 30, 2006 |
|------------|----------------|

| | |
|---------------------|--------------|
| Audit Report Number | 2006-KC-1008 |
|---------------------|--------------|

TO: Andrew L. Boeddeker, Director, Office of Public Housing, 7APH

//signed//

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

SUBJECT: The St. Joseph Housing Authority, St. Joseph, Missouri, Overhoused 16 Tenants under the Section 8 Housing Choice Voucher Program

HIGHLIGHTS

What We Audited and Why

We reviewed the Section 8 Housing Choice Voucher program (voucher program) of the St. Joseph Housing Authority, St. Joseph, Missouri (Authority). Our audit objective was to determine whether the Authority paid excess subsidies for oversized units. We audited the Authority after a computer analysis identified tenants who appeared to have larger vouchers than the household composition supported.

What We Found

The Authority overhoused 16 tenants when it subsidized an additional bedroom for medical purposes without proper justification. This resulted in overpayments of \$20,108 from 2002 through January 2006. By correcting its weak controls, the Authority can avoid future overpayments totaling \$54,036.

What We Recommend

We recommend that the director, Office of Public Housing, ensure that the Authority immediately corrects overhoused tenants' vouchers and repays the overpayments. We also recommend that the director verify that the Authority

implements procedures to ensure that each tenant receives the proper voucher size to avoid additional overpayments.

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 our findings. We provided the report to the Authority on March 2, 2006, and requested a response by March 17, 2006. The Authority provided written comments on March 14, 2006.

The complete text of the auditee's response can be found in appendix B of this report.

TABLE OF CONTENTS

| | |
|--|----|
| Background and Objectives | 4 |
| Results of Audit | |
| Finding: The Authority Did Not Follow HUD Regulations When Authorizing an Additional Bedroom for Medical Purposes | 5 |
| Scope and Methodology | 7 |
| Internal Controls | 8 |
| Appendixes | |
| A. Schedule of Questioned Costs and Funds to Be Put to Better Use | 9 |
| B. Auditee Comments | 10 |

BACKGROUND AND OBJECTIVES

The St. Joseph, Missouri, Housing Authority (Authority) was established by city ordinance on February 23, 1965. The mayor of St. Joseph appoints a five-member board of commissioners, which oversees its operations. The Authority currently assists 834 voucher program tenants. HUD authorized \$2,870,686 in Section 8 Housing Choice Voucher program (voucher program) funds to the Authority for the fiscal year ending September 30, 2005. Its stated mission is to ensure safe, decent, and affordable housing which contributes to safe communities and encourages individuals to become self-sufficient.

The Authority operates the U.S. Department of Housing and Urban Development's (HUD) voucher program. The voucher program is used to provide decent, safe, sanitary, and affordable housing for low-income families who are holding a voucher issued by the program. The benefits of the program are improving outcomes for children, helping families leave welfare and remain off welfare, and helping families succeed in the workplace.

The Authority uses the voucher program to help qualifying applicants obtain safe, decent dwellings in a neighborhood of their choice with a portion of the rent paid by the Authority. Through the voucher program, participants are responsible for locating their own housing. Rental units must meet minimum standards of health and safety as determined by the Authority. The Authority must inspect the dwelling and determine that the rent requested is reasonable. It also determines a payment standard, which is the amount generally needed to rent a moderately priced dwelling unit in the local housing market. The Authority determines the voucher size, and the payment standard is used to calculate the amount of housing assistance (subsidy) a participant will receive. The Authority calculates the subsidy and pays it directly to the landlord on behalf of the participant. The participant pays the difference between the actual rent charged by the landlord and the amount subsidized by the program.

The objective of this review was to determine whether the Authority paid excess subsidies for oversized units.

RESULTS OF AUDIT

Finding: The Authority Did Not Follow HUD Regulations When Authorizing an Additional Bedroom for Medical Purposes

The Authority overhoused 16 tenants when it did not comply with HUD regulations for authorizing an additional bedroom for medical purposes. Its policies and procedures did not include the applicable HUD requirements, and Authority staff was unaware of the requirements. As a result, the Authority overpaid \$20,108 in rent subsidies for tenants. By correcting the deficiencies, the Authority can avoid \$54,036 in future overpayments.

Additional Bedrooms Granted Inappropriately

The Authority did not comply with HUD regulations when granting an additional bedroom for medical purposes for 16 of the 32 tenants reviewed. HUD's Housing Choice Voucher Guidebook explains that housing authorities should generally assign vouchers for units with the least number of bedrooms needed to house a family without overcrowding. The Authority establishes its unit size rules and can grant exceptions for live-in aides or other medical needs when justified.

The Authority inappropriately granted an additional bedroom for a live-in aide for 15 tenants. HUD requires housing authorities to conduct background investigations of live-in aides. However, none of the 15 tenants identified an aide, indicating that the Authority did not conduct required background investigations. In six cases, the tenant's physician noted that the tenant needed only occasional assistance or did not identify the level of assistance needed. The Authority should not grant an additional bedroom for conditions that warrant only occasional assistance or when the level of assistance needed is not certain.

In addition, Section 504 of the Rehabilitation Act of 1973 indicates there should be a nexus to grant a medical-related exception to unit size rules. In seven cases, the Authority granted an additional bedroom when the requesting physician did not identify a medical condition justifying the larger voucher. In another case, it continued to subsidize a two-bedroom unit when the tenant qualified for only one-bedroom rent assistance. The tenant's physician requested that the tenant be allowed to keep her two-bedroom unit, asserting that the stress of moving to a smaller unit would be detrimental to the tenant's mental health. Without a defined and reasonable nexus for the larger voucher, the Authority should not subsidize an additional bedroom.

The overhousing occurred because the Authority's policies and procedures did not include the applicable HUD requirements and Authority staff was not aware of the HUD requirements.

Conclusion

Because the Authority did not comply with HUD requirements when authorizing an additional bedroom for live-in aides or continued to pay rent for a larger unit when no longer justified, it overpaid \$20,108 in rent subsidies. By correcting the deficiencies, the Authority can avoid \$54,036 in future overpayments and use these funds to help additional families.

As a result of our findings, the Authority immediately revised its policies and procedures to reflect HUD requirements. We reviewed the revisions and verified that they meet HUD requirements.

Recommendations

We recommend that the director, Office of Public Housing, ensure that the Authority

- 1A. Immediately corrects overhoused tenants' vouchers,
- 1B. Repays the voucher program fund \$20,108 from its reserve account, and
- 1C. Implements policies and procedures to ensure that each tenant receives the proper voucher size to put \$54,036 to better use.

On March 29, 2006, the director, Office of Public Housing, agreed with the finding and recommendations. The director had also confirmed that the Authority took appropriate actions to correct overhoused tenants' vouchers, repaid HUD \$20,108 from its reserve account, and implemented policies and procedures to ensure tenants receive proper voucher sizes in the future. Therefore, no additional action is required.

SCOPE AND METHODOLOGY

Our review covered the period from October 1, 2002, through January 31, 2006. To accomplish our objectives, we conducted interviews of the Authority's staff and staff of the local HUD Office of Public Housing. We also reviewed the Authority's policies and procedures, hard copy and computer tenant files, and audited financial statements. We reviewed federal regulations and analyzed data from HUD's Public Housing Information Center database. Additionally, we discussed our review results with Authority management.

To determine the extent and effect of overhousing, we applied a computer formula to the Public Housing Information Center database to identify potentially overhoused tenants. Our computer analysis identified 32 tenants in the voucher program as of January 1, 2005, who appeared to have larger vouchers than the household composition supported. We reviewed the 32 tenant files to determine whether the Authority assigned the tenant the proper size voucher, including reviewing documents the Authority relied on in approving an extra bedroom for medical purposes. If the larger voucher was not properly justified, we calculated the overhousing cost. To determine the amount of potential future overpayments, we calculated the most recent month's overpayment and multiplied by 36 months, the average number of months a tenant stays in a unit.

To achieve our audit objective, we relied in part on computer-processed data contained in the Public Housing Information Center database. We assessed the data's reliability and found it adequate. We also conducted sufficient tests of the data. Based on these assessments and tests, we concluded that the data are sufficiently reliable to meet our objective. In reaching our conclusions, we corroborated the HUD data with evidence obtained from the hard copy tenant files.

We performed audit work from November 2005 through January 2006 at the Authority's office located at 502 South 10th Street, St. Joseph, Missouri. We conducted our audit 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:

- Controls over determining the appropriate voucher size.

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 Authority did not have adequate policies and procedures to ensure that it issued appropriate size vouchers (see finding).

APPENDIXES

Appendix A

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

| Recommendation number | Ineligible 1/ | Funds to be put to better use 2/ |
|--------------------------|---------------|-------------------------------------|
| 1A | \$ 20,108 | |
| 1B | | \$ 54,036 |

- 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

SHARON HOPE
EXECUTIVE DIRECTOR
PHONE: 816-236-8200

HOUSING AUTHORITY
OF THE CITY OF ST. JOSEPH, MISSOURI

502 SO. 10TH STREET
P.O. BOX 1153
ST. JOSEPH, MO 64502

March 13, 2006

U.S. Department of Housing
and Urban Development
Office of Inspector General
Attention: Nikki Jones
Gateway Tower II 5th Floor
400 State Avenue
Kansas City, KS 66101-2406

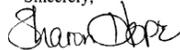
Dear Ms Jones:

The Housing Authority of the City of St. Joseph does concur with the audit report which was presented in draft form to my office on March 2, 2006.

As soon as requested by the Auditor, we made the necessary changes.

If my office can be of further assistance, please contact me.

Sincerely,


Sharon Hope
Director