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Audit Report Number	2006-DE-1003
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TO: Ann Roman, Director, Office of Public Housing, 8APH

//signed//

FROM: Ronald J. Hosking, Regional Inspector General for Audit, 8AGA

SUBJECT: The Housing Authority of the City and County of Denver, Colorado, Properly Assigned Section 8 Voucher Sizes But Made Errors on Nine Vouchers

HIGHLIGHTS

What We Audited and Why

We reviewed the Housing Authority of the City and County of Denver (Authority) to determine whether it paid excess subsidies for oversize units. We selected the Authority based on an Office of Inspector General (OIG) analysis of Section 8 data.

What We Found

Authority staff properly calculated subsidies and made no overpayments for 31 of the 40 files we reviewed. We found nine errors that resulted in overpayment of \$26,683 in Section 8 subsidies.

What We Recommend

The Authority has already corrected the errors and repaid the \$26,683 to the Section 8 program. Therefore, the U.S. Department of Housing and Urban Development (HUD) does not need to require additional action by the Authority.

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 draft report to the Authority on March 3, 2006. Authority officials gave verbal concurrence with the report on March 7, 2006.

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BACKGROUND AND OBJECTIVES

The Housing Authority of the City and County of Denver (Authority) was formed in 1938. Its mission was “to promote adequate and affordable housing, economic opportunity, and a suitable living environment free from discrimination.” The Authority signed annual contributions contracts for public housing in 1938 and for Section 8 programs in 1981. The U.S. Department of Housing and Urban Development (HUD) changed these to consolidated annual contributions contracts in 1996 and 1998.

For 2004, the Authority received \$12,458,410 for 3,901 public housing low-rent units and \$51,418,610 for 5,362 Section 8 housing choice vouchers.

A nine-member board of commissioners governs the Authority. The executive director manages the daily operations. The Authority maintains its records at 777 Grant Street, Denver, Colorado.

Our objective was to determine whether the Authority overpaid subsidies for overhoused tenants.

RESULTS OF AUDIT

Finding: Errors Occurred in Nine Section 8 Subsidy Calculations

Authority housing technicians properly calculated and paid the Section 8 subsidy payments, but some errors occurred. We reviewed 40 Section 8 tenant files with indications of overhoused conditions. Authority staff properly calculated subsidies and made no overpayments for 31 of these tenants. The remaining nine files contained human and processing errors that resulted in Section 8 overpayments of \$26,683.

Errors Occurred in Nine Section 8 Subsidy Calculations

Nine of the forty files in our sample contained human and processing errors that resulted in overpaid subsidies totaling \$26,683 for the two and one-half year audit period. The errors consisted of seven instances in which the family composition changed, but the information in the computer system did not; one instance in which a technician accidentally changed information in the computer system; and one computer conversion problem.

Thirty-one of the files contained correct subsidy calculations but showed up in our sample because

- Twenty had approved reasonable accommodations requests. The data we used to select our sample did not contain reasonable accommodation information.
- Two used the correct payment standards but had wrong voucher sizes listed in the system because of computer conversion problems.
- Eight had correct tenant file data, which did not agree with the HUD data we used to select the samples.
- One had a temporary overhoused situation due to a legal ruling.

The housing technicians followed HUD requirements and the Authority's policies and procedures for calculating rents and subsidy payments. The errors represented a reasonable level of human error and did not show patterns of noncompliance.

Authority staff had identified and corrected five of the errors before we did our file reviews. One tenant had moved out, so those overpayments ended before our review. On February 3, 2006, Authority staff provided documentation showing they had corrected the other errors. On January 27, 2006, Authority staff provided documentation showing they had repaid the \$26,683 to the Section 8 account.

Recommendations

We recommend that the Office of Public Housing require no further action by the Authority, since the recommendation is resolved. The recommendation is shown for resolution action tracking purposes.

- 1A. Require the Authority to correct the nine errors and repay its Section 8 program \$26,683 from nonfederal funds.

SCOPE AND METHODOLOGY

We reviewed HUD and Authority criteria and contracts. We met with Authority staff. We looked at HUD and Authority records.

The Authority had 5,372 Section 8 vouchers in 2005. We did a computer-based analysis of data provided to HUD for the vouchers. The analysis showed 264 tenants with indications of overhoused situations. We used nonrepresentative samples to select 40 of these for the tenant file review.

For the first sample of 20, we used a spreadsheet containing the 264 cases and a spreadsheet of current cases obtained from the Authority to select 20 that had indications of the most highly overhoused families or other possible problems.

For the second sample, we used the random number generator in Excel to select an additional 20 from the 264 without duplicating any cases from the first sample. We reviewed the tenant files and talked with Authority staff to determine the actual situation for each.

Our review period was from January 1, 2003, to July 31, 2005. We did our work at the Authority's office in Denver, Colorado, from July 2005 to January 2006.

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:

- Controls over calculating subsidy 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

We did not identify any significant weaknesses in the controls over calculating the subsidy payments.

APPENDIXES

Appendix A

SCHEDULE OF FUNDS TO BE PUT TO BETTER USE

Recommendation number	Funds to be put to better use 1/
1A	\$26,683

1/ “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.