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Audit Report Number	2006-LA-1008

TO: Cecilia Ross, Director, Los Angeles Office of Public Housing, 9DPH
Joan S. Hobbs

FROM: Joan S. Hobbs, Regional Inspector General for Audit, Region IX, 9DGA

SUBJECT: The Housing Authority of the City of Los Angeles, Los Angeles, California, Did Not Adequately Administer and Maintain Its Section 8 Waiting List

HIGHLIGHTS

What We Audited and Why

We audited the Housing Authority of the City of Los Angeles (Authority), California, in response to a request from its current executive director regarding his concern over the previous administration's management of the waiting list. The audit objective was to determine whether the Authority complied with applicable laws and regulations when placing registrants on the waiting list and selecting applicants in the proper order to receive housing vouchers.

What We Found

The Authority did not adequately administer and maintain a waiting list in accordance with program requirements and, thus, may not have selected applicants in the proper order. Our audit was prematurely terminated due to the absence of Authority records needed for review, the departure of responsible and/or knowledgeable personnel in matters relating to the waiting list, and the questionable integrity of the Authority's Information Technology department and the electronic files that were provided. We attributed these deficiencies to the Authority's former management, which emphasized increasing its lease rate quickly to avoid losing its funding allocation from the U.S. Department of Housing and Urban Development (HUD), rather than ensuring that proper procedures were followed.

What We Recommend

We recommend, before the waiting list is re-opened, that the director of HUD's Office of Public Housing require the Authority to (1) take any immediate and necessary action to ensure that the Authority's information technology system will be more secure, accurate, and reliable in the data it produces for the Authority and HUD; (2) engage a dedicated team to analyze, purge, and update its current waiting list to ensure that the Authority has an accurate and complete waiting list; (3) evaluate and implement any changes that are needed to its current administrative plan to ensure HUD requirements relating to administering and maintaining the waiting list are met; and (4) provide training to pertinent employees on the revised waiting list procedures and policies.

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 draft report on February 8, 2006, and held an exit conference with Authority officials on February 15, 2006. The Authority provided written comments on February 27, 2006. The Authority generally agreed with our report; therefore, we did not have any comments responding to its reply. The complete text of the auditee's response can be found in appendix A of this report.

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BACKGROUND AND OBJECTIVES

The Housing Authority of the City of Los Angeles (Authority) was organized as a public housing agency in 1938 under California charter to provide safe and sanitary housing for persons of low and moderate income. It administers the second largest Section 8 program in the country and operates one citywide waiting list for the public housing program. The Authority paid more than \$963 million in housing assistance payments to landlords participating in the program and received more than \$104 million in administrative fees between 2002 and 2004.

In a letter, dated March 27, 2005, the current executive director of the Authority requested that we perform an audit of the Authority's Housing Choice Voucher program's process and integrity under the previous administration of the Authority. The focus of our review was to evaluate and address the Authority's concerns as to whether it complied with U.S. Department of Housing and Urban Development (HUD) requirements and selected applicants from the waiting list in a fair and equitable manner.

During the two-week period September 15 through October 1, 1998, the Authority opened its registration list for new registrations for the Section 8 program to increase its leasing rate and avoid losing its allocations from HUD because it was under leased. More than 150,000 registrants responded. Anyone who did not register during the open registration period could register as part of the ongoing continuous registration; however, these registrants would not be processed until all current registrants from the open registration event had been processed. To meet the demand for housing and expedite its lease-up process, registrants were scheduled to attend normal daytime interviews as well as nighttime interviews held during events the Authority called "boat shows," which served to enhance the volume of issued vouchers. By 2003, it became apparent that the Authority had surpassed its leasing threshold. Consequently, voucher issuance was suspended in February 2004 to curb the 6 percent shortage in allocation, which arose when the Authority used 48,471 vouchers when it was only authorized to pay 44,198 vouchers. Due to lack of federal funding, the waiting list was closed in October 2004. During our audit, Authority officials informed us that the Authority plans to reopen its waiting list in early 2006.

The audit objective was to determine whether the Authority complied with applicable laws and regulations when placing registrants on the waiting list and selecting applicants in the proper order to receive housing vouchers.

RESULTS OF AUDIT

Finding 1: The Authority Failed to Administer and Maintain Its Section 8 Waiting List in Compliance with HUD Requirements

Contrary to HUD requirements, the Authority failed to administer and maintain its waiting list. We attribute this deficiency to the the Authority's former management, which emphasized increasing its lease rate quickly to avoid losing its funding allocation from HUD, rather than ensuring that proper procedures and controls were followed. As a result, neither HUD nor the Authority can be assured that applicants on the waiting list were selected in the proper order to receive housing vouchers. Until an accurate and complete waiting list is established, neither HUD nor the Authority can be assured that housing vouchers will be issued to applicants in the proper order.

HUD Rules & Regulations

According to 24 CFR [*Code of Federal Regulations*] 982.52 (a) and (b), the Authority must comply with HUD regulations and requirements when administering the Section 8 program. The public housing agency must maintain information that permits it to select participants from the waiting list in accordance with its admission policies. The waiting list must contain the following information for each applicant listed:

- ❑ Applicant name,
- ❑ Family unit size (number of bedrooms for which the family qualifies under public housing agency occupancy standards),
- ❑ Date and time of application,
- ❑ Qualification for any local preference, and
- ❑ Racial or ethnic designation of the head of household.

The Housing Choice Voucher Guidebook requires the housing authority to maintain an up-to-date and well-managed waiting list that promotes fair and consistent treatment of families, ensures that needy families receive assistance as quickly as possible, and is a first step in helping the housing authority maintain a high leasing rate.

Our general understanding of the Authority's application and selection process is explained below, along with the issues we identified. In addition, we have created two flowcharts to help illustrate the processes. Appendix B shows the two-week open registration period process (September 15 to October 1, 1998), including the "boat shows" and daytime interviews. Appendix C shows the ongoing open registration process (after the initial two-week period).

Registration Process

During the two-week open registration period in September 1998, persons interested in obtaining housing could obtain a registration form via local newspapers, community-based organizations, telephone, Internet, or fax. Once the registrations were received, the Authority contracted out the registration process to Alert Communications, an outside vendor responsible for generating a random computerized lottery registration. Starting with the first registration number, applications were mailed out in batches of 10,000. Upon receipt of the completed applications, they were dated and time-stamped by the Authority, and all activities regarding the applicant's eligibility were performed in the order in which the applications were received. We considered this as the point at which an applicant was placed on the waiting list. We were told that the last registration number assigned during the two-week registration period was 152,716. When the registration list was opened again in 1999, the Authority opted not to contract out its registration process but, instead, assigned numbers in the order in which registrations were received, beginning with the next number after the last one assigned, 152,717.

Registration List Versus Waiting List

It was difficult to determine whether a waiting list was properly maintained because it was often confused with the registration list. We interviewed several Authority personnel, who provided varied responses as to the nature of the current waiting list. While the former assistant Section 8 director claimed that the waiting list and registration list were one and the same, the manager of Section 8 special programs operations and applications distinguished between the two lists. Based on our review of the Housing Choice Voucher Guidebook, the Authority's administrative plan, and our understanding of the waiting list process, we determined that the waiting list was comprised of applicants who had submitted their applications to the Authority and were not withdrawn due to ineligibility. The registration list, on the other hand, was comprised of all persons registered and assigned a registration number but not necessarily eligible for the Section 8 program. It is from the registration list that applications, in batches of 10,000, were sent out, although not all registrants returned a complete application to be placed on the waiting list.

Integrity of Electronic Files Doubtful

We obtained a copy of the Authority's Creative Computer Solutions database, which contained all registrants for the Section 8 program as of November 2005. We sorted the data to determine the number of persons on the waiting list based on the date an application was received. Our analysis produced the following results:

- ❑ 86,737 of the registrants submitted applications and were placed on the waiting list.
- ❑ 18,545 applicants obtained a contract.
- ❑ 24,897 applicants were still on the waiting list waiting for a housing assistance payment contract.
- ❑ 45,763 applicants were shown as withdrawn, although they had a housing assistance payment contract.

We noted that the numbers above do not sum up or reconcile. We have reason to believe that the Authority's Creative Computer Solutions database was not completely accurate or reliable and was poorly managed for the reasons stated below.

- ❑ In 1993, the Authority purchased its proprietary software from Emphasys, but discontinued the computer maintenance service, and began customizing the system to fit its reporting needs in 1998. According to Emphasys' security assessment report, published on July 22, 2005, "from 1998 until present, HACLA's [the Authority's] MIS [Management Information System] staff was unable to assure that the security settings inherent in the Emphasys LIB were properly set, or that other typical security protocol for a LIB system were employed. As a result, it has created a virtual feeding frenzy in which internal and/or external corruption, manipulation, and fraud is strongly evident in the LIB 3.5.HACLA system. Moreover, a lack of expertise in management and auditing of Emphasys' LIB information system is evident and has helped create a culture of criminal activity and defrauding of the Agency." The report went on to state that 121 users had full access to perform any functions on the system.
- ❑ Our interview with Authority personnel further justified the unreliability of the Authority's system. A former assistant manager who supervised the "boat show" events stated that the fields below the first line of the registration screen could be altered by anybody. She cautioned against trusting the data completely because fields could be overwritten without recording the history of the prior entries. Similarly, the Section 8 division support services manager confirmed that once the withdrawal field was overwritten, it was gone forever.

He stated that the reasons for changes should be recorded in the notes screen. However, a former assistant manager stated that the notes screen was prone to manipulation; between 1998 and 2000, the supervisors had the ability to change anything in the notes, and by 2001 and 2002, the security was changed to allow all Authority employees the ability to alter or modify any information in the notes screen.

- We conducted further analysis of the Authority's Creative Computer Solutions database and determined that there were 249 instances in which contracts were executed, but the registrants' status showed that they were withdrawn before the contract execution. The Section 8 division support services manager agreed with our contention that people who were withdrawn should not have been given a contract. If the applicant contested and won the withdrawal by way of a hearing, the code should reflect a change or a removal of the withdrawal status. Further, we noted that 73 registrants obtained a contract after they were withdrawn, but the database did not indicate that an application was received.

“.1” Registration Numbers

Shortly after Alert Communications assigned randomly generated registration numbers, it came to the Authority's attention that a group of persons had been excluded from the lottery. A memorandum from Alert Communications, dated June 18, 1999, indicated a tape was created containing the names of registrants who may not have been assigned a registration number. We obtained little information regarding these missing registrants because the involved personnel were no longer employed at the Authority. Current Authority personnel could not determine the whereabouts of the tape or provide details on how the lost group was reconstructed. A hard copy of its assumed contents was made and maintained by the assistant manager of Section 8 support services. We estimate that there were more than 14,000 names on this list, of which 193 registrants were assigned a “.1” registration number. We noted that more than 50 percent of the 193 registrants were withdrawn from the program for various reasons.

According to the assistant manager of Section 8 support services, he compared the information of the unregistered person against the hard-copy list, and if the name was listed, he sent a request to an Authority management information system employee (who left in July 2005) to generate a “.1” registration number. This employee then sent him a request sheet with the new registration number listed on it, and the assistant manager notified the registrant of his or her registration number by letter.

We interviewed the Authority's database manager to determine the validity of the hard-copy listing. The manager recalled the Authority receiving two different tapes: one with a list of all registrants who registered during the two-week period and the other containing the registrant information received from Alert Communications. The hard copy may have been produced by comparing the two tapes, and whichever information was not in both tapes represented the registrants who were mistakenly excluded from the lottery. We asked that the manager locate these tapes and restore the information in them. While he could not guarantee that the information he restored was used in 1999, he was able to locate one tape and formatted it into two tables to be read in Audit Command Language. We compared the two tables against the list of 193 registrants who received ".1" registration numbers and determined that 24 registrants did not appear in either table, yet five people were housed. In addition, although the names and registration dates for 68 registrants were in the second table, the addresses are different. Of the 68 registrants, 22 were housed, 37 were withdrawn, and 9 were still waiting for housing.

"Boat Shows"

The "boat shows" were a management concept designed to accelerate the voucher issuance phase of contracting. Since it was a temporary measure, the procedures of running a "boat show" were not written into the Authority's administrative plan; yet between 2001 through 2003, the Authority falsely certified in its Section 8 Management Assessment Program report that it had written policies in its administrative plan for selecting applicants from the waiting list and that it had followed these policies when selecting applicants for admission from the waiting list. The Housing Choice Voucher Guidebook requires that any outreach plan or application and selection policies be reviewed periodically and included in the administrative plan to ensure that they are current and effectively support the public housing agency's occupancy and leasing objectives.

Since the Authority did not document its policies or procedures in organizing the "boat shows," our only alternative was to rely on interviews with Authority personnel to detail the events and practices that took place. "Boat shows" were generally held a few days each month or every few months between August 2001 and September 2003. Approximately 200 people per night were scheduled to attend, and out of 100 vouchers issued, about 75 percent graduated to the contracting phase. The former Section 8 director and assistant director assured us that applicants were chosen for the "boat shows" from the waiting list. The former Section 8 assistant director added that they may have targeted a specific group for the "boat shows," but she was not sure.

According to a former assistant manager, applicants with Social Security Income, low income, and Aid for Families with Dependent Children were preselected from the waiting list to participate in the “boat shows.” While there was nothing inherently wrong with this selection procedure, we could not verify whether this was done since the Authority could not locate the “boat show” records of attendees.

Once applicants were selected, they were sent an appointment letter, which the Authority did not retain. Typically, the interviews had a 75 percent “show rate.” For those persons who did not show up for the interview, a second appointment letter was sent out. If the person did not show up for this second appointment, a withdrawal letter was sent, giving the applicant 30 days to respond if still interested.

When applicants brought in all of their required documents, their chances of receiving a voucher on the same day were greatly improved. However, several managers told us that although third-party verifications were often conducted haphazardly or not at all, applicants were issued a voucher to satisfy management’s directive of “approve, approve, approve.”¹

Applicants who received a voucher on the night of a “boat show” were not guaranteed a contract. Their folders were re-reviewed by a five-person group in the contracting department. We contacted one assistant manager; the other four managers were either on administrative leave or no longer worked at the Authority. The assistant manager of Section 8 issuance and contracting admitted that the staff was subject to making more errors when re-reviewing the files because of high volume and upper management’s priority of increasing the leasing rate.

Conclusion

The Authority did not administer and maintain its Section 8 waiting list in compliance with HUD requirements. Due to the severity of the problems with the waiting list, we concluded that we could not perform a complete audit of this area beyond our initial survey work to determine the magnitude of the deficiencies. We attribute the deficiencies to the previous Authority management’s emphasis on increasing its lease rate quickly to avoid losing its funding allocation from HUD, its neglect of ensuring the operation integrity of the Information Technology department rather than its responsibilities to ensure that proper controls and procedures were in place and followed. Consequently, neither HUD nor the Authority was assured that applicants on the Section 8 waiting list were

¹ This could be indicative of a tenant eligibility problem, which we are reviewing under a separate assignment.

selected in the proper order to receive housing vouchers. Until an accurate and complete waiting list is established, neither HUD nor the Authority can be assured that housing vouchers will be issued to applicants in the proper order. Based on the significance of the issues, we recommend that immediate action be taken before the Authority issues any new housing vouchers to applicants.

Recommendations

We recommend, before the waiting list is reopened, that the director of the Los Angeles Office of Public Housing require the Authority to

- 1A. Take any immediate and necessary action to ensure that the Authority's information technology system will be more secure, accurate, and reliable in the data it produces for the Authority and HUD.
- 1B. Engage a dedicated team (or contractor) to analyze, purge, and update its various listings to establish an accurate and complete waiting list.
- 1C. Evaluate and implement any changes that are needed to its current administrative plan to ensure that HUD requirements relating to administering and maintaining the waiting list are met.
- 1D. Provide training to pertinent employees on the revised waiting list procedures and policies to ensure that they will be applied consistently and in accordance with HUD requirements.

SCOPE AND METHODOLOGY

We performed our audit work at the Authority's administrative office at 2600 Wilshire Boulevard, Los Angeles, California, from September 6 through November 30, 2005. Our review generally covered the period from September 15, 1998, through October 31, 2004. We expanded the scope of the audit as necessary.

To accomplish our objectives, we

- Reviewed the HUD requirements and regulations and the Authority's administrative plan.
- Obtained an understanding of the Authority's waiting list procedures, including its controls to ensure that applicants are being placed on and selected from the list in compliance with requirements.
- Interviewed appropriate Authority personnel, HUD personnel, and third-party vendors to acquire an understanding of waiting list procedures.
- Queried the Authority's Creative Computer Solutions system through the WIntegrate portal.
- Obtained a copy of the Authority's Creative Computer Solutions database and filtered it to identify the current waiting list.
- Reviewed the Authority's audited financial statements for years ending 2002 through 2004 to determine whether the independent auditor identified any findings that pertain to the scope of our survey work.
- Reviewed the Emphasys security assessment report, dated July 22, 2005, to determine whether there were any problems relating to the waiting list.
- Reviewed the Authority's September 2004 rental integrity monitoring report to determine whether the monitoring identified any findings or concerns that pertain to the scope of our survey work.
- Reviewed the 2000 through 2004 Section 8 Management Assessment Program reports to determine whether the Authority adequately and accurately measured the two aspects of its management of its waiting list and selection activities.

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 control was relevant to our audit objectives:

- Policies and procedures management has in place to ensure that the waiting list is maintained in compliance with HUD regulations.

We assessed the relevant control 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 item is a significant weakness:

- The Authority did not follow policies and procedures in effect to properly administer and maintain a waiting list (finding 1).

APPENDIXES

Appendix A

AUDITEE COMMENTS AND OIG'S EVALUATION

Auditee Comments



HOUSING AUTHORITY OF THE CITY OF LOS ANGELES
AN EQUAL EMPLOYMENT OPPORTUNITY- AFFIRMATIVE ACTION EMPLOYER
2600 Wilshire Boulevard • Los Angeles, California 90057 • (213) 252-2500
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February 23, 2006

Ms. Joan S. Hobbs
Regional Inspector General for Audit
U.S. Department of Housing and Urban Development
Office of Inspector General
611 West 6th Street, Suite 1160
Los Angeles, CA 90017-3101

RE: Section 8 Waiting List Audit Report

Dear Ms. Hobbs,

On behalf of the Housing Authority of the City of Los Angeles (Housing Authority), I would like to thank the U.S. Department of Housing and Urban Development, Office of Inspector General for Audit, for undertaking an audit of the Section 8 Housing Choice Voucher Waiting List.

The Housing Authority is in receipt of the audit findings and the recommendations issued by your office relating to our Authority's Section 8 Waiting List and agree with your findings and recommendations. In this correspondence the Authority would like to address the recommendations of the auditors and the steps that we have either initiated or in the process of implementing to ensure the integrity of the Section 8 Waiting List.

RECOMMENDATIONS

- 1A. **TAKE ANY IMMEDIATE AND NECESSARY ACTION TO ENSURE THAT THE AUTHORITY'S INFORMATION TECHNOLOGY SYSTEM WILL BE MORE SECURE, ACCURATE, AND RELIABLE IN THE DATA IT PRODUCES FOR THE AUTHORITY AND HUD.**

During this audit, the Housing Authority was made aware of several issues and activities that revealed significant weaknesses in our information technology system. We shared these findings with your office. In addition to general system weaknesses, the Authority via independent information technology consultants discovered specific evidence of inappropriate activities by Authority staff. Some of these activities were directed at inhibiting or monitoring the ongoing audit fieldwork by HUD OIG and the Authority's own Internal Control staff and consultants. The Authority initiated a deliberate plan of action to investigate our preliminary findings without jeopardizing your ongoing HUD OIG audit. As soon as HUD OIG fieldwork was completed, the Authority immediately implemented a full scale assessment of our Information Technology Department led by our own Internal Control staff and several independent information technology consultants. This assessment is on going but has revealed additional significant weaknesses in our information

technology system resulting in the Authority taking some immediate corrective action. Recognizing the critical importance of this audit and the adverse fiscal consequences of not implementing the recommendations in a timely manner, the Authority considers the immediate compliance with these recommendations to be critical and emergency in nature. In this light, the Authority has tasked all IT consultants to immediately draft and submit their comprehensive recommendations to the Executive Director that will immediately address your Recommendation 1A. **“take any immediate and necessary action to ensure that the Authority’s information technology system will be more secure, accurate, and reliable in the data it produces for the Authority and HUD.”** The Authority will begin reviewing these recommendations in March for immediate implementation as appropriate. Additionally, the Authority has taken action to have our current Section 8 vendor Emphasys, to immediately upgrade our current Section 8 business system and to assume control and management of this new system.

1B. ENGAGE A DEDICATED TEAM (OR CONTRACTOR) TO ANALYZE, PURGE, AND UPDATE THE VARIOUS LISTINGS TO ESTABLISH AN ACCURATE AND COMPLETE WAITING LIST.

The Housing Authority is in the process of preparing and issuing a Request for Proposal (RFP) to approximately five companies in order to select a vendor with the demonstrated expertise necessary to create a certified master waiting list for Section 8. The vendor chosen from the RFP will be charged with creating a master waiting list in accordance with 24CFR982.204, *Waiting List Admission*, and with PHA’s *Administrative Plan*. This certified waiting list will reflect current and accurate registration. In creating this waiting list the vendor will also purge the waiting list in order to maintain an up-to-date list. The Housing Authority expects to have a vendor and a certified waiting list by end of the second quarter, June 30, 2006.

Upon receipt of a certified waiting list from the vendor, HACLA will, in accordance with HUD regulations and PHA’s *Administrative Plan*, select families from the waiting list in accordance with the preference system.

As previously disclosed, in the interim period, the Housing Authority will be issuing vouchers to a very limited clientele that unfortunately had their approved vouchers revoked or suspended because of the over leasing situation in 2004. Additionally, special populations with special allocations who qualify for vouchers without having to be on a certified wait list will also be served during this interim period.

For the vouchers being issued during this interim period, the Authority has implemented the following procedures in order to ensure that the clients being served are within the existing registration list:

- To insure that an applicant family currently being processed is in Creative Computer System (CCS), a printout of the CCS Registration page is placed in each applicant file. All processing stops if no record is found in CCS.
- To insure that a family with a low registration number (under 149,677) originally participated in the lottery, the RAP manager now checks the printout against the Information Technology Department (IT) A, B, C lists and the IT 16,303 list (this is the Excel file downloaded from the 1998 tape).

- The following responsibilities have been designated to the RAP Manager:
 - a. The RAP manager investigates any anomalies. Families are provided an informal review in accordance with 24 CFR.
 - b. The Information Technology Department has provided the RAP manager with the IT A, B, C list.
 - c. A copy of the greenbar list is provided to the RAP manager to authenticate registrants with numbers below 149,677.

The following permanent changes will be implemented after a new certified waiting list is approved:

- The applicant will retain the same number when he/she becomes a client and we will serialize vouchers with a permanent number.
- Upon receipt of the application, change the client from a "registrant" to an "applicant" in accordance with the Section 8 Administrative Plan.
- Add an "Application Sent" field before item #22, *Appl Rec'd Date/Time*; which will allow us to track and provide an audit trail to show that registrants were served in proper order.
- Require all requests for changes to data items 1-16 be in writing and create paper files in manila folders for all changes requested/made to data items 1-16.
- Make initial information on the registration client screen frozen and unchangeable; keep the first 16 data elements stored in an initial client registration screen.
- Changes to the data will get posted to a second screen. Mail outs would be performed using the second screen; only the RAP manager will be able to change key elements but clerical staff will be able to change addresses and phone numbers.

1C. EVALUATE AND IMPLEMENT ANY CHANGES THAT ARE NEEDED TO ITS CURRENT ADMINISTRATIVE PLAN TO ENSURE THAT HUD REQUIREMENTS RELATING TO ADMINISTERING AND MAINTAINING THE WAITING LIST ARE MET.

The Authority will submit and implement new administrative policies and procedures based on recommendations from wait list consultants. The Authority will also immediately upgrade our current CCS computer system in order to utilize the most updated and secure wait list program application produced by our current vendor Emphasys. If necessary, we will also incorporate their recommendations to any new Administrative Plan. In the interim the Authority will implement the Policy and Procedure Forms Transmittal (PPFT) No. 06-01, *Managing the Section 8 Waiting List*, was issued in January 2006 to all Section 8 employees. This PPFT will be incorporated into the *Administrative Plan* for 2006.

In summary, this PPFT directs Section 8 employees to stop processing clients on the regular Section 8 waiting list unless the client's folder contains a printed copy of the first page of the client registration screen that exactly matches the family's first name; surname; middle name or initial; and Social Security number. The PPFT instructs staff to review those client files that are currently being processed.

Additionally, there are instructions ("Special Action") for registration numbers below 149,677: if staff finds a client registration number lower than 149,677 the employee shall immediately notify the RAP manager who will research the registration number against the lottery tapes provided by the IT Department. Based on guidelines published separately, the RAP manager will either approve the family for continued processing or halt processing pending further investigation and approval(s).

1D. PROVIDE TRAINING TO PERTINENT EMPLOYEES ON THE REVISED WAITING LIST PROCEDURES AND POLICIES TO ENSURE THAT THEY WILL BE APPLIED CONSISTENTLY AND IN ACCORDANCE WITH HUD REQUIREMENTS.

An interoffice memorandum dated 01/19/06 was issued to the RAP manager detailing duties and responsibilities vis-à-vis the Section 8 waiting list.

The memorandum dealt with the following:

- All families with a client registration number of 149,676 or less
- Any family in which the registrant's first name, last name, middle initial and Social Security number as documented in the family folder does not exactly match the information recorded in the client registration screen
- Any family which does not have a record in the business system's client registration data base

A re-orientation/training session will be conducted for the employees in the Registration Applications & Contracting office. At this re-orientation/training session PPFT 06-01 will be reviewed and discussed; it will be stressed that no Housing Assistance Payment contract shall be signed or client moved-in until all procedures have been met.

Upon getting a master certified list, Section 8 will coordinate with the Internal Control Department to ensure that an appropriate policy and procedure memorandum, which will then be incorporated into the 2006 Administrative Plan, is issued to all Section 8 staff involved in the registration/application process to **maintain the integrity of the certified list.**

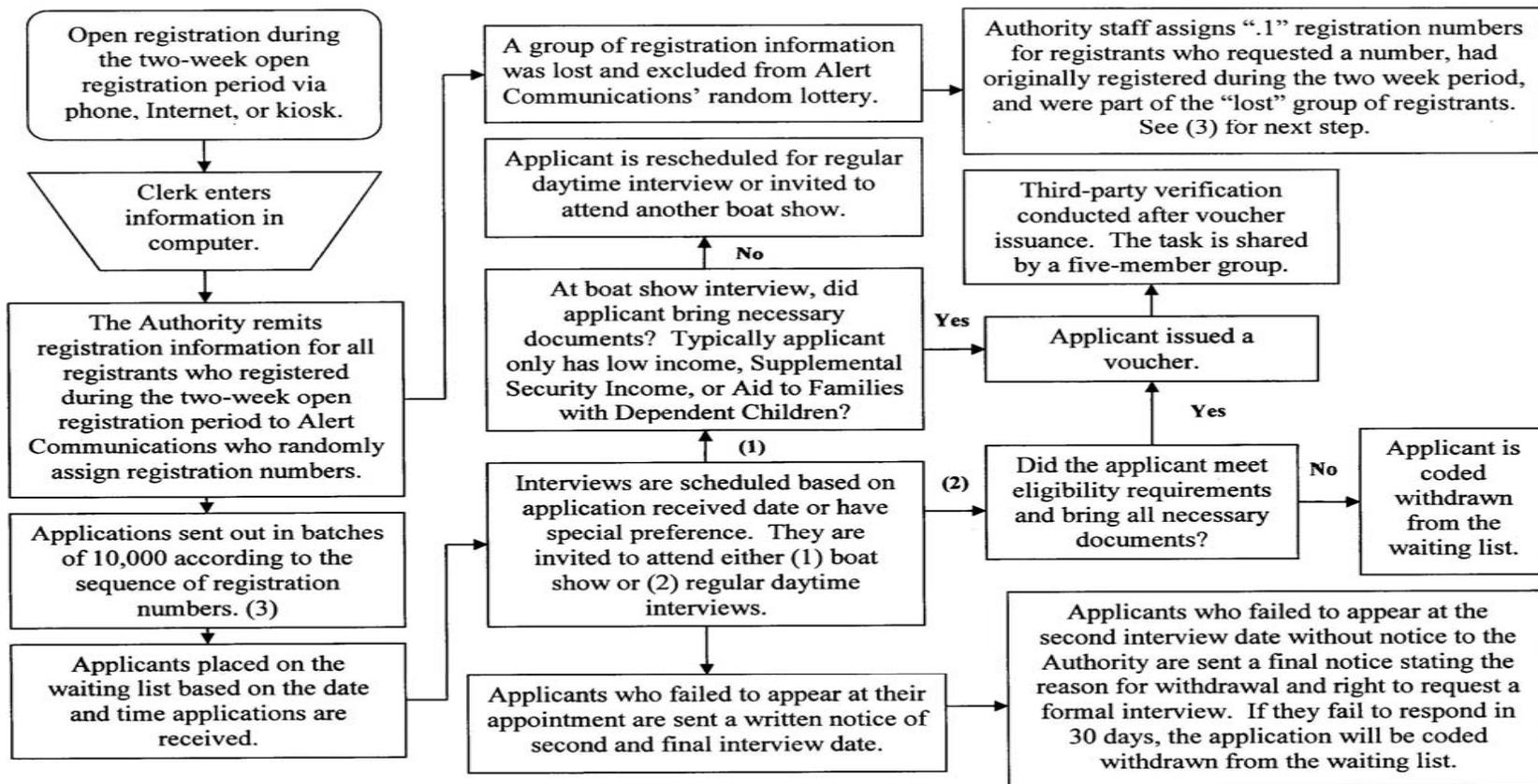
Ms. Hobbs, I would like to thank your office of Office of Inspector General again for conducting this audit. Your continued professional assistance and support is critical to further our goal to be among the top housing authorities in the nation. Please contact Abel Ruiz, Director of Internal Control at (213) 252-1868 or me at (213) 252-1810 if we may assist you further or to answer any questions.

Sincerely,


Rudolf Montiel
Executive Director

Appendix B

FLOWCHART OF TWO-WEEK OPEN REGISTRATION PERIOD (SEPTEMBER 15 TO OCTOBER 1, 1998) INCLUDING “BOAT SHOWS” AND DAYTIME INTERVIEWS



Appendix C

FLOWCHART OF ONGOING OPEN REGISTRATION (AFTER INITIAL TWO-WEEK PERIOD)

