



Issue Date June 20, 2006
Audit Report Number 2006-LA-1012

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 Determine and Support Section 8 Tenant Eligibility

HIGHLIGHTS

What We Audited and Why

We reviewed the Housing Authority of the City of Los Angeles' (Authority) Section 8 tenant eligibility determinations for its Section 8 Housing Choice Voucher program. The Authority's current executive director requested we review various aspects of its Section 8 program due to his concerns regarding the prior management's administration of the program.

The objective of the audit was to determine whether the Authority established the eligibility of its Section 8 tenants in accordance with U.S. Department of Housing and Urban Development (HUD) rules and regulations.

What We Found

The Authority did not establish and document its Section 8 tenants' eligibility to receive housing choice vouchers in 76 of 133 cases reviewed. We attributed these conditions to the Authority's disregard of HUD requirements.

What We Recommend

We recommend that the director of HUD's Office of Public and Indian Housing require the Authority to (1) support or reimburse HUD more than \$1 million in unsupported Section 8 housing assistance payments; (2) implement the necessary controls and/or revisions to its administrative plan to ensure that it establishes its Section 8 tenants' eligibility for housing choice vouchers in accordance with pertinent requirements; and (3) conduct training on the new controls and procedures with its staff.

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 the draft report on May 22, 2006, and held an exit conference with auditee officials on May 25, 2006. The Authority generally agreed with our report; however, the Authority disagreed that it should be required to repay the \$1 million in unsupported costs.

The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix B 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 authority in 1938 to provide low-cost housing to individuals meeting established criteria. The Authority is a state-chartered public agency that provides the largest stock of affordable housing in the Los Angeles area. The Authority gets the majority of its funding from the U.S. Department of Housing and Urban Development (HUD). However, it has built numerous key partnerships with city and state agencies, nonprofit foundations, and community-based organizations, as well as private developers. As of January 2005, the Authority had issued 45,237 housing choice vouchers and was over leased by about 3 percent. From May 2003 through May 2005, it paid more than \$668 million in housing assistance payments to landlords participating in the program. In addition, it received more than \$73 million in administrative fees for administering the Section 8 program for the years 2003-2004.

The Authority administers its Housing Choice Voucher program under HUD's Section 8 program. The housing choice vouchers allow very low-income families to obtain affordable, decent, and safe housing.

In a letter, dated March 27, 2005, the Authority's current executive director requested that we perform an audit of this area because of concerns over the prior management's administration of the program.

The objective of the audit was to determine whether the Authority established the eligibility of its Section 8 tenants in accordance with HUD rules and regulations and, consequently, supported housing assistance payments.

RESULTS OF AUDIT

Finding 1: The Authority Did Not Establish the Eligibility of Its Section 8 Tenants in Accordance with HUD Requirements

The Authority did not establish the eligibility of its Section 8 tenants for housing choice vouchers in accordance with HUD requirements. This was due to the Authority disregarding HUD rules and regulations and not having sufficient controls in place to ensure that required documentation was maintained. As a result, the Authority paid more than \$1 million in unsupported and ineligible housing assistance payments.

Tenant Eligibility Not Supported in 76 of 133 Files Reviewed

Our review disclosed that 76 of 133 tenant files reviewed did not support that tenants were eligible for assistance under the Section 8 Housing Choice Voucher program. In addition, one file showed the tenant was ineligible for Section 8 assistance due to criminal activity. Appendix C shows the deficiencies by client number. Appendix D shows the unsupported housing assistance payments related to these deficiencies.

Our review disclosed the following issues related to tenant eligibility.

The Authority did not determine whether household members had been evicted from other federally assisted housing for drug-related criminal activity. This occurred in 59 of the files.

In addition, there was no documentation in the files for the following:

- Yearly eligibility recertifications in eight files,
- Social Security number verification for household members in six files,
- Income and/or asset verification in five files, and

Lastly, the Authority could not produce four of the files for our review.

Details of the deficiencies found are discussed separately below.

Eviction Checks

There has been a requirement in effect since June 2001 that housing authorities prohibit admission for three years to the Section 8 Housing Choice Voucher program if any household member has been evicted from federally assisted housing for drug-related criminal activity. The Authority disregarded this requirement and has not established or implemented a policy or procedure for making this determination. Authority management stated the only check made regarding evictions was to determine whether the applicant had ever been evicted from Authority housing. Of the 133 tenants whose files we reviewed, 59 were subject to this requirement. Therefore, the Authority cannot support whether the household members related to the 59 tenant files were eligible for admission to the program. For example, client 270677 was admitted to the Section 8 Housing Choice Voucher program in June 2004, and no eviction check was performed. Therefore, \$8,290 in corresponding housing assistance payments was unsupported.

Yearly Recertifications

Housing authorities are required to recertify a tenant's eligibility every year. The recertification involves but is not limited to verifying all household members' income and assets. However, we determined the Authority could not support the recertification for eight of the tenants. This occurred because the recertification supporting documentation was missing. The Authority acknowledged it was unable to produce the required recertifications. To illustrate, the tenant file for client 172193 did not contain documentation for the yearly recertifications for 2003 and 2004. Because we could not review the documentation for the recertification, we determined the unsupported housing assistance payments for this tenant amounted to \$18,291.

Verifications and Required Authorizations

Social Security number – Although housing authorities are required to verify all household member Social Security numbers, there was no evidence the verification was done in six files. As an example, for client 016102, the tenant file did not contain evidence that the Social Security number for the head of household had been verified. Since the authority did not verify the Social Security number, there is no evidence the tenant was eligible for assistance. Therefore, the entire \$10,169 paid in housing assistance payments during our audit period is unsupported.

Income and/or assets – There was no evidence that required income and/or asset verifications were performed in five files. For example, there was no evidence in the tenant file for client 213841 that the income verifications for 2003 and 2004

and the asset verification for 2004 were performed. Therefore, \$15,772 in housing assistance payments is unsupported.

Missing Files

We were unable to review four files. The Authority acknowledged it was unable to locate the tenant files for the following tenants:

Client 061956
Client 209817
Client 142868
Client 145091

Since we were unable to review these files, we cannot confirm these four tenants' eligibility for the program; therefore, the housing assistance payments totaling \$27,594 made on the tenants' behalf are unsupported for our audit period. Collectively, there was more than \$1 million in unsupported housing assistance payments made on behalf of the potentially ineligible tenants.

Additional Issues That Need Corrective Action

We also identified three issues relating to the manner in which tenant eligibility was determined that require corrective action. While these are required components of establishing tenant eligibility, we did not include these deficiencies in our calculation of monetary benefits.

Criminal background checks

The Authority did not perform criminal background checks as required. According to an Authority employee, this was due to the monetary cost and the time involved in running the background checks. At the time the requirement was implemented, the Authority was increasing the number of vouchers it issued. The Authority employee stated that "...leasing-up was more important than following the regulations." We did require the Authority to perform the checks, and there were no tenants who should have been denied admission based on a conviction. This is described as a mandatory prohibition. However, the *Code of Federal Regulations* also discusses establishing a policy or procedure to deny admission called "permissive prohibition." A housing authority can prohibit admission if a household member is currently or has been engaged in various criminal activities which may threaten the health, safety, or right to peaceful enjoyment of the premises by residents, property management staff, the owner, etc. We believe, due to the limited number of vouchers available, the Authority should establish a

policy and procedure to best ensure vouchers are issued to applicants determined eligible to receive housing.

Of the 133 tenants reviewed, one was ineligible for admission to the Section 8 Housing Choice Voucher program. According to the file for client 265383, the Authority was aware the applicant had been arrested for a drug-related crime. The applicant was unable to attend the first scheduled interview appointment on February 20, 2003, because she was incarcerated. The file contained a written statement from the applicant's husband regarding her incarceration and a copy of the police report. According to the Authority's administrative plan, chapter 13, section 3.1.2, the applicant should have been determined ineligible due to engaging in the use of illegal drugs during the previous year. The Authority did not follow its procedure and issued the applicant a voucher on August 25, 2003. We were unable to project this as an ineligible cost; therefore, due to other deficiencies identified, we left this in the unsupported category.

Information in the Public and Indian Housing Information Center System

HUD requires complete, accurate, and timely submission of HUD Form 50058 because it relies on the data. In addition, the instructions for completing the form state the information data shown on the form is used for effective program monitoring. Information submitted to HUD electronically through data entries in the Authority's Section 8 computer module was inaccurate for 10 tenants whose files were reviewed. The inaccurate information generally involved incorrect household member Social Security numbers. The Authority performs random tenant file quality control reviews; however, the reviewers were not always successful in identifying the errors. The quality control review form required the reviewer to check whether data entered into the system were accurate. For example, an Authority quality control reviewer reviewed the file for client 218691 on May 28, 2004. The reviewer marked on the review checklist that she had determined information in the Authority Section 8 computer module to be verified as correct. However, there was an incorrect Social Security number for one of the household members. This erroneous information was electronically transmitted to the Public and Indian Housing Information Center System.

HUD Form 9886, Authorization for Release of Information/Privacy Act Notice

There was no evidence that HUD Form 9886, Authorization for Release of Information/Privacy Act Notice, was signed as required in five files. As a condition of admission to or continued assistance, the authority is required to have prospective applicable household members execute the HUD Form 9886.

While the above three items require corrective action, we did not question any housing assistance payments in conjunction with these deficiencies alone.

Conclusion

Collectively, we attribute the deficiencies to the Authority's disregard of HUD rules and regulations. In addition, the Authority did not maintain adequate controls to ensure that required documentation and files were maintained as required. As a result, the Authority paid more than \$1 million in unsupported Section 8 housing assistance payments on behalf of potentially ineligible tenants.

Further, as detailed in appendix F, we used an unrestricted variable sampling plan that allowed statistical projections of the amount of the Section 8 housing assistance payments paid to Housing Choice Voucher program participants whose eligibility was not properly supported by required documentation. Based on the statistical sample we performed, we then projected the results to the universe. We project the Authority cannot assure HUD that at least \$277.8 million paid in housing assistance payments was paid to eligible tenants. Accordingly, we have made recommendations to ensure that adequate controls and procedures are implemented in the future to ensure that the Authority makes Section 8 housing assistance payments only for eligible tenants.

Recommendations

We recommend that the director, Los Angeles Office of Public and Indian Housing, require the Authority to

- 1A. Support or reimburse HUD \$1,021,222 in unsupported Section 8 housing assistance payments.
- 1B. Establish and document Section 8 tenant eligibility, income, and assets for housing choice vouchers and maintain complete documentation of the eligibility determination.
- 1C. Immediately establish a policy and implement procedures to determine whether household members have been evicted from federally-assisted housing for drug related criminal activity. In addition, the authority should determine whether current household members subject to the requirement have been evicted for the same reason.
- 1D. Ensure that adequate controls are in place so that all household information is complete and accurately input and electronically transferred to HUD.

- 1E. Conduct training with the Section 8 personnel on the new controls and procedures.

SCOPE AND METHODOLOGY

To accomplish our objective, we

- Reviewed 133 tenant files;
- Interviewed eligibility interviewers, eligibility advisors, and Section 8 management personnel;
- Reviewed HUD regulations for the Housing Choice Voucher program; and
- Reviewed the Authority's administrative plan.

We interviewed appropriate Authority and HUD Office of Public and Indian Housing management staff.

We performed on-site work at the Authority's administrative office at 2600 Wilshire Boulevard, Los Angeles, California, from September 2005 through April 2006. The audit covered the period of May 1, 2003, through May 31, 2005.

We performed our review in accordance with generally accepted government auditing standards.

We determined the number of files to review based on a statistical sample. See appendix F for further information regarding how we performed our statistical methodology.

INTERNAL CONTROLS

Internal controls are 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:

- Administration of the Section 8 program as it relates to tenant eligibility determination in compliance with HUD regulations,
- Maintaining complete and valid records, and
- Safeguarding Section 8 program resources.

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 item is a significant weakness:

- The Authority did not establish and implement adequate controls and procedures to ensure that it established and documented both the eligibility of its tenants for Section 8 housing choice voucher assistance and the amount of assistance for which they were eligible (finding 1).

APPENDIXES

Appendix A

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

Recommendation number	Unsupported 1/
1A	\$1,021,222

- 1/ The unsupported costs relate to housing assistance payments made for 76 tenants in which the Authority did not adequately support that the tenants were eligible for assistance. Therefore, we could not determine the eligibility of the housing assistance payments at the time of audit. More specifically, the Authority did not determine whether the tenants had been evicted from other federally assisted housing for drug-related activity. In addition, required documentation was missing, including: yearly eligibility recertifications; social security number verification for household members; income and/or asset verification; and entire tenant files. A schedule of the deficiencies found for each of the tenants is shown in appendix C. In addition, appendix D contains a schedule of the unsupported housing assistance payments for each of the 76 tenants.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments



HOUSING AUTHORITY OF THE CITY OF LOS ANGELES
AN EQUAL EMPLOYMENT OPPORTUNITY-AFFIRMATIVE ACTION EMPLOYER
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June 6, 2006

Joan Hobbs, Regional Inspector General
United States Department of Housing and Urban Development
Office of Inspector General – Region IX
611 West Sixth Street, Suite 1160
Los Angeles, Ca 90017-3101

RE: Section 8 Tenant Eligibility Program Draft Audit Report

Dear Ms. Hobbs:

We would like to thank the Office of Inspector General for conducting an audit at our behest. As you are aware, under this new administration, we have been working closely with the HUD offices in Los Angeles and Washington D.C., to restore program integrity, comply with regulatory requirements, and enhance the overall efficiency of the Section 8 Housing Choice Voucher (HCV) Program.

This correspondence is in response to the recently completed Discussion Draft Audit Report on the Housing Authority of the City of Los Angeles' Section 8 Tenant Eligibility Program and the recommendations associated with said draft. The Housing Authority respectfully contests the Inspector General's (OIG) recommendation that the Housing Authority reimburse HUD in the amount of \$1,021,222.

The OIG states in its report that the Housing Authority did not conduct background checks for evictions from federally funded housing programs of applicants; however, the OIG did not take into consideration the fact that public housing authorities do not have access to any type of national data base system or to the Public and Indian Housing Information Center system, which could provide information regarding individual terminations and evictions. ***Some of this information may be within PIC but is only accessible to HUD. The inaccessibility to this information makes it difficult for our housing authority and other housing authorities to comply with 24CFR982.533, who must then rely upon self-certification or other methodology to meet this requirement.***

Comment 1

Comment 2

Furthermore, with respect to those files that had missing documentation, HACLA contends that with the exception of two instances, that federal funds were not in jeopardy due to the fact that subsequent annual reviews were completed and participants were found to be in compliance with Section 8 program regulations in spite of the initial findings. It is our stance that most of the audit findings were clearly in the nature of technical administrative errors during the previous administration of the Section 8 HCV program, prior to HUD's intervention with a Memorandum of Understanding in 2004 and our new administration assuming control in 2005. Since it is clear that the majority of the audited clients were eligible for the Section 8 HCV program, we feel that the punitive economic sanctions being proposed for the errors of the previous administration, will serve no purpose.

However, HACLA is willing to make restitution in the following two cases as a result of the lack of the requested documentation necessary to support housing assistance payments and there was no follow up review conducted (the first is a backlogged review, the second was vacated for non-compliance).

TABLE A.

	Client #	D#6 SSN Not Verified	D #8 Missing Documents	
1	36693		x	\$9,648
2	63270	x		\$1,920
			Total	\$11,568

Additionally, based on a thorough review by Housing Authority staff of the 133 audited files for the period May 1, 2003 through May 31, 2005, it is our assertion that HACLA should be held accountable for the following four missing files and the one file found to be ineligible due to a positive hit when a criminal background check was conducted for a total of \$34,986 in penalties.

TABLE B.

	Client #	D#7 Missing Files	D#9 Participant Ineligible	
1	61956	x		13,237
2	209817	x		7,781
3	142868	x		3,312
4	145091	x		3,264
5	265383		x	7,392
			Total	\$34,986

It is HACLA's position that a total of \$46,554 should be reimbursed to HUD as described above.

The Housing Authority respectfully submits the following in support of our findings to the OIG draft audit report.

CONCERN No. 1

The audit found that HACL A has no policy or procedure in place regarding prohibition of participation in federally assisted housing program for any household member who has been evicted from a federally assisted housing program for drug-related criminal activity. Of the 133 tenant files reviewed, 59 were subject to this requirement.

RESPONSE

- The Housing Authority does have appropriate policies and procedures in place since the inception of the HUD MOU in 2004. The Administrative Plan, Chapter 13: *Terminations and Denials*, states policy and procedure for evictions for drug-related criminal activity. This policy was in effect in 2003, 2004, and 2005; it is still in effect.

Specifically, Section 13.3.1.1., *Prior Evictions for Drug Related Criminal Activity*, of the Administrative Plan states:

HUD requires the HACL A to prohibit admission of an applicant for three years from the date of eviction if any household member was evicted from federally assisted housing for drug related criminal activity (including personal use or possession of a drug). HACL A standards are to deny admission if any member of the household was evicted from federally assisted housing for drug related criminal activity (including personal use or possession of a drug) within three years prior to the initial interview.

Furthermore, the Authority is required to submit the annual Administrative Plan to the HUD field office to ensure compliance with HUD regulations and obtain guidance or objections from the field office. The Authority never received notification of objection and therefore, the Authority has complied and continues to comply with this regulation.

- The Housing Authority, in an effort to determine eligibility of an applicant, utilized self-certification as a means to make an eligibility determination. The Administrative Plan includes our policy of self-certification that addresses the screening and the eviction and/or termination of assistance requirements.
- As found by the OIG, only one of the 59 files reviewed was determined to be ineligible for the Section 8 Housing Choice Voucher (HCV) program participation. The public records databases that HUD OIG searched only identified one instance of criminal activity that would change the eligibility status of the sample tenants; therefore the housing assistance payments (HAP) for the remaining 58 files are sustained.

Comment 3

- The HACLA, utilizing the services of an outside vendor, generated unlawful detainer (eviction) checks for all of the clients subject to the audit and who completed self-certification as the only methodology available to meet compliance as prescribed by 24CFR982.533 (eviction from any federally assisted housing programs for drug related criminal activity or the manufacture of methamphetamine). In the unlawful detainer check, either there were no reported eviction proceedings or the listed eviction action involved issues other than drug related criminal activity. None of the listed plaintiffs in any of the eviction actions involved housing authorities or agencies. ***Since there was no record of criminal activity for these participants and correspondingly, no evictions for drug related criminal activity, the HACLA contends that there should be no penalty assessed because there was no violation of the CFR in any of these cases.***

CORRECTIVE ACTION

- A total of \$974,668 in Housing Assistance Payments, as follows, has been supported by HACLA and no reimbursement is due to HUD.

TABLE C.

	Client #	Supported HAP
1	16102	10,169
2	16884	13,039
3	25958	8,736
4	40524	9,448
5	41828	21,052
6	74863	31,247
7	81216	17,731
8	93764	18,047
9	131458	21,841
10	144559	6,311
11	149124	15,528
12	155424	5,580
13	169772	19,679
14	172193	18,291
15	203708	15,017
16	209394	378
17	213841	15,772
18	218062	17,597
19	218691	12,648
20	222416	22,217
21	224677	11,601
22	227155	5,325
23	229396	24,026

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24	230381	19,236
25	230824	29,040
26	230935	19,319
27	232029	8,508
28	232782	20,220
29	233747	6,334
30	233873	8,811
31	234080	11,828
32	234923	6,359
33	236187	14,686
34	240890	11,599
35	241094	10,411
36	243240	12,952
37	243459	16,296
38	243497	5,712
39	243796	13,367
40	244120	5,726
41	244841	10,524
42	245254	22,844
43	246247	26,868
44	246737	17,651
45	246905	12,632
46	247303	21,037
47	247518	21,050
48	248919	14,153
49	250605	12,480
50	251160	6,531
51	253207	6,512
52	253706	14,101
53	254492	14,595
54	256025	6,120
55	256191	9,967
56	257032	29,978
57	257099	15,142
58	257130	15,090
59	257356	13,631
60	257714	16,485
61	258465	12,414
62	259875	7,836
63	261387	11,924
64	261974	12,562
65	262022	16,320
66	263842	16,034

67	264476	9,641
68	267652	10,572
69	270677	8,290
	Total	\$974,668

Comment 1

- o HUD maintains a Public and Indian Housing Information Center (PIC) system to track program participants; however, the national data base capability can only be accessed by HUD and is inaccessible to all public housing authorities. The database could, but does not list PHA terminations and grounds for evictions nor is it available to all public housing authorities.
- o HACLA staff contacted six other housing agencies with significant allocations of HCV in an attempt to determine their policies and procedures in response to 24CFR982.553. In these discussions, all disclosed that they were experiencing compliance difficulties. ***In an effort to comply with 24CFR982.553, many of these agencies are currently utilizing some form of self-certification as there is no centralized database to obtain information to comply with this regulation.***
- o **RECOMMENDATION:** HUD, in conjunction with other public housing authorities (PHA), could explore the possibility of collecting data through on evictions, terminations, and grounds thereof in all assisted housing programs in order to comply with 24CFR982.553 or create some other venue in order for the PHA's to fully comply with the regulation.
- o As of May 2004, HACLA began performing criminal background checks for all new admissions and additions. Files are documented to show that background checks have been completed and, as required by regulations, the HACLA then destroys the criminal background check report since the purpose for which it was obtained was served. HUD's instructions state that the purpose is served once the applicant is admitted.

Comment 4

CONCERN 2

For 8 of the 133 tenant files, HUD OIG was unable to determine re-certification because supporting documentation was missing.

RESPONSE

HACLA reviewed the eight files and acknowledges that required certification documentation was missing at the time of the audit. However, as alluded to earlier, in seven of the eight cases, there was at least one subsequent annual review conducted by staff after the initial review by auditors. With the exception of this one case, all clients were certified as eligible for ongoing participation in the Section 8 Housing Choice Voucher Program. Additionally, this error was an administrative and/or clerical

error that did not allow for the documentation to be enjoined with the file. HACLA will make restitution on the one case, as is outlined in Table A.

TABLE A.

	Client #	D#6	D #8	
		SSN Not Verified	Missing Documents	
1	36693		x	\$9,648
2	63270	x		\$1,920
Total				\$11,568

CORRECTIVE ACTIONS

- o HACLA will reimburse HUD for unsupported housing assistance payments in the amount of \$9,648 for client #36693 (please refer to Table A).
- o POLICY AND PROCEDURE FORM TRANSMITTALS (PPFT)
 - ❖ No. 05-18 DATED JUNE 2, 2005, revised and distributed checklists to be used by staff for contracts, re-contracts and annual re-certifications. The revised checklists will: (1) help improve accuracy and completeness of files staff processes when contracting, re-contracting and conducting re-certifications and (2) ensure accountability of staff for correctly processing contracts, re-contracts and re-certifications.
 - ❖ HACLA will revise the existing PPFT instructing staff on proper file maintenance and document management. A copy of this will be provided to your offices within 60 days.

CONCERN 3 & 4

HUD OIG was unable to determine social security verifications for six client files and income and/or asset verifications for five client files.

RESPONSE

HACLA reviewed the 11 tenant files and acknowledges that required certification documentation was missing at the time of the audit. However, in each of the following cases, subsequent reviews were completed after the audited review and each case warranted continued participation. In one case, as alluded to in Table A, reimbursement will be made as the client's program participation terminated for noncompliance and no subsequent review was conducted after the timeframe covered by the audited review.

TABLE A.

	Client #	D#6	D #8	
		SSN Not Verified	Missing Documents	
1	36693		x	\$9,648
2	63270	x		\$1,920
Total				\$11,568

CORRECTIVE ACTIONS:

- HACLA will reimburse HUD for unsupported housing assistance payments in the amount of \$1,920 for client #63270 (please refer to Table A.).
- Policy and Procedure Form Transmittals
 - ❖ No. 05-07 DATED MARCH 7, 2005, directs staff to use an income, asset and deduction verification hierarchy form to document that the Housing Authority obtains third-party, written verification from independent sources of all factors affecting the determination of adjusted income, including, but not limited to, family income, assets totaling more than \$5,000.00, and expenses related to income and deductions.
 - ❖ No. 05-19 DATED MAY 24, 2005 directs staff to incorporate the Verification Hierarchy and Upfront Income Verification (UIV) procedure. The hierarchy form guides staff in verifying income, assets and deductions first through upfront income verification; third-party written verification; third-party oral verification; document review and family declaration or certification.
 - ❖ No. 05-20 DATED MAY 26, 2005 directs all Section 8 staff to immediately use the Tenant Assessment Subsystem (TASS) system and query the social security numbers of every adult member of the household.
 - ❖ The Housing Authority also implemented face-to-face interviews at the time of its annual and interim re-certifications for participants effective July 2005 and issued standardized interim proceedings for conducting interview.
- STAFF TRAINING
 - ❖ Training on the Verification Hierarchy and Upfront Income Verification procedure; the revised check lists for contracts, re-contracts and re-certifications; and the proper use of the TASS system was conducted by June 30, 2005.
 - ❖ HACLA contracted with Quadel Consulting to conduct rental integrity monitoring (RIM) certification training for all Section 8 eligibility interviewers, advisors and assistant managers. The RIM certification training provided by Quadel Consulting consists of an in-depth five (5) day training and discussion on the various elements of correct rent calculations, including but not limited to, allowable medical and dependent deductions, included income versus excluded income, actual asset income versus imputed asset income, net versus gross amounts received from the Department of Social Services and Social Security Administration. The training includes a pre-test on the first day of training, and a certification test on the last day of training with a certificate for those who pass the certification exam. Training will be completed by July 31, 2006.

CONCERN 5

HUD OIG was unable to review four missing files.

RESPONSE

HACLA acknowledges that the 4 of 133 client files requested by HUD OIG for the audit could not be located.

CORRECTIVE ACTIONS:

- o HACLA will reimburse HUD for unsupported housing assistance payments.

TABLE B.

	Client #	D#7 Missing Files	D#9 Participant Ineligible	
1	61956	x		13,237
2	209817	x		7,781
3	142868	x		3,312
4	145091	x		3,264
5	265383		x	7,392
			Total	34,986

- o HACLA will continue to search for the missing files; if the files cannot be located, the files will be reconstructed.
- o POLICY AND PROCEDURE FORM TRANSMITTALS
 - ❖ As previously stated in Concern #2, Corrective Action, HACLA will develop PPFT to improve file maintenance and document management. We will provide HUD with a copy of this procedure and a summary of the completed training by July 31, 2006.

CONCERN 6

HUD OIG's review of 133 files covering the period of May 1, 2003 to May 31, 2005 found that HACLA did not conduct criminal background checks.

RESPONSE

HACLA began performing criminal background checks for all new admissions and family additions in May 2004. During the exit conference, HUD OIG conveyed to HACLA staff that they performed a criminal background check on all 133 clients and that only one of clients was determined ineligible for admission to the Section 8 HCVP in accordance with the CFR criteria for admission. We acknowledge this error and will make restitution for this case.

CORRECTIVE ACTIONS

- HACLA will reimburse HUD for unsupported housing assistance payments (please refer to Table No. 2, item #5).
- The public records databases that HUD OIG searched only identified one criminal activity that would change the eligibility status of the sampled clients.
- PPFT 04-43, Criminal Record Checks, was issued on May 14, 2004 to all of the staff in the Section 8 Department instructing staff on new procedures for criminal background checks in accordance with HUD regulations.
- In October 2002, the HACLA Administrative Plan was published showing an amendment to Chapter 13, Terminations and Denials, that lists denial of Section 8 program participation for drug related criminal activity (Section 13.3.1 through 13.3.4); violent criminal activity (Section 13.4); and other criminal activity (Section 13.5). Revisions were made in October 2005 to strengthen applicant denials for drug-related and violent criminal activity on to exceed CFR requirements. Files are documented to show that background checks have been completed and, as required by regulations, the HACLA then destroys the criminal background check report since the purpose for which it was obtained was served. HUD's instructions state that the purpose is served once the applicant is admitted.

Concern 7

HUD OIG determined that HACLA transmitted inaccurate electronic information for 10 of the 133 client files audited via the Information in the Public and Indian Housing Information Center System. Furthermore, HUD OIG expressed concern with the quality control review process.

Response:

HACLA determined that the OIG findings were accurate and acknowledges the transmission errors and concerns outlined in the audit report. The HACLA will take corrective actions to minimize these errors in the future.

Corrective Actions

- The Section 8 Administrative Services unit is developing a new position that will specialize in the resolution of PIC transmission errors in the future.
- HACLA is aware that housing agencies are subject to financial penalties whenever the accuracy rate of PIC transmissions is less than 95%. HACLA will continue to make program enhancements and changes to policies, procedures and staff as program regulations and requirements evolve.
- HACLA is in the midst of a significant reorganization in an attempt to reduce the span of control of front line supervisors. As direct supervision responsibilities are reduced, an increase in the volume of Quality Control

reviews will be conducted (from 3% to 9%). We will provide your offices with a copy of the new directives for the Section 8 Department by July 31, 2006.

Concern 8

HUD OIG determined that there was no evidence that a HUD Form 9886, Authorization for Release of Information/Privacy Act Notice was signed as required for 5 of the 133 client files audited.

Response

HACLA acknowledges that at the time of the audit there was a lack of signatures on HUD Form 9886, Authorization for Release of Information/Privacy Act Notices for 5 of the 133 audited files outlined in the audit report and will take corrective actions to minimize these errors in the future. However, in each of the following of the subsequent reviews all forms were completely filled out and signed.

Corrective Actions

- o Please refer to Corrective Actions for Concern 7, as many of the new protocols that are currently in place or establishing will be addressed by these new initiatives.
- o As direct supervision responsibilities are reduced, an increase in the volume of Quality Control reviews will be conducted (from 3% to 9%). We will provide your offices with a copy of the new directives for the Section 8 Department by July 31, 2006.

Conclusion

HACLA continues to work in partnership with local and national HUD offices to restore the confidence and integrity of HACLA's Section 8 Housing Choice Voucher Program. This can be attested to by the invitation to HUD OIG to conduct this particular audit.

It is HACLA's position that we should not be penalized for non-compliance of 24CFR982.553, as this regulation is unreasonable without the direct assistance from HUD, Washington D.C.. Additionally, it is our contention that the vast majority of reviewed files, while having technical administrative errors that were consistent with the previous administration's view of regulatory compliance, have had subsequent reviews and those clients remained eligible for program participation.

Finally, any significant economic sanction meted out by HUD would only result in the punishment of current staff and clients of the Housing Authority and will serve no real purpose.

Therefore, it is our belief that HACLA should be responsible for: the four missing files, the one file found to be in violation of 24 CFR 982.553, and the two files where follow-up reviews were not conducted for a total penalty of \$46,554.

Joan Hobbs, Regional Inspector General
June 6, 2006
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As we issue additional directives and amendments to our Administrative Plan, implement training, and complete corrective actions, as described in this response, we will keep your offices apprised.

Should you require additional information or clarification, please feel free to contact Lourdes Castro Ramirez, Section 8 Director, at (213) 252-2570 or me at (213)252-1810.

Sincerely,



Rudolph Montiel
Executive Director

RM:icr:mt:tn

cc: Cecilia Ross, Director, HUD/Los Angeles

OIG Evaluation of Auditee Comments

- Comment 1** We acknowledge that there is no national database; however, there is information in HUD's Public and Indian Housing Information Center system and we confirmed that it is accessible to the Authority. The local HUD office informed us that the Authority can access the system to query the applicants' Social Security numbers to determine if the applicants have participated in federally assisted housing in the past, anywhere in the country. We believe that this should be used to supplement and validate the self-certification. In our opinion, self-certification is insufficient on its own. The Authority is required to comply with the *Code of Federal Regulations*, which requires housing authorities to prohibit admission to the program if any household member has been evicted from federally assisted housing for drug-related criminal activity. The requirement has been in effect since 2001 and the Authority should have implemented procedures to comply with the requirement. If it, and other public housing authorities, are experiencing difficulties in complying with the requirement, they should address those issues with the local HUD office.
- Comment 2** We disagree. Without the required documents there is no assurance to the Authority or to HUD that the tenant was indeed eligible to receive Section 8 housing assistance payments during the time period between that point and the subsequent annual review. Therefore, we questioned the related housing assistance payments as unsupported amounts. If the Authority cannot produce the missing records, then we believe the Authority should repay HUD for the corresponding amounts. In our opinion, the deficiencies were not technical administrative errors. The deficiencies cited in the report were requirements that should have been met to assure both HUD and the Authority that housing assistance payments were being made only to those tenants that were eligible for assistance.
- Comment 3** We disagree. HUD's Housing Choice Voucher Guidebook requires the public housing authority to establish local policies for denial of assistance. The Authority's policies restated the requirement to prohibit admission of applicant; however, there were no details provided as to how the Authority would make a determination as to whether an applicant should be prohibited admission or not. Therefore, as disclosed during our review, no proactive measures were taken to ensure compliance with the requirement. We believe that self-certification by an applicant applying for housing assistance is insufficient and merely self-serving for the applicant and any other household members. We believe there is no benefit for the applicant to truthfully answer this question because it would mean denial from assistance.

The Authority did not provide us with any detailed information on the services provided by an outside vendor to generate unlawful detainer checks for all the tenants subject to the audit. Therefore, we did not make any additional changes to report. Prior to issuing the report, we contacted the Authority to ask for more information; however, we did not receive a response.

Comment 4 The Authority is required to conduct a reexamination of family income and composition at least annually. In addition, the Authority is required to maintain complete and accurate records and conduct verifications of Social Security numbers and assets. If the Authority cannot produce documentation showing compliance with these requirements, the eligibility determination is unsupported. A reexamination in a subsequent year does not meet the requirement for annual reexaminations and verifications. Further, without the annual reexamination documentation there is no assurance to the Authority or HUD that the tenant was eligible during that year.

Appendix C

SCHEDULE OF DEFICIENCIES FOUND IN 76 of 133 FILES

	Client #	1	2	3	4	5	6	7	8	9
1	218691	X	X	X	X					
2	257714	X	X		X					
3	247303	X	X							
4	243497	X	X			X				
5	230824	X	X							
6	233747	X	X							
7	240890	X	X	X						
8	232029	X	X							
9	072951				X					
10	265383	X	X							X
11	087346					X				
12	040302									
13	039607									
14	230935	X	X							
15	248919	X	X							
16	013644					X				
17	130829									
18	081216	X	X							
19	256191	X	X							
20	091323									
21	267652	X	X							
22	173171									
23	209306									
24	234080	X	X							
25	012027									
26	270677		X							
27	093215									
28	254492	X	X							
29	016102				X		X			
30	236187	X	X							
Legend										
1 - Criminal background check not conducted. 2 - Check for eviction from federal housing not conducted. 3 - Income/asset verification not conducted. 4 - Form HUD-50058 was submitted to HUD with incomplete and/or inaccurate information. 5 - HUD Form 9886, Release of Information/Privacy Act Notice, not signed. 6 - Social Security number not verified with required documentation. 7 - The Authority could not locate the file. 8 - The Authority could not locate missing documents. 9 - The tenant was not eligible to participate in the program										

	Client #	1	2	3	4	5	6	7	8	9
31	200397									
32	261387	X	X							
33	024424									
34	025842									
35	256025	X	X						X	
36	190353									
37	259875	X	X							
38	210424									
39	234240	X	X							
40	230381	X	X							
41	200647									
42	246737	X	X							
43	241094	X	X							
44	243459	X	X							
45	246247	X	X							
46	036866									
47	258465	X	X							
48	113264				X					
49	220965									
50	080128									
51	208387									
52	120050									
53	235609									
54	016884								X	
55	021602									
56	262022	X	X							
57	149124	X	X							
58	087421									
59	234923	X	X							
60	063270						X			
61	054534									
62	061956							X		
63	119919									
64	209394	X	X							
65	013340									

Legend

- 1 - Criminal background check not conducted.
- 2 - Check for eviction from federal housing not conducted.
- 3 - Income/asset verification not conducted.
- 4 - Form HUD-50058 was submitted to HUD with incomplete and/or inaccurate information.
- 5 - HUD Form 9886, Release of Information/Privacy Act Notice, not signed.
- 6 - Social Security number not verified with required documentation.
- 7 - The Authority could not locate the file.
- 8 - The Authority could not locate missing documents.
- 9 - The tenant was not eligible to participate in the program

	Client #	1	2	3	4	5	6	7	8	9
66	144559			X						
67	200055									
68	039374									
69	012852									
70	244120	X	X							
71	131457						X			
72	192384				X					
73	224677	X	X							
74	263842	X	X		X					
75	209817							X		
76	250605	X	X							
77	139259									
78	264476	X	X							
79	172193								X	
80	029685									
81	152879									
82	261974	X	X							
83	039876									
84	038970									
85	093764	X	X							
86	218062	X	X							
87	041828						X			
88	074863	X	X							
89	211838									
90	257130	X	X						X	
91	027854									
92	213841			X		X				
93	229396	X	X		X					
94	082370									
95	244841	X	X							
96	245254	X	X							
97	251160	X	X							
98	222416	X	X							
99	030960				X					
100	114094									

Legend

- 1 - Criminal background check not conducted.
- 2 - Check for eviction from federal housing not conducted.
- 3 - Income/asset verification not conducted.
- 4 - Form HUD-50058 was submitted to HUD with incomplete and/or inaccurate information.
- 5 - HUD Form 9886, Release of Information/Privacy Act Notice, not signed.
- 6 - Social Security number not verified with required documentation.
- 7 - The Authority could not locate the file.
- 8 - The Authority could not locate missing documents.
- 9 - The tenant was not eligible to participate in the program

	Client #	1	2	3	4	5	6	7	8	9
101	171036									
102	227155	X	X							
103	253207	X	X							
104	088757									
105	090967									
106	019107									
107	155424			X						
108	147554									
109	247518	X	X							
110	025958								X	
111	233873	X	X							
112	142868							X		
113	083991									
114	203708	X	X						X	
115	257032	X	X				X			
116	145091							X		
117	257099	X	X							
118	193044									
119	257356	X	X							
120	012917									

Legend

- 1 - Criminal background check not conducted.
- 2 - Check for eviction from federal housing not conducted.
- 3 - Income/asset verification not conducted.
- 4 - Form HUD-50058 was submitted to HUD with incomplete and/or inaccurate information.
- 5 - HUD Form 9886, Release of Information/Privacy Act Notice, not signed.
- 6 - Social Security number not verified with required documentation.
- 7 - The Authority could not locate the file.
- 8 - The Authority could not locate missing documents.
- 9 - The tenant was not eligible to participate in the program

	Client #	1	2	3	4	5	6	7	8	9
121	243796	X	X							
122	144384									
123	113159									
124	154609									
125	253706	X	X							
126	100563									
127	040524								X	
128	028820									
129	169772						X			
130	190495				X					
131	036693								X	
132	246905	X	X			X				
133	232782	X	X							
	133 files looked at and applicable to review									
	No. of hits	58	59	5	10	5	6	4	8	1
	% hits	43.61%	44.36%	3.76%	7.52%	3.76%	4.51%	3.01%	6.02%	0.75%

Legend
1 - Criminal background check not conducted.
2 - Check for eviction from federal housing not conducted.
3 - Income/asset verification not conducted.
4 - Form HUD-50058 was submitted to HUD with incomplete and/or inaccurate information.
5 - HUD Form 9886, Release of Information/Privacy Act Notice, not signed.
6 - Social Security number not verified with required documentation.
7 - The Authority could not locate the file.
8 - The Authority could not locate missing documents.
9 - The tenant was not eligible to participate in the program

Appendix D

SCHEDULE OF UNSUPPORTED HOUSING ASSISTANCE PAYMENTS

	Client number	Total housing assistance payments	Unsupported housing assistance payments
1	218691	\$ 12,648	\$ 12,648
2	257714	\$ 16,485	\$ 16,485
3	247303	\$ 21,037	\$ 21,037
4	243497	\$ 5,712	\$ 5,712
5	230824	\$ 29,040	\$ 29,040
6	233747	\$ 6,334	\$ 6,334
7	240890	\$ 11,599	\$ 11,599
8	232029	\$ 8,508	\$ 8,508
9	265383	\$ 7,392	\$ 7,392
10	230935	\$ 19,319	\$ 19,319
11	248919	\$ 14,153	\$ 14,153
12	232782	\$ 20,220	\$ 20,220
13	081216	\$ 17,731	\$ 17,731
14	256191	\$ 9,967	\$ 9,967
15	267652	\$ 10,572	\$ 10,572
16	234080	\$ 11,828	\$ 11,828
17	270677	\$ 8,290	\$ 8,290
18	254492	\$ 14,595	\$ 14,595
19	016102	\$ 10,169	\$ 10,169
20	236187	\$ 14,686	\$ 14,686
21	261387	\$ 11,924	\$ 11,924
22	256025	\$ 6,120	\$ 6,120
23	259875	\$ 7,836	\$ 7,836
24	234240	\$ 12,952	\$ 12,952
25	230381	\$ 19,236	\$ 19,236
26	246737	\$ 17,651	\$ 17,651
27	241094	\$ 10,411	\$ 10,411
28	243459	\$ 16,296	\$ 16,296
29	246247	\$ 26,868	\$ 26,868
30	258465	\$ 12,414	\$ 12,414
31	016884	\$ 25,760	\$ 13,039
32	262022	\$ 16,320	\$ 16,320
33	149124	\$ 15,528	\$ 15,528
34	234923	\$ 6,359	\$ 6,359
35	063270	\$ 1,920	\$ 1,920
36	061956	\$ 13,237	\$ 13,237

	Client number	Total housing assistance payments	Unsupported housing assistance payments
37	209394	\$ 378	\$ 378
38	144559	\$ 15,741	\$ 6,311
39	244120	\$ 5,726	\$ 5,726
40	131457	\$ 21,841	\$ 21,841
41	224677	\$ 11,601	\$ 11,601
42	263842	\$ 16,034	\$ 16,034
43	209817	\$ 7,781	\$ 7,781
44	250605	\$ 12,480	\$ 12,480
45	264476	\$ 9,641	\$ 9,641
46	172193	\$ 20,103	\$ 18,291
47	261974	\$ 12,562	\$ 12,562
48	093764	\$ 18,047	\$ 18,047
49	218062	\$ 17,597	\$ 17,597
50	041828	\$ 21,052	\$ 21,052
51	074863	\$ 31,247	\$ 31,247
52	257130	\$ 15,090	\$ 15,090
53	213841	\$ 16,460	\$ 15,772
54	229396	\$ 24,026	\$ 24,026
55	244841	\$ 10,524	\$ 10,524
56	245254	\$ 22,844	\$ 22,844
57	251160	\$ 6,531	\$ 6,531
58	222416	\$ 22,217	\$ 22,217
59	227155	\$ 5,325	\$ 5,325
60	253207	\$ 6,512	\$ 6,512
61	155424	\$ 12,849	\$ 5,580
62	247518	\$ 21,050	\$ 21,050
63	025958	\$ 18,190	\$ 8,736
64	233873	\$ 8,811	\$ 8,811
65	142868	\$ 3,312	\$ 3,312
66	203708	\$ 15,017	\$ 15,017
67	257032	\$ 29,978	\$ 29,978
68	145091	\$ 3,264	\$ 3,264
69	257099	\$ 15,142	\$ 15,142
70	257356	\$ 13,631	\$ 13,631
71	243796	\$ 13,367	\$ 13,367
72	253706	\$ 14,101	\$ 14,101
73	040524	\$ 29,734	\$ 9,448
74	169772	\$ 19,679	\$ 19,679
75	036693	\$ 11,278	\$ 9,648
76	246905	\$ 12,632	\$ 12,632
	Total	\$1,084,512	\$ 1,021,222

Appendix E

CRITERIA

The following sections of the *Code of Federal Regulations* apply to tenant eligibility determinations:

- 24 CFR [*Code of Federal Regulations*] 5.218(a)-(c) requires the housing authority to deny eligibility of an applicant if the applicant does not meet the applicable Social Security number disclosure and verification requirements in 24 CFR [*Code of Federal Regulations*] 5.216.
- 24 CFR [*Code of Federal Regulations*] 5.855 allows housing authorities to prohibit admission of individuals who have engaged in criminal activity if the housing authority determines any household member is currently engaging in or has engaged in during a reasonable time before the admission decision 1) drug-related criminal activity; 2) violent criminal activity; 3) other criminal activity that would threaten the health, safety, or right to peaceful enjoyment of the premises by other residents; or 4) other criminal activity that would threaten the health or safety of the housing authority or owner or any employee, contractor, subcontractor, or agent of the housing authority or owner who is involved in the housing operations. Further, 24 CFR [*Code of Federal Regulations*] 5.855 allows the housing authority to establish a reasonable period before the admission decision, during which an applicant must not have engaged in any of these activities.
- 24 CFR [*Code of Federal Regulations*] 5.903 states that the housing authority may use the criminal conviction records it obtains from a law enforcement agency to screen applicants for admission to covered housing programs; however, to obtain access to records, the housing authority must require every applicant family to submit a consent form signed by each adult household member. Upon signing the consent form, the adult household member authorizes the housing authority to receive the criminal conviction records from a law enforcement agency.
- 24 CFR [*Code of Federal Regulations*] 960.259 states the housing authority shall require the family head and other family members to execute a consent form authorizing any depository or private source of income or any federal, state, or local agency to release any necessary information to the housing authority or HUD. Further, 24 CFR [*Code of Federal Regulations*] 960.259 requires the housing authority to obtain and document third-party verification, related to the family's annual income and assets.

- 24 CFR [*Code of Federal Regulations*] 982.158 requires the housing authority to maintain complete and accurate accounts and other records for the program, in accordance with HUD requirements, in a timely manner that permits a speedy and effective audit.
- 24 CFR [*Code of Federal Regulations*] 982.516 requires the housing authority to conduct a reexamination of family income and composition at least annually. Family income must include income of all family members, including family members not related by blood or marriage. The housing authority must establish procedures that are appropriate and necessary to assure that income data provided are complete and accurate.
- 24 CFR [*Code of Federal Regulations*] 982.552 states the housing authority must deny admission to the program if any member of the family fails to sign and submit consent forms for obtaining information in accordance with part 5, subparts B and F of title 24. In addition, the family must submit required evidence of citizenship or eligible immigration status.
- 24 CFR [*Code of Federal Regulations*] 982.553 requires the housing authority to prohibit admission to the program of an applicant, for three years from the date of eviction, if a household member has been evicted from federally assisted housing for drug-related criminal activity. Further, the housing authority must establish standards that prohibit admission if the housing authority determines that any household member is currently engaging in illegal use of a drug or any household member has ever been convicted of drug-related criminal activity for manufacture or production of methamphetamine on the premises of federally assisted housing. In addition, 24 CFR [*Code of Federal Regulations*] 982.553 requires the housing authority to establish standards that prohibit admission to the program if any member of the household is subject to a lifetime registration requirement under a state sex offender registration program. The housing authority must perform criminal history background checks necessary to determine whether any household member is subject to the registration requirement in the state where the housing is located and in other states where the household members are known to have resided.

Appendix F

STATISTICAL SAMPLING METHODOLOGY

Purpose of the Sampling

The objective of the audit was to determine whether the Housing Authority of the City of Los Angeles performed Section 8 tenant eligibility in accordance with HUD rules and regulations. In support of this objective, we employed an unrestricted variable sampling plan that allowed statistical projections of the amount of the Section 8 housing assistance payments paid to housing choice voucher program participants whose eligibility was not properly supported by required documentation.

Definition of the Audit Population and Tests Performed

Using data obtained from the Authority's automated system used to manage its Section 8 operations, we identified 46,781 participants who were paid \$668,183,451 in regular Section 8 housing assistance payments during the period May 1, 2003 through May 31, 2005. Excluded from this universe were adjustment payments and participants who elected to use their voucher outside of the housing authority's geographic area.

For each transaction sampled, we obtained the tenant case file for review. Based on the information included in the case files, we assessed whether the supporting documentation required by HUD and authority guidance for program eligibility was included and showed the participant:

- met certain income limits
- had their income and assets verified
- had signed HUD form 9886 (consent form)
- proved their age and citizenship status
- provided valid social security documentation
- had an authority run criminal background check
- was not previously evicted from a federally funded housing assistance program

For those participants for whom the tenant case file did not show the participant met the specified program eligibility requirements, we considered the participant and their associated relevant cumulative housing assistance payments paid during the period of review to have failed the requirement for adequate supporting documentation.

Sample Design

Using unrestricted variable sampling methodology, we determined that a sample size of 133 participants was sufficient using a 90 percent confidence level and a desired sampling precision of 6.3 percent. Accordingly, we randomly selected 133 tenant case files for detail review from the universe.

Statistical Projections of the Sample Data

Based on the results of the detailed tests performed on the sampled items, we are 95 percent confident that the minimum value of the universe of the Section 8 housing assistance payments paid to the 46,781 voucher program participants whose program eligibility was properly supported was at least \$390,428,704. This means that the Housing Authority of the City of Los Angeles paid housing assistance payments totaling at least \$277,754,747 for participants whose program eligibility was not adequately documented and properly supported.

The point estimate of the population of Section 8 housing assistance payments was \$331,779,645, plus or minus \$58,649,059. In other words, we are 90 percent confident that the total value of the population of Section 8 housing assistance payments that were sufficiently documented and adequately supported lies between \$273,130,587 and \$390,428,704. The actual precision (sampling error) was 18 percent. Statistical projection details were:

Information on the Universe and Sample Size			
Total Value of Section 8 Housing Assistance Payments	\$668,183,451		
Total Number of Section 8 Participants In the Universe	46,781		
Mean for Housing Assistance Payments In the Universe	\$14,283		
Standard Deviation for Housing Assistance Payments In the Universe	\$6,260		
Total Number of Section 8 Participants In the Sample	133		
Mean for Housing Assistance Payments In the Sample	\$7,092		
Standard Deviation for Housing Assistance Payments In the Sample	\$8,829		
Results for the Sample Evaluation			
	Confidence Level	90%	
Precision For Estimated Value of Supported Housing Assistance Payments	\$58,649,059		18%
Estimated Value of Supported Housing Assistance Payments (Point Estimate)	\$331,779,645		
Estimated Lower Limit of Supported Housing Assistance Payments	\$273,130,587		
Estimated Upper Limit of Supported Housing Assistance Payments	\$390,428,704		
Determination of Estimated Value of Unsupported Housing Assistance Payments			
Total Value of Housing Assistance Payments In the Universe	\$668,183,451		
Less Estimated Value of Supported Housing Assistance Payments For Reporting (Upper Limit)	\$390,428,704		
Equals Estimated Value of Unsupported Housing Assistance Payments For Reporting	<u>\$277,754,747</u>		