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TO: Paul LaMarca, Director, Public Housing Division,
Pittsburgh Area Office, 3EPH

FROM: Edward F. Momorella, District Inspector General for
Audit, Mid-Atlantic, 3AGA

SUBJECT: Washington County Housing Authority
Management Operations
Washington, Pennsylvania

Pursuant to your request we audited selected management operations of the housing programs administered by the Washington County Housing Authority (Authority).

The purpose of the audit was to determine if the Authority administered its programs in compliance with the Annual Contributions Contract and applicable HUD requirements.

Our audit found the Authority needs to improve operational controls covering the Drug Elimination Program, Section 8 Program, and Public Housing Program occupancy.

Within 60 days please give us, for each recommendation in this report, a status report on: (1) the corrective action taken; (2) the proposed corrective action and the date completed; or (3) why action is considered unnecessary. Also, please furnish us copies of any correspondence or directives issued because of the audit.

Should you or your staff have any questions, please contact Irving I. Guss, Assistant District Inspector General for Audit, at (215) 656-3401.

Executive Summary

The purpose of the audit was to determine if the Authority administered selected aspects of its housing programs in compliance with the Annual Contributions Contract and applicable HUD requirements. Based on a survey of Authority operations, our audit focused on the Drug Elimination Program, Section 8 Program and Public Housing Program operations covering occupancy, procurement, disposition of non-expendable equipment, travel and cash receipts.

Our review of procurement, disposition of non-expendable equipment, travel and cash receipts disclosed no reportable deficiencies.

Drug Elimination Program
baseline activity not
established

The Authority did not establish the baseline level of police service and did not adequately monitor subgrantees as required. As a result \$237,409 spent for police patrols is unsupported. The Executive Director attributed the deficiencies to lack of staff.

Errors and omissions in
administering the Section 8
Program

Review of the Section 8 Program revealed in some instances, as required, the Authority did not properly: (1) verify income; (2) calculate total tenant payment; (3) verify a Federal preference; or (4) complete inspection reports. The deficiencies were mostly due to inadvertent mistakes by Authority staff. As a result, two tenants were overpaid and HUD paid excessive subsidy for another; a tenant without a Federal preference was unfairly housed ahead of others; and there is no assurance units initially and annually met Housing Quality Standards.

Public Housing Program
administration required
improvement

Review of nine tenant files from four projects disclosed instances where the Authority did not properly: (1) verify income and dependent status; and (2) house tenants in units of appropriate size. These deficiencies, while not numerous in any one area, were due to staff oversight and indicate the need for stronger internal controls over program administration. As a result, tenant rent was not correctly calculated, and tenants were overhoused.

We recommend the Authority justify or repay HUD the unsupported payments to the Police Departments and ensure staff's compliance in administering housing programs requirements.

We discussed the draft finding issues with Authority representatives during the audit and where appropriate, their comments are summarized in the findings. The draft findings were provided to the Authority and the response received was considered in our report. The Authority's written response is included as Appendix B. The Executive Director declined an exit conference.

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Abbreviations

CFR	Code of Federal Regulations
HQS	Housing Quality Standards
HUD	Department of Housing and Urban Development
PHA	Public Housing Authority
TTP	Total Tenant Payment

Introduction

The Washington County Housing Authority was established pursuant to the laws of the Commonwealth of Pennsylvania to provide low rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development. The Authority's public housing inventory includes 1,002 dwelling units in conventional developments. In addition, the Authority's Section 8 Program consists of 777 units.

The Authority received housing subsidies of \$4,019,273 since 1994. The Authority has a five member Board of Directors who are appointed by the Washington County Commissioners. The Chairman of the Board is Peter Glasser. The Authority's Executive Director is Stephen Hall. The Authority's Administrative Office is located at 100 Crumrine Tower, Franklin Street, Washington, Pennsylvania.

Audit Objectives

The primary objective of the audit was to determine whether the Authority effectively managed its housing programs in compliance with the Annual Contributions Contract, and applicable HUD requirements. Based on survey results, the audit focused on the Drug Elimination and Section 8 Programs, procurement, occupancy, and certain administrative operations.

Audit Scope and Methodology

We reviewed pertinent Pittsburgh Area Office and Authority records. We interviewed HUD and Authority staff, tenants and contractors. We also inspected three Section 8 units.

Audit Work was performed between April and November 1996 and covered the period October 1, 1993 through February 28, 1996. The review was extended to include other periods where necessary.

We conducted the audit in accordance with generally accepted government auditing standards.

The Authority Needs To Improve Administration Of The Drug Elimination Program

The Authority did not correctly establish the baseline level of police service and did not adequately monitor subgrantees as required. As a result, \$237,409 spent for police patrols is unsupported. The Executive Director attributed the deficiencies to lack of staff.

Baseline Services

24 CFR 961.10(b)(2)(i) states:

"Additional security and protective services to be funded under this program must be over and above those that the tribal, State or local government is contractually obligated to provide under its Cooperation Agreement with the applying HA An applicant seeking funding for this activity must first establish a baseline by describing the current level of services (in terms of the kinds of services provided, the number of officers and equipment and the actual percent of their time assigned to the developments proposed for funding) and then demonstrate to what extent the funded activity will represent an increase over this baseline."

Baseline service not established

The Authority did not properly establish the baseline service provided by the Police Departments with whom the Authority entered into a contract. According to the Executive Director, the Technical Assistance Contractor initially established the baseline services by talking on the phone with Washington PA's Police Chief. The baseline stated by this Police Chief was then projected to the other Police Departments. There was no documentation to support any discussions.

"Officer's Daily Reports" from the Donora PA Police Department show the Department sometimes patrolled the contracted area 16 to 24 hours per day. These patrols, paid from the drug elimination grant, left little time for the Police Department to perform services under the Cooperation Agreement.

The Executive Director stated the Deputy Executive Director, who has been on extended sick leave, was in charge of overseeing the Drug Elimination Program. The Executive Director stated you would have to know the problems the Authority had at the project in order to appreciate what has been done. Before the Drug Elimination Program funds were utilized, there was open drug dealing and crime. Since the patrols started, nothing goes on at the project.

Because the Authority did not establish the baseline level of service provided by the Police, as required, the \$237,409 spent on the service is unsupported.

Subgrantee Monitoring

24 CFR 961.28 states:

"... Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity of the grant."

Paragraph 3 of the contract between the Authority and one Police Department states:

"... Two (2) police officers shall be present or on patrol at Highland Terrace during all hours of operation"

Paragraph 6 states:

"CONTRACTOR'S additional hours of service for *AUTHORITY'S public housing development(s) provided pursuant to this Agreement will include, but shall not be limited to:*

A. Perform vehicle and foot patrols in Highland Terrace and Donora Townhouses"

Authority's program monitoring deficient

The Authority did not adequately monitor the work of the Police Departments with whom they contracted. A review of the "Daily Reports" of the Cannonsburg PA Police Department revealed the Department charged the drug elimination grant for duties which should have been performed under the Cooperation Agreement. For example, on February 12, 1996 two officers charged 17 hours to the drug elimination grant (one officer charged 8 hours and another charged 9 hours). The narrative says "Arrest and search warrants" These are duties the Police Department would be obligated to perform under the Cooperation Agreement.

The reports also show that officers charge time to the grant when they leave the premises to respond to other calls. For example, on March 31, 1996 the report shows an officer worked from 20:45 to 21:45 and charged an hour to the grant. The narrative says the officer "left to handle call 1513" and then returned. There is no break in the time shown spent on site.

The Authority also appeared to have been charged for duplicate time. The same incident appears on two time sheets. While the time sheets have consecutive days the badge numbers, start and finish times, and narrative description were identical. The Executive Director agreed and stated the Police Department owes the Authority for the duplicate time charged.

The review of the "Officer's Daily Reports" from the Donora PA Police Department disclosed the department did not adhere to the provisions in the contract. In most cases, two officers were not present during patrols of the project. In

addition, vehicle patrols were not always documented. The Authority paid invoices for this Police Department without receiving the supporting daily reports.

The Executive Director stated, to his knowledge the contract had not been modified and the department may not have been able to coordinate schedules of the officers in pairs because the officers who patrol under the program are part-time.

Insufficient monitoring of Police Departments resulted in departments receiving payment to perform duties which they are required to perform by the Cooperation Agreement or when they are not serving the Authority.

Auditee Comments

The Authority agreed with the finding but did not include the recommendations in their plan of action to correct findings. The Authority stated they will require the Chief of Police in each jurisdiction to submit a letter stating the level of services existing prior to grant activities. Further they will require Police Departments who charged ineligible costs to the grant to perform additional documented patrols free of charge to compensate for the ineligible services.

OIG Evaluation of
Auditee Comments

While the Authority agreed to document the level of services existing prior to the grant, they did not address repayment of funds for any services which are not shown to be above the baseline established. The Authority is not requiring repayment from Police Departments which were paid for ineligible services.

The Authority needs to repay, or require the Police Departments to repay, any funds received for ineligible services. Once the Police Departments have received payment and/or the contract has expired, there is no guarantee they will perform the additional documented patrols free of charge as the Authority is requesting.

Recommendations

We recommend the Authority:

- 1A. Establish the baseline services provided by the Police Departments. Repay the grant for any of the \$237,409 paid for patrols which are not shown to be above the baseline established.

- 1B. Provide adequate monitoring of all subgrantees and withhold payment for those activities which should have been performed under the Cooperation Agreement and in accordance with the executed contracts.

The Authority Needs To Improve Administration Of Its Section 8 Program

Review of the Section 8 Program revealed in some instances, as required, the Authority did not properly: (1) verify income; (2) calculate total tenant payment (TTP); (3) verify a Federal preference; or (4) complete inspection reports. The deficiencies were mostly due to inadvertent mistakes by Authority staff. As a result, two tenants were overpaid and HUD paid excessive subsidy for another; a tenant without a Federal preference was unfairly housed ahead of others; and there is no assurance units initially and annually met Housing Quality Standards (HQS).

Income Verification

24 CFR 882.116(c) requires:

"... verification of family income and other factors relating to eligibility ..."

Sampled periods disclosed income deficiencies

For six of the 22 certification/recertification periods reviewed, the Authority did not properly verify income. For example, a tenant reported receiving Social Security benefits of \$490 and \$364 per month. The Authority used these amounts to calculate a TTP of \$246 for the tenant. Verification with the Social Security Administration showed the tenant received only \$490 per month. Therefore, the TTP should have been only \$137. This incorrect payment was made for one month. When the tenant was recertified the correct payment was calculated. The tenant was not reimbursed the \$109.

For four of the six certification/recertification periods referred to above, the Authority failed to get appropriate certifications from adult members of households who claimed to receive no income. The Authority just took the word of the member. The Authority now has a form where the household member certifies to receiving no income.

Because the Authority did not properly verify income, one tenant is owed \$109. Also, without proper certification when

a household member claims to have no income, it could not be determined whether HUD paid excessive subsidy for these tenants.

Calculation of TTP

24 CFR 813.106(a) states:

"Annual income is the anticipated total income from all sources received by the Family head and spouse (even if temporarily absent) and by each additional member of the Family, including all net income derived from assets for the 12-month period following the effective date of certification of income ..."

24 CFR 813.102 defines adjusted income as:

"Annual income less the following allowances, determined in accordance with HUD instructions ... (e)(1) Child care expenses..."

24 CFR 812.102 defines Child care expenses as:

"Amounts anticipated to be paid by the Family for the care of children under 13 years of age during the period of which Annual Income is computed ..."

Three TTP's improperly calculated

The Authority did not properly calculate TTP for three of the certification/recertification periods reviewed. One improperly calculated TTP was the result of the Authority's failure to properly verify income as shown in the previous section. In the other instances, the Authority did not calculate income or allowances to income correctly. For example, a tenant's pay stubs showed bi-weekly income. In order to determine annual income, the Authority averaged these pay stubs and then multiplied them by 24 pay periods instead of 26 pay periods.

As a result, one tenant overpaid \$46 while another tenant received excess subsidy of \$60. The tenant overpayment for the third tenant was addressed in the preceding section.

Verification of Federal Preferences

24 CFR 882.116(c) requires:

"... verification of family income and other factors relating to eligibility ..."

Errors in processing a Federal preference

The Authority did not properly verify a Federal preference claimed by one of the two tenants reviewed who were admitted during the audit period. In order to determine whether the tenant qualified for the Federal preference, the Authority used a rent receipt that showed rent which was higher than the amount the tenant reported on earlier correspondence. However, the Authority's files contained a note that the tenant was not moving into the unit with the higher rent. Also, the utility bill submitted did not have the same address as the rent receipt.

Initially, the Section 8 Coordinator agreed the tenant did not qualify for a Federal preference based on the information in the file. Later, the Section 8 Coordinator said the tenant provided additional information via the telephone. The additional information, however, was not adequate to support the tenant's claim of a Federal preference.

As a result, an applicant without a Federal preference was placed ahead of applicants who qualified for a Federal preference.

Unit Inspections

24 CFR 882.116(o) requires:

"Inspections prior to leasing and inspections at least annually to determine that the units are maintained in Decent, Safe, and Sanitary condition ..."

24 CFR 882.109(c)(1) states:

"The dwelling unit shall afford the Family adequate space and security."

24 CFR 882.109(c)(2) states:

"... Exterior doors and windows accessible from outside the unit shall be lockable."

HQS inspection reports improperly documented

The Authority did not properly document the inspection reports for 13 of the 18 inspections performed. The Authority used form HUD-52580 for these inspections, however, the reports rarely indicated whether the items passed, failed, or were inconclusive. For example, one report had only a check in the pass column for a refrigerator in the unit. No other item number was checked. Also, the report did not address unit security.

We inspected three units which passed HQS. However, without properly documented inspections, there is no assurance the units met HQS prior to leasing and at least annually as required.

Although the Section 8 Coordinator agreed with the deficiencies, no explanation was given for their occurrence. The Executive Director attributed most of the deficiencies to mistakes.

Auditee Comments

The Authority concurred with the finding and recommendations.

Recommendations

We recommend the Authority:

- 2A. Verify income, allowances to income and Federal preferences in accordance with HUD requirements and calculate TTP based on these verifications.

We recommend your staff verify the Authority:

- 2B. Repaid \$155 to the two tenants who paid excessive rents and repaid the program from non-Federal funds the \$60 tenant underpayment.
- 2C. Adequately completes inspection forms to address all items required by 24 CFR 882.109.

The Authority Needs To Improve Certain Aspects Of Its Public Housing Program

Review of nine tenant files from four projects disclosed instances where the Authority did not properly: (1) verify income and dependent status; and (2) house tenants in units of appropriate size. These deficiencies, while not numerous in any one area, were due to staff oversight and indicate the need for stronger internal controls over program administration. As a result, tenant rent was not correctly calculated, and tenants were overhoused.

Verification of Income and Dependency

24 CFR 913.109(a) states:

"The PHA is responsible for determination of eligibility for admission; for determination of Annual Income, Adjusted Income and Total Tenant Payment; and for reexamination of family income and composition at least annually...."

24 CFR 913.102 Definitions states:

"Annual income less the following allowances, determined in accordance with HUD instructions:

*(a) \$480
for each
Dependent
"*

A dependent is defined as:

"A member of the Family household (excluding foster children) other than the Family head or spouse, who is under 18 years of age or is a Disabled Person or Handicapped Person, or is a Full-time student."

Verification procedures require improvement

For two tenant files reviewed, the Authority did not verify income or the dependent status of a family member. No annual recertification was done in 1993 for one tenant. For the other tenant, the Authority did not verify full-time student status for an 18 year old household member even though the tenant's rent was determined on a total income adjusted by the \$480 dependent allowance.

As a result, for one tenant, there is no assurance rent reflected actual income and family composition, and for the other tenant, rent was underpaid \$120.

Overhoused Tenants

Section XII. B. of the Authority's Admission and Occupancy Guidelines states:

"The adopted guidelines result in the following range of persons per bedroom:"

<u>Number of Bedrooms</u>	<u>Number of Persons</u>	
	<u>Minimum</u>	<u>Maximum</u>
0	1	1
1	1	2
2	2	4
3	3	6
4	5	8

Eight tenants overhoused

Eight tenants at one project were overhoused. Six tenants were overhoused in two-bedroom units and two tenants were overhoused in three-bedroom units.

The Project Manager said the tenant files showed the tenants needed to be transferred to one-bedroom units, but the Authority did not have many of this size available to complete the transfers. From January, 1993 to present, six one-bedroom units became available for occupancy. Of those available units, the Authority transferred tenants into four of the units and moved people into the other two units. The Project Manager did not address the two tenants who needed to be moved from three-bedroom units to two-bedroom units.

Allowing tenants to remain in units which exceed the tenants' needs results in excess subsidy paid on behalf of these tenants and forces the families needing these units to remain on the waiting list.

The Authority notified three tenants that they would be transferred to the appropriate sized unit when they become available.

The Executive Director attributed most deficiencies to a lack of internal controls due to staff remaining at one project for a long time. The Authority tried to remedy this by rotating the Assistant Project Managers. However, a grievance was filed by one Assistant Project Manager and that Assistant Project Manager was returned to the site where they worked for years.

Auditee Comments

The Authority concurred with the finding and two of the three recommendations. Regarding the transfer of tenants to the correct size units, the Authority stated they would do this until they amend their occupancy policy to allow tenants to be overhoused during times of high vacancies.

OIG Evaluation of
Auditee Comments

Amending the occupancy policy is not a valid reason for not transferring tenants when necessary. The Authority needs to continue to transfer tenants as units become available.

Recommendations

We recommend the Authority:

- 3A. Ensure that tenant files contain annual recertifications and inspections and the documentation necessary to support rent calculations.
- 3B. Transfer all tenants who are overhoused as units become available.
- 3C. Provide training, supervisory oversight, and periodic quality reviews of assistant project managers at projects.

Internal Controls

In planning and performing our audit, we considered internal control systems of the management of the Washington County Housing Authority to determine our auditing procedures and not to provide assurance on internal control. Internal control is the process by which an entity obtains reasonable assurance as to achievement of specified objectives. Internal control consists of interrelated components, including integrity, ethical values, competence, and the control environment which includes establishing objectives, risk assessment, information systems, control procedures, communication, managing change, and monitoring.

Internal controls assessed

We determined that the following internal control categories were relevant to our audit objectives:

- Procurement
- Occupancy
- Drug Elimination Program
- Section 8 Program
- Cash receipts
- Disposition of non-expendable equipment
- Travel

Significant weaknesses found

A significant weakness exists if internal control does not give reasonable assurance that the entity's goals and objectives are met; that resource use is consistent with laws, regulations, and policies; and that resources are safeguarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports. Based on our review, we believe the following items are significant weaknesses in the Authority's operations.

- Drug Elimination Program
- Section 8 Program

- Occupancy

These weaknesses are detailed in the findings in this report.

Follow Up On Prior Audits

This is the first OIG audit of the Washington County Housing Authority.

Schedule of Ineligible and Unsupported Costs

<u>Finding Number</u>	<u>Ineligible 1/</u>	<u>Unsupported 2/</u>
1		\$237,409
2	<u>\$215</u>	_____
	<u>\$215</u>	<u>\$237,409</u>

- 1/ Ineligible costs are not allowed by law, contract, HUD or local agency policies or regulations.
- 2/ Unsupported costs are not clearly eligible or ineligible but warrant being contested because of the lack of documentation supporting the need to incur such costs.

Auditee Comments

Distribution

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