

MANAGEMENT AUDIT REPORT
OF THE
HOUSING AUTHORITY FUND
REPORT NO. 06-109



CITY OF ALBUQUERQUE
OFFICE OF INTERNAL AUDIT AND INVESTIGATIONS

Management Audit of the Housing Authority Fund
Report No. 06-109
Executive Summary

Background

The United States Department of Housing and Urban Development (HUD) provides federal funding to the City of Albuquerque through Albuquerque Housing Services (AHS). AHS is a division of the Department of Family and Community Services (DFCS) and administers programs designed to help low and moderate income families with housing, rent subsidies, housing rehabilitations, homeownership opportunities and self sufficiency.

Objectives

The Objectives of our audit were to determine:

Financial:

- Are actual revenues and expenses significantly over/under the approved budget?
- Is AHS' general ledger periodically reconciled to its subsidiary ledgers and supporting documentation?
- Are amounts due to/due from HUD paid/received timely and accurately recorded?
- Are travel expenditures in accordance with the City's travel regulations?

Public Housing & Section 8 Housing:

- Are applicants selected from the waiting list by date and time of application and any established local preferences?
- Do the applicants who are offered public housing or housing choice vouchers meet the established eligibility criteria?
- Are housing units inspected prior to tenant move-in?
- Is tenant eligibility reassessed at least annually?
- Are housing units re-inspected at least annually?
- Does management routinely monitor the activities of Albuquerque Housing Services?

Home Rehabilitation Program:

- Are change orders properly approved?

Findings

The findings identified during our audit include the following:

- During our review of Public Housing tenant files OIAI noted several discrepancies in the following areas:

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- New tenant briefings;
 - Flat Rent form;
 - Income determinations;
 - Housing inspections; and
 - Annual and interim exams.
- During our review of Section 8 tenant files OIAI noted several discrepancies in the following areas:
 - Income and allowance determinations;
 - Request for Tenancy Approval form;
 - Rent Reasonableness form;
 - Housing inspections; and
 - Lease and Housing Assistance Payments Contract.
- During our review of Section 8 portability, OIAI noted that AHS made housing assistance payments to a receiving Housing Authority after that Housing Authority had taken payment responsibility for a portable family that was previously the responsibility of AHS.

Recommendations To address the findings noted above, OIAI recommends the following:

- DFCS should provide additional training to staff responsible for Public Housing tenant files.
- DFCS should provide additional training to staff responsible for Section 8 tenant files.
- DFCS should provide additional training to staff responsible for Section 8 portability and ensure the overpayment is reimbursed by the receiving Housing Authority.

Management responses are included in the audit report.



City of Albuquerque
Office of Internal Audit and Investigations
P.O. Box 1293, Albuquerque, New Mexico 87103

January 31, 2007

Accountability in Government Oversight Committee
City of Albuquerque
Albuquerque, New Mexico

Audit: Management Audit
Housing Authority Fund
06-109

FINAL

INTRODUCTION

The Office of Internal Audit and Investigations (OIAI) conducted a management audit of Albuquerque Housing Services (AHS). The audit was included in the fiscal year (FY) 2006 approved audit plan.

The United States Department of Housing and Urban Development (HUD) provides federal funding to the City of Albuquerque through AHS. AHS is a division of the Department of Family and Community Services (DFCS) and administers programs designed to help low and moderate income families with housing, rent subsidies, housing rehabilitations, homeownership opportunities and self sufficiency.

Three main programs offered by AHS are the Public Housing Program, the Section 8 Voucher Program (Section 8), and the Home Rehabilitation Program.

Public Housing Program

AHS owns and manages approximately 950 housing units throughout Albuquerque. These units provide decent affordable housing for low income families, including the elderly and disabled. The average length of stay in the Public Housing Program is 3.6 years.

Section 8 Program

AHS issues housing choice vouchers to eligible low income families. The families are free to choose any housing unit that meets minimum health and safety standards. AHS pays private landlords the difference between the actual rent and what the families can afford. Over 3,700 Albuquerque families receive rental assistance through the Section 8 Program.

Home Rehabilitation Program

AHS provides perpetual deferred loans and low interest loans to qualified low and moderate-income homeowners. The loans are made for the purpose of rehabilitating residential properties. Family income and family size determine the type of loan a person may qualify to receive.

AUDIT OBJECTIVES

The objectives of our audit were to determine:

Financial:

- Are actual revenues and expenses significantly over/under the approved budget?
- Is AHS' general ledger periodically reconciled to its subsidiary ledgers and supporting documentation?
- Are amounts due to/due from HUD paid/received timely and accurately recorded?
- Are travel expenditures in accordance with the City's travel regulations?

Public Housing/Section 8:

- Are applicants selected from the waiting list by date and time of application and any established local preferences?
- Do the applicants who are offered public housing or housing choice vouchers meet the established eligibility criteria?
- Are housing units inspected prior to tenant move-in?
- Is tenant eligibility reassessed at least annually?
- Are housing units re-inspected at least annually?
- Does management routinely monitor the activities of Albuquerque Housing Services?

Home Rehabilitation Program:

- Are change orders properly approved?

SCOPE

Our audit did not include an examination of all the functions, activities and transactions of AHS. Our audit test work was limited to FYs 2005 and 2006.

This report and its conclusions are based on information taken from a sample of transactions and do not intend to represent an examination of all related transactions and activities. The audit report is based on our examination of AHS' activities through the completion of fieldwork, July 24, 2006, and does not reflect events or accounting entries after that date.

The audit was conducted in accordance with Government Auditing Standards, except Standard 3.49, requiring an external quality control review.

METHODOLOGY

During the audit OIAI interviewed AHS staff, including the Division Manager and managers of the Fiscal Section, the Public Housing Program, the Section 8 Voucher Program, and the Home Rehabilitation Program. OIAI used statistical sampling with 90 percent reliability to determine sample sizes for Public Housing and Section 8 testing.

Also, during the audit OIAI reviewed documentation that included the following:

- Policy and planning documents;
- General ledger reconciliation documentation;
- Travel expenditure documentation;
- The combined waiting list for Public Housing and Section 8;
- Tenant files for Public Housing and Section 8;
- The Payment Standard Schedule and the Utility Allowance Schedule for Section 8;
- Section 8 portability documentation; and
- Home Rehabilitation change orders.

INTRODUCTORY STATEMENT FROM THE CAO

“The CAO respectfully notes there were no violations of Code of Federal Regulations (CFR) in the findings in this Report. Additionally, after review of the files audited by OIAI, we believe there was no misuse of federal funds as a result of any of the conditions found.

“However, we do agree there were inconsistencies in the processing of tenant files that contradict our internal policies and procedures. In those instances where we agreed with the stated condition, we examined the files and corrected these deficiencies. By separate memo because of the inclusion of protected personal information, we will provide additional information on the results of this follow-up internal review.

“Since the completion of the audit fieldwork, AHS has provided Section 8 and Public Housing managers and tenant advisors with the following training:

- ***“October 18, 19 & 20, 2006: All Section 8 managers and staff attended training on identifying income, determining eligibility, and calculating tenant rents. The training was provided by the National Association of Housing and Redevelopment Officials (NAHRO), a professional trainer for HUD programs.***
- ***“November 28, 2006: One-half day of program update training for Section 8 staff and managers on student eligibility for housing assistance under new HUD regulations. Training also covered changes to the federal Violence Against Women Act which now affect HUD Housing programs. The training was provided by NM HUD Field Office staff.***
- ***“November 28, 2006: One-half day of program update training for Public Housing staff and managers on calculating the earned income disallowance for those families that move from a TANF-assistance status to a working status. The training was provided by NM HUD Field Office staff.***

“The above training has already addressed some of the conditions pointed out in the following findings:”

FINDINGS

The purpose of an internal audit is to identify changes in the auditee’s activities, which would improve its effectiveness, efficiency, and compliance with administrative policies and applicable rules and regulations. Therefore, the auditee’s activities that appear to be functioning well are not usually commented on in audit reports.

The following findings concern areas that OIAI believes would be improved by the implementation of the related recommendations.

1. DFCS SHOULD PROVIDE ADDITIONAL TRAINING TO STAFF RESPONSIBLE FOR PUBLIC HOUSING TENANT FILES.

OIAI randomly selected 24 tenants out of a population of 948, including 15 tenants from a report provided by AHS, and 9 tenants from AHS’ tenant files. OIAI reviewed the tenant files to verify that:

- Family information was verified and documentation was retained to support the initial eligibility determination;

- The family attended a briefing;
- The housing unit selected by the family passed the housing inspection. The housing inspection was adequately documented and signed;
- The tenant files contained the required documents (e.g. Lease);
- A rent payment was received from the family, deposited timely, and accurately posted. The rent payment received agreed with the rent payment noted in the tenant file; and
- An annual reexamination was completed and documented.

OIAI noted the following breakdown by tenant file:

- 12 of 24 tenant files had one exception.
- 4 of 24 tenant files had two exceptions.
- 3 of 24 tenant files had three exceptions.
- 1 of 24 tenant files had eight exceptions.

During our review, OIAI noted the following exceptions.

Condition	Instances	Criteria	Effect
New Tenant Briefing Exceptions			
There was no evidence in the tenant's file that the family attended a briefing.	16	Per AHS' Admissions and Continued Occupancy Policy (ACOP), "It is mandatory that all applicant families (e.g., head of household, spouse and co-head of household, if applicable) attend the briefing when they are initially accepted for occupancy."	Tenants who do not attend briefings may not be aware of their responsibilities and the expectations of AHS. This, in turn, may lead to tenant non-compliance, including non-payment of rent and damages to the housing units.
Flat Rent Exceptions			
The tenant did not sign the Flat Rent form.	2	AHS' Quality Control File Review Checklist for Public Housing asks the following question: ▪ If applicable, has the appropriate Flat Rent been offered and accepted by the family and documented in the file?	If tenant records are not complete and authorized, AHS may not be able to substantiate its decisions.
Income Exceptions			
<u>Current</u> third-party documentation was not included to support all sources of income reported on form HUD-50058.	3	Per AHS' ACOP, "For new applicants, third party income verification(s) cannot be more than 60 days old at the time the applicant is offered a unit in public housing or issued a housing choice voucher. For current program participants requesting interim changes, income verifications are valid for up to 60 days from date of the verification."	When income determinations are incorrect, rents received may also be incorrect. As a result, AHS may receive more or less than it should from its tenants.
Documentation in the tenant's file did not tie to all sources of income reported on form HUD-50058. One of the two errors did not impact total tenant payment.	2	Per Form HUD-50058 Instructions, "PHAs are required to report all sources of income and all sources of exclusion amounts."	When income determinations are incorrect, rents received may also be incorrect. As a result, AHS may receive more or less than it should from its tenants.

Condition	Instances	Criteria	Effect
Eligible food stamp income was not included in income before exclusions on form HUD-50058. This error did not impact total tenant payment.	1	Per Form HUD-50058 Instructions, “PHAs are required to report all sources of income and all sources of exclusion amounts.”	When income determinations are incorrect, rents received may also be incorrect. As a result, AHS may receive more or less than it should from its tenants.
Work-study wages were included twice in the calculation of income before exclusions on form HUD-50058. This error did not impact total tenant payment.	1		
Financial aid included in the calculation of income before exclusions on form HUD-50058 was not annualized. This error did not impact total tenant payment.	1		
Housing Inspection Exceptions			
The inspection form did not indicate the type of inspection (e.g. initial, reinspection).	2	For record keeping purposes, it is good practice to fully complete all forms.	If inspection forms are not fully completed and authorized, AHS may not be able to substantiate the completion of initial and annual inspections.
The inspector did not sign the inspection form.	2	AHS’ Quality Control File Review Checklist for Public Housing asks the following question: ▪ Inspection form completed, dated & signed by Tenant Services Specialist & Tenant?	
The inspection form had 2 different dates of inspection.	1		
The tenant did not sign the inspection form.	1		
The relevant inspection form was not included in the tenant file.	1		

Condition	Instances	Criteria	Effect
Annual & Interim Exam Exceptions			
An annual reexamination was not completed.	2	Per AHS' ACOP, "AHS inspects 100% of its units annually using criteria that meet or exceed Housing Quality Standards (HQS) Inspections." "AHS shall, at least annually (once a year), reexamine the family composition and incomes of all resident families, except that families paying Flat Rent shall have their incomes reexamined only every three (3) years."	Family situations change over time and assisted housing units change over time. As a result, if tenants are not reexamined periodically and assisted housing units are not re-inspected periodically, tenants who are no longer eligible may continue to participate and living conditions in the housing units may deteriorate.
AHS indicated that an interim examination was completed. However, form HUD-50058 and the supporting documentation were not in the tenant's file.	1	AHS' Quality Control File Review Checklist for Public Housing asks the following questions: ■ Is the Rent Computation Worksheet filed? ■ Is all third party verification in the file as required?	

AHS has taken steps to ensure the accuracy and completeness of its tenant files. For example, the National Association of Housing and Redevelopment Officials (NAHRO) provided specialized training to AHS' managers and staff in 2004. Also, a checklist is used to monitor the accuracy and completeness of tenant files. However, because HUD regulations are complex, it is important to provide ongoing training to personnel responsible for tenant files. The findings noted above should provide a training opportunity for AHS and should help to minimize these issues in the future.

RECOMMENDATION

DFCS should provide additional ongoing training to staff responsible for tenant files, including staff responsible for the oversight of tenant files, to ensure the documentation included within the tenant files is complete, accurate and properly authorized.

DFCS should document the date(s) of training, who attended the training, and topics that were discussed at the training.

RESPONSE FROM DFCS

“DFCS/AHS agrees additional staff training is needed. There are inconsistencies in how tenant file information is reflected that make it difficult for anyone reviewing files to determine, with any certainty, whether or not policies and procedures are being followed. For example, in more recent tenant files a checklist signed by the tenant is included as clear proof that the tenant attended a briefing. Prior to the creation of that checklist, the evidence that the tenant attended a briefing was their signature on the original move-in occupancy forms, which was done after the briefing occurred. In another example, there were two instances where the Flat Rent forms included in the tenants’ files were not signed. Upon re-review of both cases, we found neither tenant was eligible for the “flat rent” option. Therefore, no signature was required but that was not easy to determine by examining the paperwork in the files.

“We are reviewing the process and paperwork involved to make sure there is clear and consistent evidence in each file to reflect that procedures in place are being followed. We will communicate this to program staff through ongoing training. We will also keep record of the type of training that takes place and who attended.”

2. DFCS SHOULD PROVIDE ADDITIONAL TRAINING TO STAFF RESPONSIBLE FOR SECTION 8 TENANT FILES.

OIAI randomly selected 24 tenants out of a population of 3,608, including 18 tenants from the check register, and 6 tenants from the tenant files. OIAI reviewed the tenant files to verify that:

- Family information was verified and documentation was retained to support the initial eligibility determination;
- The family attended a briefing;
- The housing unit selected by the family passed the housing inspection. The housing inspection was adequately documented and signed;
- The rent reasonableness determination was adequately documented;
- The subsidy and total tenant payment calculations were adequately documented;

- The tenant files contained the required documents (e.g. Request for Tenancy Approval, Lease, HAP contract);
- The HAP payment per the HAP Register agreed with the HAP payment per the tenant file; and
- An annual reexamination was completed and documented.

OIAI noted the following breakdown by tenant file:

- 7 of 24 tenant files had 1 exception.
- 3 of 24 tenant files had 2 exceptions.
- 1 of 24 tenant files had 3 exceptions.

During our review, OIAI noted the following exceptions:

Condition	Instances	Criteria	Effect
Income and Allowances Exceptions			
Documentation in the tenant's file did not tie to all sources of income reported on form HUD-50058. One of the two errors did not impact total tenant payment.	2	Per Form HUD-50058 Instructions, "PHAs are required to report all sources of income and all sources of exclusion amounts."	If documentation included within the tenant files does not tie to form HUD-50058, the housing assistance payment and the total tenant payment may be incorrect. If housing assistance payments are inflated, AHS may not be able to help as many eligible families as possible.
Documentation in the tenant's file did not tie to all allowances reported on form HUD-50058.	1	AHS' Quality Control File Review Checklist for Section 8 asks the following question: ▪ Is the Total Tenant Payment correct and is the Rent Computation Worksheet filed?	

Condition	Instances	Criteria	Effect
Documentation was not included in the tenant's file to support all sources of income reported on form HUD-50058.	1	AHS' Quality Control File Review Checklist for Section 8 asks the following question: Were sources of income correctly identified, verified and coded in the correct fields?	If documentation is not included within the tenant files to support income reported on form HUD-50058, this income may be incorrect. If income is incorrect, the housing assistance payment and the total tenant payment may be incorrect. If housing assistance payments are inflated, AHS may not be able to help as many eligible families as possible.
Request for Tenancy Approval Exceptions			
The Request for Tenancy Approval was not fully completed following a change in ownership.	1	AHS' Quality Control File Review Checklist for Section 8 asks the following question: Is the Request for Tenancy Approval completed, signed, dated and in the file and does it correspond to information entered into the Housing Assistance Payments (HAP) contract? Since AHS has decided to use this form for changes in ownership, it should be fully completed.	If forms are not fully completed, evidence of work performed and other information may not be available for review and AHS may have difficulty recalling the information and completing these forms at a later date.
Rent Reasonableness Exceptions			
The rent reasonableness form was not in the tenant's file.	3	Per AHS' Rental Assistance Housing Programs Administrative Plan (AP), "Rent reasonableness determinations are made when units are placed under HAP Contract for the first time, when owners request a rent increase, if there is a five percent decrease in the published FMR, or at the direction of HUD." AHS' Quality Control File Review Checklist for Section 8 asks the following question: Is most recent Rent Reasonableness test complete, correct, signed and dated and in the file?	If Rent Reasonableness forms are not completed, the rent charged by the landlord may be higher than comparable units in the surrounding area and thus the housing assistance payment may be inflated. If housing assistance payments are inflated, AHS may not be able to help as many eligible families as possible.

Condition	Instances	Criteria	Effect
The rent reasonableness form was not signed and/or dated.	2	AHS' Quality Control File Review Checklist for Section 8 asks the following question: Is the most recent Rent Reasonableness test complete, correct, signed and dated and in the file?	If Rent Reasonableness forms are not signed and dated, it is difficult to determine who performed the rent reasonableness determination and whether it was performed before or after the tenant moved in.
The rent reasonableness form was completed after the tenant moved in.	1	Per HUD's Housing Choice Voucher Guidebook, "A PHA must not execute a HAP contract until it has documented that the charged rent being charged is reasonable."	If Rent Reasonableness forms are completed after the tenant moves in, the rent charged by the landlord may be higher than comparable units in the surrounding area and thus the housing assistance payment may be inflated. If housing assistance payments are inflated, AHS may not be able to help as many eligible families as possible.
Inspection Exceptions			
The type of inspection was not noted on the inspection form.	1	For record keeping purposes, it is good practice to fully complete all forms.	If forms are not fully completed and authorized, evidence of work performed and other information may not be available for review and AHS may have difficulty recalling the information and completing these forms at a later date.
The inspector did not sign the inspection form.	1	AHS' Quality Control File Review Checklist for Section 8 asks the following question: HQS Inspection form completed, dated & signed by Owner, Tenant & Inspector?	
The utility allowance was calculated using 2 bedrooms. However, it appears that only one bedroom was inspected during the initial inspection.	1	Per HUD's Housing Choice Voucher Guidebook, "A thorough unit inspection is required for the PHA to determine compliance with HQS and to determine the reasonableness of the rent."	

Condition	Instances	Criteria	Effect
Lease and Housing Assistance Payments Contract Exceptions			
The HAP contract was not signed by the owner.	1	Per AHS' AP, "AHS prepares the Housing Assistance Payments (HAP) Contract for signature and execution by the Owner and AHS on behalf of the assisted family."	The HAP contract is a contract between AHS and the owner of a housing unit. If the owner does not sign the HAP contract, AHS may not be able to exercise its rights against the owner.
The rent per the lease agreement and the HAP contract does not agree to form HUD-50058.	1	Form HUD-50058 Instruction Booklet defines rent to owner as the "Total monthly rent payable to the unit owner under the lease for the unit."	If the owner does not receive the contracted rent, he/she may terminate the lease and the HAP contract.

As stated previously, AHS has taken steps to ensure the accuracy and completeness of its tenant files, including offering specialized training in 2004 and using a checklist to monitor the accuracy and completeness of tenant files. However, because HUD regulations are complex, it is important to provide ongoing training to personnel responsible for tenant files. The findings noted above should provide a training opportunity for AHS and should help to minimize these issues in the future.

RECOMMENDATION

DFCS should provide additional ongoing training to staff responsible for tenant files, including staff responsible for the oversight of tenant files, to ensure the documentation included within the tenant files is complete, accurate and properly authorized.

DFCS should document the date(s) of training, who attended the training, and topics that were discussed at the training.

RESPONSE FROM DFCS

"DFCS/AHS agrees there is a need for additional training of Section 8 staff. After reviewing the files selected by OIAI we found that, in most cases, the conditions pointed out were a reflection of inconsistencies in the way staff completed forms. AHS will provide program staff with the required technical training needed to insure that tenant files are handled consistently and that they are complete, accurate and properly authorized."

3. DFCS SHOULD PROVIDE ADDITIONAL TRAINING TO STAFF RESPONSIBLE FOR SECTION 8 PORTABILITY.

AHS' Rental Assistance Housing Programs Administrative Plan defines portability as follows:

Portability is the ability of a family to utilize their housing voucher assistance outside the jurisdiction of the initial Public Housing Authority (PHA) who originally issued the voucher to the family. The PHA in the receiving jurisdiction may either elect to absorb or administer the voucher on behalf of the initiating PHA.

AHS indicated they currently only serve port-outs, which means that families originally issued vouchers by AHS chose to move to another Housing Authority's jurisdiction that did not absorb (or take payment responsibility for) the family. As a result, AHS must make housing assistance payments and administrative fee payments to these receiving Housing Authorities.

OIAI randomly selected 21 port-outs out of a population of 91 from the listing provided by AHS. OIAI reviewed the tenant files and payment records to verify that housing assistance payments and administrative fees were paid to the receiving Housing Authorities. OIAI noted the following exception:

- One of the families selected was absorbed by the receiving Housing Authority on 1/1/2006. However, per review of the payment records, housing assistance payments were made to the receiving Housing Authority in January, February, March and April 2006 totaling \$3,410.06. A letter to the receiving Housing Authority dated 1/3/2006 was included in the tenant's file. The letter only requested a refund of \$872.03. There was no evidence in the tenant's file that AHS made any additional requests for reimbursement of the remainder of the overpayment of \$2,538.03. Further, there was no evidence in the payment records that any refund had been received.

Per the letter requesting a refund, it appears AHS was aware that the receiving Housing Authority absorbed the family. It does not appear that additional actions were taken to ensure that payments were stopped and that AHS was reimbursed.

If families are absorbed by other Housing Authorities but AHS continues to make payments to these Housing Authorities, less money will be available for eligible participants and applicants.

RECOMMENDATION

DFCS should provide additional training to staff responsible for tenant files, including staff responsible for the oversight of tenant files, to ensure that payments to receiving Housing Authorities are terminated and overpayments are promptly reimbursed once the portable families are absorbed by the receiving Housing Authorities.

DFCS should document the date(s) of training, who attended the training, and topics that were discussed at the training.

DFCS should ensure the overpayment of \$3,410.06 is reimbursed by the receiving Housing Authority.

RESPONSE FROM DFCS

“DFCS/AHS concurs with the finding. It should be noted that a refund of \$3,410.66 was received from the Orlando Housing Authority on July 6, 2006; however, the tenant file did not reflect this information at the time of the review by OIAI staff. The tenant file has been updated to include this information. DFCS agrees there is room for improvement in our handling of tenant files for portable families. We will re-emphasize the proper handling and documentation of portability vouchers as part of our regular training for fiscal and Section 8 staff to ensure compliance with all applicable HUD regulations and internal policies and procedures.”

CONCLUSION

AHS has implemented quality control measures to minimize non-compliance with HUD regulations as well as its own policies and procedures. However, based upon the results of this audit, it appears that improvements are still needed. The results of this audit should provide a training opportunity for AHS and help strengthen its existing quality control program.

OIAI appreciates the cooperation of DFCS/AHS staff during the audit.

Principal Auditor

REVIEWED

Audit Manager

APPROVED:

Carmen Kavelman, CPA, CISA, CGAP
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APPROVED FOR PUBLICATION:

Chairperson, Accountability in Government
Oversight Committee