Lansing Housing Commission, Lansing, MI

Section 8 Housing Choice Voucher Program

Office of Audit, Region 5
Chicago, IL

Audit Report Number: 2016-CH-1002
December 16, 2015

To: Douglas Gordon, Director of Public Housing Hub, 5FPH

//signed//

From: Kelly Anderson, Regional Inspector General for Audit, Chicago Region, 5AGA

Subject: The Lansing Housing Commission, Lansing, MI, Did Not Always Comply With HUD's Requirements and Its Own Policies Regarding the Administration of Its Section 8 Housing Choice Voucher Program

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the Lansing Housing Commission's Section 8 Housing Choice Voucher program.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at http://www.hudoig.gov.

If you have any questions or comments about this report, please do not hesitate to call me at (312) 353-7832.

Audit Report Number: 2016-CH-1002
Date: December 16, 2015

The Lansing Housing Commission, Lansing, MI, Did Not Always Comply With HUD's Requirements and Its Own Policies Regarding the Administration of Its Section 8 Housing Choice Voucher Program

Highlights

What We Audited and Why

We audited the Lansing Housing Commission's Section 8 Housing Choice Voucher program based on our analysis of risk factors related to the public housing agencies in Region 5's[1] jurisdiction and the activities included in our 2015 annual audit plan. Our audit objectives were to determine whether the Commission (1) appropriately calculated housing assistance payments, (2) maintained eligibility documentation required to support the admission and continued occupancy of its program households, and (3) complied with the U.S. Department of Housing and Urban Development's (HUD) and its own Family Self-Sufficiency program requirements.

What We Found

The Commission did not always comply with HUD's requirements and its own administrative plan regarding the administration of its program household files. Specifically, it did not (1) correctly calculate and process housing assistance payments, (2) maintain required eligibility documentation, and (3) conduct interim reexaminations for zero-income households. As a result, HUD lacked assurance that the Commission used its program funds appropriately.

The Commission also did not appropriately (1) maintain its Family Self-Sufficiency program bank account and (2) extend participants' contracts of participation. As a result, it (1) underfunded participants' escrow accounts and (2) failed to forfeit escrow funds for terminated program participants. In addition, participants' escrow balances were not properly supported.

What We Recommend

We recommend that the Director of HUD's Detroit Office of Public and Indian Housing require the Commission to (1) reimburse its program more than $33,000 from non-Federal funds for the ineligible housing assistance payments, (2) support or reimburse its program nearly $93,000 from non-Federal funds for the unsupported payments, (3) pursue repayment or reimburse its program nearly $5,000 from non-Federal funds for the overpayment of housing assistance due to unreported income and discrepancies in the housing assistance payments register, (4) reimburse its households or landlords more than $3,000 for the underpayment of housing assistance, and (5) implement adequate controls to address the findings cited in this audit report.

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[1] Region 5 includes the States of Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin.

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Background and Objectives

The Lansing Housing Commission is a public housing agency created by the City of Lansing, MI, on August 2, 1965. The Commission is governed by a five-member board of commissioners appointed by the mayor. The board's responsibilities include performing the duties and functions prescribed by the Commission's bylaws and any other duties or functions established by resolution of the board. The board appoints the Commission's executive director. The executive director is responsible for providing general supervision over the administration of the Commission's affairs in accordance with the operational, fiscal, personnel, and other policies adopted by the board and all other laws. In addition, the executive director is responsible to maintain all records of the Commission.

The Commission administers the Section 8 Housing Choice Voucher program funded by the U.S. Department of Housing and Urban Development (HUD). The program provides assistance to low- and moderate-income individuals seeking decent, safe, and sanitary housing by subsidizing rents with owners of existing private housing. As of October 29, 2014, the Commission had 1,834 units under contract and was authorized to receive more than $10 million in program funds for the fiscal year.

The Family Self-Sufficiency program promotes the development of local strategies to coordinate public and private resources to help Housing Choice Voucher program participants and public housing tenants obtain employment that will enable participating families to achieve economic independence. The Family Self-Sufficiency program is administered by public housing agencies with the help of program coordinating committees. The program coordinating committees usually consist of representatives of local government, employment and job training agencies, welfare agencies, nonprofit providers, local businesses, and assisted families. The major components of the program include a contract of participation between the public housing agency and the family, an individual training and services plan for each participating family member, and an interest-bearing escrow account.

The program establishes an escrow account for each family that is funded by the Housing Choice Voucher program's housing assistance payments. The family's annual income, earned income, and family rent at the beginning of the program are used to determine the amount credited to the escrow account based on increases in earned income. The full amount of the escrow account not owed to the public housing agency becomes available to the family when it has fulfilled its obligations under the contract and certified that no family member currently receives welfare assistance.

Our audit objectives were to determine whether the Commission (1) appropriately calculated housing assistance payments, (2) maintained required eligibility documentation to support the admission and continued occupancy of its program households, and (3) complied with HUD's and its own Family Self-Sufficiency program requirements.

Results of Audit

Finding 1: The Commission Did Not Always Comply With HUD's and Its Own Requirements for Section 8 Program Household Files

The Commission did not always comply with HUD's requirements and its own administrative plan regarding the administration of its program household files. Specifically, it did not (1) correctly calculate and process housing assistance payments, (2) maintain required eligibility documentation, and (3) conduct interim reexaminations for zero-income households. The weaknesses occurred because the Commission lacked a sufficient understanding of HUD's requirements and failed to implement an adequate quality control process. As a result, it overpaid nearly $25,000 and underpaid more than $3,000 in housing assistance. In addition, the Commission was unable to support more than $89,000 in payments of housing assistance. Based on our statistical sample, we estimate that over the next year, the Commission will overpay nearly $344,000 and underpay nearly $17,000 in housing assistance.

The Commission Miscalculated Housing Assistance Payments

We reviewed 85 statistically selected[2] certifications for 83 of the Commission's program household files to determine whether the Commission correctly calculated housing assistance payments for the period July 2012 through October 2014. Our review was limited to the information maintained by the Commission in its household files.

For the 85 certifications, 54 (64 percent) had incorrectly calculated housing assistance. The 54 certifications contained 1 or more of the following deficiencies:

- 32 certifications had incorrect payment standards,
- 14 certifications had incorrect utility allowances,
- 12 certifications had incorrect income calculations,
- 5 certifications had medical expenses incorrectly calculated, and
- 4 certifications had incorrect dependent allowances.

In addition, of the 85 certifications reviewed, 38 contained errors that had no impact on the housing assistance calculations. The errors included incorrect utility allowances, payment standards, asset calculations, income calculations, and medical expenses.

The Commission did not properly use program funds when it failed to correctly calculate housing assistance payments for the 54 household files in accordance with HUD's requirements and its administrative plan. The errors resulted in $19,629 in overpayments and $2,183 in

[2] Our methodology for the statistical sample is explained in the Scope and Methodology section of this audit report.

underpayments of housing assistance. In addition, the Commission had unsupported calculations, which resulted in $10,278 ($9,462 + $816) in unsupported payments of housing assistance.

Because the housing assistance was incorrectly calculated, the Commission inappropriately received $12,826 in administrative fees. If the Commission does not correct its certification process, we estimate that it could overpay $343,876 and underpay $16,660 in housing assistance over the next year.[3]

Additionally, for the 85 certifications maintained for the 83 households, we compared the housing assistance and utility allowance payments from the Commission's housing assistance payments register to the amounts calculated on the households' annual and interim certifications. The Commission disbursed housing assistance and utility allowance payments that did not agree with one or more of the certifications and related housing assistance payments contracts for 12 of the 83 households. As a result, it overpaid housing assistance by $2,399 and utility allowances by $307 for six households, underpaid housing assistance by $659 and utility allowances by $293 for six households, and failed to support that $1,728 was paid to the appropriate landlord for one household from July 1, 2012, through October 31, 2014.

The Commission Did Not Perform Interim Reexaminations for Zero-Income Households

Contrary to its administrative plan,[4] the Commission did not conduct interim reexaminations every 3 months for households that had zero income. We reviewed 5 of the Commission's 107 households that reported zero income as of February 3, 2015. Two of the five households had income that they did not report to the Commission in a timely manner. Had the Commission performed interim reexaminations, it would have identified that these households had income. As a result of this noncompliance, the households' housing assistance was overpaid by $2,293, and the Commission inappropriately received $529 in administrative fees.

The Commission Lacked Documentation To Support Households' Eligibility

We reviewed 83 of the Commissions' household files to determine whether it maintained the required documentation[5] to support the households' eligibility for the program. Of the 83 household files reviewed, 28 (34 percent) were missing 1 or more documents needed to determine household eligibility. The 28 household files were missing the following eligibility documentation:

- 17 files were missing requests for tenancy approval,
- 11 files were missing lead-based paint certifications,
- 7 files were missing copies of the original household applications,

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[3] Our methodology for this estimate is explained in the Scope and Methodology section of this audit report.
[4] Chapter 11, section 11-II.C, of the Commission's 2012, 2013, and 2014 program administrative plans state that if the family has reported zero income, the Commission will conduct an interim reexamination every 3 months as long as the family continues to report that it has no income.
[5] See appendix C for criteria.

- 6 files were missing support showing that housing assistance payments contracts were executed in a timely manner,
- 5 files were missing support showing that criminal background checks were performed,
- 3 files were missing verification of a Social Security number,
- 2 files were missing executed leases,
- 1 file was missing full support for household members,
- 1 file was missing a rent reasonableness determination, and
- 1 file was missing a housing assistance payments contract.

During the audit, the Commission was able to provide copies of unsupported eligibility documentation. However, 20 of the 28 household files were still missing 1 or more required eligibility documents as of July 23, 2015. For each household file reviewed, the table below shows the number of documents originally unsupported, documents provided during the audit, and documents that remained unsupported.

Document	Originally unsupported	Provided during audit	Remaining unsupported
Requests for tenancy approval	17	6	11
Lead-based paint certifications	11	3	8
Original applications	7	1	6
Timely execution of housing assistance payments contracts	6	1	5
Criminal background checks	5	2	3
Social Security numbers	3	3	0
Executed leases	2	0	2
Full support for household members	1	1	0
Rent reasonableness determinations	1	0	1
Housing assistance payments contract	1	0	1
Totals	**54**	**17**	**37**

Because the 20 household files were missing required eligibility documentation, HUD and the Commission lacked assurance that the households were eligible for the program. As a result, $77,133 in housing assistance was unsupported. In addition, because there was no support showing that the Commission ensured that the household members were eligible for the program in accordance with HUD’s requirements, $3,843 in administrative fees received by the Commission was unsupported.

The Commission Did Not Always Maintain Documentation To Support That Its Rent Reasonableness Determinations Were Appropriate

We reviewed a sample of 10 of the 1,965 households on the Commission's Housing Choice Voucher program during the audit period, July 1, 2012, through October 31, 2014, to determine whether the Commission conducted these determinations in accordance with HUD's and its own requirements. For all 10 households, the Commission did not (1) maintain documentation supporting the data used to determine comparable units and (2) always adequately account for the utility allowances specific to the comparable units. Further, according to the Commission's program coordinator, in performing rent reasonableness determinations, the Commission did not consider the size of the comparable units and automatically upgraded them to good quality. In addition, it considered only whether the rent of the assisted unit was less than the highest of the comparable units in its database.

The Commission Lacked an Understanding of HUD's Requirements

The Commission lacked a sufficient understanding of HUD's requirements. For example, the Commission misinterpreted HUD's fair market rents. According to the Commission, it believed that HUD's published fair market rents were set at 90 percent of the applicable limit, instead of 100 percent. Therefore, it increased household rents up to an additional 30 percent of HUD's fair market rents. HUD's regulations[6] state that the Commission may set its rents between 90 and 110 percent of the published fair market rents; however, the Commission must obtain approval from the local HUD field office to set its rents above 110 percent and must obtain HUD headquarters approval to set its rents above 120 percent. The Commission did not obtain HUD's approval for the increase.

The Commission also failed to implement an adequate quality control process. It did not have a manager or supervisor to directly oversee its Section 8 program; therefore, the executive director assumed the responsibility. However, she did not provide adequate oversight to ensure that (1) housing assistance payments were correctly calculated and paid, (2) required eligibility documentation was obtained and maintained, and (3) rent reasonableness determinations were appropriately completed. Instead, she relied on her staff of program coordinators and specialists to review each other's work. Further, the Commission prematurely purged documents for households that still participated in its program.

As a result of our audit, the Commission's executive director said that the Commission had updated its payment standards to within HUD's basic range. The executive director provided an email dated January 29, 2015, listing its updated payment standards. However, we were unable to determine whether the Commission implemented the updated standards.

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[6] Regulations at 24 CFR (Code of Federal Regulations) 982.503(b)(1)(i) state that the Commission may establish the payment standard amount for a unit size at any level between 90 and 110 percent of the published fair market rent for that unit size. HUD approval is not required to establish a payment standard amount in that range ("basic range"). And 24 CFR 982.503(b)(2) states that the Commission must request HUD approval to establish a payment standard amount that is higher or lower than the basic range.

Conclusion

The weaknesses described above occurred because the Commission lacked a sufficient understanding of HUD's requirements. It also lacked an adequate quality control process. As a result, HUD lacked assurance that the Commission used its program funds efficiently and effectively since it overpaid $21,922 ($19,629 + $2,293) and underpaid $2,183 in housing assistance and utility allowances. In addition, the Commission incorrectly processed housing assistance payments for 12 households, which resulted in overpayments of $2,706 ($2,399 + $307) and underpayments of $952 ($659 + $293) in housing assistance and utility allowances. Further, it had unsupported payments of $89,139 ($9,462 + $816 + 1,728 + $77,133) due to unsupported housing assistance calculations, missing eligibility documentation, unsupported utility allowance payments, and payments to an incorrect landlord.

In accordance with 24 CFR (Code of Federal Regulations) 982.152(d), HUD is permitted to reduce or offset any program administrative fees paid to a public housing agency if it fails to perform its administrative responsibilities correctly or adequately under the program. The Commission received $17,198 ($12,826 + $3,843 + $529) in program administrative fees related to the inappropriate and unsupported housing assistance payments for the 54 program households with incorrectly calculated housing assistance, 12 program households with incorrectly processed housing assistance and utility allowance payments, and 20 program households with missing eligibility documentation.

If the Commission does not correct its certification process, we estimate that it could overpay $343,876 and underpay $16,660 in housing assistance over the next year.[7] These funds could be put to better use if proper procedures and controls are put into place to ensure the accuracy of housing assistance payments.

Recommendations

We recommend that the Director of HUD's Detroit Office of Public and Indian Housing require the Commission to

1A. Reimburse its program $33,291 from non-Federal funds ($19,629 for housing assistance payments + $307 in overpaid utility allowances and $12,826 + $529 in associated administrative fees) for the overpayment of housing assistance and utility allowances cited in the finding.

1B. Reimburse the appropriate households $2,476 ($2,183 in housing assistance underpayments + $293 in utility allowance underpayments) from program funds for the underpayment of housing assistance due to calculation errors and discrepancies in the housing assistance payments register.

[7] Our methodology for this estimate is explained in the Scope and Methodology section of this audit report.

1C. Support or reimburse the appropriate households $816 from program funds for the unsupported payment of housing assistance due to incorrectly calculated housing assistance payments.

1D. Support or reimburse $92,166 from non-Federal funds ($77,133 + $9,462 + $1,728 in housing assistance payments + $3,843 in associated administrative fees) for the missing eligibility documentation, unsupported housing assistance payment calculations, payments to an incorrect landlord, and discrepancies in the housing assistance payments register.

1E. Pursue collection from the applicable households or reimburse its program $2,293 from non-Federal funds for the overpayment of housing assistance due to unreported income.

1F. Pursue collection from the applicable landlords or reimburse its program $2,399 from non-Federal funds for the overpayment of housing assistance due to discrepancies in the housing assistance payments register.

1G. Reimburse the appropriate landlords $659 in housing assistance from program funds for the underpayment of housing assistance due to discrepancies in the housing assistance payments register.

1H. Implement procedures and controls to ensure that housing assistance is correctly calculated and repayment agreements are created to recover overpaid housing assistance when unreported income is discovered during the examination process to ensure that $360,536 ($343,876 in overpayments + $16,660 in underpayments) in program funds is appropriately used for future payments.

1I. Obtain HUD approval for the payment standards that exceeded HUD's basic range, or conduct special recertifications for the households with payment standards above the percentage determined to be reasonable and cost effective so that their payment standards can be reduced within 1 year.[8]

1J. Implement adequate procedures and controls to ensure that (1) required eligibility documentation is obtained and maintained, (2) payment standards are within HUD's basic range or appropriate approvals are obtained from the HUD field office or HUD headquarters, and (3) rent reasonableness determinations are completed appropriately in accordance with HUD's and its own policies and procedures.

[8] This recommendation does not apply to households with exception payment standards due to a reasonable accommodation.

Finding 2: The Commission Did Not Always Comply With HUD's and Its Own Family Self-Sufficiency Program Requirements

The Commission did not ensure that it appropriately (1) maintained its Family Self-Sufficiency program bank account and (2) extended participants' contracts of participation. This condition occurred because the Commission lacked adequate procedures and controls to ensure that it complied with HUD's requirements. As a result, the Commission (1) underfunded participants' escrow accounts by more than $21,000 and (2) failed to forfeit more than $6,000 in escrow funds for its terminated program participants. In addition, participants' escrow balances totaling nearly $13,000 were not properly supported.

The Commission Failed To Appropriately Maintain Its Program Bank Account

The Commission's escrow activity records for our audit period totaled $35,918. However, the total deposits into its program bank account totaled $14,559. This discrepancy resulted in a difference of $21,359 in earned escrow funds that were not deposited into the Commission's program bank account. In addition, the Commission failed to transfer $6,002 in forfeited escrow funds from its program account into its Housing Choice Voucher program account for one participant that had been terminated from its program.

The Commission also did not ensure that its program bank account was appropriately reconciled to its subsidiary ledger. The Commission's bank statement, dated October 31, 2014, showed that the program's escrow account balance was $69,189. However, its ledger showed that the escrow account balance for its participants as of October 31, 2014, was $85,278, a difference of $16,089.

The Commission Improperly Extended Participants' Contracts of Participation

We reviewed five of the Commission's active program participant files to determine whether the Commission maintained required documentation in accordance with HUD's requirements. Contrary to 24 CFR 984.303(d), for three of the five participant files reviewed, the Commission's family self-sufficiency coordinator extended participants' contracts of participation without obtaining a written request from the participants. As a result of the improperly extended contracts, participants' escrow balances totaling nearly $13,000 were not properly supported.

The Commission Lacked Adequate Procedures and Controls Over Its Program

The Commission could not explain why the balance on its program escrow account subsidiary ledger as of October 2014 was higher than the ending balance on its October 2014 bank statement. According to the Commission's executive director and fee accountant, the Commission's former financial manager managed the program's escrow account and sometimes did not transfer funds from the Commission's Housing Choice Voucher program into its program account. In addition, although the Commission's family self-sufficiency coordinator provided the former financial manager a spreadsheet containing a list of the terminated participants for use in processing escrow forfeitures, the financial manager did not always forfeit participants' escrow account funds. Therefore, interest income continued to be prorated to these participants' escrow accounts after their contracts had been terminated.

Further, the Commission's family self-sufficiency coordinator said that she automatically extended participants' contracts for an additional 2 years when they were near the end of their 5-year period. The Commission's program action plan states that all requests for extensions must be in writing; however, the coordinator disregarded this requirement. As a result of our audit, the Commission revised its procedures for granting contract extensions. As of July 23, 2015, participants must request an extension in writing, and the extensions must be approved by the family self-sufficiency coordinator and the program supervisor. However, the Commission did not provide documentation to support that the three participants' contracts were appropriately extended.

Conclusion

The Commission lacked adequate procedures and controls to ensure that it complied with HUD's and its own requirements. As a result, it (1) underfunded participants' escrow accounts by more than $21,000 and (2) failed to forfeit more than $6,000 in escrow funds for its terminated program participants. In addition, participants' escrow balances totaling nearly $13,000 were not properly supported.

Recommendations

We recommend that the Director of HUD's Detroit Office of Public and Indian Housing require the Commission to

2A. Transfer $21,359 from its Housing Choice Voucher program account to its Family Self-Sufficiency program account for the earned escrow credits that were not deposited into its Family Self-Sufficiency program bank account.

2B. Ensure that the $6,002 in forfeitures is appropriately transferred from its Family Self-Sufficiency bank account to its Housing Choice Voucher program bank account.

2C. Ensure that the subsidiary ledger and program bank account are reconciled appropriately and that excess funds are transferred to the appropriate Family Self-Sufficiency program bank account.

2D. Support or reimburse its Housing Choice Voucher program $12,900 for the unsupported escrow balances cited in this finding.

2E. Implement adequate procedures and controls to ensure that its staff properly maintains the Commission's Family Self-Sufficiency program escrow account, including, but not limited, to reconciling the subsidiary ledger to the program bank account and required extension documentation for its participants.

2F. Ensure that its staff, responsible for administering and monitoring the Family Self-Sufficiency program, is knowledgeable and complies with HUD's and the Commission's program action plan.

Scope and Methodology

We performed our onsite audit work between November 2014 and May 2015 at the Commission's main office located at 419 Cherry Street, Lansing, MI. The audit covered the period July 1, 2012, through October 31, 2014, but was expanded as determined necessary.

To accomplish our review objective, we interviewed HUD program staff and the Commission's employees. In addition, we obtained and reviewed the following:

- Applicable laws; HUD's regulations at 24 CFR Parts 5, 908, 982, and 984; Public and Indian Housing notices; and HUD's Guidebook 7420.10G.

- The Commission's program administrative plans for years 2012, 2013, and 2014; annual audited financial statements for 2011, 2012, and 2013; accounting records; bank statements; policies and procedures; board meeting minutes for July 2012 through October 2014; organizational chart; payment standards; household and landlord reports; and housing assistance payments register and HUD's fair market rents.

Finding 1

We statistically selected a stratified random sample of 85 monthly housing assistance payments[9] from the Commission's 43,784 monthly disbursements to landlords from July 2012 through October 2014 (28 months). Based on the 85 randomly selected housing assistance payments from the audit universe of 43,784 housing assistance payments, we found that the overpayment per household was an average of $33.[10] Therefore, projecting this amount to the audit universe of 43,784 housing assistance payments, the overpayments totaled more than $1.4 million. Deducting for statistical variance to accommodate the uncertainties inherent in statistical sampling, we can state, with a confidence interval of 95 percent, that at least $802,378 in housing assistance in the universe was overpaid. Over the next year, this is equivalent to an additional overpayment of $343,876 ($802,378 x 12 months / 28 months) in housing assistance.

In addition, based on the 85 randomly selected housing assistance payments, we found that the underpayment per household was an average of $4.[11] Therefore, projecting this amount to the audit universe of 43,784 housing assistance payments, the underpayments totaled $185,105. Deducting for statistical variance to accommodate the uncertainties inherent in statistical sampling, we can state, with a confidence interval of 95 percent, that at least $38,873 in housing

[9] The 85 monthly housing assistance payments were from the 85 household certifications, which represented 83 households.
[10] This amount was rounded for reporting purposes.
[11] This amount was rounded for reporting purposes.

assistance in the universe was underpaid. Over the next year, this is equivalent to an additional underpayment of $16,660 ($38,873 x 12 months / 28 months) in housing assistance.

The calculation of administrative fees was based on HUD's administrative fee per household month for the Commission. The fees were considered inappropriately received for each month in which the housing assistance was incorrectly paid and household eligibility was unsupported. We limited the inappropriate administrative fees to the amounts of housing assistance payment calculation errors for the household files that had administrative fees exceeding the housing assistance payment errors.

We selected a random sample of 5 of the Commission's 107 households that had zero income as of February 3, 2015. These five files were reviewed to determine whether the households had unreported income and whether the Commission adequately managed its zero-income households.

We performed a representative selection, using the nonstatistical sampling method and selected a random sample of 10 households from the 1,965 households on the Commission's Housing Choice Voucher program during the audit period, July 1, 2012, through October 31, 2014. The rent reasonableness determinations associated with the 10 housing assistance payments were reviewed to determine whether the Commission conducted these determinations in accordance with HUD's and its own requirements.

Finding 2

We selected a random sample of 7 of the Commission's 34 Family Self-Sufficiency program participants (5 active participants, 1 graduated participant, and 1 participant that had been terminated from the program), during the audit period, July 1, 2012, through October 31, 2014. These seven files were reviewed to determine whether the Commission (1) maintained required documentation to support the participants' eligibility for the Family Self-Sufficiency program and (2) calculated the participants' escrow activity in accordance with HUD's and its own requirements.

We relied in part on data maintained by the Commission. Although we did not perform a detailed assessment of the reliability of the data, we performed a minimal level of testing and found the data to be adequately reliable for our purposes. We provided our review results and supporting schedules to the Director of HUD's Detroit Office of Public and Indian Housing and the Commission's executive director during the audit.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Internal Controls

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

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

- Effectiveness and efficiency of operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Reliability of financial reporting – Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.
- Compliance with applicable laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

Significant Deficiencies

Based on our review, we believe that the following items are significant deficiencies:

- The Commission lacked a sufficient understanding of HUD's requirements and failed to implement an adequate quality control process to ensure that it complied with HUD's and its own requirements for managing its Section 8 program household files (see finding 1).
- The Commission lacked adequate procedures and controls to ensure that it complied with HUD's and its own Family Self-Sufficiency program requirements regarding (1) the

maintenance of its program bank account and (2) extending participants' contracts of participation (see finding 2).

Appendixes

Appendix A

Schedule of Questioned Costs and Funds To Be Put to Better Use

Recommendation number	Ineligible 1/	Unsupported 2/	Funds to be put to better use 3/
1A	$33,291		
1B			$2,476
1C		$816	
1D		92,166	
1E	2,293		
1F	2,399		
1G			659
1H			360,536
2A			21,359
2C			6,002
2D		12,900	
Total	**$37,983**	**$105,882**	**$391,032**

1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.

2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.

3/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, if the Commission implements our recommendations, it will (1) ensure that funds are available to provide assistance to eligible families and (2) stop incurring program costs for the overpayment and underpayment of housing assistance and, instead, will spend those funds in accordance with HUD’s requirements and the Commission’s program administrative plan. Once the Commission improves its controls, this will be a recurring benefit. Our estimate reflects only the initial year of this benefit.

Appendix B

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation | **Auditee Comments**

LANSING HOUSING LHC COMMISSION 419 Cherry Lansing, MI 48933 Telephone: (517) 487-6550 Fax: (517) 487-6977

July 24, 2015

Office of Inspector General
Kimberly Toler, Assistant Regional Inspector General for Audit
U.S. Department of Housing Urban Development
Office of Inspector General
200 N. High Street Room 334
Columbus, OH 43215

Electronic Copy: Kelly Anderson, Regional Inspector for Audit, Chicago Region, 5AGA
United States Department of Housing and Urban Development

Re: Lansing Housing Commission Section 8 Housing Choice Voucher Draft Audit

Dear Ms. Toler and Anderson:

This letter responds to the Discussion Draft Audit Report of the Office of Inspector General's ("OIG") review of the Lansing Housing Commission's ("LHC") Section 8 Housing Choice Voucher Program. The LHC has elected to provide written comments regarding information contained in this report with respect to possible findings.

For the purpose of this response, LHC has labeled responses into subcategories based on the blue headings under each finding within the Discussion Draft (i.e. **Finding 1 Paragraph…)**. With that being noted, LHC understands the OIG will provide due process and we understand the OIG will consider the responses provided by LHC below.

Finding 1: "The Commission Did Not Always Comply with HUD's and Its own Requirements for the Section 8 Program Household Files."

Response:

Comment 1

LHC believes the terminology used in this finding to be very broad. The results of this report indicate there were specific HUD and LHC requirements that were not complied with; it was not all HUD or LHC requirements. The current wording of this finding makes violation appear to be more egregious than the facts support. As such, LHC respectfully requests the OIG reword this finding in such a way to pinpoint the specific violation of HUD requirements, i.e. The Commission did not always comply with HUD's and its own requirements in 3 specific areas.

Paragraph 1: The Commission Miscalculated Housing Assistance Payments.

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Response:
During the process of the review by the OIG, auditor [redacted] advised the Executive Director, miscalculated payment standards were being used. She determined LHC's payment standards exceeded 110 percent of the published fair market rents, and LHC had not obtained HUD's written approval. This error was corrected immediately. As stated in the draft response, LHC sent an e-mail on January 29, 2015, indicating LHC had corrected the payment standards error. LHC also provided Auditor [redacted] with a copy of the information provided to staff to direct the correction and modified our process. See Attachment A

Comment 2

Comment 2

This finding also indicated, "we were unable to determine whether the Commission implemented the updated standards."

Comment 3

The LHC has diligently implemented the changes noted above. Supportive documentation of this change is included in this letter. Once the error noted above and any error is brought to our attention, it is LHC's practice to immediately how to rectify the situation and regain compliance within program guidelines. LHC was diligent in supplying all information requested during the OIG audit, as stated above and moved forward to quickly rectify this error and regain compliance. See Attachment A

The error was caused because LHC staff incorrectly read HUD's Fair Market Rents ("FMR") Standards report. Staff has now been trained to correctly read the FMR's, complete the calculations to determine payment standards, and quality control measures have been put into place. Payment standards are now calculated by one staff member, reviewed by 2 additional staff members including a newly created supervisor, and then by the Executive Director. This measure will ensure the payment standards will stay within the HUD allowable guidelines or receive HUD approval, and reduce the possibility of future errors.

Paragraph 2: The Commission Miscalculated Housing Assistance Payments: The Commission Did Not Perform Interim Reexaminations for Zero-Income Households

Response:
Comment 4

Under the direction of the Housing Choice Voucher Supervisor, the staff of the Lansing Housing Commission Housing Choice Voucher Program ("HCV") is completing the required recertification for all Zero Income Households. All participants of the HCV program who are currently certificated as Zero Income Households have been sent the appropriate paperwork to complete. This paperwork includes: income and asset checklist for all household members over 18, a personal declaration for the household, and a Zero Income Certification packet. EIV reports will be pulled for all participants as well, in order to determine if any income has gone unreported. If unreported income is determined, appropriate measures will be taken to recapture overpaid funds which were issued on behalf of that family. This recertification will occur every three months going forward as required in LHC's Administrative Plan unless the Administrative Plan is modified.

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Auditee Comments

Paragraph 3: The Commission Miscalculated Housing Assistance Payments: The Commission Lacked Documentation to Support Household Eligibility

Response:

Comment 5

A significant portion of the information that was not in the household files is attributable to staff who preceded the current Executive Director and current staff as demonstrated by the time the client started participation in the program. For example, participant 131722 has been in the HCV program since 1999, as such it is evident that previous Housing Commission staff did not maintain her original application packet and may have mistakenly purged the information. However, the household clearly qualifies for the program subsidies which have been provided by LHC as evidenced by the rent and income calculations performed during the many re-certifications of this household. LHC will request a waiver from the Detroit HUD field office to address this issue.

Comment 6

The Lansing Housing Commission has additional documentation to submit for consideration prior to publication of the draft. These documents include proof of Request for Tenancies 131958($5868/$471), 133630($3384/$512), 131342($11364/$534), 134930($2394/$143) 132166 ($1379), Full support for household members (133564 ($5373/$429), Lead-based paint certification 00001650 ($4236/$549) and 131342 ($11364/$534). Provided to OIG [redacted]- July 22, 2015

Comment 6

The chart on page 6 of the report indicates there were 6 originally unsupported documents showing untimely execution of housing assistance payment contracts. It also indicates 0 were provided during audit. On June 15, 2015 an email was sent to Auditor [redacted] regarding this subject, however 131091 ($1036/ $163), 131722 ($1564/$171) and 0001676 ($858/$92), is still shown as a finding. As indicated in the email the attachments were provided showing all of these HAPs were executed within the allowable timeframe. Provided to OIG [redacted] – July 22, 2015

Comment 6

LHC respectfully requests the OIG consider the supporting documents which were provided on and after June 15, 2015 and recalculate the amount of unsupported housing assistance, and unsupported administrative fees noted as possible overpayments. LHC believes the amounts of $101,490 in unsupported housing assistance and $5,355 in unsupported administrative fees should be reduced, before issuance of the draft, based on the documentation provided showing the guidelines were met.

Paragraph 4: The Commission Miscalculated Housing Assistance Payments: The Commission did not always maintain documentation to support its rent reasonableness determinations were appropriate

Response:

Comment 7

The Lansing Housing Commission Rent Reasonable Criteria was established under the direction of a Detroit Field Office ("DFO") during a HUD review in 2004. Under their guidance the Rent Reasonable Criteria was established for the Lansing Housing Commission. However, based the OIG recommendation and a review of the regulations

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LHC has modified the way in which Rent Reasonableness is compiled as described above.

Paragraph 5: The Commission Miscalculated Housing Assistance Payments: The Commission Lacked an Understanding of HUD's Requirements:
Response:
The process utilized to determine rent Reasonableness was established in 2004 based on LHC's understanding and guidance from the DFO. After working with the DFO to establish the methodology for determining Rent Reasonableness it was never questioned in HUD reviews. As described above, Since this audit was conducted the LHC has appointed a HCV Supervisor to ensure (1) housing assistance payments are correctly calculated and paid, (2) required eligibility documents are obtained and maintained, and (3) rent reasonableness documentation is appropriately completed. Standard Operating procedures will be developed and staff will receive guidance and training on the same.

Comments 7

Finding 1: Recommendations
Response:
1A-1G: Once all documentation is reviewed and final numbers are agreed upon, LHC will initiate a plan, with the appropriate representatives, to address payment of any funds which may be owed. However, LHC again requests that you please NOTE: Several of the files with inadequate information to determine if the households qualified for Housing Assistance at the time of admission originated between 10-16 years ago, before the current staff and current Executive Director's tenure. Such documentation is impossible to recreate. However, subsequent and current Re-certifications demonstrate the households currently qualify for the HCV program and those households are paying the proper rent based on income, exclusions and family composition. LHC respectfully requests that these households be "grand fathered in" as eligible households and that any payment associated with these households be waived.

Comment 8

1H: Effective April 2015 the LHC appointed a HCV Program Supervisor. It is her responsibility to implement procedures and controls to ensure housing assistance payments are distributed within the established guidelines.

Comment 7

1I. The errors in payment standards have been corrected as stated in the January 29, 2015 email. Staff has received instructions on how to adjust the payment standards to remain compliant with and not exceed 110% of the HUD published fair market rents. LHC will request retroactive approval of the payment standards which exceeded 110% of FMRs.

Comments 2 and 3

1J. With the appointment of a HCV Supervisor, LHC is in the process of developing procedures and controls to ensure (1) required eligibility documents are obtained and maintained, (2) payment standards are within HUD's basic range or appropriate approvals are obtained and (3) rent reasonableness is conducted within HUD's guidelines and the Policies and Procedures of LHC.

Comment 7

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Finding 2: The Commission Did not Always Comply with HUD's and Its Own Family Self-Sufficiency Program Requirements: The Commission Failed to Appropriately Maintain Its Program Bank Account.

Comment 9

The LHC respectfully requests that the finding language be modified to more clearly reflect the nature of the information found during the OIG audit. LHC specifically requests the Finding be modified to read: The Commission did not always comply with HUD's and Its Own Family Self-Sufficiency Program Requirements for maintaining the correct funding in FSS program Escrow bank accounts.

Response:

Comment 10

Significant changes have been made in LHC's finance department over the past year and ½ which affected the recordkeeping for this account. As of June 30, 2015 the Family Self-Sufficiency Program bank account was fully funded and agrees with the total balance earned by all participants as of that date. All earned interest has been appropriately allocated to each participant's account. Documentation reflecting the bank account transfers are Attachments B & C.

Comment 11

In addition, procedures have been established to fund this account on a monthly basis. The FSS Coordinator will provide to the Director, by the fifth day of the current month, the prior month's program report which contains the required fund balance as of the end of the prior month. Appropriate funds will be transferred to or from the FSS bank account based upon that report.

Paragraph 1: The Commission Did not Always Comply with HUD's and Its Own Family Self-Sufficiency Program Requirements: The Commission Improperly Extended Participants' Contracts of Participation

Response:

Comment 12

The Lansing Housing Commission will immediately ensure participants request an extension in writing. All extensions must be approved by the FSS Coordinator and the HCV Supervisor. A memo to staff describing this process is Attachment D.

Paragraph 2: The Commission Did not Always Comply with HUD's and Its Own Family Self-Sufficiency Program Requirements: The Commission Lacked Adequate Procedures and Controls Over Its Program.

Response:

Comment 13

With the appointment of a HCV Supervisor, the LHC is developing procedures and controls to ensure the Family Self Sufficiency Program is operated within the guidelines established by HUD and LHC.

Finding 2: Recommendations:

Response:

Comment 10

2A-2D: As stated above, as of June 30, 2015 the Family Self-Sufficiency Program bank account is fully funded and accurately reflects the account balances for participants as of that date.

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Comment 14

2E-2F: Under the direction of the Executive Director, procedures will be developed to ensure the Family Self Sufficiency escrow accounts are maintained. This includes, reconciling the subsidiary ledger to the program bank account, and transferring necessary funds. The HCV Supervisor will work with the FSS Coordinator to ensure that proper documentation is maintained in participant files to warrant contract extensions. Procedures and controls will be developed to ensure HUD and program requirements are maintained for each participant in the FSS program.

Thank you for the opportunity to provide these comments regarding the "Office of Inspector General's Lansing Housing Commission Section 8 Housing Choice Voucher Draft Audit." We look forward to your favorable consideration of these comments. If you have any questions regarding this request please contact Patricia Baines-Lake at 517.372.7996 or via email at patbl@lanshc.org.

Sincerely,

PBL

Patricia Baines-Lake
Executive Director

Cc: Tony Baltimore, Board Chair
Kim Shirey, HCV Supervisor
Angela Foster, HUD
[redacted], OIG

Attachments: A-D

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OIG Evaluation of Auditee Comments

Comment 1 The Commission contends that the statement that it did not comply with HUD's or its own requirements for its Section 8 program household files was very broad and more egregious than the facts support. We acknowledge the Commission's concern. The statement provides an overall caption for the issues that were identified during the audit. Further, finding 1 provides details of the specific areas of noncompliance in regard to the Commission's household files such as (1) housing assistance payment calculations, (2) zero-income households recertification, (3) household eligibility documentation, and (4) rent reasonableness determinations. We do not believe that the language was egregious; therefore, the wording was not changed.

Comment 2 The Commission contends that the payment standard error was corrected immediately after we advised the Commission that its payment standards were miscalculated. We acknowledge the actions taken by the Commission to correct the payment standards. In email correspondence, the Commission indicated that it would correct the payment standards for annual recertifications as of March 1, 2015 and new admissions as of January 23, 2015. However, the Commission did not indicate how the errors would be corrected for the previously affected households. The Commission should work with HUD to ensure the appropriate corrective actions are taken.

Comment 3 We commend the Commission for implementing additional procedures to ensure that its payment standards are calculated appropriately. The Commission's updated procedures, once developed and implemented should improve its program. In addressing the recommendations, the Commission should provide copies of its actions and procedures to HUD.

Comment 4 The Commission contends that it is completing the required recertification for all zero income households. We commend the Commission for recertifying its zero income households to ensure compliance with its administrative plan. The Commission should work with HUD to ensure that the housing assistance payments overpaid for households with unreported income are appropriately repaid or recaptured.

Comment 5 The Commission contends that a significant portion of the eligibility documentation that was missing from its household files preceded the Commission's current staff. We acknowledge that the Commission experienced staffing changes; however, without the required documentation, HUD and the Commission lacked assurance that the households were eligible for the program.

Comment 6 The Commission contends that it had additional information to submit for consideration before publication of the discussion draft audit report. We acknowledged the receipt of that additional supporting documentation on June 15, 2015, July 22, 2015, and as attachments to the Commission's written response to the discussion draft audit report. We reviewed the documentation and updated the audit report and the appendix on page 6 of this report. Further, the unsupported costs were reduced from $101,490 to $77,133 and the associated administrative fees were reduced from $5,355 to $3,843 to reflect our acceptance of the provided documentation, as appropriate. We commend the Commission for providing the eligibility documentation that was not present in the household files. The Commission should work with HUD to ensure that the appropriate eligibility documentation is obtained and maintained in accordance with HUD's requirements.

Comment 7 The Commission contends that its rent reasonableness criteria were established under the direction of HUD's Detroit field office. However it had modified the way in which rent reasonableness was compiled, and appointed a housing choice voucher supervisor to ensure that (1) housing assistance payments were correctly calculated and paid, (2) required eligibility documentation was obtained and maintained, and (3) rent reasonableness documentation was appropriately completed. We commend the Commission for (1) modifying its procedures for the rent reasonableness determinations and (2) ensuring the accuracy of its housing assistance payments and the maintenance of household eligibility documentation. In addressing the recommendations, the Commission should provide copies of its actions and procedures to HUD.

Comment 8 In regard to recommendations 1A-1G, the Commission contends that once the final numbers are determined it would initiate a plan to address payment of any funds which may be owed. However, it expressed concern regarding the timeframe of some of the missing eligibility documentation and requested that (1) the affected households be deemed eligible and a (2) waiver for the questioned funds. We appreciate the Commission's determination to initiate a plan to repay funds paid for the households that lacked required eligibility documents. However, without the required documentation, HUD and the Commission lacked assurance that the households were eligible for the program at the time of admission; thus preventing or delaying eligible households from receiving assistance. The Commission should work with HUD in addressing the recommendations and the determination of funds to be reimbursed to its program, households, or landlords. Further, the Commission's request to waive any funds owed should be addressed to HUD.

Comment 9 The Commission requested that the language in the report for finding 2 be modified to more clearly reflect the nature of the information found during the audit and offered suggested wording changes. We acknowledge the Commission's concern. The statement provides an overall caption for the issues that were identified during the audit. Finding 2 provides details of the specific areas of noncompliance that were identified during the audit in regard to the Commission's program bank account and participants' contracts of participation. Therefore, the language was not changed.

Comment 10 The Commission identified corrective actions that it has taken in regard to its family self-sufficiency program bank account. The Commission provided the summary page for its family self-sufficiency program general ledger and bank account which identified that it had transferred $38,958 from its Section 8 Housing Choice Voucher program bank account to its family self-sufficiency bank account on June 29, 2015. However, it did not provide adequate supporting documentation such as journal entries detailing how (1) the escrow account for each household was updated and (2) forfeited escrow account balances were returned to its Section 8 Housing Choice Voucher Program bank account. Therefore, we were unable to determine whether the amount transferred was appropriate and applied to the correct program participants' escrow balances. We commend the Commission for the actions taken to address the findings cited in this audit report. The Commission should work with HUD to ensure that (1) the escrow balances are appropriately maintained, (2) funds are transferred appropriately between its family self-sufficiency and program bank accounts, and (3) appropriate entries are made in its accounting system.

Comment 11 The Commission contends that it had established procedures to fund its family self-sufficiency bank account on a monthly basis. We acknowledge that the Commission has established procedures to fund its family self-sufficiency bank account. These procedures should improve the Commission's maintenance of the program bank account and the related households' escrow account balances. In addressing the audit report's recommendations, the Commission should provide copies of its newly created procedures to HUD to ensure that they fully address the issues cited in this audit report.

Comment 12 We commend the Commission for its action to immediately ensure that its family self-sufficiency households' contracts of participation were extended if appropriate documentation was received. However, these corrective actions do not address the current contracts of participation that were inappropriately extended without the required documentation. In addressing the recommendations, the Commission should provide copies of its actions and procedures to HUD. In addition, the Commission should work with HUD to determine whether the current households' contracts of participation were extended appropriately and the required actions to correct contracts of participation that were inappropriately extended.

Comment 13 The Commission indicated that it had appointed a program supervisor and was in the process of developing procedures and controls to ensure its family self-sufficiency program is operated within HUD's and its own guidelines. We commend the Commission's efforts to improve its policies and procedures for its family self-sufficiency program. In addressing the audit report's recommendations, the Commission should provide copies of its newly created procedures and controls to HUD to ensure that they fully address the issues cited in this audit report.

Comment 14 The Commission contends that under the direction of its executive director, it would develop procedures to ensure its family self-sufficiency escrow accounts are maintained. We commend the Commission for working to develop procedures to ensure that its family self-sufficiency program escrow accounts are maintained. In addressing the audit report's recommendations, the Commission should provide copies of its newly created procedures to HUD to ensure that they fully address the issues cited in this audit report.

Appendix C

Federal and Commission Requirements

Finding 1

Regulations at 24 CFR 5.210(a) state that applicants for and participants in covered HUD programs are required to disclose and submit documentation to verify their Social Security numbers.

Regulations at 24 CFR 5.240(c) state that the responsible entity must verify the accuracy of the income information received from the family and change the amount of the total tenant payment, tenant rent, or program housing assistance payment or terminate assistance, as appropriate, based on such information.

Regulations at 24 CFR 5.603(b) state that medical expenses, including medical insurance premiums, are anticipated expenses during the period for which annual income is computed and that are not covered by insurance.

Regulations at 24 CFR 5.855(a) state that a public housing agency may prohibit admission of a household to federally assisted housing under its standards if it determines that any household member is 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 agency or owner or any employee.

Regulations at 24 CFR 5.856 state that standards must be established to prohibit admission to federally assisted housing if any member of the household is subject to a lifetime registration requirement under a State sex offender registration program. In the screening of applicants, necessary criminal history background checks must be performed in the State where the housing is located and in other States where the household members are known to have resided.

Regulations at 24 CFR 908.101 state that applicable program entities must retain at a minimum, the last three years of the form HUD-50058, and supporting documentation, during the term of each assisted lease, and for a period of at least 3 years from the end of participation date, to support billings to HUD and to permit an effective audit.

Regulations at 24 CFR 982.158(e) state that during the term of each assisted lease and for at least 3 years thereafter, the agency must keep (1) a copy of the executed lease, (2) the housing assistance payments contract, and (3) the application from the family. Paragraph (f) states that the agency must keep the following records for at least 3 years: lead-based paint records and records to document the basis for the determination that the rent to the owner is a reasonable rent (initially and during the term of a housing assistance payments contract).

Regulations at 24 CFR 982.302(c) state that the family must submit to the agency a request for approval of the tenancy and a copy of the lease, including the HUD-prescribed tenancy addendum.

Regulations at 24 CFR 982.305(c) state that the housing assistance payments contract must be executed no later than 60 calendar days from the beginning of the lease term. Any contract executed after the 60-day period is void, and the agency may not make any housing assistance payments to the owner.

Regulations at 24 CFR 982.308(b) state that the tenant and the owner must enter a written lease for the unit. The lease must be executed by the owner and the tenant.

Regulations at 24 CFR 982.451 state that the housing assistance payment contract must be in the form required by HUD.

Regulations at 24 CFR 982.503(a)(2) state that the payment standard amounts on the agency schedule are used to calculate the monthly housing assistance payment for a family.

Regulations at 24 CFR 982.505(c)(4) states that if the payment standard amount is increased during the term of the housing assistance payment contract, the increased payment standard amount shall be used to calculate the monthly housing assistance payment for the family beginning at the effective date of the family's first regular reexamination on or after the effective date of the increase in the payment standard amount.

Regulations at 24 CFR 982.516(a) state that the agency must conduct a reexamination of family income and composition at least annually. The agency must obtain and document in the tenant file third party verification of the following factors, or must document in the tenant file why third party verification was not available: reported family annual income, the value of assets, expenses related to deductions from annual income, and other factors that affect the determination of adjusted income. Paragraph (f) states that the agency must establish procedures that are appropriate and necessary to assure that income data provided by applicant or participant families is complete and accurate.

Regulations at 24 CFR 982.517(b)(2) states that an agency's utility allowance schedule, and the utility allowance for an individual family, must include the utilities and services that are necessary in the locality to provide housing that complies with the housing quality standards. Paragraph (d)(2) states that at reexamination, the agency must use the agency current utility allowance schedule.

Public and Indian Housing notice 2012-33 states that the public housing agency must consider requests for an exception to the established subsidy standards on a case-by-case basis and provide an exception, where necessary, as a reasonable accommodation. The agency shall document the justification for all granted exceptions.

Section 11.3 of HUD's Housing Choice Voucher Guidebook, 7420.10G, states that the term of the housing assistance payments contract must run concurrently with the term of the lease, including any extensions of the lease term. Occasionally, families move into units prior to housing assistance payments contract execution, and some owners require these families to sign a lease prior to moving into the unit. In these situations the public housing agency must request that the owner and the public housing agency execute a new lease once the housing assistance payments contract is signed.

Section 11.4 of HUD's Housing Choice Voucher Guidebook, 7420.10G, states that the most important objectives of the public housing agency regarding the processing of housing assistance payments are to issue checks to owners on time and for the correct amount.

Section 22.3 of HUD's Housing Choice Voucher Guidebook, 7420.10G, states that quality control should include a review of the housing assistance payments processing function to detect and prevent recurring errors, omissions, fraud or abuse. The objective of this review is to first determine whether the housing assistance payment to the owner is correct, based on the payment standard and family contribution. Second, this review ensures that the payment being made to the owner matches the amount shown on the agency's housing assistance payment register. Third, it also confirms that any change in rent resulting from a recertification or interim change is properly reflected in the housing assistance payment to owner. Fourth, it protects against payments being made on a housing assistance payment contract that has been terminated. Finally, this review protects against payments for a unit that has failed HUD's housing quality standards and where the owner has yet to correct the deficiency.

Chapter 3, section 3-I.F, of the Commission's 2012 program administrative plan states that dependents that are subject to a joint custody arrangement are considered a member of the family if they live with the applicant or participant family 51 percent or more of the time or are otherwise designated by a joint parenting agreement to the parent who maintains primary residence of the child or children. Individuals with joint custody arrangements entered into in a State other than Michigan may be required to provide documentation of joint custody or evidence of the primary residence of a child or the children.

Chapter 6, section 6-I.K of the Commission's 2013 administrative plan states that the Commission will count all support received over an annualized one year period, unless it verifies that: (1) the payments are not being made, and (2) the family has made reasonable efforts to collect amounts due, including filing with courts or agencies responsible for enforcing payments. Families must supply a 1 year child support printout for all annual reexaminations.

Chapter 11, section 11-II.C of the Commission's 2012, 2013, and 2014 administrative plans state that families are required to report all increases in come, including new employment, within 10 business days of the date the change takes effect.

Finding 2

Regulations at 24 CFR 984.303(d) state that the authority must, in writing, extend the term of the contract of participation for a period not to exceed 2 years for any program participant that requests, in writing, an extension of the contract if the authority finds that good cause exists for granting the extension. The family's written request for an extension must include a description of the need for the extension. As used in this paragraph, "good cause" means circumstances beyond the control of the program family as determined by the authority, such as a serious illness or involuntary loss of employment. Extension of the contract of participation will allow the program family to continue to have amounts credited to the family's program account in accordance with section 984.304.

Regulations at 24 CFR 984.305(a)(1) state that the public housing agency must deposit the Family Self-Sufficiency account funds of all families participating in the program into a single depository account.

Regulations at 24 CFR 984.305(a)(2)(i) state that all of the combined Family Self-Sufficiency account funds will be supported in the public housing agency's accounting records by a subsidiary ledger showing the balance applicable to each participating family.

Regulations at 24 CFR 984.305(f)(2)(ii) state that Family Self-Sufficiency account funds forfeited by the family will be treated as program receipts for payment of program expenses under the agency budget for the applicable Section 8 program, and shall be used in accordance with HUD requirements governing the use of program receipts.