



Rochester Housing Authority Rochester, NY

Housing Choice Voucher Program

**Office of Audit, Region 2
New York-New Jersey**

**Audit Report Number: 2016-NY-1008
August 05, 2016**



To: Lisa Pugliese, Director
Office of Public Housing, Buffalo, NY, 2PH

From: \\SIGNED\\
Kimberly Greene
Regional Inspector General for Audit, 2AGA

Subject: Officials of the Rochester Housing Authority, Rochester, NY, Generally Administered the Housing Choice Voucher Program in Accordance With HUD Regulations

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 Rochester Housing Authority, Rochester, NY 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 (212) 264-4174.

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Officials of the Rochester Housing Authority, Rochester, NY, Generally Administered the Housing Choice Voucher Program in Accordance With HUD Regulations

Highlights

What We Audited and Why

We audited the Rochester Housing Authority's Housing Choice Voucher program to address our goal to contribute to improving the U.S. Department of Housing and Urban Development's (HUD) execution of its fiscal responsibilities. We selected this auditee based on a risk analysis of public housing agencies administered by the HUD Buffalo field office, which considered, among other factors, funds received and the number of program housing units. The audit objective was to determine whether Authority officials administered the Housing Choice Voucher program in accordance with HUD regulations and the Authority's own administrative plan.

What We Found

Authority officials generally administered the Housing Choice Voucher program in accordance with HUD regulations; however, program controls could be strengthened and procedures updated to provide greater assurance that housing assistance payments are correctly calculated and adequately supported and subsidized units comply with HUD's housing quality standards. Authority officials made errors in calculating tenants' program subsidies, did not always identify housing quality standards deficiencies in program units, and lacked written procedures for conducting housing quality standards quality control inspections. As a result, Authority officials spent \$2,684 in ineligible and \$4,238 in unsupported housing assistance payments, and subsidized units did not always comply with HUD standards.

What We Recommend

We recommend that the Director of HUD's Buffalo Office of Public and Indian Housing instruct Authority officials to (1) reimburse the program from non-Federal funds \$2,684 in ineligible housing assistance payments, (2) provide documentation to adequately support the eligibility of \$4,238 in unsupported housing assistance payments, (3) revise procedures to ensure that documents required for determining tenant housing assistance payments are maintained for all active tenants, (4) provide training to Authority inspection staff to provide greater assurance that they are aware of HUD's housing quality standards requirements, and (5) develop written procedures to document the Authority's housing quality standards quality control process.

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Background and Objective

The United States Housing Act of 1937 established the Federal framework for government-owned affordable housing and was amended by the Quality Housing and Work Responsibility Act of 1998. The U.S. Department of Housing and Urban Development (HUD) provides funding for rent subsidies for tenants eligible for the Housing Choice Voucher program.

The Rochester Housing Authority was created in 1955 to service lower income families, seniors, and disabled citizens. The Authority is the regional public housing agency for the five-county Greater Rochester, NY, region. Established by New York State Public Housing Law, there are currently seven board members: five appointed by the mayor for a 5-year term and two appointed by Authority residents for a 2-year term. The board appoints an executive director who manages the day-to-day activities of the Authority.

The Authority's Housing Choice Voucher program received more than \$46.7 million and \$44.3 million in Housing Choice Voucher program funds from HUD in fiscal years 2015 and 2014, respectively, to administer more than 9,000 Section 8 units, the most of any of the 100 public housing agencies administered by the HUD Buffalo field office.

The objective of the audit was to determine whether Authority officials administered the Housing Choice Voucher program in compliance with HUD regulations. Specifically, we reviewed the Authority's (1) admission policies, (2) initial application and recertification procedures, (3) rental assistance payment and unit size determinations, (4) procurement actions, and (5) compliance with housing quality standards.

Results of Audit

Finding: Authority Officials Generally Administered the Housing Choice Voucher Program in Accordance With Regulations

Authority officials generally administered the Housing Choice Voucher program in accordance with HUD regulations; however, program controls could be strengthened and procedures updated to provide greater assurance that housing assistance payments are correctly calculated and adequately supported and subsidized units comply with HUD's housing quality standards. Authority officials made errors in calculating tenants' subsidies, did not always identify housing quality standards deficiencies in program units, and lacked written procedures for conducting housing quality standards quality control inspections. We attributed this deficiency to Authority officials' errors in calculating housing assistance payments and performing housing quality standards inspections. As a result, Authority officials spent \$2,684 in ineligible and \$4,238 in unsupported housing assistance payments, and subsidized units had housing quality standards deficiencies.

Authority Administrative Plan Complied With HUD Regulations

Authority officials had established and implemented an administrative plan in accordance with HUD regulations and the guidance in HUD's Housing Choice Voucher Program Guidebook (7420.10G). Authority officials' administration of the admission process, including operation of the waiting list, application and recertification procedures, and assignment of tenants to the correct unit size, complied with HUD regulations. Specifically, Authority officials maintained a single waiting list for program applicants, including specific applicant information; updated the waiting list annually; and generally certified the number and age of applicant family household members before issuing vouchers to ensure that the family received a voucher for the correct unit size. In addition, Authority officials had established and implemented a procurement policy that complied with HUD regulations.

Housing Assistance Payments Were Ineligible and Unsupported

Authority officials incorrectly calculated subsidies in 2 of 14 tenant files reviewed, which resulted in subsidy overpayments of \$2,684. For one of the tenants, Authority officials miscalculated the income and used the incorrect payment standard, causing a monthly overpayment of \$217 to the landlord, which resulted in a total overpayment of \$2,604 for the 12 months in which the certification was effective. For the second tenant, Authority officials used an incorrect utility allowance, which caused a monthly subsidy overpayment of \$10, resulting in an \$80 total overpayment for the 8 months in which the certification was effective. Regulations at 24 CFR (Code of Federal Regulations) 5.240(c) require Authority officials to verify the accuracy of income information from the program tenant, and section III(C) of the Authority's administrative plan requires the accurate determination of program subsidies. We attributed the errors noted above to mistakes made by Authority officials responsible for calculating housing assistance payments. In addition, Authority officials lacked support for the subsidy payment for another file reviewed, resulting in \$4,238 in unsupported costs. The documents supporting the

subsidy payment for this file, such as the housing assistance payments contract and tenant income information, had been purged. We attributed this deficiency to the Authority’s policy of purging tenant file information after 3 years, regardless of whether the information supports subsidy payments less than 3 years old.

Units Did Not Always Comply With Housing Quality Standards

Regulations at 24 CFR 982.401 and section 10.1 of HUD’s Housing Choice Voucher Program Guidebook (7420.10G) require that units meet basic housing quality standards to meet the goal of the program to provide decent, safe, and sanitary housing to low-income families. While the 14 subsidized units tested for compliance with housing quality standards did not materially fail, 17 deficiencies were identified in 9 of the units as noted in the chart below.

Deficiency	Unit 1	Unit 2	Unit 3	Unit 4	Unit 5	Unit 6	Unit 7	Unit 8	Unit 9	Total
Broken glass	X					X				2
Water in basement-mold in unit	X							X		2
Gap in window frames		X		X						2
Loose or missing handrails		X				X			X	3
Electrical			X		X					2
Infestation				X						1
Roof-gutters				X	X					2
Siding					X					1
Exterior hazard							X			1
Inoperable smoke detector			X							1
Total deficiencies	2	2	2	3	3	2	1	1	1	17

We attributed these conditions to Authority inspectors’ errors when conducting inspections.

Written Housing Quality Standards Quality Control Procedures Were Lacking

While Authority officials conducted quality control procedures in accordance with regulations at 24 CFR 982.405, they did not have written procedures for the quality control process, such as a methodology for selecting units for quality control reviews and the number of units to be reviewed. We attributed this deficiency to errors on the part of Authority officials. Without such written procedures, the Authority lacked assurance that its housing quality standards quality control process would be implemented as required.

Conclusion

Authority officials generally administered the Housing Choice Voucher program in accordance with HUD regulations; however, they made errors in calculating tenants’ subsidies, did not always identify housing quality standards deficiencies in program units, and lacked written

procedures for conducting housing quality standards quality control inspections. We attributed this deficiency to errors on the part of Authority officials. As a result, Authority officials spent \$2,684 in ineligible and \$4,238 in unsupported housing assistance payments, and subsidized units had housing quality standards deficiencies.

Recommendations

We recommend that the Director of the HUD's Buffalo Office of Public and Indian Housing instruct Authority officials to

- 1A. Reimburse the program from non-Federal funds \$2,684 in ineligible housing assistance paid as a result of Authority officials' calculation errors.
- 1B. Provide documentation to adequately support the eligibility of the \$4,238 in unsupported housing assistance payments. Any amount determined to be unsupported should be reimbursed to the program from non-Federal funds.
- 1C. Revise procedures to ensure that tenant files are documented.
- 1D. Provide training to Authority inspection staff on HUD's housing quality standards requirements.
- 1E. Develop written procedures to document the housing quality standards quality control process.

Scope and Methodology

We performed the audit fieldwork at the Authority's office in Rochester, NY, between January and May 2016. The audit scope covered the period January 1, 2014, through December 31, 2015, and was extended as necessary. The files and records related to the Authority's Housing Choice Voucher program are maintained at this office located at 675 West Main Street, Rochester, NY.

To accomplish the audit objective, we

- Reviewed HUD's Housing Choice Voucher program regulations and the Authority's program policies and procedures.
- Documented and obtained an understanding of the Authority's financial and administrative controls.
- Interviewed Authority officials to obtain an understanding of Housing Choice Voucher program processes.
- Reviewed the Authority's independent public accountant reports for 2012 through 2014 and HUD correspondence files for 2014 and 2015.
- Evaluated internal controls and reviewed computer controls to identify potential weaknesses related to our objective. We relied in part on computer-processed data primarily for obtaining background information on the Authority's Section 8 Housing Choice Voucher program. We performed a minimal level of testing and found the data to be adequate for our purposes.
- Reviewed the Authority's HUD-approved annual contributions contract.
- Reviewed records of the Authority's board meeting minutes.
- Selected a statistical sample of 14 tenant files from the housing assistance payment register to test compliance with HUD regulations regarding (1) tenant eligibility, (2) unit size, (3) rent reasonableness determination, (4) subsidy compliance, (5) tenant share of the rent, and (6) timely recertification. The period sampled was from the 2014 and 2015 program years.
- Selected a statistical sample of 14 Housing Choice Voucher program units from the inspection register for units that passed within the most recent 3 months to test compliance with HUD housing quality standards requirements.
- Reviewed the Authority's procurement process for the contract awarded to an attorney for landlord-tenant legal services.
- Reviewed Authority officials' administration of the Housing Choice Voucher program waiting list and the selection of tenants to receive program assistance.

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 objective.

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 objective:

- Program operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Reliability of financial data – Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.
- Laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.
- Safeguarding of resources – Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.

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.

Appendixes

Appendix A

Schedule of Questioned Costs

Recommendation number	Ineligible 1/	Unsupported 2/
1A	\$2,684	
1B		\$4,238
Totals	\$2,684	\$4,238


- 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.

Appendix B

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments



ROCHESTER
Housing Authority

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July 13, 2016

Kimberly Greene
Regional Inspector General for Audit
Office of Audit
New York/ New Jersey Region 2
26 Federal Plaza, Room 3430

Dear Ms. Greene,

The Rochester Housing Authority (RHA) wishes to submit comments to be included in the audit report. The following are our comments on the findings listed in the draft audit report:

Finding: Housing Assistance Payments Were Ineligible and Unsupported

Comment: The files for [REDACTED] and [REDACTED] were reviewed for the audit and found to have incorrectly calculated utility allowance and income and payment standard respectively. We reviewed each file and determined the following:

Comment 1: [REDACTED]: In response to the finding that RHA used an incorrect utility allowance, which resulted in a monthly subsidy overpayment. A HUD regulation changed effective 11/1/2014 that stated PHA's must use the participants voucher bedroom size to determine the calculation of utilities instead of their actual unit size. On 11/12/2014 RHA used the 3 bedroom unit size instead of the 2 bedroom voucher size for this participant which did result in an \$80 total overpayment. This is indeed an error.

Comment 2: [REDACTED]: In response to the finding that a miscalculation was done on the participant's income and the incorrect payment standard was used which resulted in a monthly overpayment. On 5/1/2014 RHA entered an Interim examination due to a change of income. On 11/1/2014 RHA discovered the error entered. RHA made the correction dating it for 7/1/2014 allowing the tenant a 30 day notice for change in their rent. RHA did use an incorrect payment standard, however an overpayment did not occur. An overpayment was not incurred because the gross rent (\$977) does not exceed the payment standard (\$1073 is the payment standard that should have been used.)

Comment 3: [REDACTED]: The file for [REDACTED] was reviewed during the audit and found to lack documentation. The Housing Assistance Payment contract for the unit at [REDACTED] was not in the file due to RHA's records retention policy that allowed for staff to purge/destroy information in 2012 after being kept for 3 years. Available for the audit was electronic documentation that proved that RHA used the correct payment standard and the correct utility allowance for the 4/1/14 calculation, and reflects that the 2014 calculation reviewed followed the same information as in the 2012 HAP contract calculation. Attached you will find the electronic information from RHA's computer system that shows the income determined, the payment standard used and the utility chart used were correct. Also attached is the 50058 for the calculation posted to PIC for the 2012 calculation. For reference purposes a file was used for the same complex [REDACTED] for the same bedroom size (2 bedrooms) to demonstrate correct calculations of utilities.

This should support item 1B of the draft audit recommendations.

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Comment 4

Comment: Missing file documentation was stated to be a result of RHA's current records retention procedure of purging tenant file information after 3 years, regardless of whether the information supports subsidy payments less than 3 years old. RHA keeps purged documentation electronically for staff to reference when performing calculations. RHA has strengthened its records retention procedures and the revised is attached.

This should support item 1C of the draft audit recommendations.

Comment 5

Finding: Units Did Not Always Comply With Housing Quality Standards (HQS)

Comment: We agree that there were some deficiencies that were not correctly identified on the original RHA inspection. Most of the cited deficiencies on the original failed inspections were corrected, but some of the repairs did not hold up, such as a loose handrail and a window that had mold/mildew substances, the handrail had come loose again, and one of the windows out of 4 windows did have evidence of mold/mildew substances.

There were some new deficiencies observed by the auditor's that could very easily have occurred between the RHA pass date and the auditor's inspections. Six of the original inspections passed inspection in December, 2015, 6 of the original inspections passed in January, 2016, and 2 of the original inspections passed in February 2016.

Finding: Written Housing Quality Standards Quality Control Procedures Were Lacking

Comment: Currently, our Administrative Plan states:

QUALITY CONTROL INSPECTIONS

As a check and balance on the overall competence of the inspectors and the quality of the inspections being performed, supervisory personnel routinely inspect units and review inspections reports on 5% of the total inspections performed. The RHA encourages its inspectors to attend any HUD-sponsored seminars on Housing Quality Standards. Monthly meetings are held where regulatory changes are discussed and training is held.

Comment 6

We have strengthened the HQS Quality Control procedure which is attached.

This should support item 1E of the draft audit recommendations.

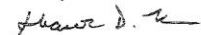
Comment 7

RHA's HQS inspectors received their HQS certification in May 2016, their scores ranged from 85 to 91. Staff will continue to maintain their certification and attend training on a regular basis. Prior to the May certification, inspectors were trained by the Inspection Supervisor who has 20+ years of HQS inspection experience. RHA's Quality Control inspection process is also used to train inspectors and monthly staff meetings are held to review code changes and training opportunities.

This should support item 1D of the draft audit report recommendations.

Thank you for your consideration and review of these comments.

Sincerely,



Shawn Burr
Interim Executive Director
Rochester Housing Authority

OIG Evaluation of Auditee Comments

- Comment 1** Authority officials concur that an error resulting in an \$80 total overpayment for the participant was made. Therefore, Authority officials need to reimburse the program \$80 from non-Federal funds.
- Comment 2** Authority officials stated that an overpayment was not made for the participant because the gross rent (\$977) does not exceed the payment standard of \$1,073 that should have been used. However, Authority officials are incorrect in stating that \$1,073 is the payment standard for this tenant during the certification period reviewed. Specifically, our review of the November, 1, 2014 recertification determined that \$878 is the correct payment standard for a 2 bedroom unit as per Authority policy to use the previous period payment standard for calculating participant subsidy when the payment standard increases. The payment standard of \$1,073 was the previous period payment standard for a 3 bedroom unit; however, the participant was denied a request for a 3 bedroom unit and only qualified for a 2 bedroom unit. Authority officials also understated the participant's income, due to the participant returning to work. As a result of these two errors, the monthly subsidy to the landlord was overpaid by \$217 resulting in an overpayment for twelve months totaling \$2,604. Therefore, Authority officials need to reimburse the program \$2,604 from non-Federal funds.
- Comment 3** Authority officials concur that the housing assistance payment contract for the unit was not in the file for the participant because the Authority's records retention policy allowed staff to purge or destroy information in 2012 after being kept for 3 years. Authority officials stated that electronic information entered into the Authority's computer system showed the income determined, payment standard used, and the utility chart used. Authority officials provided us with attachments which are not included here, but are available upon request. However, Authority officials were unable to provide source documents to verify the accuracy of tenant income information and other data entered into the Authority's computer system. Therefore, the \$4,328 in subsidy paid on behalf of this participant remains unsupported.
- Comment 4** Authority officials stated that they have strengthened and revised records retention procedures as a result of the audit. Authority officials revised their procedures in this area; however, they need to provide HUD with these revised procedures during the audit resolution process and HUD can verify that they are being adequately implemented.
- Comment 5** Authority officials concur that some HQS deficiencies were not identified by Authority officials during their original inspections, but that some were repaired, and didn't hold up. We disagree with Authority officials that deficiencies, such as mold, could have reoccurred subsequent to their repair less than 3 months earlier.

- Comment 6** Authority officials state that they have strengthened their HQS quality control procedure pertaining to performing quality control inspections. Authority officials have formalized their HQS quality control process, however, they need to provide HUD with these revised procedures during the audit resolution process and HUD can verify that they are being adequately implemented.
- Comment 7** Authority officials state that HQS inspectors received HQS certification in May 2016 and attend training on a regular basis. Authority officials need to provide HUD with documentation supporting the HQS certifications and trainings during the audit resolution process.