



U.S. DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT
OFFICE OF INSPECTOR GENERAL

March 22, 2018

MEMORANDUM NO:
2018-KC-0802

Memorandum

TO: Robert G. Iber, Acting Deputy Assistant Secretary, Office of Multifamily Housing, HT

FROM: *//signed//*
Ronald J. Hosking, Regional Inspector General for Audit, 7AGA

SUBJECT: Limited Review of HUD Multifamily Waiting List Administration

INTRODUCTION

We audited the U.S. Department of Housing and Urban Development's (HUD) multifamily program based on the results of our audit of Village North Apartments, Salt Lake City, UT (HUD Office of Inspector General (OIG) audit report 2017-DE-1001). During that audit, we found indications that tenants were able to move into units and become heads of household without being put on the established waiting list. Our objective was to determine whether HUD had adequate policies to prevent multifamily tenants from being able to move into units and become heads of household without being put on the established waiting list.

METHODOLOGY AND SCOPE

Our audit period generally covered January 1, 2016, through September 30, 2017. We performed our audit work from September through November 2017. We conducted onsite work at HUD headquarters in Washington, DC.

To accomplish our objective, we

- reviewed prior OIG audit reports,
- reviewed applicable laws and regulations,
- reviewed HUD's policies and procedures, and
- interviewed HUD officials.

We relied on evidence from our audit of Village North as well as information provided by HUD headquarters and field officials on the issue of tenants bypassing waiting lists. We used tenant

data from HUD's Tenant Rental Assistance Certification System for our audit period to obtain contextual and background information. The system contained nationwide financial and program activity data related to HUD multifamily projects containing subsidized units under 24 Code of Federal Regulations Part 982. We found 1,582,070 active units that receive multifamily assistance payments and reviewed three units from Village North with indications of tenants improperly bypassing waiting lists.

We did not rely on computer-generated data as audit evidence or to support our audit conclusions. We based our conclusions on the source documentation reviewed during the audit and statements of HUD officials.

BACKGROUND

The Office of Multifamily Housing administers the project-based Section 8 housing assistance payments program which provides rental assistance to low-income individuals and families, with the goal of enabling them to live in affordable, decent, safe, and sanitary housing. HUD makes the assistance payment to the owner of an assisted unit on behalf of an eligible family, defined as having income at or below 80 percent of the area median income, adjusted for family size. Families pay a portion of the rent based on their income, and HUD's assistance payments fulfill the remainder of the rent amount.

Project-based rental assistance is provided through contracts between HUD and owners of multifamily rental housing. If a tenant moves, the assistance stays with the housing development rather than with the tenant. HUD records show that more than 1.5 million multifamily units receive assistance payments nationwide.

RESULTS OF REVIEW

HUD Did Not Have Policies To Prevent Tenants From Bypassing Waiting Lists

HUD did not have adequate policies to prevent multifamily tenants from improperly bypassing waiting lists. In our audit of Village North, property management provided us with three instances showing indications that tenants improperly bypassed Village North's waiting list. In these instances, an individual not previously residing at Village North was added to the lease of a current tenant. Then, within 1 month of being added to the lease, the current head of household moved out of the unit, and the new tenant assumed the lease as the head of household. As a result, the newly added person obtained a HUD-assisted unit without properly going through the waiting list process.

HUD officials stated that they had been informed by other multifamily projects of similar instances where tenants in HUD-assisted properties improperly bypassed waiting lists in the manner described above. They stated that the intent of the program was to allow bona fide family members to join tenant households, but they were concerned that current policies might not allow multifamily project owners to ensure the proper administration of their waiting lists if tenants bypassed them. HUD stated that it was not uncommon for waiting periods to be approximately 18 months, which could create an incentive to find another way to obtain a HUD-assisted unit.

HUD policies did not address situations in which tenants improperly bypassed waiting lists to be placed into HUD-assisted multifamily units. HUD Handbook 4350.3 REV-1, chapter 4-16 required multifamily project owners to use a waiting list if appropriate-size units were not available for applicants. The Handbook also required owners to mark the date the application was received from the potential tenant and to select applicants from the waiting list in chronological order to fill vacancies. But HUD policies did not provide guidance to owners when there were indications of tenants bypassing waiting lists. For example, if HUD policies allowed owners to request additional eligibility documentation when a new person assumed the position of head of household within 6 months of being added to the tenant household, owners could have additional assurance that any required waiting lists would be properly administered for all prospective applicants.

RECOMMENDATION

We recommend that the Office of Multifamily Housing

- 1A. Strengthen current written policies on occupancy requirements for subsidized multifamily housing programs to ensure that prospective tenants do not improperly bypass waiting lists.

Appendix A

Auditee Comments and OIG's Evaluation

HUD chose not to provide comments on this report.