

# File Audits: Top 10 Findings”

(The List You Don't want To be Part Of)

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# What are HUD Reviews?

## ▶ Programmatic

- Field office (OPH, FHEO, LR)
- REAC
- Contractor
- OIG

## ▶ Audit

- Single Audit Act/A133 Requirements



# HUD's Oversight Objectives

- ▶ PHA manages program and funds expended according to HUD's requirements
- ▶ PHA maximizes HCV utilization
- ▶ Units are decent, safe, and sanitary (HQS)
- ▶ Eligibility of applicants / participants correctly determined
- ▶ Participants pay appropriate rents



# HUD's Oversight Objectives, cont.

- ▶ Applicants and participants are properly screened
- ▶ Families are housed fairly, free from housing discrimination



# The “Top 10” Hall Of Fame



# #10 – Choice of Rent and Rent Reasonableness

- ▶ Failure to provide PH families with choice of rent (flat rent vs. income-based rent)
- ▶ Failure to properly determine or document reasonableness of program rents
  - Initial Rent
  - Any rent increase
  - 5% decrease in published FMR 60 days before contract anniversary



# #9 – HQS Inspections

- ▶ Initial HQS conducted before executing HAP contracts
- ▶ Significant health and safety violations inspectors did not observe/report during last inspection
- ▶ Non-abatement of failed units
- ▶ Untimely HQS inspections
- ▶ Non-compliance with HQS QC process
- ▶ No follow up of unit repairs to meet HQS
- ▶ Accurate HQS data not on 50058



# # 8 – Maintenance Errors

- ▶ Wrong Inspection Forms
- ▶ Schedule/Charges Tenant Caused Damages
- ▶ Work Order Logs
- ▶ Unit turnaround time incorrectly calculated
- ▶ Units not in good repair, order, and condition
- ▶ No preventive maintenance program



# #7 – Governance Issues

## ▶ Conflict of Interest

### Regulatory requirements

- 24 CFR §982.161, HAP Contract,  
(Section 13 for the HCV Program)



### Common Scenarios

- 1) ED is also employee/agent for PHA's non-profit developments
- 2) Procurement with a board member's employer/company.
- 3) Board member employed by an affordable housing provider who is Section 8 landlord
- 4) Employment of relatives
- 5) Covered individual has family members with an interest in the HCV program.

# #7 – Governance Issues

- ▶ Conflict of Interest – Example
- ▶ A Michigan PHA had to reimburse their HCV program in the amount of \$ 47,000.

Summary of conflicts of interest			
Classification	Housing assistance payments		Total
	Landlord	Relatives who were tenants	
Board of commissioners	\$20,542	\$3,923	\$24,465
Housing choice voucher specialists	\$0	\$16,475	16,475
Inspectors	\$0	\$6,413	6,413
Totals	\$20,542	\$26,811	\$47,353

# #7 – Governance Issues

- ▶ The Board of Commissioners
- ✓ Is board meeting as required?
- ✓ Are required policies in place, current, and being followed?
- ✓ Are staff knowledgeable of job responsibilities and program requirements?
- ✓ Is board aware of fiduciary responsibilities?



# # 6 – Procurement

- ▶ Failure to provide support and justification for contracts.
  - ✓ Failure to document significant history of a procurement
- ▶ Did not follow HUD requirements, PHA's own policy, or state/local law when awarding contracts.
- ▶ Failure to perform cost analysis
- ▶ Acquisition of goods/services without contract in place or expired contracts
- ▶ Awarding contracts without competition



# # 6 – Procurement

- ▶ Books and records not auditable
- ▶ Unable to demonstrate contracts awarded to vendors whose proposals were most advantageous
- ▶ Unable to determine whether full and open competition hindered
- ▶ Award of purchase orders for other than lowest qualified price without justification
- ▶ Paid more than contract price
- ▶ Contract limits ignored



# #6 – Procurement

- ▶ Failure to provide supporting documentation to justify eligibility for Capital Fund expenditures
- ▶ Payments issued without proper supporting documentation and required approvals
- ▶ How does your Procurement Policy Match Up?
- ✓ HUD's Procurement Handbook –  
[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/administration/hudclips/handbooks/pihh/74608](http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/pihh/74608)

# #5 – Financial Considerations

- ▶ Missing support documentation
- ▶ Failure to properly account for and report fund transactions between programs
- ▶ Eligibility of expenditures
  - Meals
  - Staff Holiday party
- ▶ Cost Allocations
- ▶ Net Restricted Position
- ▶ Unrestricted Net Position



# #5 – Financial Considerations, cont.

- ▶ Internal control procedures in place and followed (Separation of duties?)
- ▶ Are expenditures for eligible items
- ▶ General Depository Agreement
- ▶ Do not wait until the last minute to submit the Financial Data Schedules (FDS)



# #4 – Policies Not Current/ Not Being Followed



- ▶ Procurement
- ▶ Administrative Plans/Admissions and Continued Occupancy Policies
  - Student Eligibility
  - Violence Against Women Act
  - EIV (SSN, SSI, and Income Verification requirements)
  - Passbook Rate Policy
- ▶ Funding–Related Policies (HCV)
  - Termination of Assistance Due to Funding
  - Denying Portability requests

# #3 – Occupancy Administration

- ▶ Inadequate program administration for zero-income families
- ▶ Inadequate recovery of subsidy overpayments
- ▶ Inadequate safeguards to ensure program participants did not receive multiple subsidies
- ▶ Inadequate documentation to support households' eligibility for housing assistance
- ▶ Live-in Aides, PIH Notice 2009-22 (Oversubsidization Notice)
- ▶ Reasonable Accommodation Requests, PIH Notice 2009-22 (Non-discrimination and Accessibility for Persons With Disabilities)
- ▶ Failure to provide timely annual recertifications of income and composition



# #2 – Verification Errors

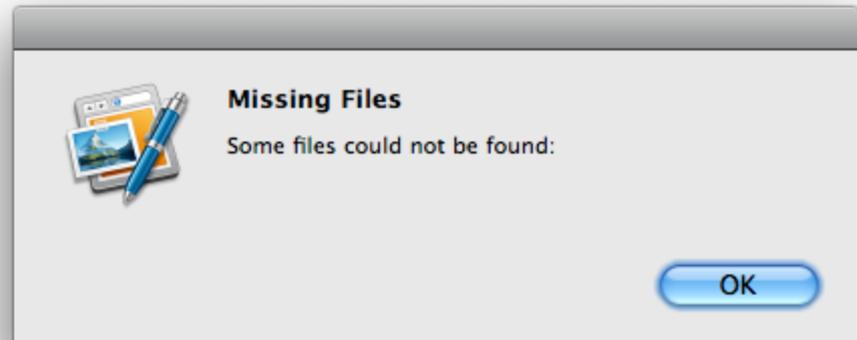


- ▶ Incorrect income inclusions/exclusions calculations
  - 15 annual income inclusions, including assets
  - 42 annual income exclusions (§5.609(c)(16)) + FR Notice
  - Permissive exclusions (PH)
  - Earned Income Disallowance
- ▶ Income adjustments (elderly, disabled, children, medical)
- ▶ Wrong **Payment Standards** applied (**Pick Smaller**)
- ▶ Incorrect/not current **Utility Allowances** (**Use Actual**)

# #2 – Verification Errors, cont.

## Common Errors

- ▶ Income Calculations & Documentation
- ▶ Allowable Deductions
- ▶ Missing Forms & Required Signatures
- ▶ 50058 – hard copy missing from file
- ▶ 50058 – electronic non-submission and rejection



# #2 – Verification errors, cont.

## Common File Errors

- ▶ Proof of Citizenship/Eligible Immigration Status
- ▶ 9886 Release of Information Form
- ▶ SS Information For All Family Members
- ▶ Verification applicant is not a lifetime registered sex offender; Criminal Background Check
- ▶ Reasonable Accommodation Documentation



# #2 Verification errors, cont.

## Utilization of EIV system

- ▶ Safeguarding of Data (PIH Notice 2010-15)
- ▶ Resolution of income discrepancies

EIV System User Manual (5/08):

<http://www.hud.gov/offices/pih/programs/ph/rhiip/docs/eivusermanual.pdf>

EIV Security Administration Manual (5/08),

<http://www.hud.gov/offices/pih/programs/ph/rhiip/docs/eivsyssecadmman.pdf>

Recent EIV Webcast: 5/2/11

<http://portal.hud.gov/hudportal/HUD?src=/press/multimedia/videos>



# #1 – Maximizing Families Served



- ▶ HCV underutilization/under-leasing
  - Significant under-leasing = families not served
  - Failure to successfully track HCV utilization
  - Threshold of 95% of allocated yearly vouchers or allocated yearly funding
  - Special Purpose Vouchers underutilized (VASH, FUP, NED and Mainstream)
  - NOTE: HCV Utilization Tool tracks 1&2 year projections
  
- ▶ PH utilization
- ▶ Vacancies not HUD-approved
- ▶ Unit turnaround time
- ▶ Receipt of excess program operating subsidies for units vacant in excess of 12 months

# What if there are Problems?

- ▶ Finding: a violation of status or regulation
- ▶ Concerns: an issue that if left untreated may result in a finding
- ▶ Corrective Action
  - Who, what, when and how
  - What documentation will be required to support corrective action taken
  - Potential sanctions of administrative fees



# What if the finding is a “Big One”?

- ▶ Internal Controls
- ▶ Program Integrity
- ▶ Work with field office, OIG and local enforcement



# Do You Read (Google)?



...Or How Can I Get Current HUD Information?

- ▶ Check out Denver OPH web page
  - <http://www.hud.gov/local/shared/working/r8/ph/index.cfm?state=co>
- ▶ News-to-use Feature
  - <http://www.hud.gov/local/shared/working/r8/ph/whatsnew.cfm?state=co>
- ▶ Sign up for an RSS feed
- ▶ [http://www.commoncraft.com/rss\\_plain\\_english](http://www.commoncraft.com/rss_plain_english)

...Never again be the last to know.



# Don't Worry, Be Happy



Any Questions?

# Thank You!

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