

Audit of Community Services Department- Section 8 Program

Division of Inspector General **Neil Kelly, Clerk of the Circuit and County Courts** **Audit Report**

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June 30, 2015

Board of County Commissioners

We have conducted an audit of the Section 8 Program of the Housing Services Division of the Community Services Department, as scheduled per the Clerk's Annual Inspector General Audit Plan.

We appreciate the cooperation and assistance provided by the Community Services Department during the course of our audit.

Respectfully submitted,

Bob Melton

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Inspector General

cc: Honorable Neil Kelly, Clerk of Circuit & County Courts
David Heath, County Manager
Dorothy Keedy, Community Services Department Director
Cheryl Howell, Housing Services Division Manager

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EXECUTIVE SUMMARY

We conducted an audit of the Section 8 Program managed by the Housing Services Division. The housing choice voucher program (HCVP), also known as Section 8, is funded through the U.S. Department of Housing and Urban Development (HUD). The purpose of the program is to assist, “very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market.”

Current applicants have been on the housing choice voucher program waiting list for a lengthy period of time. As of August 31, 2014, there were 774 applicants waiting on the list at least since March 5, 2008; the length of time all applicants have been waiting is over 6.5 years. The Division Manager estimates that it will be more than five years before the list has been exhausted. We project that it will actually take an additional nine to ten years before the current list is exhausted. Once the list is exhausted in our projected nine years, some people will have been on the list for 15 years. Keeping the list closed for so long is preventing those residents that would potentially have a preference from obtaining housing, such as the elderly and disabled from being added to the list.

Applicants are not always selected in the order they applied to the program. We reviewed a listing of the applicants that were issued vouchers during the previous 12 months and determined that they were not processed in order. We found that many applicants were skipped and selected out of order. In addition, the waiting list is not documented at any point in time. The only evidence of when an applicant is pulled from the list is the date of a letter notifying them that they may be eligible; according to management, this is the date they are pulled from the list. The integrity of the list needs to be maintained to help ensure there is no preferential treatment.

Information in the waiting list applications has not been periodically reviewed by staff; it is outdated and unreliable. With the waiting list closed since March 2008, it is likely that many of the applicants are no longer income eligible and have changes in their household composition or preference status. Also, any changes in preference status could affect the current placement on the list for each applicant.

Staff does not verify that all income is reported by new applicants. During our review of 38 new participant files and 16 continued assistance files, we found no evidence that the staff verified that all income for the original certification was reported. Although staff has access to a HUD provided tool that can verify the income for existing applicants, it cannot be used for new applicants. We reviewed the original certifications for 16 participants receiving continued assistance and noted many documents are missing. In three of the files, there was no evidence of the original certification or proof of applicant income. As a result, there is nothing in the file that supports the initial determination of the voucher size or whether the applicant was qualified upon entry into the program.

Tenant rent payment affordability should be evaluated for potential fraud. Some tenant rent payments (amounts to be paid by the tenant) are higher than the tenant's monthly income. When this situation occurs, it is possible that other unreported income exists. We reviewed a sample including 141 tenant files to determine whether the monthly tenant rent payment was reasonable; we found the rent payment to be unreasonable for eight of the tenants. In four of the files, the tenant has a rent payment higher than reported monthly income, in another the tenant's rent payment is the same amount as its income, and three of the files showed that tenants have a rent payment of more than 53% of their income. We found no documentation that any further investigation was performed by the division for these situations.

Inspection processes should be improved. Housing inspectors do not proactively verify that only authorized persons live in units even though the risk of related tenant fraud is high. We observed the unit inspections performed by each of the inspectors for a day and noted that neither inspector confirmed with the tenant who was currently living in the unit. Inspectors should verify who is living in each unit during the inspection. Unauthorized persons could be living in the units and such a determination could be an easy way for staff to identify program fraud within an existing process. We noted other inadequacies in the inspection process.

We made additional recommendations related to documents in the files, salary allocations, and use of County vehicles. Our report contains 26 recommendations for improvement.

INTRODUCTION

Scope and Methodology

We conducted an audit of the Section 8 Program managed by the Housing Services Division. Our audit objectives were:

1. To determine whether the Section 8 Program is operating in accordance with laws and regulations.
2. To determine whether the Section 8 Program has adequate procedures and controls.
3. To determine whether there are any additional opportunities for improvement.

To determine whether the Section 8 Program is operating in accordance with laws and regulations, we researched and reviewed laws, statutes, and guidance pertaining to housing choice vouchers, as well as the public housing authority's Administrative Plan. We also interviewed division staff and tested participant files.

To determine whether the Section 8 Program has adequate procedures and controls, we interviewed division staff, analyzed the waiting list, reviewed and tested samples of participant files and reviewed administrative expenses.

To determine whether there are any additional opportunities for improvement, we reviewed performance measures, analyzed vehicle mileage logs, tested tenant rent payment affordability and observed housing inspections.

Our audit included such tests of records and other auditing procedures, as we considered necessary in the circumstances. The audit period was October 1, 2012 through August 31, 2014. However, transactions, processes, and situations reviewed were not limited by the audit period.

Overall Conclusion

We conclude that except for the needed improvements discussed in the report, the Section 8 Program is operating in accordance with laws and regulations, and the Section 8 Program has adequate procedures and controls. Opportunities for Improvement are included in this report.

Background



The housing choice voucher program (HCVP), also known as Section 8, is funded through the U.S. Department of Housing and Urban Development (HUD). The purpose of the program is to assist, “very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market.” Housing choice vouchers are administered locally by public housing agencies (PHAs). Lake County’s PHA, the Lake County Housing Agency, is aligned within the Housing Services Division of the Community Services Department. The program is managed by seven employees, including a division manager, a program supervisor, and a community development specialist.

The PHA operates under its Administrative Plan, as required by HUD and CFR 24 Part 903. According to the Administrative Plan, its purpose is, “...to establish policies for carrying out the programs in a manner consistent with HUD requirements and local goals and objectives contained in the PHA’s agency plan.” The Administrative Plan is reviewed annually and updated as needed with any changes in HUD regulations. HUD provides additional guidance to PHAs through other means including a Housing Choice Voucher Program (HCVP) Guidebook, a handbook, and notices.

Lake County currently manages 485 housing choice vouchers and uses a waiting list. A small percentage of vouchers are allocated to project-based housing having separate waiting lists. When the HCVP list is open, anyone who wishes to be considered to receive a voucher has to submit a preliminary application. PHAs may choose to keep the waiting list open and accept applications at any time or may open the waiting list for a brief application period. Lake County’s waiting list has been closed since March 2008. At that time, the waiting list was opened during the Florida State Fair to applicants at the fair, at the division’s office and online. As of August 31, 2014, there were 774 applicants waiting on the list.

The applicants on the waiting list are organized according to the date and time stamp their application was received and by preference. The PHA extends preferences to applicants that qualify in the following order and based on the cited criteria:

Preference #1:	Elderly-Disabled Preference
Preference #2:	Elderly Preference
Preference #3:	Disabled Preference
No Preference	All Other Applicants

Those with an elderly-disabled preference will have priority over all other applicants on the waiting list.

When a voucher is available to be issued, the Division Manager selects the next applicant on the waiting list. The PHA then sends the family a notification letter informing them to attend an eligibility interview, including what documents must be brought with them. According to the Administrative Plan, “The family must provide the information necessary to establish the family’s eligibility and determine the appropriate level of assistance, as well as completing required forms, providing required signatures, and submitting required documentation.” The PHA must verify all of the information provided by the family and make a determination of eligibility. Once a determination is made, the family is briefed on how the program operates and the family’s obligations, and finally is issued a voucher.

A voucher authorizes the family to search for housing. It indicates the unit size that the family qualifies for, the issuance date and the expiration date. According to the Administrative Plan, “The initial term must be at least 60 calendar days... The family must submit a Tenancy for Approval and a proposed lease within the 60-day period unless the PHA grants an extension.” Once the landlord and the family have come to an agreement, they complete and submit the Tenancy for Approval to start the leasing process.

In the meantime, the PHA performs its certification process, including calculating the family’s payment and the PHA’s subsidy. During this process, the PHA determines the family’s annual income using documentation submitted in the eligibility interview. To arrive at an adjusted income, the PHA subtracts any of five mandatory deductions that the family qualifies for. Finally, using the family’s adjusted income, the PHA calculates the required family payment and the PHA subsidy.



Project-Based Housing Units
Leesburg, Florida

Upon receipt of the family’s Tenancy of Approval, the PHA reviews the proposed lease, ensuring it meets requirements. The dwelling unit must also meet specific criteria to be eligible for assistance; it must be in decent, safe, and sanitary condition. PHA staff will perform an inspection of the unit to determine whether it meets prescribed housing quality standards (HQS). Upon the PHA’s approval of the assisted tenancy, the owner and the PHA execute a Housing Assistance Payment (HAP) contract and the HAP payments begin.

The PHA must perform a reexamination of each family's income and composition at least annually. During a reexamination, the family's income and rent is recalculated. The family will be required to attend an interview and provide supporting documentation related to the family's income, expenses, and composition. Once the PHA verifies the information provided during the reexamination, the PHA will recalculate the family share of the rent and the subsidy and notify the family and the owner of the changes. Reexaminations may also be conducted throughout the year due to changes in family income, size, or whether the family moves to a new unit.

PHA staff also perform an annual inspection of the unit. According to the HCVP Guidebook, "At least annually, it is the responsibility of the PHA to conduct inspections of units to determine compliance with HQS prior to the execution of the entire term of the assisted lease." Housing inspectors are required to ensure that various HQS performance requirements are met related to areas such as sanitary facilities, space and security, air quality and water supply. HUD provides detailed guidance to PHAs that can assist staff in the conduct of the inspection. The inspector can pass or fail a unit depending on whether any reportable conditions are found. Additionally, quality control re-inspections are performed on a sample of the annual inspections; the HCVP Guidebook provides that quality control re-inspections be conducted by trained staff in the same manner as the annual inspections.

HUD tracks and monitors the PHA's performance for the housing choice program. PHAs report to HUD regularly through the Multifamily Tenant Characteristics System (MTCS) and the submission of the Section Eight Management Assessment Program (SEMAP). According to the HCVP Guidebook, "The MTCS is the Department's automated system for recording demographic information about assisted families and data about the units they occupy. HUD uses MTCS data to monitor and assess each PHA's performance. It will be used to score five indicators in SEMAP and also provides documentation for budget reviews and funding decisions." The SEMAP measures the performance of the PHA in 14 key areas, including sound determination of reasonable rent for each unit leased and accurate verification of family income. For fiscal year (FY) 2013, the Lake County Housing Agency received an overall rating of Standard, scoring 115 out of 135 total possible points.

The Housing Assistance Voucher Program is funded by HUD. According to Munis, the County's financial system, the program had the following revenues and expenses for FY 2012 to FY 2014:

	FY 2014	FY 2013	FY 2012
Revenues			
HUD HAP Disbursement	\$2,071,747.00	\$2,675,104.00	\$2,835,339.00
HUD Administrative Fee Disbursement	\$258,545.00	\$240,063.00	\$270,698.00
Other Program Revenues	\$179,705.07	\$163,310.07	\$129,231.27
Expenses			
Personal Services	\$209,885.48	\$198,066.40	\$202,737.47
Housing Assistance Payment	\$2,562,389.00	\$2,814,342.19	\$2,853,652.21
Other Program Expenses	\$70,705.16	\$92,948.35	\$55,975.20

For the month of September 2014, the PHA leased 426 units, had actual HAP disbursements of \$229,881, and had an average per unit cost of \$539.74.

OPPORTUNITIES FOR IMPROVEMENT

Our audit disclosed certain policies, procedures and practices that could be improved. Our audit was neither designed nor intended to be a detailed study of every relevant system, procedure or transaction. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

1. Management of the Waiting List Should Be Improved.

The waiting period for assistance is lengthy, outreach efforts are not documented and management cannot demonstrate that applicants are selected in order. We noted the following concerns:

- A. Current applicants have been on the housing choice voucher program waiting list for a lengthy period of time. As of August 31, 2014, there were 774 applicants waiting on the list at least since March 5, 2008; the length of time all applicants have been waiting is over 6.5 years. The Division Manager estimates that it will be more than five years before the list has been exhausted.

According to the HUD HCVP Guidebook, “A PHA should consider closing its waiting list when it has insufficient funds available to assist all applicants on the waiting list over a reasonable period of time. Although the PHA has the discretion to define what is ‘reasonable’, it is recommended that the wait for assistance not be more than 12 to 24 months.” Since the list has been closed for 6.5 years and 774 more applicants are still waiting on the list, the wait for assistance does not appear reasonable. Allowing the list to grow so long before closing it, has possibly created a sense of false hope among many of those waiting to be selected.

- B. The waiting list will continue to be closed for an extraordinary period of time. In fact, we project that it will actually take an additional nine to ten years before the current list is exhausted.

According to the Division Manager, three to five applicants are selected each month and about ten percent of the applicants are purged from the waiting list each year. Using this information, we developed the following analysis assuming a selection rate of four applicants per month:

Applicants Selected Each Month	Months in a Year	Applicants Selected Each Year	Applicants Purged Each Year	Declining Balance Applicants on List	Number of Years
				774.0	
4	12	48	77.4	648.6	1
4	12	48	64.9	535.7	2
4	12	48	53.6	434.2	3
4	12	48	43.4	342.7	4
4	12	48	34.3	260.5	5
4	12	48	26.0	186.4	6
4	12	48	18.6	119.8	7
4	12	48	12.0	59.8	8
4	12	48	6.0	5.8	9
4	12	48	0.6	-42.8	10

Currently, it has been over six years since the list was closed in 2008. Once the list is exhausted in our projected nine years, some people will have been on the list for 15 years. Keeping the list closed for so long is preventing those residents that would potentially have a preference from obtaining housing, such as the elderly and disabled.

- C. Outreach efforts in the establishment of the waiting list were not documented. The Division Manager can provide no evidence that any outreach was done. In addition, we reviewed the PHA Administrative Plan and found that there are no procedures written with regard to outreach. Instead, the plan simply restates some of the suggestions of the HCVP Guidebook.

According to the guidebook, “The PHA should adopt a written outreach strategy that clearly identifies objectives, the specific activities to support the objectives, and the staff responsible for implementation. The PHA should also establish internal procedures to monitor outreach efforts, particularly efforts to reach families identified as least likely to apply. Most importantly, the PHA must make efforts to analyze the effectiveness of each of its outreach efforts and to modify its strategy, as needed, in order to reach stated goals and objectives.” It is critical that any outreach efforts be documented to not only ensure compliance with HUD guidance but also to support that the existing waiting list was created in a fair and objective manner.

- D. The waiting list is not documented at any point in time. In an effort to determine whether applicants pulled from the waiting list were selected in order, we inquired whether the waiting list could be printed as of a particular date. However, not only is this not possible but the PHA does not even maintain a copy of the list at any point in time. In addition, the only evidence of when an applicant is pulled from the list is the date of a letter notifying them that they may be eligible; according to management, this is the date they are pulled from the list.

The PHA Administrative Plan states that:

“Families will be selected from the waiting list based on the targeted funding or selection preference(s) for which they qualify, and in accordance with the PHA’s hierarchy of preferences, if applicable. Within each targeted funding or preference category, families will be selected on a first-come, first-served basis according to the date and time their complete application is received by the PHA.”

In addition, according to OMB Circular A-133 Compliance Supplement for the program:

“The PHA must have written policies in its HCVP administrative plan for selecting applicants from the waiting list and PHA documentation must show that the PHA follows these policies when selecting applicants for admission from the waiting list.”

Management should be able to demonstrate that applicants are pulled from the waiting list in accordance with the Administrative Plan policy.

We Recommend management:

- A. Ensure that, in the future, the list is open only long enough to ensure that it fulfills needs over a reasonable period of time.
- B. Develop a plan to open the waiting list to target residents that would have a preference status once those applicants currently on the waiting list that have a preference status are exhausted.
- C. Develop procedures to ensure that any outreach efforts are well documented, including an analysis of the effectiveness of such efforts.
- D. Retain a copy of the waiting list at least annually.

2. The Processing and Selection of Applications Needs Improvement.

Applications are sometimes selected out of order from the waiting list, were not reviewed by staff, and were accepted after the list was closed. Specifically, we found the following:

- A. Applicants are not always selected in the order they applied to the program. The PHA Administrative Plan states that, “Within each targeted funding or preference category, families will

be selected on a first-come, first-served basis according to the date and time their complete application is received by the PHA.”

However, we reviewed a listing of the applicants that were issued vouchers during the previous 12 months and determined that they were not processed in order. We found that many applicants were skipped and selected out of order. For example, six applicants have a letter date of December 10, 2013; ideally, they should be applicants one through six on that date, but instead we found applicants 1, 4, 5, 6, 22 and 37.

Item No	Start Date	Application Date	Application Time	Notification Letter Date	Birthdate	Preference
1	4/1/2014	3/3/1999	10:51:15 AM	12/10/13	03/02/54	Disabled
4	3/3/2014	3/3/2008	10:57:00 AM	12/10/13	05/07/51	Elderly/Disabled
5	6/1/2014	3/3/2008	10:59:00 AM	12/10/13	07/13/71	Disabled
6	2/5/2014	3/3/2008	11:00:00 AM	12/10/13	02/23/52	Disabled
22	4/25/2014	3/3/2008	12:41:00 PM	12/10/13	06/03/51	Elderly
37	2/1/2014	3/8/2008	11:01:00 AM	12/10/13	11/22/57	Disabled

In this example, applicants two and three were skipped, applicant 22 has an elderly preference status that appears to have been previously skipped, and applicant 37 should not have been selected yet. Further review of the selected applicants when compared to the current waiting list revealed that the current waiting list still has disabled applicants waiting since March 3, 2008; however, six applicants were selected with application dates later than March 3, 2008, and one applicant with no preferences was also selected.

It is critical that the applicants on the waiting list be selected in the proper order to ensure that a fair process is in place and to preserve the integrity of the program.

- B. Information in the waiting list applications has not been periodically reviewed by staff; it is outdated and unreliable. HUD guidance provides that, “Pre-applications are screened by PHA staff to determine initial eligibility and effectively screen out obviously ineligible applicants before placing them on the waiting list.” However, there is no process in place to ensure the information is complete or to update any information except the applicant’s address. With the waiting list closed since March 2008, it is likely that many of the applicants are no longer income eligible and have changes in their household composition or preference status. Also, any changes in preference status could affect the current placement for each applicant on the list.
- C. During our review, we noted one application that was accepted on the closed waiting list. There may have been other applications accepted; however, we did not review beyond a 12-month period. The Division Manager stated that the waiting list was closed in March 2008 and that new applications are not being accepted. However, when we reviewed a listing of those applicants that were placed in the previous 12 months, we found that one had an application date of August 20, 2009 and another of March 21, 2014. We asked her to explain why the applicants were accepted.

She stated that she was “unsure” of the August 20, 2009 application; the other applicant was removed from the waiting list in error and once the error was discovered, the applicant was added back to the waiting list. The integrity of the list needs to be maintained to help ensure there is no preferential treatment. Accepting applications on a closed list unfairly gives those applicants entry to the program and subsequent selection of those applicants unfairly provides them with a preferential treatment.

We Recommend management:

- A. Ensure that applicants are selected from the waiting list in accordance with policy established in the PHA Administrative Plan.
- B. Develop and implement a process to update waiting list application information, including a preliminary review of the income reported.
- C. Ensure that new applications are not accepted for a closed waiting list, except where the PHA has particular preferences or funding criteria requirements to meet.

3. The Certification and Verification Processes Should Be Reviewed.

Certifications are not fully documented or organized, new participant income is not verified for completeness, and some rental payments are not in accordance with standards. We noted the following specific concerns:

- A. Files for the placement of new participants are not fully documented. We reviewed the contents of 38 files and noted that many documents are missing, including the original application, social security card, or birth certificate. Specifically, we noted the following:

File Document	Number of Files Documentation Was Not Present
Original Application	3 of 38
Social Security Card	2 of 38
Driver's License	1 of 38
Birth Certificate	1 of 38
Proof of Income	0 of 38
Bank Statements	3 of 29
Release of Information Forms	0 of 38
Proof of Records Search	11 of 38
Inspection Checklist	5 of 38
HAP Contract	0 of 38
Proof of Income Verification	38 of 38
Proof of Dual Household Check	37 of 38
Notification Letter	10 of 38

A current procedure for new placements is to organize the supporting documentation for the certification and issuance of the voucher into a binder. Each document has its place and checklists are included in each section of the binder for use similar to a table of contents so that the reader knows what is in the file. However, we found that the majority of the files were just manila files with the supporting documentation out of order. For example, three of the files did not include the original application; these files do not document that the applicant actually applied to be on the waiting list. Ten of the files do not include a copy of the notification letter, so these files do not indicate when the applicant was pulled from the waiting list. If the files were properly organized and the checklists used, it is likely that the staff responsible would have been aware of the missing documentation. In addition, files that are disorganized demonstrate a disregard for care that applicants are processed fairly and consistently with full documentation.

- B. Original certifications for continued assistance participants are not fully documented. Participant files should demonstrate that the original certification and qualification of the applicant was performed. However, we reviewed the original certifications for 16 participants receiving continued assistance and noted many documents are missing in those, as well; in fact, in three of the files there was no evidence of the original certification or proof of applicant income. As a result, there is nothing in the file that supports the initial determination of the voucher size or whether the applicant was qualified upon entry into the program. We also found that there is no evidence of a supervisory review of the files; if such a process was in place, it is likely that the missing documentation would not have been overlooked. See also Opportunity for Improvement No. 4.
- C. Staff does not verify that all income is reported by new applicants. During our review of 38 new participant files and 16 continued assistance files, we found no evidence that the staff verified that all income for the original certification was reported. Although staff has access to a HUD provided

tool that can verify the income for existing applicants, it cannot be used for new applicants; however, it is critical for staff to determine whether applicants have any unreported income to ensure that no potential fraud is occurring. Equifax is an entity that is currently providing verification services to other housing entities to not only verify income but to also verify identities. Management should consider using services such as those provided by Equifax because the information is real-time and available at the time the payroll is processed by a participating company. Without this type of verification in place, management cannot be certain that the calculation of benefits is based on the most complete information or that applicants are not underreporting their income.

- D. Staff does not verify that participants are not already receiving Section 8 assistance with another PHA. During our review of 38 new participant files and 16 continued assistance files, we found no evidence that the staff verified that applicants weren't already receiving Section 8 assistance from another PHA.

The HUD Occupancy Handbook specifically states that:

“Assisted tenants must have only one residence and receive assistance only in that unit. This rule is meant to ensure that the government pays assistance on only one unit for a family and provides assistance to as many eligible families as possible with available funding.”

During a meeting with the Division Manager, we were informed that some of the staff have access to a HUD provided system where the social security number can be entered to produce a dual subsidy report that identifies whether the participant is already receiving benefits. It is important for staff to verify this information to ensure that participants do not receive benefits from multiple agencies or for multiple units.



Apartment Complex Offering Section 8 Units
Lady Lake, Florida

- E. All rental payments are not in accordance with approved standards. During our review of 38 new participant files, we found that in two of the files, or 7.2 percent, the contract rent was higher than the allowable payment standard for the voucher size. Following are the HUD Approved 2014 Payment Standards:

Section 8 Voucher Size	Efficiency	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom	Five Bedroom	Six Bedroom
90% Fair Market Rent	\$627	\$743	\$885	\$1,180	\$1,427	\$1,540	\$1,741
Household Size	1 person	2 persons	3-4 persons	5-6 persons	7-8 persons	9-10 persons	11-12 persons

In one instance, the applicant has a three person household, including one adult full time student and one youth under 18. A physician signed an affidavit allowing the applicant her own bedroom for medical equipment. Therefore, she was granted a voucher size of three bedrooms. The PHA's HUD approved 2014 payment standard for a three bedroom unit is \$1,180; however the PHA approved a contract rent of \$1,260. In the second instance, the applicant has a two person household, including one youth under 18. The file does not contain any medical accommodations. Therefore, she qualifies for a one bedroom unit unless she can get more rooms while also meeting the payment standard of a one bedroom unit. The PHA's HUD approved 2014 payment standard for a one bedroom unit is \$743; however, the PHA approved a two bedroom unit with a contract rent of \$756. As a result, the PHA is paying based on a higher rent than is allowed per the standards and the participant is receiving more benefits than they are qualified for.

We Recommend management:

- A.1. Implement a process to perform a supervisory review of the files for all new participants prior to issuing a voucher. Management should also perform a periodic review of a sample of the remaining files.
- A.2. Ensure that staff fully document the certification of all applicants.
- A.3. Ensure that the binder checklists are used during the certification process and that binders be organized for all supporting documents immediately.
- B.1. Implement a process to perform a supervisory review of the files for all new participants prior to issuing a voucher. Management should also perform a periodic review of a sample of the remaining files.
- B.2. Ensure that staff fully document the certification of all applicants.
- C. Implement a process to verify by social security number that all income was reported for new applicants. The process should be documented in the participant file.
- D. Ensure that staff review the HUD dual subsidy report during the original certification and re-examination processes. The process should be documented in the participant file.
- E. Implement a process to perform a supervisory review of the files for all new participants prior to issuing a voucher. Management should also perform a periodic review of a sample of the remaining files.

4. Supervisory Review of the Participant Files Should Be Performed.

A supervisory review of the participant files is not performed. During our review of the files for new participants, we found no evidence of supervisory review. In addition, management explained that when the staff organizes the supporting documentation into a binder, checklists are added to each section to demonstrate what documents are included. We noted that for 28 out of 38 files, no checklists are included in the files; the file contents are not organized into a binder; instead, the file contents are included in a manila folder in no particular order, demonstrating that the staff had not reviewed the completeness of their own work. However, proper supervision of staff and a review of their work are critical to ensure that the work is complete and accurate.

As noted in Opportunity for Improvement No. 3, we found that the files for the placement of new participants are not fully documented and many important documents are missing. If the checklists were used during the certification process and binders created for supporting documentation immediately, this may not have occurred.

We Recommend management:

- A. Implement a process to perform a supervisory review of the files for all new participants prior to issuing a voucher. Management should also perform a periodic review of a sample of the remaining files.
- B. Ensure that the binder checklists are used during the certification process and that binders be organized for all supporting documents immediately.

5. Tenant Rent Payment Affordability Should Be Evaluated For Potential Fraud.

Some tenant rent payments are higher than the tenant's monthly income. When this situation occurs, it is possible that other unreported income exists. This unreported income could occur through an unauthorized person also living in the property. We reviewed a sample including 141 tenant files to determine whether the monthly tenant rent payment was reasonable; we found the rent payment to be unreasonable for eight of the tenants. In four of the files, the tenant has a rent payment higher than its monthly income, in another the tenant's rent payment is the same amount as its income, and three of the files showed that tenants have a rent higher than 53% of their income. These rent amounts are the amounts the tenant is required to pay; they do not include the amount of the rent subsidy.

Tenant	Monthly Household Income	Tenant Rent to Owner	Rent as a Percentage of Income
A	\$0	\$192	N/A
B	\$0	\$21	N/A
C	\$0	\$13	N/A
D	\$100	\$140	140%
E	\$240	\$240	100%
F	\$361	\$198	55%
G	\$1,030	\$563	55%
H	\$731	\$386	53%

The tenant's monthly income should not be less than the amount required for the tenant's portion of the rent payment. For those tenants whose rent is higher, it should be suspected that they have other income that is unreported. However, we found no documentation that any further investigation was performed by the division.

We Recommend management investigate instances in which the tenant's portion of the rent payment approximates or is more than its reported income. The results of the investigation should be documented.

6. The Inspection Processes Should Be Improved.

Housing inspectors do not sign reports, are not proactive, and are inconsistent. We have the following concerns:

- A. We noted that a participant was given excessive notice upon investigation of an allegation. During the audit, the Inspector General received an allegation through the Fraud, Waste and Abuse Hotline regarding one of the Section 8 tenants. The complainant stated that there were several unauthorized individuals living in the tenant's unit. The Division Manager was asked to assist in the investigation by performing a surprise inspection. She explained that some notice, such as an hour, must be given to the tenant for this type of an inspection; this was confirmed by the PHA



Two Units from the Same Housing Complex
Lady Lake, Florida

Administrative Plan which provides that “reasonable notice” be given. However, the inspection was scheduled giving the tenant more than 21 hours’ notice. The pictures taken of the unit demonstrate that several of the rooms were barely used.

Program policy should more clearly address notice to tenants for the investigation of the unit to determine the validity of allegations. Although there was no evidence of anyone else living in the unit, we find that the notice given to the tenant was excessive under the circumstances and more than enough time for the tenant to remove evidence of other residents, if any.

- B. Inspection checklists are not signed by the inspector. The inspection checklist is a form that is printed from the program software to be used by the inspector during the inspection of a unit to record deficiencies in housing quality standards; later the recorded information is entered into the software, printed again and retained in the participant’s file. We reviewed 38 new participant files and 16 continued assistance files and found that for the past several years, the inspector did not sign the report. As a result, we could not determine whether the inspections were in accordance with federal guidelines because the checklists do not appear to be completed. It is important for the inspector to certify that they completed the inspection and agree as to whether the unit passed or failed by simply signing the report upon completion. Proper representation by the inspector helps provide assurance that the inspector actually inspected the unit.
- C. Housing inspectors do not proactively verify that only authorized persons live in units even though the risk of related tenant fraud is high. The PHA has two inspectors; the Community Development Specialist performs all of the initial and annual inspections of units and an HQS inspector performs a quality control re-inspection of a sample of the specialist’s completed inspections. We observed the unit inspections performed by each of the inspectors for a day and noted that neither inspector confirmed with the tenant who was currently living in the unit. Inspectors should verify who is living in each unit during the inspection. This is something that could easily be done; although the pre-filled information of inspection checklist does not indicate the number of persons living in the unit, the inspectors could simply look up each planned inspection and when they print out the checklist, make a note of who is authorized to live in the unit. Then upon inspecting the unit, they could ask the tenant who is living there and visually verify that there is no evidence of any unauthorized persons. Unauthorized persons could be living in the units and such a determination could be an easy way for staff to identify program fraud within an existing process.
- D. The HQS inspector does not perform a full inspection of each unit. The inspections performed during our observations with the annual inspector were not similar to those performed by the HQS inspector. The annual inspector was more thorough and consistent from unit to unit; the HQS inspector was not. She seemed focused on ensuring that there were not any visible reportable conditions. She looked around each unit, paying attention to any visible signs such as ceiling stains that would indicate a leak. Other than that, she was not consistent. She did not consult a checklist, nor did she inspect the units similarly to each other. In some units the HQS inspector asked if there were any leaks; sometimes she flushed a toilet; sometimes she checked window operation. In other units, she did not check these things. We noted that in two of the units she

started to check the operation of the window, but she stopped because she didn't want to work with the blinds.

According to the HCVP Guidebook:

“Quality control reinspections should be conducted by staff trained in the PHA's inspection standards and should receive the same guidance as other PHA inspectors on inspection policies and procedures.”

The guidebook further states that:

“...quality control inspections provide feedback on inspectors' work, which can be used to determine if individual performance or general HQS training issues need to be addressed.”

However, based on our observations, the HQS inspector does not effectively determine whether the annual inspector performed a proper inspection because the HQS inspector does not take care to do the same. As a result, we conclude that the performance of the annual inspector and the compliance of the unit to HQS standards are not effectively determined by the HQS inspector using the current process.

We Recommend management:

- A.1. Ensure that the inspections of potential program violations are performed with little notice.
- A.2. Implement a policy for the timing of investigative notices.
- B. Require the housing inspectors to sign each inspection checklist upon completion. The signed document should be retained in the tenant file.
- C. Require the housing inspectors to perform a determination as to whether only authorized persons are living in the unit during each inspection.
- D. Ensure that all housing inspectors are trained to conduct full inspections in the same manner.

7. Management Should Implement Time Studies.

Supporting documentation does not exist for development of salary allocations. However, salary allocations should be supported by time studies or timesheets. Each fiscal year, the Division Manager estimates the percentage of each staff member's salary that will be allocated to the programs managed by the division, a budget amendment request is submitted, and they become the percentages that are used throughout the year to allocate salaries. Occasionally, if unexpected grant

funding is received during the year or if workloads are shifted among staff, the manager will reassess the percentages based upon anticipated increases in activity for given projects and submit a new budget amendment request to redistribute the estimated percentages. Following are the most recent allocation percentages published in the Adopted Fiscal Year (FY) 2014 and 2013 Budget Books:

Staff Job Title	FY 2014	FY 2013
Division Manager	25%	20%
Program Supervisor	100%	100%
Program Associate	100%	100%
Office Associate III	90%	85%
Community Development Specialist	30%	30%
Program Associate	10%	10%
Senior Financial Coordinator	15%	5%
Financial Associate	50%	15%

Documentation does not exist to support these allocations. Division staff do not track the time they spend on programs; time studies are not performed; and nothing is documented to support the percentages. It is important for management to be able to support the amount of salaries allocated to individual projects so that it can be certain that funding is objectively and accurately charged. Grant programs require that costs charged to the grants for the specific programs are incurred for the program being charged.

We Recommend management implement staff time studies at least annually to support its estimates of salary allocations.

8. Inspectors Should Track Mileage Driven in County Vehicles.

Inspectors are not held accountable for mileage driven in County vehicles. We reviewed the mileage logs for the two vehicles used for housing inspections. For one of the vehicles, we found that the log was missing several entries; in fact, over a one-year period, 453.9 miles, or 8.8% of the miles, were unaccounted for. For the second vehicle, we found that a log is not maintained; according to the Division Manager, the reason for not maintaining a mileage log is because the vehicle is used solely for inspections.



Mileage Logs Are Missing Entries for This County Vehicle

Also, housing staff do not maintain individual logs. Staff should be held accountable for miles driven on County time in County vehicles. The purpose of having a vehicle mileage log is to track the mileage of the vehicle; logs also provide proof of where staff is throughout the day. Missing entries in the log, therefore, show a lack of driver accountability. If individual logs were maintained, management would have a means for ensuring that County time and vehicles are not misused. Individuals should be required to account for each destination, and the logs should be periodically reviewed by a supervisor for reasonableness.

We Recommend management:

- A. Require staff to record an entry onto a mileage log maintained in each County vehicle.
- B. Require staff to maintain an individual mileage log for each destination subject to periodic supervisory review.

APPENDIX – Management Response



To: Bob Melton, Inspector General
From: Dottie Keedy, Director *OK*
Date: June 16, 2015
Subject: Response to Section 8 Program Internal Audit

Attached please find the response to the draft Department of Community Services Housing Division Section 8 Internal Audit. Staff responded specifically to the audit recommendations contained in the document you presented when we met with you to discuss the recommendations on March 18, 2015.

We would be happy to meet with you to discuss our responses if you would like to do so. Thank you for your patience as we prepared the responses to the audit.

C: David Heath, County Manager
Cheryl Howell, Housing Services Manager

TIMOTHY I. SULLIVAN
District 1

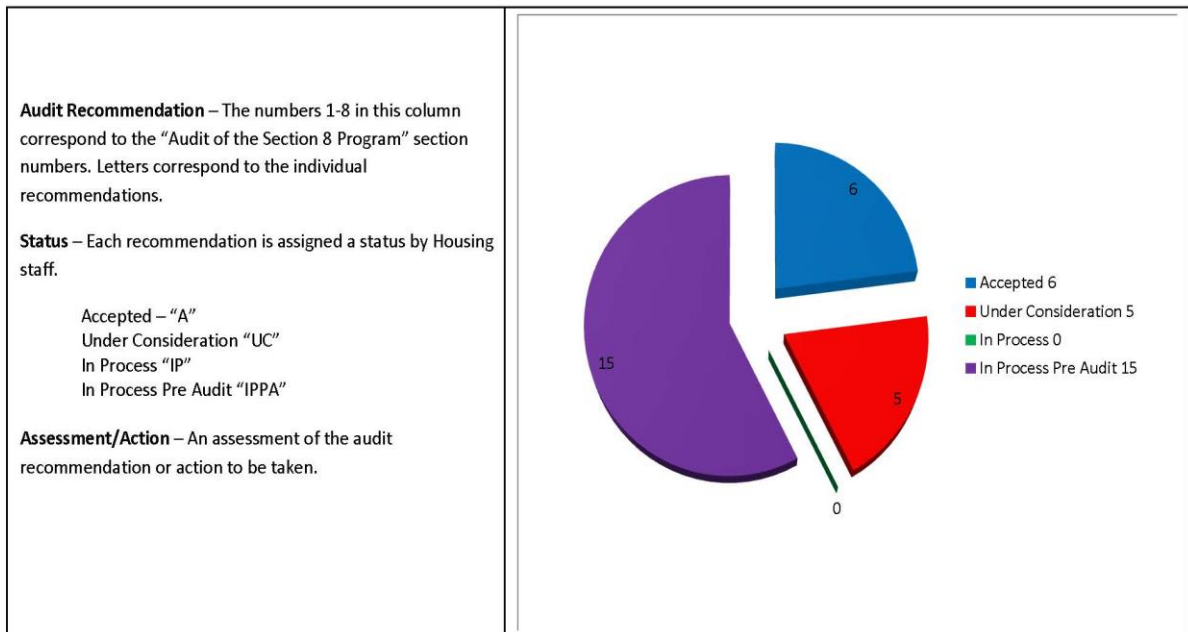
SEAN M. PARKS, AICP, QEP
District 2

JIMMY CONNER
District 3

LESLIE CAMPIONE
District 4

WELTON G. CADWELL
District 5

Of the 26 recommendations ~ 21 or 81% are accepted or in process



Audit Recommendation	Status	Assessment/Action
1-A. Ensure that in the future the list is open only long enough to ensure that it fulfills needs over a reasonable period of time.	A	In the future Housing Services will impose a computerized lottery system that would only accept a limited number of applicants based on the preference stated in the five year plan. Outreach efforts will be made and documented to the outlying areas notifying residents in advance of the open application process. This process would limit the applicants to a manageable amount of household that can be served within a 1-2 year period.
1-B. Develop a plan to open the waiting list to target residents that would have a preference status once those applicants currently on the waiting list that have a preference status are exhausted.	UC	HUD regulations do not allow a waitlist to be altered or adjusted by staff. This process is computerized through the software provider. Per your recommendation, staff will print a waitlist annually for audit purposes. Once our entire waitlist is exhausted, the application process will be opened and staff will apply documented outreach efforts to those families that are given preference in our five year plan.
1-C. Develop procedures to ensure that any outreach efforts are well documented, including an analysis of the effectiveness of such efforts.	IPPA	On-going pre audit. Our five year plan has procedures for outreach efforts. Housing will take special effort in documenting the outreach efforts throughout the open application process.
1-D. Retain a copy of the waiting list at least annually.	A	Housing Services will print a waitlist annually for audit purposes.
2-A. Ensure that applicants are selected from the waiting list in accordance with policy established in the PHA Administrative Plan.	IPPA	Applications are pulled from the waitlist based on the updated computerized numbering of the preference (elderly and disabled) applicants.
2-B. Develop and implement a process to update waiting list application information, including a preliminary review of income reported.	UC	The waitlist is purged every 12-18 months. Income information is taken during pre-voucher issuance. HUD provides a system for PHA's to utilize for income discrepancy. Our office also utilizes third party verification for income certification. Per your recommendation, staff will print a copy of the mail out for audit purposes.
2-C. Ensure that new applications are not accepted for a closed waiting list, except where the PHA has particular preferences or funding criteria requirements to meet.	IPPA	Housing Services utilizes the HAPPY web-based software system to manage the data for the Section 8 program. Staff is unable to add to or alter the numbering system for the applicants per unless we add an entire new waitlist. Applications are pulled from the waitlists based on the updated computerized numbering of the preference (elderly and disabled) applicants.

Audit Recommendation	Status	Assessment/Action
3-A.1. Implement a process to perform a supervisory review of the files for all new participants prior to issuing a voucher. Management should also perform a periodic review of a sample of the remaining files.	IPPA	A supervisory review of all files is done prior to the final approval of the HAP, however we will institute a process for a supervisor to sign off on all vouchers issued prior to issuance.
3-A.2. Ensure that its staff fully documents the certification of all applicants.	IPPA	Please note that many of the files reviewed were in the initial process and certifications occur simultaneously with placement activities.
3-A.3. Ensure that the binder checklists are used during the certification process and that binders be organized for all supporting documents immediately.	IPPA	Many of the files reviewed were in the initial voucher issuance phase. Those files are not placed in program folders until the units have been leased and all HAP agreements returned. Once the applicants have completed the locale and the unit has passed inspection, the staff binds the folder and places in program folder for storage in the Section 8 file area. Staff will ensure that all completed files are placed in tenant folders within a two week period of approved unit inspection and signed HAP agreement.
3-B.1. Implement a process to perform supervisory review of the files for all new participants prior to issuing a voucher. Management should also perform a periodic review of a sample of the remaining files.	IPPA	A supervisory review of all files is done prior to the final approval of the HAP, however we will institute a process for a supervisor to sign off on all vouchers issued prior to issuance.
3-B.2. Ensure that its staff fully documents the certification of all applicants.	IPPA	Please note that many of the files reviewed were in the initial process and certifications occur simultaneously with placement activities.
3-C. Implement a process to verify by social security number that all income was reported for new applicants. The process should be documented in the participant file.	IPPA	HUD provides the Employment Income Verification system that staff uses to verify income prior to placement, during interims, and recertification. In addition, all files have third party verification of income. If a client fails to report income and is later detected through HUD's income discrepancy reporting. The client is either placed on a payment plan or removed from the program entirely.

Audit Recommendation	Status	Assessment/Action
3-D. Ensure that staff reviews the HUD dual subsidy report during the original certification and reexamination processes. The process should be documented in the participant file..	IPPA	Staff reviews the HUD multiple subsidy report and uploads the 50058's daily. If there is a duplicate, HUD's system will not allow the 50058's to process. Staff will however print a copy of the report and place in the file for audit purposes.
3-E. Implement a process to perform supervisory review of the files for all new participants prior to issuing a voucher. Management should also perform a periodic review of a sample of the remaining files.	IPPA	A supervisory review of all files is done prior to the final approval of the HAP, however we will institute a process for a supervisor to sign off on all vouchers issued prior to issuance.
4-A. Implement a process to perform supervisory review of the files for all new participants prior to issuing a voucher. Management should also perform a periodic review of a sample of the remaining files.	IPPA	A supervisory review of all files is done prior to the final approval of the HAP, however we will institute a process for a supervisor to sign off on all vouchers issued prior to issuance.
4-B. Ensure that the binder checklists are used during the certification process and that binders be organized for all supporting documents immediately.	IPPA	Many of the files reviewed were in the initial voucher issuance phase. Those files are not placed in program folders until the units have been leased and all HAP agreements returned. Once the applicants have completed the locale and the unit has passed inspection, the staff binds the folder and places in program folder for storage in the Section 8 file area. Staff will ensure that all completed files are placed in tenant folders within a two week period of approved unit inspection and signed HAP agreement.
5. We recommend management investigate instances in which the tenant's portion of the rent payment approximates or is more than its reported income. The results of the investigation should be documented.	UC	HUD's regulations allow tenants to rent beyond our payment standard but our subsidy amount is calculated by HUD's PHA locally defined Metropolitan Statistical Area payment standard. HUD provides the Employment Income Verification system that staff uses to verify income prior to placement, during interims, and recertification. Tenants are evaluated for potential fraud through HUD's computerized system of multiple subsidy and Earned Income Verification (EIV). The EIV system is cross checked with the Social Security System and the Veterans Administration database. The Housing Division will continue to require the tenant to complete a release of information form to assist us in verifying the family member's income and their tax return.
6-A.1. Ensure that the inspections of potential program violations are performed with little notice.	UC	Florida statute requires that tenants must be given reasonable notice to respond to an inspection, even for investigative purposes. We will work diligently to respond

Audit Recommendation	Status	Assessment/Action
		to all allegations in a timely manner within state and federal regulations.
6-A.2. Implement a policy for the timing of investigative notices.	A	Florida Statute and the Fair Housing Act require a landlord or owner to give reasonable accommodation or notice to a tenant prior to entering a unit. Our office will continue to comply with the regulations but we will implement an identified timeline for a response to fraud investigations.
6-B. Require the housing inspectors to sign each inspection checklist upon completion. The signed document should be retained in the tenant file.	A	The Section 8 Program utilizes the HAPPY software system for program and data management. The inspections are assigned in the HAPPY System; therefore a record of the inspector is always available. Moving forward, all inspectors will be required to sign the inspection form and place in the file.
6-C. Require the housing inspectors to perform a determination as to whether only authorized persons are living in the unit during each inspection.	UC	The Fair Housing Act and an individual's constitutional rights limit our agency from invasive searches. The Housing Division will continue to act on the unauthorized tenant allegations for specific circumstances such as an arrest on the property or a breach of lease from the landlord in accordance with state and federal regulations. We will also continue to have the tenant sign documents that specify all persons dwelling in the unit.
6-D. Ensure that all housing inspectors are trained to conduct full inspections in the same manner.	IPPA	The HQS inspections are supervisory inspections that are dedicated to focus on specific housing quality issues. The assigned HQS inspector was previously the Section 8 supervisor and understands all key components of the Section 8 program. Staff is provided training opportunities based on their job function throughout the year.
7. We recommend management implement staff time studies at least annually to support its estimates of salary allocations.	A	We will investigate a time study tracking to help support the estimates of salary allocations.
8-A. Require staff to record any entry onto a mileage log maintained in each county vehicle.	IPPA	Our division will reinforce the use of mileage logs and perform periodic checks of the logs to ensure they are being completed accurately.
8-B. Require staff to maintain an individual mileage log for each destination subject to periodic supervisory review.	A	Our division will enforce the use of the individual mileage log for each destination/project and perform periodic checks of the logs to ensure they are being completed accurately.