SINGLE AUDIT AND HUD REPORTS

FOR THE YEAR ENDED SEPTEMBER 30, 2004

J. Scott Magliari COMPANY CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH **GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners Guam Housing and Urban Renewal Authority:

I have audited the financial statements of Guam Housing and Urban Renewal Authority (GHURA), a component unit of the Government of Guam, as of and for the year ended September 30, 2004 and have issued my report thereon dated June 3, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing the audit, I considered GHURA's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect GHURA's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 04-01 through 04-27.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I consider items 04-07 through 04-12, 04-15 through 04-17, 04-19, 04-21 and 04-27 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether GHURA's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs (pages 189 through 258) as items 04-01 to 04-27. I also noted certain immaterial instances of noncompliance that I have reported to management of GHURA, which are included in the accompanying Schedule of Findings and Questioned Costs.

This report is intended for the information of the management, and Board of Commissioners of the Guam Housing and Urban Renewal Authority, federal awarding agencies, pass-through entities and the cognizant audit and other federal awarding agencies and is not intended to be, and should not be, used by anyone other than the specified users. However, this report is a matter of public record and its distribution is not limited.

Agana, Guam June 3, 2005

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Commissioners Guam Housing and Urban Renewal Authority:

Compliance

I have audited the compliance of Guam Housing and Urban Renewal Authority (GHURA), a component unit of the Government of Guam, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2004. GHURA's major federal programs are identified in the Summary of Auditor's Results section on page 188 of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of GHURA's management. My responsibility is to express an opinion on GHURA's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about GHURA's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of GHURA's compliance with those requirements.

As described in items 04-01 through 04-23 in the accompanying Schedule of Findings and Questioned Costs, GHURA did not comply with requirements regarding Eligibility/Special Tests and Provisions and Special Reporting that are applicable to its Section 8 Housing Assistance Payments, Low Income Public Housing and Family Self Sufficiency programs. Compliance with such requirements is necessary, in my opinion, for GHURA to comply with requirements applicable to those programs.

In my opinion, except for the noncompliance described in the preceding paragraph, GHURA complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004. The results of my auditing procedures also disclosed other immaterial instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs.

Internal Control Over Compliance

The management of GHURA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered GHURA's internal control over compliance with requirements that could have a direct and material effect on a major program in order to determine my auditing procedures for the purpose of expressing an opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect GHURA's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 04-01 through 04-27.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited which may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider items 04-07 through 04-12, 04-15 through 04-17, 04-19 and 04-21 to be material weaknesses.

Schedule of Expenditures of Federal Awards

I have audited the basic financial statements of the Guam Housing and Urban Renewal Authority as of and for the year ended September 30, 2004, and have issued my report thereon dated June 3, 2005. My audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards on page 186 is presented for additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information of the management and Board of Commissioners of the Guam Housing and Urban Renewal Authority, and federal awarding agencies. However, this report is a matter of public record and its distribution is not limited.

Agana, Guam June 3, 2005

Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2004

2004

<u>CFDA#</u>	AGENCY/PROGRAM	2004 Fiscal Year <u>Expenditures</u>
	U.S. Department of Housing and Urban Development	
14.225	Community Development Block Grant (CDBG)	\$ 3,478,042
14.231	Emergency Shelter Grant	124,121
14.235	Supportive Housing Program	96,963
14.238	Shelter Plus Care Program	195,994
14.239	HOME Investment Partnership	956,409
	TOTAL CDBG	4,851,529
14.850	Low Income Housing Assistance Program	3,401,000
14.872	Capital Fund	2,344,700
14.854	Public and Indian Housing Drug Elimination Program	145,844
14.863	Economic Development and Supportive Services Program	-
14.870	Resident Opportunity and Supportive Services	142,267
	TOTAL PUBLIC HOUSING	6,033,811
	Section 8 Cluster - Housing Assistance Payments Programs (HAP):	
14.871	Voucher Program	31,862,863
14.856	Moderate Rehabilitation	-
14.157	Elderly Housing	495,350
	TOTAL HAP	32,358,213
	Total Expenditures of Federal Financial Awards	<u>\$ 43,243,553</u>
	Percentage of Federal Awards Tested	100%

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the grant activity of GHURA and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Major Programs

All of the above programs are classified as major programs and, accordingly, were subjected to applicable audit procedures as required by OMB Circular A-133. Additionally, the Home Investment Partnerships Program (CFDA #14.239), the Supportive Housing Program (CFDA #14.235), and the Shelter Plus Care Program (CFDA #14.238) were included in the CDBG program and the Resident Opportunity and Supportive Services (CFDA #14.870), Public and Indian Housing Drug Elimination Program (CFDA #14.854) and the Economic Development and Supportive Services Program (CFDA #14.863) were included in the Low Income Housing Assistance program due to homogeneity.

Schedule of Expenditures of Federal Awards, Continued For the Year Ended September 30, 2004

Note 3. Subrecipients

Certain program funds are passed through the Guam Housing and Urban Renewal Authority to subrecipient organizations. The Schedule of Expenditures of Federal Awards does not contain separate schedules disclosing how subrecipient outside of GHURA's control utilized those funds. Federal awards provided to subrecipients are treated as expenditures when paid to the subrecipient.

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, GHURA provided federal awards to subrecipients as follows:

<u>Program Title</u>	Federal CFDA <u>Number</u>	Р	Amount rovided to <u>brecipients</u>
Community Development Block Grant	14.225	\$	518,586
HOME Investment Partnership	14.239		171,840
Emergency Shelter Grant	14.231		113,453
Total		\$	803,879

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC **REQUIREMENTS APPLICABLE TO AFFIRMATIVE FAIR HOUSING** AND NON-DISCRIMINATION

To the Board of Commissioners Guam Housing and Urban Renewal Authority:

I have audited the financial statements of Guam Housing and Urban Renewal Authority (GHURA), a component unit of the Government of Guam, as of and for the year ended September 30, 2004 and have issued my report thereon dated June 3, 2005.

I have applied procedures to test GHURA's compliance with the Affirmative Fair Housing and Non-Discrimination requirements applicable to its HUD assisted programs, for the year ended September 30, 2004.

My procedures were limited to the applicable compliance requirements described in the Consolidated Audit Guide for Audits of HUD Programs issued by the U.S. Department of Housing and Urban Development, Office of Inspector General. My procedures were substantially less in scope than an audit, the objective of which would be the expression of an opinion on GHURA's compliance with the Affirmative Fair Housing and Non-Discrimination requirements. Accordingly, I do not express such an opinion.

The results of my tests disclosed no instances of noncompliance with the Affirmative Fair Housing and Non-Discrimination requirements.

This report is intended for the information of the Board of Commissioners, management, and the Department of Housing and Urban Renewal Development. However, this report is a matter of public record and its distribution is not limited.

ASatt Magliori & Company Hagatña, Guam June 3, 2005

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2004

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

PART I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

I have audited the basic financial statements of GHURA and issued an unqualified opinion.

Internal control over financial reporting:

• Material weaknesses were iden	ified? <u>x</u> yes <u>no</u>
• Reportable conditions identified are not considered to be materia weaknesses?	
• Noncompliance material to fina statements noted?	ncial yes no
Federal Awards	
Internal control over financial repo	rting:
• Material weaknesses were iden	ified? <u>x</u> yes <u>no</u>
• Reportable conditions identified are not considered to be materia weaknesses?	

The auditor's report on major program compliance for GHURA having three major programs included an unqualified opinion for the Community Development Block Grants and expresses a qualified opinion on the Section 8 Cluster – Housing Assistance Payments Programs and the Low Income Housing Assistance Programs based on identified reportable conditions, which, in my opinion, are not considered to be material weaknesses.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? <u>x</u> yes <u>no</u>

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

PART I - SUMMARY OF AUDITOR'S RESULTS, continued

Identification of major programs:

CFDA# PROGRAM

- 14.225 Community Development Block Grant
- 14.239 HOME Investment Partnership
- 14.231 Emergency Shelter Grant
- 14.235 Supportive Housing Program
- 14.238 Shelter Plus Care
- 14.850 Low Income Housing Assistance Program
- 14.872 Capital Fund
- 14.854 Public and Indian Housing Drug Elimination Program
- 14.863 Economic Development and Supportive Services Program
- 14.870 Resident Opportunities and Self Sufficiency Program

Section 8 Cluster - Housing Assistance Payments Programs:

- 14.857 Section 8 Existing/Certificate
- 14.871 Section 8 Voucher Program
- 14.856 Moderate Rehabilitation
- 14.157 Elderly Housing

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk audit? _____yes ____ no

PART II - FINANCIAL STATEMENT FINDINGS

There were instances of noncompliance noted that should be reported in accordance with Government Auditing Standards, which are presented in the following pages as item 04-01 through 04-27.

Reference		Que	estioned
Number	<u>Findings</u>	(Costs
04-01	Low Income Public Housing—Missing/Incomplete		
	Documentation	\$	-
04-02	Low Income Public Housing—No Documentation		
	For Recertification Period		-
04-03	Low Income Public Housing—Family Report (form		
	HUD-50058) vs. Third-Party Verification		-
04-04	Low Income Public Housing—Missing Documentation	on	
	For Family Composition		-

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

PART II - FINANCIAL STATEMENTS FINDINGS, Continued

Reference <u>Number</u>	<u>Findings</u>	Questioned Costs
04-05	Low Income Public Housing— Family Report (form HUD-50058) vs. Dwelling Lease Agreement \$	-
04-06	Low Income Public Housing—Missing/Incomplete Inspection Reports	_
04-07	Low Income Public Housing—Miscalculation of Tenant's Annual Income Based on Third-Party Verification	_
04-08	Low Income Public Housing—Miscalculation of Tenant's Annual Income Based on Earned Income Disregard (EID) Policy	_
04-09	Low Income Public Housing—Change in Tenant's Income or Employment Status	-
04-10	Low Income Public Housing—Miscalculation of Tenant's Overtime or Other Incentive Pay	_
04-11	Low Income Public Housing—Late Recertifications/ Lease Periods Over One (1) Year	_
04-12	Section 8 Voucher—Missing Documentation	-
04-13	Section 8 Voucher—Family Report (form HUD- 50058) vs. Third-Party Verification	_
04-14	Section 8 Voucher—Missing Signatures	-
04-15	Section 8 Voucher—Miscalculation of Tenant's Annua Income Based on Third-Party Verification	-
04-16	Section 8 Voucher—Miscalculation of Tenant's Regular Wages	-
04-17	Section 8 Voucher—Miscalculation of Tenant's Overtime or Other Incentive Pay	-
04-18	Section 8 Voucher—Incomplete Rent Reasonableness Form	-
04-19	Section 8 Voucher—Different Payment Standards/ Overpayment of HAPs	23,564
04-20	Section 8 Voucher—No Updated Utility Allowance Schedule	_
04-21	Family Self Sufficiency—Miscalculation of Cumulative FSS Escrow Balance	-
04-22	Family Self Sufficiency—No Documentation for	
	Disbursement of FSS Escrow	10,024

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

PART II - FINANCIAL STATEMENTS FINDINGS, Continued

Reference <u>Number</u>	Findings	-	estioned Costs
04-23	Family Self Sufficiency—Missing/Incomplete	¢	
04.24	Documentation	\$	-
04-24	Travel—Late Submission of Trip & Expense Reports		-
04-25	Travel—No Documentation of Travel Disbursement/		
	Variance of Travel Disbursement		-
04-26	Payroll—No Approving Signature on Annual Leave		
	Form		-
04-27	Section 8, LIPH, MIS, & Fiscal—Automated		
	Clearing House (ACH) Policy		-
	Total Questioned Costs	\$	33,588

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were instances of noncompliance noted that should be reported in accordance with Section 510(a) of OMB Circular A-133, which are presented in the following pages as item 04-01 through 04-27.

Reference <u>Number</u>	<u>Findings</u>	Questioned Costs
04-01	Low Income Public Housing—Missing/Incomplete Documentation	\$ -
04-02	Low Income Public Housing—No Documentation For Recertification Period	- -
04-03	Low Income Public Housing—Family Report (form HUD-50058) vs. Third-Party Verification	_
04-04	Low Income Public Housing—Missing Documentation For Family Composition	1 -
04-05	Low Income Public Housing— Family Report (form HUD-50058) vs. Dwelling Lease Agreement	_
04-06	Low Income Public Housing—Missing/Incomplete Inspection Reports	-
04-07	Low Income Public Housing—Miscalculation of Tenant's Annual Income Based on Third-Party Verification	-
04-08	Low Income Public Housing—Miscalculation of Tenant's Annual Income Based on Earned Income Disregard (EID) Policy	-
04-09	Low Income Public Housing—Change in Tenant's Income or Employment Status	-
04-10	Low Income Public Housing—Miscalculation of Tenant's Overtime or Other Incentive Pay	_
04-11	Low Income Public Housing—Late Recertifications/ Lease Periods Over One (1) Year	_
04-12	Section 8 Voucher—Missing Documentation	-
04-13	Section 8 Voucher—Family Report (form HUD- 50058) vs. Third-Party Verification	-
04-14	Section 8 Voucher—Missing Signatures	-
04-15	Section 8 Voucher—Miscalculation of Tenant's Annua Income Based on Third-Party Verification	al -
04-16	Section 8 Voucher—Miscalculation of Tenant's Regular Wages	-
04-17	Section 8 Voucher—Miscalculation of Tenant's Overtime or Other Incentive Pay	-

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, Continued

Reference <u>Number</u>	<u>Findings</u>	Q	uestioned Costs
04-18	Section 8 Voucher—Incomplete Rent Reasonableness		
	Form	\$	-
04-19	Section 8 Voucher—Different Payment Standards/		
	Overpayment of HAPs		23,622
04-20	Section 8 Voucher—No Updated Utility Allowance Schedule		·
04.01			-
04-21	Family Self Sufficiency—Miscalculation of Cumulati	ve	
	FSS Escrow Balance		-
04-22	Family Self Sufficiency—No Documentation for		
	Disbursement of FSS Escrow		10,024
04-23	Family Self Sufficiency—Missing/Incomplete		
	Documentation		-
	Total Questioned Costs	\$	33,646

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Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-01Program:Low Income Public Housing—Missing/Incomplete DocumentationCFDA No.14.850

Criteria:

In accordance with 24 CFR Sections 5.212, 5.230, and 5.601 through 5.615, the Authority must complete the following forms during interview with the tenant: (a) certification that the information provided to the Authority is correct; (b) one or more release forms to allow the Authority to obtain information from third parties; (c) a federally-prescribed general release form for employment information; and (d) a privacy notice. Additionally, the Authority must obtain the necessary information and documentation to verify income eligibility as a condition of admission or continued occupancy.

Condition:

For six (6) or 10%, of the sixty (60) tenant files tested, I noted that the tenant folders either lacked certain documentation for the current period or had missing signatures from the Authority's officials for the following:

<u>Tenant</u>	Document not signed	Document not on file
1. Unit #18ADAM	- Dwelling Lease Agreement - Lease Amendment	
2. Unit #1MAO	- Certificate of Divestiture of A	ssets
3. Unit #22MAO	- Lease Amendment	
4. Unit #38MAO	- Lease Amendment	
5. Unit #26JPM		- Certificate of Divestiture of Assets
		- Privacy Act Notice
6. Unit #20MAO		- Privacy Act Notice

Cause:

It appears that the Low Income Public Housing personnel did not adhere to the internal control procedures in ensuring that all the required documents are complete and accurate at the time of the recertification process.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-01 (continued)Program:Low Income Public Housing—Missing/Incomplete DocumentationCFDA No.14.850

Effect:

There is no material effect on the financial statements as a result of this condition. Additionally, the Authority is not in compliance with its policies and procedures set forth in the Admission & Continued Occupancy Policies for Low Income Public Housing program.

Prior Year Status:

The above condition was cited as a similar finding in the prior year audit of the Authority.

Recommendation:

The Authority should enforce its existing internal control policies and procedures to ensure that all required documents are submitted and complete during the admission or recertification process. There is a File Document Review and Checklist that is in the tenant's folder must be completed to ensure that all the necessary documents are on file and properly completed. Supervisors and management must examine files to ensure completeness and accuracy.

Auditee Response/Corrective Action Plan:

We agree with this finding. Since this audit finding, documents in question have been reviewed and signatures were obtained. Furthermore, tenants' missing documentation were prepared and signed in which the TRAs have retained within the tenant's folders.

There is a File Document Review and Checklist that is placed in all tenants' folders during the recertification process. This checklist is used to ensure that all documents required are received, filed in their respective folders, and properly completed. The Senior Tenant Relations Advisor (TRA) is responsible to follow-through and to ensure that this checklist is properly documented and completed by the TRAs. Along with this, the Senior TRA and Public Housing Compliance Officer are responsible for conducting quality reviews of the completed folders.

The Public Housing Manager will continue to establish and refine procedures for the recertification process and a quality control check to ensure that all Public Housing staff adhere to quality performances in their work habits.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-02Program:Low Income Public Housing—No Documentation for Recertification
PeriodCFDA No.14.850

Criteria:

Pursuant to 24 CFR Section 960.257, the Authority must conduct a reexamination of family income and composition at least once every twelve months and make appropriate adjustments in the rent after consultation with the family and upon verification of the information.

Condition:

For three (3) or 5%, of the sixty (60) tenant files tested, there was either incomplete or no documentation at all for the period under audit for the following:

<u>Tenant</u>	Lease period
1. Unit #99MAO	4/01/04 to 3/31/05
2. Unit #13ARDA8	5/01/04 to 4/30/05
3. Unit #111PUT	12/01/03 to 11/30/04

Cause:

It appears that the Low Income Public Housing personnel did not process the required documentation necessary during the reexamination to verify tenant's income eligibility and compute tenant's rent based on third-party verification forms.

Effect:

The Authority is not in compliance with 24 CFR Section 960.257 and its internal control policies and procedures set forth in the Admission & Continued Occupancy Policies for Low Income Public Housing program. Furthermore, incorrect payment of assistance or rent could be paid and not be detected.

Prior Year Status:

The above condition was cited as a similar finding in the prior year audit of the Authority.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No. 04-02 (continued) Program: Low Income Public Housing—No Documentation for Recertification Period CFDA No. 14.850

Recommendation:

GHURA should enforce its existing internal control policies and procedures to ensure that all required documents are submitted and complete during the recertification process. There is a File Document Review and Checklist for Senior TRA (Tenant Relations Advisor) that is enclosed in the tenant's folder, which should be used to ensure that all the necessary documents are on file and properly completed. Supervisors and management must make periodic file examinations to ensure policies and procedures are being properly implemented.

Auditee Response/Corrective Action Plan:

We agree with this finding. These were all late annual recertifications. For tenant in Unit #13ARDA8, TRA was in the process of completing the annual recertification. However, the tenant submitted a 30-day notice to terminate effective 2/22/05. Therefore, we are unable to make corrections on this finding. Lastly, for tenant in Unit #111PUT, the recertification should have been completed effective 12/01/03. However, the recertification was completed on 11/12/04 to be effective 01/01/05. An amendment to extend the lease expiration date from 11/30/03 to 12/31/04 was executed.

Appropriate adjustments will be addressed once the technical difficulties of the new Winten software have been resolved. Additional factors have also been noted, such as:

- Ensuring that the required forms have been submitted, completed, and filed in the tenants' respective folders;
- Ensuring that the families supply any and all information requested for use in a regularly scheduled reexamination or interim reexamination;
- Ensuring that the required forms have been properly documented and verified by third-party references;
- Ensuring that the staff examine family income and composition at least once every twelve months;
- Ensuring that annual reexaminations are completed within their time frames established by their initial lease, with no extensions; and
- Ensuring that all staff adhere to its own existing internal control policies and procedures set forth in the Admission and Occupancy Policies.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-03Program:Low Income Public Housing—Family Report (form HUD-50058) vs.
Third-Party VerificationCFDA No.14.850

Criteria:

Pursuant to 24 CFR Sections 960.209, 960.253, 960.257 and 960.259, the Authority must examine family income and composition at least once every twelve months. Furthermore, the family must supply any information requested by the Authority for use in a regularly scheduled reexamination or an interim reexamination of family income and composition.

Condition:

For four (4) or 7% of the sixty (60) tenant files tested, the information and composition of family members reported on the Family Report (form HUD-50058) did not match the information provided per third-party verification for the following:

- a) For tenant in Unit #1MJLG, social security number for tenant's son was incorrectly inputted as 999-99-9999 on Family Report.
- b) For tenant in Unit #4BDAM, dates of birth for tenant's two dependents did not agree to the copies of birth certificates.
- c) For tenant in Unit #121PUT, date of birth for tenant's daughter did not agree to the copy of birth certificate
- d) For tenant in Unit #11JCR, social security number for tenant's daughter was incorrectly inputted

Cause:

It appears that the Low Income Public Housing personnel did not properly review the tenant's files during reexamination to input the accurate information on the Family Report based on the documentation provided by the family.

Effect:

The Authority is not in compliance with its internal control policies and procedures set forth in the Admission & Continued Occupancy Policies for Low Income Public Housing program. Incorrect payment assistance or rent could be paid and not be detected.

Prior Year Status:

The above condition was cited as a similar finding in the prior year audit of the Authority.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-03 (continued)Program:Low Income Public Housing—Family Report (form HUD-50058) vs.
Third-Party VerificationCFDA No.14.850

Recommendation:

The Authority should enforce its existing internal control policies and procedures to ensure that information reported on Family Report agrees with the third-party verifications submitted during the recertification and interim periods. Furthermore, a form stating change in family composition should be on file and signed by the tenant and TRA acknowledging the adjustments made for the particular lease period. Supervisors and management needs to examine files to ensure compliance with policies and procedures.

Auditee Response/Corrective Action Plan:

We agree with this finding. Since this audit finding, the proper corrections were made on the Family Reports in regards to inputting the accurate social security numbers and dates of birth for the tenant's dependents.

The Authority is in the process of implementing a corrective action plan, which includes:

- Ensuring that the required forms have been submitted, completed, and filed in the tenants' respective folders;
- Ensuring that the families supply any and all information requested for use in a regularly scheduled reexamination or interim reexamination;
- Ensuring that the required forms have been properly documented and verified by third-party references;
- Ensuring that the staff examine family income and composition at least once every twelve months;
- Ensuring that annual reexaminations are completed within their time frames established by their initial lease, with no extensions; and
- Ensuring that all staff adhere to its own existing internal control policies and procedures set forth in the Admission and Occupancy Policies.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-04Program:Low Income Public Housing—Missing Documentation for Family
CompositionCFDA No.14.850

Criteria:

In accordance with 24 CFR Section 960.259, the family must supply any information that the Authority determines is necessary in the administration of the Public Housing Program, including submission of required evidence of citizenship or eligible immigration status, disclosure of social security numbers, family execution and submission of consent form for obtaining wage and claim information.

Condition:

For six (6) or 10% of the sixty (60) tenant files tested, there was no documentation of birth certificates, social security cards, etc. to substantiate family information for the following:

<u>Tenant</u>	Missing documentation
 Unit #2MAO Unit #31MAO Unit #14PAH 	 social security card (for tenant's common-law) social security card (for tenant's son) birth certificates and social security cards
 4. Unit #27PD 	 - bitli certificates and social security cards (for tenant and family) - social security card (for tenant's daughter) - medical certification form (for tenant's daughter)
 5. Unit #18ADAM 6. Unit #26BDAM 	 social security cards (for tenant's children) birth certificates and social security cards (for tenant and family)

Cause:

It appears that the Low Income Public Housing (LIPH) staff did not properly review and examine tenant files for accuracy during the recertification process. It also appears that the LIPH staff did not follow up with the family to acquire the required documentation to ensure that the information on the Family Report is accurate and complete.

Effect:

There is no material effect on the financial statements as a result of this condition. However, the Authority is not in compliance with 24 CFR Section 960.259 and its policies and procedures set forth in the Admission & Continued Occupancy Policies for Low Income Public Housing program.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-04 (continued)Program:Low Income Public Housing—Missing Documentation for Family
CompositionCFDA No.14.850

Prior Year Status:

The above condition was cited as a similar finding in the prior year audit of the Authority.

Recommendation:

The Authority should adhere to 24 CFR Section 960.259 and enforce its existing internal control policies and procedures to ensure that all required documents are complete and submitted in a timely manner. There is a File Document Review and Checklist for Senior TRA that is enclosed in the tenant's folder, which must be used to ensure that all the necessary documents are obtained and on file.

Auditee Response/Corrective Action Plan:

We agree with this finding. Since this audit finding, copies of birth certificates and social security cards for family members unaccounted for have been obtained and placed in the tenant's files. Furthermore, for tenant in Unit #27PD, the head of household has not submitted a Disability Certification for the tenant's daughter. Therefore, the Family Report will be corrected to note 'N' (i.e. No) under "Disability" for the tenant's daughter.

The Authority is in the process of implementing a corrective action plan, which includes:

- Ensuring that the required forms have been submitted, completed, and filed in the tenants' respective folders;
- Ensuring that the families supply any and all information requested for use in a regularly scheduled reexamination or interim reexamination;
- Ensuring that the required forms have been properly documented and verified by third-party references;
- Ensuring that the staff examine family income and composition at least once every twelve months;
- Ensuring that annual reexaminations are completed within their time frames established by their initial lease, with no extensions; and
- Ensuring that all staff adhere to its own existing internal control policies and procedures set forth in the Admission and Occupancy Policies.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-05Program:Low Income Public Housing—Family Report (form HUD-50058) vs.
Dwelling Lease AgreementCFDA No.14.850

Criteria:

Upon admission to the program or recertification of a tenant's lease, a Dwelling Lease Agreement must be issued and signed by the tenant and Housing Authority Representative which states the lease period, tenant rent, and family members of the household, as well as the terms and conditions of the lease. Furthermore, the information stated on the Dwelling Lease Agreement must correspond to the information noted on the tenant's Family Report (form HUD-50058).

Condition:

For six (6) or 10% of the sixty (60) tenant files tested, information on the Dwelling Lease Agreement was either incomplete or did not agree to the information recorded on the Family Report for the following:

- a) For tenant in Unit #121PUT, tenant's son was not included on Dwelling Lease Agreement.
- b) For tenant in Unit #19ARDB8, tenant's common-law did not sign Dwelling Lease Agreement in which any family member over eighteen years old must sign
- c) For tenant in Unit #19ADUE, tenant's daughter was not included on Dwelling Lease Agreement.
- d) For tenant in Unit #19BSAL, lease period stated on Dwelling Lease Agreement is 2/01/04 1/31/05, which does not agree to lease period on Family Report which stated period 4/01/04 3/31/05.
- e) For tenant in Unit #26BDAM, tenant rent on Dwelling Lease Agreement is \$464 for lease period effective 4/01/03; however, the correct amount reported on Family Report is \$48.
- f) For tenant in Unit #1MAO, the tenant and tenant's son had medical certifications stating their permanent disabilities. However, under "Disability" on the Family Report, it was noted 'N' to signify not disabled.

Cause:

It appears that the Low Income Public Housing personnel did not properly review the tenant's folder to ensure that Dwelling Lease Agreement was accurate and complete during the initial or recertification process.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-05 (continued)Program:Low Income Public Housing—Family Report (form HUD-50058) vs.
Dwelling Lease AgreementCFDA No.14.850

Effect:

There is no material effect on the financial statements. However, tenant may be unaware of actual information that is retained within the Family Report if such information does not match to their Dwelling Lease Agreement, such as tenant's rent or length of lease period. Furthermore, the tenant and the Authority are at risk for incorrect rent being paid. Also, the Authority is not in compliance with its internal control policies and procedures set forth in the Admission & Continued Occupancy Policies for Low Income Public Housing program.

Recommendation:

The Authority should adhere to 24 CFR Section 960.259 and enforce its existing internal control policies and procedures to ensure that all required documents are submitted and completed during the admission and recertification process.

Auditee Response/Corrective Action Plan:

We agree with this finding. Subsequent to this finding, corrections were made to include the missing family members on the Dwelling Lease Agreement, as well as the missing signatures for any family member over the age of eighteen years old. Also, for tenant in Unit #19BSAL, the effective date on the lease should have been 4/01/04 and not 2/01/04. Therefore, the TRA made corrections on the effective and ending date noted on the Dwelling Lease Agreement. In addition, for tenant in Unit #26BDAM, the correct amount for the tenant's rent is \$48. Therefore, the TRA made the appropriate corrections on the tenant's Dwelling Lease Agreement. Lastly, corrections were made to note the tenant and tenant's son disability on their Family Report for tenant in Unit #1MAO.

There is a File Document Review and Checklist that is placed in all tenants' folders during the recertification process. This checklist is used to ensure that all documents required are received, filed in their respective folders, and properly completed. The Senior Tenant Relations Advisor (TRA) is responsible to follow-through and to ensure that this checklist is properly documented and completed by the TRAs. Along with this, the Senior TRA and Public Housing Compliance Officer are responsible for conducting quality reviews of the completed folders.

The Public Housing Manager will continue to establish and refine procedures for the recertification process and a quality control check to ensure that all Public Housing staff adhere to quality performances in their work habits.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-06Program:Low Income Public Housing—Missing/Incomplete Inspection ReportsCFDA No.14.850

Criteria:

According to Public Housing Assessment System (PHAS) regulations (24 CFR 902), the Authority must conduct annual inspections of dwelling and non-dwelling units annually. Furthermore, per the Authority's Admission & Continued Occupancy Policies, inspections should be done at move in prior to occupancy, periodically (but not less than annually) prior to lease renewal, and at move out to determine whether tenant maintains a safe, decent and sanitary dwelling unit. Failure to maintain the dwelling unit will result in termination of the tenant's lease.

Condition:

For eleven (11) or 18% of the sixty (60) tenant files tested, there was either no inspection report on file prior to lease renewal or inspection report was incomplete for the following:

- a) Unit #179JQQ: no report prior to lease renewal on 8/01/03
- b) Unit #47MAO: no report prior to lease renewal on 8/01/04
- c) Unit #38MAO: report on file was incomplete (however, tenant's signature was present)
- d) Unit #14PAH: unit was inspected on 11/17/03 and received a 'Fail' status. There was no follow-up inspection on file before lease renewal on 4/01/04
- e) Unit #AO1: inspection was conducted on 6/09/04, which was subsequent to lease period effective 5/01/04
- f) Unit #24JPM: inspection was conducted on 5/12/04, which was subsequent to lease period effective 3/01/04
- g) Unit #19ARDB8: inspection was conducted on 6/09/04, which was subsequent to lease period effective 4/01/04
- h) Unit #19DRDB8: inspection was conducted on 6/09/04, which was subsequent to lease period effective 5/01/03
- i) Unit #28APAQ: inspection was conducted on 8/20/04, which was subsequent to lease period effective 5/01/04
- j) Unit #195JQQ: no report prior to lease renewal on 3/01/04
- k) Unit #26JPM: no report prior to lease renewal on 5/01/04

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-06 (continued)Program:Low Income Public Housing—Missing/Incomplete Inspection ReportsCFDA No.14.850

Cause:

It seems that the Authority conducts housing inspections according to scheduled time frames that is required by the Uniform Physical Condition Standards (UPCS). However, some of these inspections do not coincide with the annual inspections prior to a tenant's recertification period.

Effect:

The Authority is not in compliance with the PHAS regulations as well as its policies set forth in the Admission & Continued Occupancy Policies. Furthermore, if inspections are conducted prior to lease renewals, the Authority can determine those tenants who fail to upkeep their dwelling unit, which conflicts with their lease agreement and may be terminated from the program. Lastly, the Authority could have additional maintenance costs by not identifying unmaintained units and neighborhoods could deteriorate.

Recommendation:

The Authority should enforce its existing internal control policies and procedures to ensure that annual inspections of dwelling units are conducted in a timely manner and documented within the tenant's folder.

Auditee Response/Corrective Action Plan:

We agree with this finding. For tenants in Unit #179JQQ, #47MAO, #38MAO, #A01, #28APAQ and #195JQQ, home inspections were conducted prior to the tenant's lease renewals and the inspection reports have been obtained and placed within the tenant's folder. For tenant in Unit #14PAH, TRA did not conduct an inspection prior to the recertification period on 4/01/04 due to an ongoing project to complete all late recertifications. However, the home inspection was conducted on 5/17/04. For tenants in Unit #24JPM, #19ARDB8 and #19DRDB8, the annual home inspection was not conducted prior to lease renewals due to the fact that an annual Uniform Physical Condition Standards (UPCS) inspection was done, which is part of the requirement to inspect all dwelling and non-dwelling units for the year. The UPCS inspections are usually done according to scheduled times by the inspector and do not necessarily coincide with the tenant's recertification date. Therefore, the Home Visit Inspection report would not be on file if a UPCS inspection was already done.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-07Program:Low Income Public Housing—Miscalculation of Tenant's Annual
Income Based on Third-Party VerificationCFDA No.14.850

Criteria:

In accordance with 24 CFR Section 960.259, the Authority must obtain and document in the family file third party verification of the following factors, or must document in the file why third party verification was not available: (a) reported family income, (b) the value of assets, (c) expenses related to deductions from annual income, and (d) other factors that affect the determination of adjusted income or income-based rent.

Condition:

For four (4) or 7% of the sixty (60) tenant files tested, I noted that there were miscalculations on tenant's total annual income reported on the Family Report based on the information from third-party for the following:

- a) Tenant in Unit #19DRDB8: income per Verification of Employment (VOE) dated 3/15/03 stated tenant receiving salary of \$6/hour for 25 hours per week including commission pay of \$50/week. However, TRA agent used information provided by tenant dated 3/11/03, which states work hours at 24.5 hours per week and also does not include commission pay. Upon recalculation of annual income and tenant rent, annual income should be \$10,417 instead of \$7,661 and tenant rent should be \$119 and not \$50 as noted on Family Report. Therefore, the tenant owes the Authority \$1,173 for period 5/01/03 to 9/30/04 since lease term was extended.
- b) Tenant in Unit #18ADAM: total contribution to tenant per third-party verification is \$50/month. However, TRA agent calculated total value of cash/noncash contribution at \$61/month based on tenant's estimates per month. Upon recalculation of annual income and tenant rent, annual income should be \$600 instead of \$732. There was no difference in tenant rent.
- c) Tenant in Unit #21BDAM: per verbal verification from third-party, tenant gets paid at a different rate for specific services. Therefore, employer advised to use the average of check stubs provided. However, I was unable to determine how TRA agent computed income reported on Family Report. Upon recalculation of annual income and tenant rent, annual income should be \$7,986 instead of \$4,608 and tenant rent should be \$31 and not a utility reimbursement (U/R) of \$54. Therefore, tenant owes the Authority \$1,020 for period 10/01/03 to 9/30/04.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No. 04-07 (continued) Program: Low Income Public Housing—Miscalculation of Tenant's Annual Income Based on Third-Party Verification CFDA No. 14.850

Condition, continued:

d) Tenant in Unit #11BVDP: tenant's salary per VOE is \$1,473.33/month, which is an annual salary of \$17,680. However, unable to determine how TRA agent computed tenant's annual income reported on Family Report. Upon recalculation, tenant rent should be \$261 instead of \$243 as reported on Family Report. Therefore, tenant owes the Authority \$144 for period 2/01/04 to 9/30/04.

Cause:

It appears that the Low Income Public Housing staff did not properly review and examine the tenant files for accuracy during the recertification process. It also appears that the LIPH staff did not follow up with the family to acquire the required documentation to ensure that the information on the Family Report is accurate and complete. Management did not make inspections of documentation to ensure completeness and accuracy.

Effect:

The potential exists for errors to be made in calculating annual income and tenant rent reported in the Family Report. However, the differences in the adjusted amounts did not have a material and direct effect on the financial statements.

Prior Year Status:

The above condition was cited as a similar finding in the prior year audit of the Authority.

Recommendation:

Although the amounts are immaterial to the financial statements, the TRAs should conduct a more detailed and thorough review of family documentation during recertification or interim process.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-07 (continued)Program:Low Income Public Housing—Miscalculation of Tenant's Annual
Income Based on Third-Party VerificationCFDA No.14.850

Auditee Response/Corrective Action Plan:

We agree with this finding. Corrections will be made accordingly on the tenant's Family Reports for the period under audit. However, since it was the Authority's error for the calculations of tenant rent, the tenant should not be held responsible for the underpayments of the rent.

All Public Housing staff have attended training in Eligibility, Occupancy and Rent Calculations. All understand the importance of obtaining the documents from the residents and having completed the reexamination process in a timely manner.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-08Program:Low Income Public Housing—Miscalculation of Tenant's Annual
Income Based on Earned Income Disregard (EID) PolicyCFDA No.14.850

Criteria:

Pursuant to 24 CFR 960.255, the Authority must exclude from annual income of a qualified family, any increase in income during the cumulative twelve month period beginning on the date a family member is first employed or the family first experiences an increase in annual income attributable to employment. During the second cumulative twelve-month period, the Authority must exclude from annual income 50% of any increase in income of such family member as a result of employment. Thereafter, total annual income will be included in the computation of family income for the lease period.

Condition:

For two (2) or 3% of the sixty (60) tenant files tested, the tenant's annual income did not reflect the earned income disregard (EID) policy from the start of tenant's employment for the following:

- a) Tenant in Unit #19BSAL: tenant started employment with new job on 7/13/03 per VOE. For annual reexamination on 4/01/04, 100% of tenant's earned income was excluded from calculation of total family income. However, an interim adjustment on 8/01/04 was not conducted after the first twelve-month period, which ended in 7/31/04. Therefore, there was a variance of \$5,564 between the annual income previously reported on 4/01/04 and income that should be effective on 8/01/04. Upon recalculation, I noted that tenant rent should be \$496 instead of \$357. Therefore, tenant owes the Authority \$278 for period 8/01/04 to 9/30/04.
- b) Tenant in Unit #29JEV: tenant's prior lease effective 12/01/02 was extended from 11/30/03 to 7/31/04 in which tenant was receiving a utility reimbursement (U/R) of \$132 due to no income reported. However, per VOE in tenant file, tenant's spouse was working since 10/09/02. Furthermore, there was a copy of tenant's spouse W-2 form for year 2003 signifying that he was employed for the whole year. There should have been a retroactive adjustment to recognize the income for lease periods effective 12/01/02 and 12/01/03. Upon recalculation of tenant rent, I noted that tenant rent should be \$105 instead of a U/R of \$132. Therefore, tenant owes the Authority \$4,740 for period 12/01/02 to 7/31/04.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-08 (continued)Program:Low Income Public Housing—Miscalculation of Tenant's Annual
Income Based on Earned Income Disregard (EID) PolicyCFDA No.14.850

Cause:

It appears that the TRAs may have overlooked the exact period when the interim adjustments should be made in order to reflect the annual disallowance appropriately, which would affect the computation of the tenant's rent.

Effect:

The Authority is not in compliance with its Admission & Continued Occupancy Policies in regards to the Earned Income Disregard, which is also noted in the terms and conditions of the Dwelling Lease Agreement. The potential exists for errors to be made in calculating annual income and tenant rent reported in the Family Report. Furthermore, this may have an effect on the financial statements if the above condition is not corrected.

Prior Year Status:

The above condition was cited as a similar finding in the prior year audit of the Authority.

Recommendation:

The Authority should provide adequate training for the TRAs to ensure that the family's income is reflected correctly during their existence in the public housing program. Each TRA should be provided copies of 24 CFR applicable to HUD programs as reference material or have direct computer access to such information. Moreover, management needs to examine documents and calculations to ensure completeness and accuracy.

Auditee Response/Corrective Action Plan:

We agree with this finding. For tenant in Unit #19BSAL, an interim adjustment retroactive to 8/01/04 will be completed to reflect 50% exclusion from tenant's income. Furthermore, for tenant in Unit #29JEV, a retroactive adjustment to 12/01/02 will be completed to reflect the corrections per audit.

All Public Housing staff have attended training in Eligibility, Occupancy and Rent Calculations. All understand the importance of obtaining the documents from the residents and having completed the reexamination process in a timely manner.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No. 04-09 Program: Low Income Public Housing—Change in Tenant's Income or Employment Status CFDA No. 14.850

Criteria:

The Authority must reexamine family income and composition at least once every twelve months and adjust the tenant rent and housing assistance payment as necessary using the documentation from third-party verification as per 24 CFR Sections 960.253, 960.257, and 960.259.

Condition:

For two (2) or 3% of the sixty (60) tenant files tested, I noted that there was either an underpayment or overpayment of tenant rent due to late recertifications processed which did not account for the changes in tenant's income or employment status for the following:

- a) Tenant in Unit #43BDAM: there was a change in tenant's salary that occurred on September 2003. However, the prior lease was extended from 10/31/03 to 1/31/04. Therefore, a retroactive adjustment should be made to reflect actual tenant rent of \$409 for recertification period effective 11/01/03, instead of tenant rent of \$73 for lease period that was extended up to 1/31/04. Therefore, tenant owes the Authority \$1,008 for period 11/01/03 to 1/31/04.
- b) Tenant in Unit #3AVDP: tenant was terminated from previous employment on 9/12/03. Therefore, annual recertification period, which should have been on 9/01/03, would reflect change in tenant rent or utility reimbursement. However, since lease was extended to 12/31/03, tenant was still making payment of \$136 in tenant rent. As a result of this, there was an overpayment of \$320 since tenant should have been receiving a U/R of \$184 effective 10/01/03. Therefore, the Authority owes the tenant \$960 for period 10/01/03 to 12/31/03.

Cause:

It appears that the Low Income Public Housing staff did not account for the change in tenant's salary or employment status either during the recertification period or interim period when the tenant presents the status of change in income.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No. 04-09 (continued) Program: Low Income Public Housing—Change in Tenant's Income or Employment Status CFDA No. 14.850

Effect:

The Authority is not in compliance with its internal control policies and procedures set forth in the Admission & Continued Occupancy Policies for Low Income Public Housing program. Furthermore, errors exist in calculating annual income and tenant rent reported in the Family Report.

Recommendation:

The Authority should adhere to 24 CFR Sections 960.253, 960.257, and 960.259 and ensure that the information reported on the Family Report is updated as soon as the recertification process is completed. Examination of documents and recalculations must be made by management.

Auditee Response/Corrective Action Plan:

We agree with the finding pertaining to the tenant in Unit #3AVDP. A downward adjustment will be completed effective 10/01/03 and the Authority will remit the overpayment of \$960 to the tenant. However, we disagree with the finding for the tenant in Unit #43BDAM. Although lease agreement expiration date was extended from 10/31/03 to 1/31/04 and new lease was effective 2/01/04, tenant does not owe for the period extended. This was due to the late recertification process. Therefore, based on the ACOP, when a tenant's rent is increased, a 30-day notice of rental increase to the tenant is required.

Auditor's Response:

We concur with auditee's response in regards to the tenant not owing the underpayment of \$1,008 to the Authority since it was administrative error in calculating the tenant's annual income and rent. However, the Authority is not in compliance with 24 CFR 960.253, 960.257, and 960.259 in which the Authority must reexamine family income and composition at least once every twelve months and make appropriate adjustments in the housing assistance payment and tenant rent using documentation from third-party verification.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No. 04-10 Program: Low Income Public Housing—Miscalculation of Tenant's Overtime or Other Incentive Pay CFDA No. 14.850

Criteria:

Pursuant to 24 CFR Sections 960.253, 960.257, and 960.259, the Authority must reexamine family income and composition at least once every twelve months and adjust the tenant rent and housing assistance payment as necessary using the documentation from third party verification.

Condition:

For three (3) or 5% of the sixty (60) tenant files tested, the tenant's total annual income was incorrect due to miscalculations of overtime or other incentive pay according to the information per Verification of Employment or average of check stubs for the following:

- a) Tenant in Unit #26JPM: annual income for tenant's spouse was computed using the average of check stubs provided, which included overtime wages. However, since overtime pay is an incentive and hourly rate differs from employee's hourly rate, overtime should be calculated separately from regular wages. Therefore, for the lease period effective 5/01/04, there was a variance of \$2,329 in tenant's total annual income and tenant rent should be \$349 instead of \$291 as reported on Family Report. Furthermore, during interim adjustment on 8/01/04, total childcare costs was miscalculated. Per third-party verification, childcare costs were \$550/month (\$6,600). However, TRA agent reported total amount of \$7,200. Upon recalculation, tenant rent should be \$504 instead of \$478 as reported on Family Report. Therefore, tenant owes the Authority \$226 for period 5/01/04 to 9/30/04.
- b) Tenant in Unit #20MAO: TRA agent did not include overtime wages and other miscellaneous wages as reported per check stubs provided by tenant. Upon recalculation, there was a total variance of \$1,805 in tenant's total annual income and tenant rent should be \$344 instead of \$298 as reported on Family Report. Therefore, tenant owes the Authority \$782 for period 4/01/03 to 8/31/04 since lease was extended.
- c) Tenant in Unit #58ME: per VOE dated 2/20/04, tenant's salary is \$6/hour with overtime wages. However, I was unable to determine how TRA agent calculated tenant's regular and overtime wages. Furthermore, overtime wages was 'excluded' on Family Report. Upon recalculation, noted that tenant rent should be \$212 and not \$207. Therefore, tenant owes the Authority \$25 for period 5/01/04 to 9/30/04.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No. 04-10 (continued) Program: Low Income Public Housing—Miscalculation of Tenant's Overtime or Other Incentive Pay CFDA No. 14.850

Cause:

It appears that the Low Income Public Housing staff did not properly review and examine the tenant files for accuracy during the recertification process. In addition, there may be some misunderstanding as to which documents the staff should follow to note the accurate information in Family Report.

Effect:

The Authority is not in compliance with its internal control policies and procedures set forth in the Admission & Continued Occupancy Policies for Low Income Public Housing program. Furthermore, errors exist in calculating annual income and tenant rent reported in the Family Report.

Recommendation:

It is recommended that the Authority exercise care to ensure that all information reported on the Family Report is accurate and agrees to such information obtained from independent third-parties.

Auditee Response/Corrective Action Plan:

We agree with this finding for tenants in Units #26JPM and #20MAO. For tenant in Unit #20MAO, corrections will be made accordingly to reflect the overtime wages and other miscellaneous income that was not originally reported. For interim period effective 8/01/04, the Child Care Verification shows childcare expenses at \$550 per month totaling \$6,600 annually for tenant in Unit #26JPM. There was no documentation supporting the \$7,200 as noted on the Family Report. Therefore, an adjustment will be completed to correct the childcare expenses.

However, we disagree with the finding for tenant in Unit #26JPM for lease period effective 5/01/04, as well as for tenant in Unit #58ME. The calculations of the tenants' income were the greater of the Verification of Employment (VOE) or the average gross amount of the six (6) check stubs submitted. There is no need to calculate the overtime and regular wages 'separately.' During a training on November 2003, the trainer advised all who attended to average the gross amount of the check stubs and there was no need to breakdown overtime, night differential, etc.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-10 (continued)Program:Low Income Public Housing—Miscalculation of Tenant's Overtime or
Other Incentive PayCFDA No.14.850

Auditor's Response:

I noted during the course of conducting the compliance testing that some of tenant files reflected income calculations that computed regular wages separately from overtime, night differential, etc. However, for the more recent recertifications or interim adjustment periods, the method of taking the gross amount of check stubs was being done. Therefore, there is an inconsistency of methodology in regards to tenant's income calculations; especially if the former method was initially used for a recertification period and an interim adjustment was conducted using the later method for a particular tenant. Although the Public Housing staff attended the November 2003 training, which instructed them to modify their methods in income and rent calculations, the Authority has not formally implemented these procedures on the Admission & Continued Occupancy Policies as of September 30, 2004. The Authority must develop a policy that sets out specifically the procedures for determining annual income. As per 24 CFR 5.609, the employment income verification form queries the employer about all the forms of employment income that are considered by the regulation. When a family's earned income varies significantly from one pay period to the next because of uneven numbers of hours worked or tips or overtime, the Authority must establish quarterly reexaminations of income. This approach avoids either overestimating or underestimating income.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-11Program:Low Income Public Housing—Late Recertifications/Lease Periods
Over One (1) YearCFDA No.14.850

Criteria:

As per 24 CFR 960.253, 960.257, and 960.259, the Authority must reexamine family income and composition at least once every twelve months. Furthermore, the Authority must make appropriate adjustments in the housing assistance payment and tenant rent using documentation from third-party verification.

Condition:

For forty-two (42) or 70%, of the sixty (60) tenant files tested, the lease agreements for the period under audit were extended and exceeded the one year lease period. Although there is a Lease Amendment stating the extension period, the amendment was signed by tenant and Public Housing Manager approximately within a month before the lease extension expired. Furthermore, the Authority's Admission & Continued Occupancy Policy did not specify the maximum period allowed for the family's lease to be extended before the next annual recertification process. The condition applied to the following tenants:

	Tenant's <u>Unit #</u>	Date of <u>reexamination</u>	Date prior lease was extended	# of months over lease
1.	43BDAM	11/01/2003	1/31/2004	3
2.	33BDAM	4/01/2004	4/30/2004	1
3.	3AVDP	9/01/2003	12/31/2003	4
4.	19BSAL	2/01/2004	3/31/2004	2
5.	4BDAM	4/01/2004	4/30/2004	1
6.	24BSAL	12/01/2003	5/31/2004	6
7.	28APAQ	3/01/2004	4/30/2004	2
8.	18ADAM	6/01/2004	7/31/2004	2
9.	19ADUE	6/01/2004	8/31/2004	3
10.	21BDAM	8/01/2003	9/30/2003	2
11.	29JEV	12/01/2003	7/31/2004	8
12.	20JAP	8/01/2003	11/30/2003	4
13.	195JQQ	1/01/2004	2/29/2004	2
14.	184AJQQ	8/01/2003	8/31/2003	1
15.	114ASD	2/01/2004	3/31/2004	2
16.	121PUT	12/1/2003	9/30/2004	10
17.	128ASD	2/01/2004	6/30/2004	5
18.	206JQQ	4/01/2004	7/31/2004	4

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-11 (continued)Program:Low Income Public Housing—Late Recertifications/Lease Periods
Over One (1) YearCFDA No.14.850

Condition, continued:

	Tenant's	Date of	Date prior lease	# of months
	<u>Unit #</u>	reexamination	was extended	over lease
19.	179JQQ	8/01/2004	2/28/2005	7
20.	47MAO	6/01/2004	7/31/2004	2
21.	2MAO	12/01/2003	3/31/2004	4
22.	10MAO	3/01/2004	5/31/2004	3
23.	61MAO	3/01/2004	3/31/2004	1
24.	22MAO	9/01/2004	10/31/2004	2
25.	1MAO	7/01/2004	8/31/2004	2
26.	38MAO	7/01/2004	7/31/2004	1
27.	5MAO	3/01/2004	5/31/2004	3
28.	14PAH	1/01/2004	3/31/2004	3
29.	A01	4/01/2004	4/30/2004	1
30.	A29	9/01/2004	9/30/2004	1
31.	27PD	12/01/2003	1/31/2004	2
32.	24JPM	1/01/2004	2/29/2004	2
33.	19ARDB8	2/01/2004	3/31/2004	2
34.	19DRDB8	5/01/2004	2/28/2005	10
35.	1MJLG	7/01/2004	9/30/2004	3
36.	21BVDP	3/01/2004	6/60/2004	4
37.	11BVDP	1/01/2004	1/31/2004	1
38.	A15	7/01/2004	9/30/2004	3
39.	20MJLG	5/01/2004	7/31/2004	3
40.	20MAO	4/01/2004	8/31/2004	5
41.	11JCR	2/01/2004	7/31/2004	6
42.	58ME	12/01/2003	4/30/2004	5

Cause:

It appears that the Low Income Public Housing was not aware of the annual recertification date until review of the tenant files; which was subsequent to the reexamination period.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-11 (continued)Program:Low Income Public Housing—Late Recertifications/Lease Periods
Over One (1) YearCFDA No.14.850

Effect:

The Authority is not in compliance with its policies and procedures set forth in the Admission & Continued Occupancy Policies for Low Income Public Housing program. Furthermore, the potential for errors to be made exists in calculating annual income and tenant rent reported in the Family Report if recertification process is not done in a timely manner.

Prior Year Status:

The above condition was cited as a similar finding in the prior year audit of the Authority.

Recommendation:

The Authority should update its existing internal control policies and procedures to include specifically the maximum period allowed for a lease to be extended. Moreover, the TRAs should refer to the File Document Review and Checklist to ensure that all required documents are submitted and completed during the recertification process, as well as confirm that the information reported on the Family Report is updated as soon as the recertification process is completed

Auditee Response/Corrective Action Plan:

We agree with this finding. The TRAs are in the process of completing all late annual recertifications and quality control tests are being done such as random sampling of tenant files throughout the year for the purpose of preventing or eliminating similar deficiencies. Also, procedures are being enforced to ensure the timeliness of annual recertifications, such as the Senior TRAs reviewing the Public and Indian Housing Information Center (PIC) reports on a monthly basis to monitor the status of reexaminations for program compliance. Moreover, the TRAs are instructed that annual reexamination process should begin 90 to 120 days before the anniversary date of the initial lease; and all appointments should be completed no later than 45 days before the effective date of lease in order to meet the requirement of providing at least 30 days written notice of any increase in rent.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-11 (continued)Program:Low Income Public Housing—Late Recertifications/Lease Periods
Over One (1) YearCFDA No.14.850

Auditee Response/Corrective Action Plan, continued:

All Public Housing staff have attended training in Eligibility, Occupancy and Rent Calculations. All understand the importance of obtaining the documents from the residents and having completed the reexamination process in a timely manner. Although this does not address the fact that most of the TRAs are behind in their recertifications, the TRAs have been instructed to bring all late recertifications to current status by September 15, 2005. Further noncompliance of this instruction would be grounds for disciplinary action.

The Admissions and Occupancy Policies will also be reviewed and revised, where necessary, in order to comply with current and ongoing HUD changes in policies. Based on the trainings received, a number of items in the A&O Policy have been recommended for changes.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-12Program:Section 8 Voucher—Missing DocumentationCFDA No.14.871

Criteria:

In accordance with 24 CFR Sections 982.4, 982.54(d)(15), 982.152(f)(7) and 982.503, the Authority must maintain current records to document the basis for the determination that rent to owner is a reasonable rent. The Authority is also required to examine family income and composition at least once every twelve months and adjust total rent and housing assistance payment as necessary in accordance with 24 CFR Sections 5.617 and 982.516.

Condition:

For five (5) or 8% of the sixty (60) Vouchers selected, the tenant folders had missing documentation for the following:

Voucher	Missing documentation:
1. #05-1431 2. #01-0286 3. #08-2386 4. #04-1074 5. #V37-201	 medical certification for tenant claiming disability Family Participation form (form HUD-52646) Family Participation form (form HUD-52646) Verification of Employment (VOE) social security card for tenant's stepdaughter

Cause:

It appears that the Section 8 personnel did not properly review the tenant's folder to ensure that all required documents are complete and accurate at the time of the admission or recertification process.

Effect:

There is no direct and material effect on the financial statements. However, the Authority is not in compliance of their policies and procedures as set forth in the Administrative Plan for Section 8 program. The potential exists for incorrect amounts or rent to be paid and not be detected.

Prior Year Status:

The above condition was cited as a similar finding in the prior year audit of the Authority.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-12 (continued)Program:Section 8 Voucher—Missing DocumentationCFDA No.14.871

Recommendation:

The Authority should enforce its existing internal control policies and procedures to ensure that all required documents are submitted and completed during the admission and recertification process. Furthermore, the Quality Control Analyst should conduct periodic inspections of files throughout the year to ensure that tenant eligibility and recertification documentation are accurately prepared and documented properly.

Auditee Response/Corrective Action Plan:

We agree with this finding. For Voucher #05-1431, the tenant will be submitting the medical certification. For Vouchers #01-0286 and #08-2386, Family Participation forms have been prepared and tenants' signatures have been obtained. For Voucher #04-1074, there was no VOE due to family reporting zero income. Therefore, HAP Specialist computed income based on an Interview Guide and Checklist dated 8/28/03 to report the total cash or non-cash contributions received. Lastly, for Voucher #V37-201, we are unable to obtain the social security card for family member since tenant terminated from Section 8 Program effective 11/30/03.

A File Document Review and Checklist is available in each tenant's folder that must be completed by each HAP Specialist to ensure that all the necessary documents are in file and properly documented. Section 8 Supervisors are responsible to review the checklist to ensure program compliance.

Section 8 Supervisors shall conduct quality control reviews of at least 20% of the tenant files on a monthly basis and submit report to the Section 8 Housing Manager. The report shall contain the total number of files reviewed, findings and corrective action taken to ensure program compliance.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-13Program:Section 8 Voucher—Family Report (form HUD-50058) vs. Third-
Party VerificationCFDA No.14.871

Criteria:

The Authority must maintain current records to document the basis for the determination that rent to owner is a reasonable rent as per 24 CFR Sections 982.4, 982.54(d)(15), 982.152(f)(7) and 982.503. The Authority is also required to examine family income and composition at least once every twelve months and adjust total rent and housing assistance payment as necessary in accordance with 24 CFR Sections 5.617 and 982.516.

Condition:

For four (4) or 7% of the sixty (60) Vouchers tested, information on the Family Report (form HUD-50058) was either incorrectly inputted or did not match the information provided per third-party verification for the following:

- a) Voucher #08-2313: date of birth for tenant's dependent did not agree to copy of birth certificate.
- b) Voucher #01-0286: there was an interim adjustment period effective 5/01/04; however, Family Report noted lease as 'annual reexamination'.
- c) Voucher #02-0442: tenant issued new VOE for new employment on December 2003. However, there was no interim adjustment to reflect change in annual income.
- d) Voucher #02-0485: tenant rent of \$25 per Family Report did not agree to tenant rent of \$29 per Voucher Contract. Furthermore, for the Income section of Family Report (page 6), income received from support of tenant's parents of \$100/month was excluded and prior income of nonwages in amount was \$2,600 was included (which tenant no longer receives per third-party verification).

Cause:

It appears that the Section 8 personnel did not properly review the tenant's folder to ensure that all required documents are complete and accurate at the time of the admission or recertification process.

Effect:

There is no material effect on the financial statements. However, the Authority is not in compliance of their policies and procedures as set forth in the Administrative Plan for Section 8 program. Incorrect rent amounts are being calculated and paid.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-13 (continued)Program:Section 8 Voucher—Family Report (form HUD-50058) vs. Third-
Party VerificationCFDA No.14.871

Recommendation:

The Authority should enforce its existing internal control policies and procedures to ensure that all required documents are submitted and completed during the admission and recertification process. The Quality Control Analyst should conduct periodic inspections of files throughout the year to ensure that tenant eligibility and recertification documentation are accurately prepared and documented properly.

Auditee Response/Corrective Action Plan:

We agree with this finding. Since this finding, documents in question have been reviewed and signatures were obtained. For Voucher #08-2313, the date of birth has been corrected on the Family Report. For Voucher #01-0286, an interim adjustment has been processed with the correction on effective date. For Voucher #02-0442, an interim adjustment was processed retro to 2/01/04 to reflect the new Total Tenant Payment (TTP) amount. For Voucher #02-0485, the HAP Contract now reflects correct amount of \$1,386 as all other documents were accurate which included payments of \$1,386 to landlord and income correction has been made.

A File Document Review and Checklist is available in each tenant's folder that must be completed by each HAP Specialist to ensure that all the necessary documents are in file and properly documented. Section 8 Supervisors are responsible to review the checklist to ensure program compliance.

Section 8 Supervisors shall conduct quality control reviews of at least 20% of the tenant files on a monthly basis and submit report to the Section 8 Housing Manager. The report shall contain the total number of files reviewed, findings and corrective action taken to ensure program compliance.

Future plans for Section 8 staff training is currently being assessed by HUD.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-14Program:Section 8 Voucher—Missing SignaturesCFDA No.14.871

Criteria:

In accordance with 24 CFR Sections 982.4, 982.54(d)(15), 982.152(f)(7) and 982.503, the Authority must maintain current records to document the basis for the determination that rent to owner is a reasonable rent. The Authority is also required to examine family income and composition at least once every twelve months and adjust total rent and housing assistance payment as necessary in accordance with 24 CFR Sections 5.617 and 982.516.

Condition:

For three (3) or 5% of the sixty (60) Vouchers selected, the tenant folders had missing signatures for the following:

Tenant	Document not signed	Individual's signature
 1. Voucher #08-2469 2. Voucher #01-0232 3. Voucher #37-201 	 Voucher Contract (form HUD-52641) Voucher Contract (form HUD-52641) Family Participation form 	- HAP Specialist - HAP Specialist
	(form HUD-52646)	- tenant

Cause:

It appears that the Section 8 personnel did not properly review the tenant's folder to ensure that all required documents are complete and accurate at the time of the admission or recertification process nor were the documents reviewed for completeness and accuracy by Quality Control Analyst.

Effect:

There is no direct and material effect on the financial statements. However, the Authority is not in compliance of their policies and procedures as set forth in the Administrative Plan for Section 8 program.

Prior Year Status:

The above condition was cited as a similar finding in the prior year audit of the Authority.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-14 (continued)Program:Section 8 Voucher—Missing SignaturesCFDA No.14.871

Recommendation:

The Authority should enforce its existing internal control policies and procedures to ensure that all required documents are submitted and completed during the admission and recertification process. Furthermore, documents must be reviewed by Quality Control Analyst for completeness and accuracy.

Auditee Response/Corrective Action Plan:

We agree with this finding. Since this finding, documents in question have been reviewed and signatures were obtained for all of the Vouchers noted above.

A File Document Review and Checklist is available in each tenant's folder that must be completed by each HAP Specialist to ensure that all the necessary documents are in file and properly documented. Section 8 Supervisors are responsible to review the checklist to ensure program compliance.

Section 8 Supervisors shall conduct quality control reviews of at least 20% of the tenant files on a monthly basis and submit report to the Section 8 Housing Manager. The report shall contain the total number of files reviewed, findings and corrective action taken to ensure program compliance.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No. 04-15 Program: Section 8 Voucher—Miscalculation of Tenant's Annual Income Based on Third-Party Verification CFDA No. 14.871

Criteria:

As promulgated by 24 CFR Sections 982.201, 982.515, and 982.516, the Authority must determine income eligibility and calculate the tenant's rent payment using the documentation from third party verification. Additionally, pursuant to 24 CFR Sections 5.617 and 982.516, the Authority must reexamine family income and composition at least once every twelve months and adjust the total rent and housing assistance payment (HAP) as necessary.

Condition:

For five (5) or 8% of the sixty (60) Vouchers selected, the tenant's annual income and tenant rent were incorrectly calculated due to misinformation reported in Family Report, which did not agree to third party verification forms for the following:

- a) Voucher #06-1621: per VOE, tenant works an average of 22.5 hours per week. However, HAP Specialist incorrectly calculated income on bi-weekly status (using only 26 weeks, instead of 52 weeks). This resulted in recognizing only half of the tenant's annual income. Upon recalculation, the total tenant payment (TTP) should be \$318 instead of \$227 as reported on Family Report, which is a variance of \$91 per month.
- b) Voucher #08-2414: tenant's annual income originally reported on Family Report and Voucher Contract was incorrectly inputted for lease period effective 8/13/04. However, a second report dated 2/17/05 for same lease period had the correct annual income, but had reported the wrong payment standard. I was unable to determine which report HAP Specialist used for initial move in since both reports used code "1" indicating 'new admission'.
- c) Voucher #02-0442: tenant started new job on 12/22/03 per VOE, which was received by HAP Specialist on 2/09/04 during lease period effective 1/01/04. Prior salary was \$7/hour and new salary was \$11.08/hour. There was no interim adjustment to reflect change in tenant's annual income, which should be effective 3/01/04. Upon recalculation, TTP should be \$512 instead of \$307 as reported on Family Report, which is a variance of \$205 per month.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No. 04-15 (continued) Program: Section 8 Voucher—Miscalculation of Tenant's Annual Income Based on Third-Party Verification CFDA No. 14.871

Condition, continued:

- d) Voucher #01-0286: per VOE dated 10/01/03, tenant has been employed since 8/24/03. However, during annual recertification for lease period effective 10/01/03, tenant's annual income was not included. Interim adjustment effective 5/01/04 later reflected tenant's annual income, but amount reported was miscalculated. Upon recalculation, TTP should be \$222 and not \$25 for period effective 10/01/03 or \$234 for interim period effective 5/01/04.
- e) Voucher #38-021: HAP Specialist did two calculations of tenant's income based on information provided by tenant. However, per VOE dated 1/02/03 and bank verification form dated 12/31/02, I noted that there was a variance of \$12,547 of tenant's annual income. Upon recalculation, TTP should be \$290 instead of \$25 as reported on Family Report, which is a variance of \$265 for lease period effective 2/01/03.

Cause:

It appears that the Section 8 staff did not properly review and examine the files from third party verifications in order to accurately complete the Family Report during the recertification process.

Effect:

The applicable changes in the family income affect the Total Tenant Payment (TTP), tenant rent, and housing assistance payment (HAP). In addition, the Authority is not in compliance of their policies and procedures as set forth in the Administrative Plan for Section 8 program. Incorrect amounts are being calculated and paid.

Prior Year Status:

The above condition was cited as a similar finding in the prior year audit of the Authority.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No. 04-15 (continued) Program: Section 8 Voucher—Miscalculation of Tenant's Annual Income Based on Third-Party Verification CFDA No. 14.871

Recommendation:

The Authority should enforce its existing internal control policies and procedures to ensure that all required documents are submitted and completed during the admission and recertification process. The Quality Control Analyst should conduct periodic inspections of files throughout the year to ensure that tenant eligibility and recertification documentation are accurately prepared and documented properly.

Auditee Response/Corrective Action Plan:

We agree with this finding. Voucher #06-1621—interim adjustment will be processed retroactive to 4/01/04. Voucher #08-2414—incorrect payment standard was used and the Authority is to include the amount owed on the year-end settlement statement. Voucher #02-0442—interim adjustment was processed retroactive to 2/01/04. Voucher #01-0286—interim adjustment was processed retroactive to 5/01/04. Voucher #38-021—interim adjustment will be processed retroactive to 3/01/03 - 1/31/04.

A File Document Review and Checklist is available in each tenant's folder that must be completed by each HAP Specialist to ensure that all the necessary documents are in file and properly documented. Section 8 Supervisors are responsible to review the checklist to ensure program compliance.

Section 8 Supervisors shall conduct quality control reviews of at least 20% of the tenant files on a monthly basis and submit report to the Section 8 Housing Manager. The report shall contain the total number of files reviewed, findings and corrective action taken to ensure program compliance.

Future plans for Section 8 staff training is currently being assessed by HUD.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-16Program:Section 8 Voucher—Miscalculation of Tenant's Regular WagesCFDA No.14.871

Criteria:

The Authority must determine income eligibility and calculate the tenant's rent payment using the documentation from third party verification per 24 CFR Sections 982.201, 982.515, and 982.516. Also, pursuant to 24 CFR Sections 5.617 and 982.516, the Authority must reexamine family income and composition at least once every twelve months and adjust the total rent and housing assistance payment (HAP) as necessary.

Condition:

For three (3) or 5% of the sixty (60) Vouchers selected, the tenant's annual income and tenant rent were incorrectly calculated due to inclusion of additional wages considered to be holiday pay, which should be accounted for as 'regular wages' for the following:

- a) Voucher #01-0034: Upon recalculation, the TTP should be \$424 instead of \$438 as reported on Family Report, which is a variance of \$13 per month for lease period effective 12/01/03.
- b) Voucher #03-0745: Upon recalculation, the TTP should be \$722 instead of \$726 as reported on Family Report, which is a variance of \$4 per month for lease period effective 11/01/03.
- c) Voucher #37-201: per VOE dated 2/26/03, the tenant received a salary increase of \$7.25/hour effective 12/02/02 (prior salary was \$7/hour). However, per copies of check stubs for pay periods subsequent to 12/02/02, the tenant was still being paid at prior rate of \$7/hour. Also, the HAP Specialist included holiday pay as additional wages for lease period effective 4/10/03. Furthermore, there was a notice of change on the status of income and household composition issued by tenant on 8/13/03. Tenant's common-law was employed receiving \$6/hour and one of the dependents moved out of the unit. Therefore, there should have been an interim adjustment effective 9/01/03 to reflect changes. Upon recalculation, the tenant owes the Authority either the total amount of \$564 (for salary at \$7/hour) or \$644 (for salary at \$7.25/hour) for period 4/01/03 to 11/30/03 since the tenant terminated from program at 11/30/03.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-16 (continued)Program:Section 8 Voucher—Miscalculation of Tenant's Regular WagesCFDA No.14.871

Cause:

It appears that the Section 8 staff did not properly review and examine the files from third party verifications in order to accurately complete the Family Report during the recertification process.

Effect:

The applicable changes in the family income affect the Total Tenant Payment (TTP), tenant rent, and housing assistance payment (HAP). However, there is no material effect on the financial statements. In addition, the Authority is not in compliance of their policies and procedures as set forth in the Administrative Plan for Section 8 program. Incorrect amounts are being calculated and paid.

Recommendation:

The Authority should enforce its existing internal control policies and procedures to ensure that all required documents are submitted and completed during the admission and recertification process. Also, the Quality Control Analyst should conduct periodic inspections of files throughout the year to ensure that tenant eligibility and recertification documentation are accurately prepared and documented properly.

Auditee Response/Corrective Action Plan:

We agree with this finding. For Voucher #01-0034, interim adjustment retroactive to 12/01/03 has been processed. For Voucher #03-0745, an interim adjustment will be processed retroactive to 11/01/03. For Voucher #V37-201, an interim adjustment will be processed retroactive to 9/01/03.

A File Document Review and Checklist is available in each tenant's folder that must be completed by each HAP Specialist to ensure that all the necessary documents are in file and properly documented. Section 8 Supervisors are responsible to review the checklist to ensure program compliance.

Section 8 Supervisors shall conduct quality control reviews of at least 20% of the tenant files on a monthly basis and submit report to the Section 8 Housing Manager. The report shall contain the total number of files reviewed, findings and corrective action taken to ensure program compliance.

Future plans for Section 8 staff training is currently being assessed by HUD.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-17Program:Section 8 Voucher—Miscalculation of Tenant's Overtime or Other
Incentive PayCFDA No.14.871

Criteria:

In accordance with 24 CFR Sections 982.4, 982.54(d)(15), 982.152(f)(7), and 982.503, the Authority must maintain current records to document the basis for the determination that rent to owner is a reasonable rent. The Authority is also required to examine family income and composition at least once every twelve months and adjust total rent and housing assistance payment as necessary in accordance with 24 CFR Sections 5.617 and 982.516.

Condition:

For three (3) or 5% of the sixty (60) Vouchers selected, the tenant's overtime wages on the Family Report were miscalculated for the following:

- a) Voucher #01-0039: per review of check stubs provided by the tenant, the recalculated average amount for overtime is \$16/week and I was unable to determine how the HAP Specialist calculated overtime wages. Upon recalculation, the TTP should be \$413 instead of \$400, which is a variance of \$13. Therefore, the tenant owes the Authority \$78 for period 11/01/03 to 4/30/04 since there was an interim adjustment period effective 5/14/04.
- b) Voucher #38-046: per VOE dated 8/15/03, the tenant's annual salary is \$21,778, which does not agree to amount reported on the Family Report of \$21,133. Furthermore, overtime wages recalculated per average of check stubs is \$11,743 and I was unable to determine how the HAP Specialist calculated overtime wages of \$4,781. Upon recalculation, the TTP should be \$814 and not \$624, which is a variance of \$190. Therefore, the tenant owes the Authority \$760 for period 10/01/03 to 1/31/04.
- c) Voucher #06-1825: per VOEs dated 12/29/03 and 1/28/04 for tenant and tenant's spouse, respectively, it stated their hourly rate at full-time status. However, the HAP Specialist calculated annual income based on the average of check stubs, which was inclusive of overtime wages. The overtime wages should be calculated separately using the check stubs as a basis to obtain the average overtime for the year. Upon recalculation, the TTP should be \$669 and not \$637, which is a variance of \$32. Therefore, the tenant owes the Authority \$96 for period 4/01/04 to 6/30/04.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-17 (continued)Program:Section 8 Voucher—Miscalculation of Tenant's Overtime or Other
Incentive PayCFDA No.14.871

Cause:

It appears that the Section 8 staff did not properly review and examine the files from third party verifications in order to accurately complete the Family Report during the recertification process.

Prior Year Status:

The above condition was cited as a similar finding in the prior year audit of the Authority.

Effect:

The Authority should conduct additional training for HAP Specialists to ensure that such employees are properly trained in calculating annual income and tenant rent during the initial, interim, and recertification process. Furthermore, the Authority should update their Section 8 Administrative Plan to specify how annual income, especially other additional income such as overtime wages, would be accounted for in the computation of tenant's total annual income. Incorrect amounts are being calculated and paid.

Recommendation:

The Authority should enforce its existing internal control policies and procedures to ensure that all required documents are submitted and completed during the admission and recertification process. Furthermore, the Quality Control Analyst should conduct periodic inspections of files throughout the year to ensure that tenant eligibility and recertification documentation are accurately prepared and documented properly. Lastly, the Section 8 Administrative Plan should be updated to reflect recent any changes in calculating tenant's annual income, which should conform to the federal regulations.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-17 (continued)Program:Section 8 Voucher—Miscalculation of Tenant's Overtime or Other
Incentive PayCFDA No.14.871

Auditee Response/Corrective Action Plan:

We agree with this finding. Voucher #01-0039—interim adjustment will be processed retroactive to May 2004. Voucher #V38-046—interim adjustment was processed effective 2/01/04 (30 days notice of increase to tenant); however, tenant terminated from the program effective 1/31/04. Voucher #06-1825—interim adjustment will be processed retroactive to 4/01/04.

A File Document Review and Checklist is available in each tenant's folder that must be completed by each HAP Specialist to ensure that all the necessary documents are in file and properly documented. Section 8 Supervisors are responsible to review the checklist to ensure program compliance.

Section 8 Supervisors shall conduct quality control reviews of at least 20% of the tenant files on a monthly basis and submit report to the Section 8 Housing Manager. The report shall contain the total number of files reviewed, findings and corrective action taken to ensure program compliance.

Future plans for Section 8 staff training is currently being assessed by HUD.

The Section 8 Administrative Plan is being revised and will be submitted to management for review.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-18Program:Section 8 Voucher—Incomplete Rent Reasonableness FormCFDA No.14.871

Criteria:

Pursuant to 24 CFR Section 982.508 and the Authority's Section 8 Administrative Plan, the initial rent to the owner must be reasonable in relation to rents charged for comparable units in the unassisted market. Furthermore, the Authority must determine the reasonable rent before any increase in the rent is approved, and if there is a five percent (5%) decrease in the published fair market rent (FMR) in effect sixty days before the contract anniversary as compared with the FMR in effect on year before the contract anniversary.

Condition:

For two (2) or 3% of the (60) Vouchers selected, the Rent Reasonableness form did not state whether the proposed rent from the owner is reasonable for the following:

- a) Voucher #07-1969: form dated 2/12/04 did not state the approved rent for the unit; although it did state that the proposed rent was 'not' reasonable for lease period effective 3/01/04.
- b) Voucher #02-0618: form dated 12/05/03 did not state whether proposed rent is reasonable for interim adjustment period effective 12/24/03.

Cause:

It seems that the inspectors may have overlooked the section that states the certification whether the proposed rent is either reasonable or not.

Effect:

The Authority is not in compliance with 24 CFR Section 982.508, as well as their Section 8 Administrative Plan. Furthermore, the Authority may be charging the tenant more if the proposed rent is deemed to be actually unreasonable.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-18 (continued)Program:Section 8 Voucher—Incomplete Rent Reasonableness FormCFDA No.14.871

Recommendation:

The Authority should enforce its existing internal control policies and procedures to ensure that the Rent Reasonableness forms are completed with the proper certification depicting whether the proposed rents are reasonable or not before processing annual recertifications or interim adjustments. Also, Quality Control Analyst must review documents and calculations for completeness and accuracy.

Auditee Response/Corrective Action Plan:

We agree with this finding. For Voucher #07-1969, the inspector certified that the proposed rent was not reasonable and the approved rent is \$900. For Voucher #02-0618, the inspector certified that that proposed rent was not reasonable and the approved rent is \$1,112.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-19Program:Section 8 Voucher—Different Payment Standards/Overpayment of
HAPsCFDA No.14.871

Criteria:

In accordance with 24 CFR 982.503, the Authority must adopt a single and current payment standard for the voucher program by unit size for each fair market rent (FMR) area in the Authority's jurisdiction, which does not exceed 110% of the current applicable FMR and which is not less than 90% of the current FMR unless a lower percent is approved by HUD. In addition, as per 24 CFR 982 subpart K, the voucher subsidy is set based on the difference between the lower of the Authority's applicable payment standard for the family or the gross rent and the total tenant payment (generally 30% of family's monthly adjusted income). This is the maximum amount of subsidy a family may receive regardless of the rent the owner charges for the unit.

Condition:

I noted that all sixty (60) Vouchers selected for testing had different payment standards reported on the Family Report, which did not agree to the payment standards that was approved by HUD. Although all of the vouchers tested did not follow the HUD payment standards, twenty-eight (28) or 47% of the 60 Vouchers had overpayments of monthly housing assistance payment (HAP) to the landlords for the following:

Voucher #	Original <u>HAP</u>	HAP <u>recalculated</u>	Monthly <u>Overpayment</u>	No. of <u>months</u>	Total <u>Overpayment</u>
08-2518	\$ 524	\$ 443	\$ 81	2	S 162 942 387 214 1,150 1,440 894 306 628 210 942 1,683 1,683
08-2203	958	801	157	6	
06-1875	922	793	129	3	
08-2235	1,081	974	107	2	
01-0034	690	575	115	10	
06-1621	1,176	936	240	6	
05-1323	1,378	1,229	149	6	
08-2414	1,210	1,057	153	2	
08-2282	1,386	1,229	157	4	
07-1969	1,004	974	30	7	
01-0091	1,386	1,229	157	6	
02-0442	1,035	742	293	9	2,637
03-0815	1,233	1,131	102	3	306
06-1685	893	819	74	6	444
	08-2518 08-2203 06-1875 08-2235 01-0034 06-1621 05-1323 08-2414 08-2282 07-1969 01-0091 03-0745 02-0442 03-0815	Voucher #HAP08-2518\$ 52408-220395806-187592208-22351,08101-003469006-16211,17605-13231,37808-24141,21008-22821,38607-19691,00401-00911,38603-074568502-04421,03503-08151,233	Voucher #HAPrecalculated $08-2518$ \$ 524\$ 443 $08-2203$ 958801 $06-1875$ 922793 $08-2235$ 1,081974 $01-0034$ 690575 $06-1621$ 1,176936 $05-1323$ 1,3781,229 $08-2414$ 1,2101,057 $08-2282$ 1,3861,229 $07-1969$ 1,004974 $01-0091$ 1,3861,229 $03-0745$ 685532 $02-0442$ 1,035742 $03-0815$ 1,2331,131	Voucher #HAPrecalculatedOverpayment $08-2518$ \$ 524\$ 443\$ 81 $08-2203$ 958801157 $06-1875$ 922793129 $08-2235$ 1,081974107 $01-0034$ 690575115 $06-1621$ 1,176936240 $05-1323$ 1,3781,229149 $08-2414$ 1,2101,057153 $08-2282$ 1,3861,229157 $07-1969$ 1,00497430 $01-0091$ 1,3861,229157 $03-0745$ 685532153 $02-0442$ 1,035742293 $03-0815$ 1,2331,131102	Voucher #HAPrecalculatedOverpaymentmonths $08-2518$ \$ 524\$ 443\$ 812 $08-2203$ 9588011576 $06-1875$ 9227931293 $08-2235$ 1,0819741072 $01-0034$ 69057511510 $06-1621$ 1,1769362406 $05-1323$ 1,3781,2291496 $08-2414$ 1,2101,0571532 $08-2282$ 1,3861,2291574 $07-1969$ 1,004974307 $01-0091$ 1,3861,2291576 $03-0745$ 68553215311 $02-0442$ 1,0357422939 $03-0815$ 1,2331,1311023

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-19 (continued)Program:Section 8 Voucher—Different Payment Standards/Overpayment of
HAPsCFDA No.14.871

Condition, continued:

Voucher #	Original HAP	HAP recalculated	Monthly Overpayment	No. of months	Total Overpayment
<u> </u>		<u></u>			
16. 08-2313	\$ 1,192	\$ 1,043	\$ 149	3	\$ 447
17. 03-0773	857	836	21	8	168
18. 02-0485	1,579	1,437	142	9	1,341
19. 01-0167	789	632	157	3	471
20. 02-0485	1,386	1,229	157	4	628
21. 07-1906	924	767	157	12	1,884
22. 07-1911	1,075	946	129	6	774
23. 01-0039	1,011	841	170	7	1,190
24. V37-201	1,081	681	400	2	800
25. V38-021	1,011	841	170	4	680
26. 03-0736	457	371	86	6	516
27. 01-0232	941	769	172	10	1,720
28. 06-1825	480	330	150	4	600

<u>\$23,564</u>

Cause:

It appears that the payment standards reflected on the Family Report included utility allowances, which varies depending on the number of bedrooms the unit has and the utilities provided by the landlord. Upon review of the Authority's Section 8 Management Assessment Program (SEMAP) Certification, the payment standards that were authorized by the Authority's Board of Commissioners corresponded to the standards approved by HUD. Regardless of this fact, the higher payment standard, which included utility allowances, was used on the actual computations in the Family Report whether or not the tenant was approved to include utilities along with the gross rent.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-19 (continued)Program:Section 8 Voucher—Different Payment Standards/Overpayment of
HAPsCFDA No.14.871

Effect:

The Authority is not in compliance with the regulations as set forth on 24 CFR 982.503. Furthermore, there may be a material effect on the financial statement if the condition persists which will result in additional overpayments to the landlords as well as underpayments from tenant rents since the utility allowances decreased the gross rents. As a result of this condition, there is a known questioned cost of \$23,564 for the HAP overpayments to the landlord and the potential extrapolated error/questioned cost of \$1,920,335 based on the total HAP payments made for fiscal year ending September 30, 2004.

Recommendation:

The Authority should conduct a thorough review of all the current Vouchers they have and perform the necessary adjustments to reflect the correct payment standards as authorized by HUD. Furthermore, the Authority should evaluate their payment standards before each fiscal year begins to verify whether they conform to the HUD approved standards. These periodic reviews will serve as a control mechanism to ensure compliance with existing policies and procedures as well as HUD regulations. This will further allow the Authority to identify deficiencies and take appropriate action to enhance the control environment and mitigate the possibility of fraud, errors or misappropriation of assets.

Auditee Response/Corrective Action Plan:

We agree with this finding. Initially, our auditors previously detected this finding and management represented that such was a systems error. This finding is a systemic finding as per HUD's review that dates back to the inception of the program several years ago and is not a new problem. Secondly, the Authority has negotiated a 50% reduction in any potential program reimbursement with further appeals for any future reimbursements to be made at a later date. Additional staffing will be acquired to assist to augment internal controls and program checks to ensure minimizing or eliminating future errors of this nature.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-19 (continued)Program:Section 8 Voucher—Different Payment Standards/Overpayment of
HAPsCFDA No.14.871

Auditee Response/Corrective Action Plan, continued:

The Authority has stopped the practice of issuing Payment Standards that provides a separate amount for utility allowance; a single payment standard is now in effect. We are reviewing the remainder of the Section 8 Housing Choice Voucher Program (HCVP) tenant files and identifying all tenants whose gross rents exceeded the Payment Standard effective October 1, 2003. The Authority is to include the amount owed on the year-end settlement statement and include a list of affected tenants, amount owed and period overpayment covered.

Payment Standard now in use is as follows:

0 Bedroom	\$ 663.00
1 Bedroom	712.00
2 Bedroom	869.00
3 Bedroom	1,266.00
4 Bedroom	1,514.00
5 Bedroom	1,741.00

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-20Program:Section 8 Voucher—No Updated Utility Allowance ScheduleCFDA No.14.871

Criteria:

As per 24 CFR 982.517, the Authority must maintain a utility allowance schedule for all tenant paid utilities (except telephone) for cost of tenant supplied refrigerators and ranges, and for other tenant-paid housing services (e.g. trash collection). Furthermore, the Authority must give HUD a copy of the utility allowance schedule and provide any information or procedures used in the preparation of the schedule at the request by HUD.

Condition:

Per the Section 8 Management Assessment Program (SEMAP) Certification for fiscal year ending September 30, 2004, the Authority stated that it does not maintain an up-to-date utility allowance schedule; nor has it reviewed utility rate data that it obtained within the last twelve months and adjusted their utility allowance schedule if there has been a change of 10% or more in a utility rate since the last time the utility allowance schedule was revised.

Cause:

It appears that the Authority did not make the necessary assessment and review to determine that the utility allowance schedule is up-to-date.

Effect:

The total HAP payments to the landlord and tenant rent may be misstated which may result in either overpayments to the landlord or underpayments from the tenants.

Recommendation:

The Authority should review their utility allowance schedule to determine the amount an assisted family needs to cover the cost of utilities if the utility costs are not included in the rent to owner. The utility allowance schedule should be based on utility consumption and rate data for various unit sizes, structure types, and fuel types.

Auditee Response/Corrective Action Plan:

We agree with this finding. On the meeting of January 20, 2005, the Authority's Board of Commissioners approved the contract to ITI Power Savers to conduct the Energy Audit and Utility Allowance Schedule for both housing programs (i.e. Section 8 and Public Housing). The Energy Audit and Utility Allowance Schedule should be completed by June 2005.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-21Program:Family Self-Sufficiency (FSS)—Miscalculation of Cumulative FSS
Escrow BalanceCFDA No.14.850, 14.871

Criteria:

Pursuant to 24 CFR Section 984.305(3)(b), the Authority is required to make a report at least once annually to each FSS family on the status of the family's FSS escrow account. The report will include:

- a) the balance at the beginning of the reporting period;
- b) the amount of the family's rent payment that was credited to the FSS account during the reporting period;
- c) any deductions made from the account for amounts due to the Authority before interest is distributed;
- d) the amount of interest earned on the account during the year; and
- e) the total FSS escrow balance at the end of the reporting period.

Condition:

For eleven (11) or 44% of the twenty-five (25) participant files selected, the cumulative balance of the participant's FSS escrow as of 9/30/04 was miscalculated for the following:

	Participant	<u>Program</u>	Escrow balance per client	Escrow balance recalculated	variance
1.	01-0039	S 8	\$ 1,893	\$ 1,971	\$ 78
2.	V37-201	S 8	822	1,563	741
3.	V38-021	S 8	5,862	9,042	3,180
4.	V38-069	S 8	4,246	1,422	(2,824)
5.	V38-046	S 8	7,912	8,480	568
6.	06-1825	S 8	3,577	3,673	96
7.	10PD	PH	-	1,324	1,324
8.	26JPM	PH	-	390	390
9.	24BSAL	PH	4,655	4,802	147
10	58ME	PH	135	155	20
11	19ARDB8	PH	1,520	1,691	171

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-21 (continued)Program:Family Self-Sufficiency (FSS)—Miscalculation of Cumulative FSS
Escrow BalanceCFDA No.14.850, 14.871

Cause:

Due to miscalculations of the total tenant payment (TTP) originally reported on the Family Report by the HAP Specialists, it appears that the FSS Program Coordinator may not have been aware of these errors when calculating the escrow credit for each lease period. Furthermore, whenever there are interim adjustments made under the participant's program (either Section 8 or Public Housing), the FSS Program Coordinator may have not been informed of the changes as soon as they were made.

Effect:

This may result in the tenant either not being credited with the FSS escrow amounts that they may be entitled to if their annual income increases every annual examination or the Authority over crediting the tenant's FSS account if the base TTP is incorrect. Additionally, HAP Specialists, TRAs, or Program Coordinators are unable to trace back the correct FSS escrow balance in a timely manner if the participant requests for the status of their escrow amount. Lastly, the overall variances of the FSS escrow balances may have an effect on the individual financial statements under the LIPH and Section 8 programs.

Prior Year Status:

The above condition was cited as a similar finding in the prior year audit of the Authority.

Recommendation:

It is recommended that the appropriate staff members receive adequate training in regards to implementing the correct policies and procedures under the FSS program, as well as reviewing the FSS participant's escrow amount every recertification or interim examination to ensure completeness and accuracy of information within the Family Report. Furthermore, any income changes reflected during the participant's lease, especially during the interim adjustment periods, should be addressed to the FSS program coordinator in the immediate response.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-21 (continued)Program:Family Self-Sufficiency (FSS)—Miscalculation of Cumulative FSS
Escrow BalanceCFDA No.14.850, 14.871

Auditee Response/Corrective Action Plan:

We agree with this finding. For participant #01-0039, the family will be credited \$78 to their current FSS escrow balance to reflect adjustment for lease period 11/01/2003. For participant #V37-201, the total escrow credit should be \$741 based on the recalculation and discussion with HAP Specialist for interim adjustment period effective 9/01/2003. For participant # V38-021, although audit finding #04-15 stated a miscalculation for lease period effective 2/01/03, no credit can be issued to participant since family graduated from FSS program and terminated from Section 8 program effective 1/31/2004. For participant #v38-046, the total credit owed to the family should be \$568. However, per audit finding #04-17, the family owes the Authority total amount of \$760 for period 10/01/03 - 1/31/04. Therefore, no FSS escrow credit is to be issued to the family. For participant #08-1825, although there was a miscalculation for interim period 4/01/2004, FSS calculation and auditor calculation of TTP and credit remains the same and no credit is due to the family.

The Section 8 FSS Program Coordinator received training on September 2004 from Nan Mckay and received her certification on October 2004. Furthermore, training was given to Section 8 Staff on FSS Escrow on November 2004.

All Public Housing staff have attended training in Eligibility, Occupancy, Rent Calculations, and Family Self Sufficiency. All understand the importance of obtaining the documents from the residents and having completed the escrow credits in a timely manner. At these training sessions, it was recommended that the copies of 50058 and FSS worksheet be placed in both the tenant folder and FSS case folder. All staff were requested to abide by this procedure.

The FSS Action Plan must also be reviewed and updated since there are certain policies and procedures that are absent in the Action Plan, to include the number of participants the program should have. The PH Manager will establish procedures to ensure that this program is in full compliance. The FSS Coordinator will ensure that an escrow report is completed and filed in each FSS case file on an annual basis.

At this time, both the PH Manager and the PH Compliance Officer will be tasked to conduct a full quality review of the FSS case files. Upon completion, the PH Compliance Officer will conduct a quarterly review of the files. The FSS Quality Control Plan will begin in July 2005 and a full review of the participants' files will be conducted to ensure full compliance.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-22Program:Family Self-Sufficiency (FSS)—No Documentation for Disbursement
of FSS EscrowCFDA No.14.850, 14.871

Criteria:

According to the 24 CFR 984.103, as well as the Authority's FSS Action Plan, upon completion of the program, the Authority must verify that the participant has fulfilled all of its obligations under the Contract of Participation on or before the expiration of the contract term. Furthermore, before actual disbursement of FSS escrow funds to the participant, Verification of Family Certification must be obtained from the Department of Health and Social Services (DPHSS) to ensure that the FSS family is no longer a recipient of welfare assistance. Lastly, proper procedures must be followed in determining the final amount is accurate once request of payment is sent to accounting department and check of FSS escrow is approved to be released.

Condition:

For three (3) or 12% of the twenty-five (25) participant files tested, documentation was not provided to substantiate the disbursement of FSS escrow upon completion of program for the following:

Participa 201	<u>nt Program</u>	FSS Escrow balance
 V38-06 06-1825 26BDA 	5 S8	\$ 4,246 2,577 <u>3,201</u>
		<u>\$ 10,024</u>

Cause:

It appears that the FSS Program Coordinator did not properly document the disbursement of FSS escrow funds after the final documents are sent to Fiscal department for the preparation of check disbursement.

Effect:

A questioned cost of \$10,024 exists. Furthermore, errors exist now and will continue if the proper procedures are not followed, which may result in an overpayment of FSS escrow funds to the participant; or an underpayment which the participant is entitled to. Lastly, the Authority is not in compliance of its FSS Action Plan.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-22 (continued)Program:Family Self-Sufficiency (FSS)—No Documentation for Disbursement
of FSS EscrowCFDA No.14.850, 14.871

Recommendation:

The Authority should enforce its existing internal control policies and procedures to ensure that all of the required documents are properly reviewed before authorization of FSS escrow funds are disbursed to the participant.

Auditee Response/Corrective Action Plan:

We agree with the finding for participant under Public Housing program. However, we disagree with the finding for participants under the Section 8 Program since documentation was included in the FSS Participant's file.

Processing of request for payment of FSS escrow account is done in the following way:

- 1. Copy of letter of notice of intent to vacate to landlord is submitted along with a separate request to the FSS Program Coordinator from the family to withdraw their FSS escrow account;
- 2. Verification of family certification is obtained through authorization from FSS family to obtain information from Department of Public Health and Social Services to ensure that the family is no longer receiving welfare assistance;
- 3. A certification of completion form and request for escrow account payment form is completed by FSS Program Coordinator and FSS family, to begin process of request for payment;
- 4. FSS escrow credit calculations are reviewed and verified by the FSS Program Coordinator before documents are routed through for proper signature and request to Controller for payment of FSS escrow as requested by FSS families;
- 5. All documentation of these requests are placed in FSS family files and closed out as completed after payment is issued to FSS families.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-22 (continued)Program:Family Self-Sufficiency (FSS)—No Documentation for Disbursement
of FSS EscrowCFDA No.14.850, 14.871

Auditor's Response:

Upon review of the Participant's File for participants #V38-069 and #06-1825, the Request for Escrow Account Payment Form was not on file, which shows approval from Fiscal department of the total FSS escrow amount to be disbursed to the participant. Furthermore, for participant #V38-069, the total FSS escrow amount showing in the system was \$1,353.69; however, the total amount recalculated by FSS Program Coordinator was \$4,246. Per an interoffice memo dated 10/08/03, the difference of \$2,892.31 must be singed and approved by the Executive Director as a write off and paid out from the Section 8 Funds as per instruction from the Controller and Housing Services Manager. Nevertheless, there was no documentation to show the actual disbursement.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-23Program:Family Self-Sufficiency (FSS)—Missing/Incomplete DocumentationCFDA No.14.850

Criteria:

Pursuant to 24 CFR Section 984.305(3)(b), the Authority is required to make a report at lease once annually to each FSS family on the status of the family's FSS escrow account. The report will include:

- a) the balance at the beginning of the reporting period;
- b) the amount of the family's rent payment that was credited to the FSS account during the reporting period;
- c) any deductions made from the account for amounts due to the Authority before interest is distributed;
- d) the amount of interest earned on the account during the year; and
- e) the total FSS escrow balance at the end of the reporting period.

Condition:

For three (3) or 12% of the twenty-five (25) participant files tested, there was either incorrect or incomplete information within the participant's folder in which I was unable to determine the total escrow balance as of September 30, 2004 for the following:

- a) Participant in Unit #11ADUE: per the FSS Escrow Worksheet for the period effective 5/01/01, 1/01/02, and 3/01/02, the base TTP noted was \$25. For lease periods thereafter, the base TTP was reported at \$321. Furthermore, the base TTP per the Listing of Active FSS Participants was \$246.
- b) Participant in Unit #29JEV: per the Contract of Participation (COP) and the FSS Credit worksheets, the base TTP is \$25; however, the base TTP per the Listing of Active FSS Participants is \$260.
- c) Participant in Unit #111PUT: no summary worksheet or FSS Credit worksheet was prepared for each recertification and/or interim period since inception of program.

Cause:

It appears that the FSS Program Coordinator did not properly review the participant's files to determine what is the actual base TTP at beginning of the program. Moreover, there seems to be no proper documentation of the flow of FSS escrow calculations as each recertification and/or interim adjustment period is completed.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-23 (continued)Program:Family Self-Sufficiency (FSS)—Missing/Incomplete DocumentationCFDA No.14.850

Effect:

The Authority is not in compliance with 24 CFR Section 984.305(3)(b). In addition, the Authority is unable to provide the participant their FSS escrow balance upon request from the family if the proper procedures are not taken, such as the ability to calculate the escrow credits if the base TTP is not consistent throughout the program. Lastly, incorrect amounts are being calculated and applied.

Prior Year Status:

The above condition was cited as a similar finding in the prior year audit of the Authority.

Recommendation:

The Authority should enforce its existing internal control policies and procedures to ensure that all of the required documents are properly reviewed before authorization of FSS escrow funds are disbursed to the participant.

Auditee Response/Corrective Action Plan:

We agree with this finding. All Public Housing staff have attended training in Eligibility, Occupancy, Rent Calculations, and Family Self Sufficiency. All understand the importance of obtaining the documents from the residents and having completed the escrow credits in a timely manner. At these training sessions, it was recommended that the copies of Family Report and FSS worksheet be placed in both the tenant folder and FSS case folder.

The FSS Action Plan must also be reviewed and updated since there are certain policies and procedures that are absent in the Action Plan, to include the number of participants the program should have. The PH Manager will establish procedures to ensure that this program is in full compliance. The FSS Coordinator will ensure that an escrow report is completed and filed in each FSS case file on an annual basis.

At this time, both the PH Manager and the PH Compliance Officer will be tasked to conduct a full quality review of the FSS case files. Upon completion, the PH Compliance Officer will conduct a quarterly review of the files. The FSS Quality Control Plan will begin in July 2005 and a full review of the participants' files will be conducted to ensure full compliance.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-23 (continued)Program:Family Self-Sufficiency (FSS)—Missing/Incomplete DocumentationCFDA No.14.850

Auditee Response/Corrective Action Plan, continued:

In order to ensure that the participants have completed their Individual Development Plan, a third-party verification would be conducted; this will also be included in the Action Plan. Prior to any participant receiving their escrow amount, the FSS Coordinator will review case files, conduct third party verifications on completed goals, and route to PH Manager for review and approval.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-24Program:Travel—Late Submission of Trip & Expense ReportsCFDA No.N/A

Criteria:

Pursuant to the Authority's Travel Policy, employees attending conferences, seminars, conventions, and workshops shall submit a written trip report within ten (10) working days of completion of travel and must be prepared to provide turnaround training to staff, if appropriate. Furthermore, employees shall submit an expense report on GHURA-5 Form (Travel Expense Report) within ten (10) working days of completion of travel. A copy of the appropriate airline ticket stub and an itinerary shall be attached to the form upon submission.

Condition:

For four (4) or 20% of the twenty (20) travel disbursements tested, I noted that the following employees that attended off-island training submitted either their trip report or their expense report over the ten working day period:

	Resolution <u>No.</u>	Type of <u>Report</u>	Report due	Report submitted	No. of working days over
1.	FY03-068	Expense	10/24/03	10/29/03	3
		Trip	10/24/03	10/27/03	1
2.	FY04-002	Expense	11/21/03	12/18/03	19
		Trip	11/21/03	12/18/03	19
3.	FY04-006	Expense	12/09/03	12/11/03	2
		Trip	12/09/03	12/17/03	6
4.	FY04-007	Expense	2/02/04	2/08/04	4
		Trip	2/02/04	2/08/04	4

Cause:

It appears that the Authority's employees are either not aware of this procedure under the Travel Policy, which the report must be submitted within ten working days after completion of travel, or are unaware of the actual due date in which reports are submitted a few days later from due date.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-24 (continued)Program:Travel—Late Submission of Trip & Expense ReportsCFDA No.N/A

Effect:

The Authority is not in compliance with its policies and procedures as set forth in Policy for travel, transportation, and other related expenses.

Prior Year Status:

The above condition was cited as a similar finding in the prior year audit of the Authority.

Recommendation:

The Authority should enforce its existing internal control policies and procedures to ensure that all required documents are submitted on time in a complete and accurate manner.

Auditee Response/Corrective Action Plan:

We agree with this finding. Adherence to the Travel Policy will be enforced. The Executive Director has identified the Special Assistant to monitor and ensure that all travel requirements are submitted in a timely manner.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-25Program:Travel—No Documentation of Travel Disbursement/Variance of
Travel DisbursementCFDA No.N/A

Criteria:

The accounting department must retain documentation to support travel disbursements such as employee's airfare and registration fees for off-island training. Furthermore, for employees who have reimbursements due to them, copies of receipts for the miscellaneous expenses must be attached to their Travel Expense Report.

Condition:

For one (1) or 5% of the twenty (20) travel disbursements tested, no documentation was provided to substantiate the following travel disbursement:

	Resolution		Amount per			
	No.	Travel expense	expense report			
1.	FY04-026	registration fee	\$ 750			

Furthermore, for one (1) or 5% of the twenty (20) travel disbursements tested, the amount reported on the Travel Expense Report did not agree to the actual receipts of airline ticket provided by the employee for the following:

	Resolution No.	Amount per expense report	Amount per receipt	variance
1.	FY04-052	1,366.66	1,444.36	77.70

Cause:

It appears that the Authority is unable to locate documents for credit card purchases such as registration fees that made it inaccessible to audit. Furthermore, copies of Travel Expense Reports may be submitted late which accounts for the delay in reviewing the actual disbursements made.

Effect:

The Authority is not in compliance with its policies and procedures as set forth in Policy for Travel, Transportation, and Other Related Expenses.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-25 (continued)Program:Travel—No Documentation of Travel Disbursement/Variance of
Travel DisbursementCFDA No.N/A

Recommendation:

The Authority should enforce its existing internal control policies and procedures to ensure that all required documents are submitted on time in a complete and accurate manner. Furthermore, the Authority should delegate an individual to retain all documentation related to an employee's travel from the Board Resolution approving offisland travel to the disbursements made via through check disbursement or credit card for airfare, registration fees, and approved per diem. Lastly, the travel and trip expense reports should be submitted by the employee in a timely manner.

Auditee Response/Corrective Action Plan:

We agree with this finding. Adherence to the Travel Policy will be enforced. The Executive Director has identified the Special Assistant to monitor and ensure that all travel requirements are submitted in a timely manner.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-26Program:Payroll—No Approving Signature on Annual Leave FormCFDA No.N/A

Criteria:

An employee of the Authority must make a formal request, which must be approved by their department supervisor, of either annual leave or sick leave and submit the request prior to actual pay period ending. The employee must also signify whether the leave will be with or without pay in order to accurately accrue the total balance of leave hours in a timely manner.

Condition:

For one (1) or 3% of the thirty (30) personnel files tested, the annual leave form was not signed by the supervisor for employee #473.

Cause:

Supervisor's approval for the leave was not obtained and the payroll department did not notice the missing approval.

Effect:

The Authority is not in compliance with its Personnel Policy in ensuring that the employees follow the proper procedures when requesting for annual leave.

Recommendation:

The Authority should enforce its policies and procedures as set forth in their Personnel Policy and remind employees to ensure that all documents provided to Payroll are accurate and complete.

Auditee Response/Corrective Action Plan:

We agree with this finding. Since this finding, the supervisor's signature has been obtained for the annual leave form in question.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-27Area:Section 8, LIPH, MIS & Fiscal—Automated Clearing House
(ACH) PolicyCFDA No.14.850 and 14.871

Criteria:

A formal standard operating policy (SOP) should be adopted for the establishment of internal control policies and procedures governing Automated Clearing House (ACH) electronic fund transfer transactions for direct deposits. This SOP should encompass and cover those procedures performed by Section 8 Housing Division, Low Income Public Housing (LIPH) Division, Management Information Systems (MIS) Division and the Fiscal Division. The SOP should incorporate sufficient segregation of duties, preventative and detective controls to mitigate fraud, and ensure that only qualified tenants receive approved utility reimbursements (UR) and authorized landlords receive Housing Assistance Payments (HAP) for the Section 8 program and payments made to tenants residing in the Low Income Public Housing. All data transactions and file submissions to financial institutions for ACH direct deposits should be in compliance with the National Automated Clearing House (NACH) and the Federal Reserve Board standards, format, rules and regulations.

Condition:

The Authority electronically submits certain tenant and landlord information to various financial institutions for direct deposits to via the Internet for ACH processing. Our audit testing disclosed that GHURA increased its electronic bill-paying and direct deposit processes over the past year. Although we clearly concur that there can be significant benefits with this process, we believe that effective policies and procedures have not been thoroughly developed over the practice to safeguard GHURA's assets. We noted that sufficient safeguards have not been developed in the Section 8, LIPH and Fiscal Divisions to ensure the proper segregation of duties and the prevention and detection of potential fraud. However, we noted that the MIS Division initiated numerous controls over data validation, software security, file transmission and report reconciliation to mitigate potential fraud and conducted a risk assessment of the Authority's ACH originating depository financial institution (ODFI).

Subsequent to September 30, 2004, the Authority commenced the development of an SOP for ACH processing; however, we found that it lacked sufficient detail narrative and flowchart information to document the processes for the Section 8, LIPH and Fiscal Divisions.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-27 (continued)Area:Section 8, LIPH, MIS & Fiscal – Automated Clearing House
(ACH) PolicyCFDA No.14.850 and 14.871

Cause:

The Authority has not established formal written ACH policies and procedures for handling its electronic bill-paying and direct deposit processes. Section 8 and LIPH personnel have not been adequately trained in establishing proper segregation of duties for handling tenant and landlord data used for ACH processing.

Effect:

The lack of written standard operating procedures for processing and reconciling ACH direct deposit transactions exposes the Authority to the potential loss or theft of cash or establishment of fictitious landlord and tenant and payments made to them without being detected in a timely manner.

Recommendation:

We commend the MIS Division for taking the initiative to act as the project coordinator to properly document the Authority's overall comprehensive ACH policies and procedures; however, we recommend that MIS work directly with the Fiscal Division to identify and implement controls, among others to:

- 1. Ensure time written notification of changes in the designation of individuals authorized to instruct the OFDI regarding activities on behalf of the Authority;
- 2. Ensure the responsibilities for submitting input to and monitoring and reconciling out from the OFDI are adequately segregated among employees;
- 3. Ensure that the OFDI consider the impact that a disruption of service may have on its own organization and have contingency plans in place to minimize the effect of a data processing interruption;
- 4. Ensure physical and logical access to the OFDI system via terminal or internet are secured, monitored and maintained;
- 5. Reconcile data transmitted to and from the OFDI to ensure appropriate completion and accuracy;

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No. 04-27 (continued) Area: Section 8, LIPH, MIS & Fiscal – Automated Clearing House (ACH) Policy CFDA No. 14.850 and 14.871

Recommendation, continued

- 6. To identify unusual or suspicious internet banking transactions and report such to the OFDI in a timely manner;
- 7. To verify the identity of the tenant and landlord during the application and recertification process;
- 8. Restrict physical and logical access to terminals and personal computers that have the ability to connect to the OFDI;
- 9. Ensure that appropriate personnel approve all changes to tenant and landlord account status;
- 10. Ensure that personnel are properly trained in the use of the ACH processing and banking interface software;
- 11. To maintain security over inputs sent to the OFDI to determine that only authorized personnel are completing transactions;
- 12. To review any OFDI provided reports in a timely manner to determine that transactions were properly processed;
- 13. To ensure that appropriate cash accounts are reconciled and differences resolved in a timely manner.
- 14. Assign housing choice vouchers numbers to each eligible tenant and authorized landlord and use such information to cross-reference and reconcile to actual payments made via ACH processed and maintained by MIS.
- 15. Ensure that Tenant Relation Advisors and HAP Specialists are prevented from altering tenant and landlord DDA information once obtained and authenticated.

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Finding No.04-27 (continued)Area:Section 8, LIPH, MIS & Fiscal – Automated Clearing House
(ACH) PolicyCFDA No.14.850 and 14.871

Recommendation, continued

We strongly recommend that the Authority should establish written ACH internal control policies and procedures for the handling its electronic bill-paying and direct deposit processes. Attributes such as direct deposit authorizations (DDA), cancellations, changes, DDA rejections, preparation of transfer documents, and effectuation of funds transfers should all be present in the ACH process. We strongly recommend that that this practice, as merely a modern version of the traditional check-disbursement process, have equally effective internal controls and be reviewed, monitored and updated on periodic basis as processes change.

Auditee Response/Corrective Action Plan:

We agree with this finding. Management will identify key personnel to further address specific issues, such as, proper segregation of duties, prevention and detection of potential fraud, direct deposit authorization, and ACH processing. The final product will result in a developed, documented, adopted, and implemented policy that will further protect the Authority.

Summary Schedule of Prior Year Audit Findings Year Ended September 30, 2004

2003 Audit Findings

Finding No. 03-01-Low Income Public Housing

Condition: For eight (8) or 10% of the eighty (80) tenant files tested, the tenant folders either lacked certain documentation, such as dwelling lease agreements or lease amendments, for the current period or had missing signatures from the Authority's officials.

Corrective

Action: Subsequent to reporting the findings, documentation was obtained and signature was obtained from Housing Manager for all of the tenants except for the tenant residing in Unit #46KAL in which tenant's file was not available for follow-up review.

Auditor's

Response: It was noted the Authority's corrective action plan was properly implemented during the fiscal year ending September 30, 2004. However, there were similar deficiencies as evidenced in Finding 04-01 for the fiscal year ending September 30, 2004. Therefore, the above corrective action plan does not resolve the above condition.

Finding No. 03-02—Low Income Public Housing

Condition: For four (4) or 5% of the eighty (80) tenant files tested, there was either incomplete or no documentation for the current lease period under audit.

Corrective

Action: Since this finding documents necessary to complete income and tenant rent are now on tenants' files for all but one tenant who is in Unit #10PD in which third-party verification could not be obtained.

Auditor's

Response: It was noted the Authority's corrective action plan was properly implemented during the fiscal year ending September 30, 2004. However, there were similar deficiencies as evidenced in Finding 04-02 for the fiscal year ending September 30, 2004. Therefore, the above corrective action plan does not resolve the above condition.

Summary Schedule of Prior Year Audit Findings Year Ended September 30, 2004

2003 Audit Findings, Continued

Finding No. 03-03—Low Income Public Housing

Condition: For two (2) or 3% of the eighty (80) tenant files tested, the composition of family members reported on the Family Report did not match to the information provided per third-party verification or Dwelling Lease Agreement.

Corrective

Action: The proper third-party verifications have been obtained to include the missing family members. The mayor's certification states that the family members were in fact part of the family composition during the period of the lease. Furthermore, the tenants were called in to include the family members that were incorrectly not inputted on their Dwelling Lease.

Auditor's

Response: It was noted the Authority's corrective action plan was properly implemented during the fiscal year ending September 30, 2004. However, there were similar deficiencies as evidenced in Finding 04-03 for the fiscal year ending September 30, 2004. Therefore, the above corrective action plan does not resolve the above condition.

Finding No. 03-04—Low Income Public Housing

Condition: For four (4) or 5% of the eighty (80) tenant files tested, there was no documentation of birth certificates or social security cards within the tenants' folders.

Corrective

Action: Since reporting this finding, copies of birth certificates and social security cards for family members not accounted for have been obtained and placed in the tenant's files.

Auditor's

Response: It was noted the Authority's corrective action plan was properly implemented during the fiscal year ending September 30, 2004. However, there were similar deficiencies as evidenced in Finding 04-04 for the fiscal year ending September 30, 2004. Therefore, the above corrective action plan does not resolve the above condition.

Summary Schedule of Prior Year Audit Findings Year Ended September 30, 2004

2003 Audit Findings, Continued

Finding No. 03-05-Low Income Public Housing

Condition: For three (3) or 4% of the eighty (80) tenant files tested, there was either incomplete or no documentation of Verification of Employment (VOE) or verification form from banking institution to verify tenant's asset income.

Corrective

Action: Since reporting this finding, requests were made from banking institution for savings balance retroactive to the date the annual recertification was completed for the tenants. The Tenant Relations Advisor (TRA) entered the correct information in the Family Report and tenants signed the documents acknowledging the adjustments. Furthermore, an oral verification from tenant's employer was conducted and documented on file.

Auditor's

Response: It was noted that the Authority's corrective action plan was properly implemented during the fiscal year ending September 30, 2004. Therefore, this finding is considered resolved.

Finding No. 03-06—Low Income Public Housing

Condition: The utility reimbursement for tenant in Unit #64KAL did not agree to the amount reported in Family Report for period effective 11/01/02, which resulted in a variance of \$7 per month.

Corrective

Action: A memorandum was submitted to Fiscal department requesting for the credit on behalf of the tenant, which will be retroactive effective 11/01/02. However, the TRA initially failed to submit the memorandum to Fiscal department to adjust the utility reimbursement. Furthermore, the Public Housing staff could not locate the tenant file for a follow-up review.

Auditor's

Response: This finding is considered unresolved.

Summary Schedule of Prior Year Audit Findings Year Ended September 30, 2004

2003 Audit Findings, Continued

Finding No. 03-07-Low Income Public Housing

Condition: The TRA incorrectly used the prior period income and expenses reported on Family Report for tenant in Unit #21ASAL instead of using the current information provided by tenant.

Corrective

Action: Since reporting this finding, the correction was made on the calculation of the tenant rent in which followed the current income verification form for the lease period. The tenant will be informed of the remaining balance due to the Authority.

Auditor's

Response: It was noted that the Authority's corrective action plan was properly implemented during the fiscal year ending September 30, 2004. Therefore, this finding is considered resolved.

Finding No. 03-08-Low Income Public Housing

Condition: For two (2) or 3% of the eighty (80) tenant files tested, the tenant's income was completely disallowed in the Family Report for the lease period under audit, which was during the second twelve-month period since beginning of employment. During the second twelve-month period, only 50% of tenant's annual salary should be disallowed for computation of annual income.

Corrective

Action: Since reporting this finding, corrections were made on calculations of tenant rent. The retroactive adjustments were completed to exclude 50% of tenants' income based on the Earned Income Disregard rule. A memorandum to Fiscal department was sent for the adjustments on the accounts receivables.

Auditor's

Response: It was noted the Authority's corrective action plan was properly implemented during the fiscal year ending September 30, 2004. However, there were similar deficiencies as evidenced in Finding 04-08 for the fiscal year ending September 30, 2004. Therefore, the above corrective action plan does not resolve the above condition.

Summary Schedule of Prior Year Audit Findings Year Ended September 30, 2004

2003 Audit Findings, Continued

Finding No. 03-09-Low Income Public Housing

Condition: The dependent allowance of \$480 for the tenant's son, who is a full-time student, was not deducted from family's gross income. Therefore, there was a variance of \$12 per month in tenant rent for period 1/01/03 to 9/30/03.

Corrective

Action: The dependent allowance for tenant's son was considered and correction was made on tenant's rent. A memorandum to Fiscal department has been sent for adjustment on the accounts receivable.

Auditor's

Response: It was noted the Authority's corrective action plan was properly implemented during the fiscal year ending September 30, 2004. However, there were similar deficiencies as evidenced in Finding 04-07 for the fiscal year ending September 30, 2004. Therefore, the above corrective action plan does not resolve the above condition.

Finding No. 03-10-Low Income Public Housing

Condition: For two (2) or 3% of the eighty (80) tenant files tested, information for the tenant's income reported on the Family Report did not agree to the third-party verification provided by the tenant family during recertification process.

Corrective

Action: Tenants' annual incomes were adjusted to reflect the third-party verification in which resulted in adjusting the tenants' rent for the period under audit. The tenant in Unit #7ADUE was informed of the underpayment in the amount of \$960 due to the Authority for lease period 8/01/02 to 7/31/03. For the tenant in Unit #4APAQ, the correction was made to the calculation of tenant rent and a memorandum was sent to the Fiscal department to adjust rent on accounts receivable.

Auditor's

Response: It was noted the Authority's corrective action plan was properly implemented during the fiscal year ending September 30, 2004. However, there were similar deficiencies as evidenced in Finding 04-13 for the fiscal year ending September 30, 2004. Therefore, the above corrective action plan does not resolve the above condition.

Summary Schedule of Prior Year Audit Findings Year Ended September 30, 2004

2003 Audit Findings, Continued

Finding No. 03-11-Low Income Public Housing

Condition: For eighteen (18) or 23% of the eighty (80) tenant files tested, the lease agreements for the period under audit were extended and exceeded the one-year lease term. Although there is a Lease Amendment, the amendment was signed by the tenant and TRA approximately a month before the lease extension expired. The number of months the extension period was over the original lease term ranges from two months to thirteen months.

Corrective

Action: The Authority has continued to extend the lease agreements. However, the Authority is more strict and attentive on non-compliance issues and is working on addressing the problem on a day-to-day basis. Furthermore, staff training in the areas of eligibility, occupancy, and rent calculations are scheduled for May 2005.

Auditor's

Response: It was noted that similar deficiencies as evidenced in Finding 04-11 for the fiscal year ending September 30, 2004. Therefore, this finding is considered unresolved.

Finding No. 03-12—Section 8 Voucher

Condition: For three (3) or 4% of the eighty (80) Vouchers selected, the tenant folders had missing signature from the HAP Specialist and/or landlord on certain documentations such as the Family Report, Certification of Divestiture of Assets, and Amendment to Voucher Contract.

Corrective

Action: Since reporting this finding, documents in question have been reviewed and signatures have been obtained. For Voucher #37-329, the landlord was off-island during the contract signing due to an emergency. However, the landlord was contacted to sign the document.

Auditor's

Response: It was noted the Authority's corrective action plan was properly implemented during the fiscal year ending September 30, 2004. However, there were similar deficiencies as evidenced in Finding 04-14 for the fiscal year ending September 30, 2004. Therefore, the above corrective action plan does not resolve the above condition.

Summary Schedule of Prior Year Audit Findings Year Ended September 30, 2004

2003 Audit Findings, Continued

Finding No. 03-13—Section 8 Voucher

Condition: For Voucher #36-116, documentation was missing, such as birth certificate for tenant's son and Verification of Employment. For calculating tenant's annual income, the HAP Specialist used check stubs provided by the tenant.

Corrective

Action: HAP Specialist did not follow up with the family to provide the necessary documentation. However, due to fact that family terminated from program on March 31, 2003, no corrective action was taken for this tenant's file. Moreover, a checklist of documents required from the family is on file, which would facilitate the screening during the recertification process. Training was provided to staff and internal controls are in place to ensure efficient recertification processing.

Auditor's

Response: It was noted the Authority's corrective action plan was properly implemented during the fiscal year ending September 30, 2004. However, there were similar deficiencies as evidenced in Finding 04-12 for the fiscal year ending September 30, 2004. Therefore, the above corrective action plan does not resolve the above condition.

Finding No. 03-14—Section 8 Voucher

Condition: For two (2) or 3% of the eighty (80) Vouchers selected, the tenant's annual income and tenant rent were incorrectly calculated due to misinformation reported in Family Report, which did not agree to third-party verification.

Corrective

Action: An interim adjustment will be processed effective December 1, 2002 allowing "thirty (30) day notice" of increase of rental for Voucher #37-013. On Voucher #36-283, corrections were made to exclude the tenant's son's income due to fact that he was no longer employed. Since reporting this finding, the tenants have been informed of the changes and a Letter of Adjustment was prepared.

Auditor's

Response: It was noted the Authority's corrective action plan was properly implemented during the fiscal year ending September 30, 2004. However, there were similar deficiencies as evidenced in Finding 04-15 for the fiscal year ending September 30, 2004. Therefore, the above corrective action plan does not resolve the above condition.

Summary Schedule of Prior Year Audit Findings Year Ended September 30, 2004

2003 Audit Findings, Continued

Finding No. 03-15—Section 8 Voucher

Condition: For two (2) or 3% of the eighty (80) Vouchers selected, the tenant's overtime wages on the Family Report were miscalculated, which resulted in overpayments of tenant rents to the Authority.

Corrective

Action: For Voucher #26-138, the Authority found an underpayment amount to the landlord of \$65 for three months, a total of \$195. However, the tenant overpaid the landlord \$195 for period 9/01/03 to 11/30/03; therefore, the overpayment will be applied to future tenant rents from the landlord. For Voucher #36-205, an interim adjustment was made to reflect the overpayment of the family. Since reporting this finding, Letters of Adjustment have been prepared and the tenants have been informed of the changes.

Auditor's

Response: It was noted the Authority's corrective action plan was properly implemented during the fiscal year ending September 30, 2004. However, there were similar deficiencies as evidenced in Finding 04-17 for the fiscal year ending September 30, 2004. Therefore, the above corrective action plan does not resolve the above condition.

Finding No. 03-16—Section 8 Voucher

Condition: For twelve (12) or 15% of the eighty (80) vouchers selected, the Authority was not able to provide the tenant folders for compliance testing and it could not be determined whether amounts expended were allowable costs and services. Furthermore, a questioned cost of \$26,470 exists as a result of this condition.

Corrective

Action: All tenant files were located and provided to the auditor. However, Section 8 staff was informed that the review period was over and the files will not be assessed.

Auditor's

Response: This audit finding remains unresolved.

Summary Schedule of Prior Year Audit Findings Year Ended September 30, 2004

2003 Audit Findings, Continued

Finding No. 03-17—Family Self-Sufficiency

Condition: The amount on the annual status report of the family's FSS escrow account as of September 30, 2003 did not agree to the amount reported on the Escrow Credit Worksheet in the participant's folder. The amount reported to the family was understated by \$434.

Corrective

Action: The revised escrow credit spreadsheet was sent to the participant on December 15, 2003 with the current balance reflected. Since reporting this finding, training has been provided by contracted vendors to train staff on FSS program (i.e. Tenmast).

Auditor's

Response: It was noted that the Authority's corrective action plan was properly implemented during the fiscal year ending September 30, 2004. Therefore, this finding is considered resolved.

Finding No. 03-18—Family Self-Sufficiency

Condition: For three (3) or 12% of the twenty-five (25) participant files tested, documentation on file was not signed by the participants during the initial contract signing, such as the Contract of Participation (COP), the Individual Training and Services Plan (ITSP), and the Authorization to Obtain/Release Information form. Furthermore, for one participant, the base total tenant payment (TTP) noted in the participant's folder did not agree to the base TTP noted on the FSS schedule prepared by the FSS Program Coordinator.

Corrective

Action: Since reporting this finding, the participants have been contacted to sign the documents in question. Furthermore, the particular participant's file has been reviewed and the escrow credit worksheet is now reflecting the correct base TTP. However, the escrow balance for this participant remained at zero as of September 30, 2003 due to the corrections made and the change of the amount of base TTP is higher than the TTP amount of each interim and annual recertification.

Auditor's

Response: I continued to note deficiencies in recording and reporting the correct base TTP as evidenced in Finding 04-23 for the fiscal year ending September 30, 2004. Therefore, the above corrective action plan does not resolve the above condition.

Summary Schedule of Prior Year Audit Findings Year Ended September 30, 2004

2003 Audit Findings, Continued

Finding No. 03-19—Travel

Condition: For two (2) or 17% of the twelve (12) travel disbursements tested, the employees that attended off-island training submitted their trip reports past the ten-working-day period, which ranged from ten to twenty-one days past the mandatory period as per the Authority's Travel Policy.

Corrective

Action: For one employee who was authorized off-island training per Board Resolution #FY03-044, the employee submitted a memorandum requesting an extension for lateness of report due to illness. The Travel Committee was designated to track and remind travelers of their requirement to submit their travel and expense reports within ten days of return from off-island.

Auditor's

Response: It was noted above that the Authority has established a Travel Committee to monitor all travel; however, per Finding 04-24, trip expense reports continue to be submitted late and not in compliance with the travel policy for the fiscal year ended September 30, 2004. Therefore, this finding is considered unresolved.

Finding No. 03-20—Travel

Condition: For four (4) or 33% of the twelve (12) travel disbursements tested, the employees did not submit a Trip Expense Report within the ten working day period, which ranged from eleven to thirty-three days over the mandatory period as per the Authority's Travel Policy.

Corrective

Action: For one employee who was authorized off-island training per Board Resolution #FY03-044, the employee submitted a memorandum requesting an extension for lateness of report due to illness. Since reporting this finding, a Program Coordinator will be identified and steps will be taken to ensure that travel expense reports are submitted within ten working days.

Auditor's

Response: It was noted above that the Authority has established a Travel Committee to monitor all travel; however, per Finding 04-24, trip expense reports continue to be submitted late and not in compliance with the travel policy for the fiscal year ended September 30, 2004. Therefore, this finding is considered unresolved.

Summary Schedule of Prior Year Audit Findings Year Ended September 30, 2004

2003 Audit Findings, Continued

Finding No. 03-21—Payroll

Condition: For one (1) or 4% of the twenty-seven (27) personnel files tested, the ending balance of annual leave hours as of September 30, 2003 was 489 hours, which exceeded the maximum limit of 480 hours permitted for employees.

Corrective

Action: The Payroll Supervisor confirmed that adjustments were made for employee's total annual leave hours. The Authority is in the process of reviewing the annual leave register and making the necessary adjustments to credit the excess annual leave hours to the employee's sick leave balance for those who have accumulated over 480 hours of annual leave.

Auditor's

Response: It was noted that the finding has been rectified and reconciled to ensure that leave balances are properly credited. Therefore, this finding is considered resolved.

Finding No. 03-22—Payroll

Condition: For one (1) or 4% of the twenty-seven (27) personnel files tested, it was noted that employee #475 is under the Defined Contribution (DC) plan per employee's personnel action form. However, per the Certification of Membership Eligibility form dated 10/04/02 from Government of Guam Retirement Fund (GGRF) Office, employee is under the Defined Benefit (DB) plan.

Corrective

Action: The Human Resources (HR) department noted the discrepancy during an HR review. HR has notified GGRF office of the discrepancy and the GGRF staff recommended that the employee resolve the discrepancy, which resulted when the employee resigned from another government agency.

Auditor's

Response: It was noted that the HR department has made numerous attempts to call the GGRF office to resolve the matter. The GGRF office has offered to provide a letter absolving the Authority of the discrepancy. Therefore, this finding is considered resolved.

Summary Schedule of Prior Year Audit Findings Year Ended September 30, 2004

2002 Audit Findings

Finding No. 02-04 - Low Income Public Housing

Condition: The annual income reported on the Family Report was miscalculated for two (2) of sixty-five (65) tenant files tested due to use of outdated information and improper transfer of data from the file to the Public Information Center.

Corrective

Action: The Authority has conducted a random sampling in September 2004 on twenty-six (26) Public Housing tenant files, which revealed that deficiencies impacting the income and tenant rent calculation processes are recurring. However, there was some improvement during the latter part of 2004 in the process as reexaminations and interims, which may be due to management's increased review of files.

Auditor's

Response: It was noted during the fiscal year ending September 30, 2004 similar noncompliances as Findings 04-07 and 04-08. Therefore, this finding is considered unresolved.

Finding No. 02-05 – Section 8 Voucher

Condition: For two (2) or 3%, of the sixty-five (65) vouchers tested, it was noted that the tenant folders had missing signatures on the HAP Contract and Voucher by the Housing Manager and the tenant.

Corrective

Action: The Authority has conducted a random sampling of Section 8 tenant files in April 2005, which showed that staff is following the procedures and the Contract Control Analysts (CCAs) have increased quality control.

Auditor's

Response: The Authority has done much to rectify this situation. However, it was noted that this condition was not resolved during the fiscal year ending September 30, 2004 as similar non-compliance was found at Finding 04-14. Therefore, this finding is considered unresolved.

Summary Schedule of Prior Year Audit Findings Year Ended September 30, 2004

2002 Audit Findings, Continued

Finding No. 02-06 – Section 8 Voucher

Condition: For Voucher #13-272, the total annual wages and amount for child support did not agree to third-party verification forms, which resulted in a miscalculation of tenant rent.

Corrective

Action: Due to time constraints and limited manpower, the Authority was unable to conduct a sufficient number of tenant sampling to determine if this audit finding is officially resolved. However, a random sampling of tenant files shall be performed throughout the year for the purpose of preventing or eliminating similar deficiencies. Also, status reports will be provided on a quarterly basis.

Auditor's

Response: It was noted that this condition was not resolved during the fiscal year ending September 30, 2004 as similar non-compliances were found at Findings 04-15 and 04-17. Therefore, this finding is considered unresolved.

Finding No. 02-10 – Family Self-Sufficiency (FSS)

Condition: Eleven out of 25 files, or 44% of participant files tested, the FSS escrow balances were miscalculated due to recording incorrect base total tenant payment (TTP) at the initial Contract of Participation. The FSS Program Coordinator used prior lease terms, which was over the 120 day period, as the basis of recording the base TTP. Furthermore, some of the ending FSS escrow balances as of 9/30/02 per the report provided by the FSS Program Coordinator did not agree to balances per subsidiary ledger. The FSS Program Coordinator did not adhere to the rules noted in the Section 8 Housing Choice Voucher Handbook.

Summary Schedule of Prior Year Audit Findings Year Ended September 30, 2004

2002 Audit Findings, Continued

Finding No. 02-10 – Family Self-Sufficiency (FSS), continued

Corrective

Action: The Section 8 Program has begun the process of revamping the FSS program to include providing the much needed training for its staff and assessing the process of implementing internal controls. However, the Public Housing Program has had a rather slow start in assessing and implementing internal controls needed to improve the program. Mandatory staff training has just recently been scheduled for May 2005.

Auditor's

Response: I commend the Authority's efforts to implement the above corrective action plan. However, I continued to note deficiencies in recording and reporting the correct base TTP as evidenced in Finding 04-21 for the fiscal year ending September 30, 2004. Therefore, the above corrective action plan does not resolve the above condition.

Finding No. 02-11 – CPD/Section 8 Late Travel Trip Reports

Condition: Trip reports were submitted more than 10 days after the trip and not in compliance with the Authority's travel policy.

Corrective

Action: The Travel Committee has established a tracking mechanism that provides assistance in reminding travelers to submit reports within 10 working days from return from travel and tracking those who have not submitted. However, some travelers were submitting reports late which is partly due to some travelers taking vacation off-island and not returning to work immediately, succumbing to illness, or losing receipts, etc.

Auditor's

Response: It was noted above that the Authority has established a Travel Committee to monitor all travel. However, per Finding 04-24, travel expense reports continue to be submitted late and are not in compliance with the travel policy for the fiscal year ended September 30, 2004. Therefore, this finding is considered unresolved.

Summary Schedule of Prior Year Audit Findings Year Ended September 30, 2004

2002 Audit Findings, Continued

Finding No. 02-12 – CPD/Section 8 Late Travel Expense Reports

Condition: Employee trip expense reports submitted late after the ten working day period and not in compliance with the Authority's travel policy.

Corrective

Action: The Travel Committee has established a tracking mechanism that provides assistance in reminding travelers to submit reports within 10 working days from return from travel and tracking those who have not submitted. However, some travelers continue submitting reports late which is partly due to some travelers taking vacation off-island and not returning to work immediately, succumbing to illness, or losing receipts, etc.

Auditor's

Response: It was noted above that the Authority has established a Travel Committee to monitor all travel; however, per Finding 04-24, travel expense reports continue to be submitted late and not in compliance with the travel policy for the fiscal year ended September 30, 2004. Therefore, this finding is considered unresolved.

2001 Audit Findings

Finding No. 01-12 - Family Self-Sufficiency (FSS)

Condition: Overpayment of FSS escrow funds to a participant who has graduated from the program on 6/30/01 resulted in a questioned cost of \$10,017.

Corrective

Action: No receivable due from HAP #5914 was recorded in the Authority's general ledger for the mere fact that no funds have been received to date. The court order judgment states that the individual must reimburse the authority at least \$100 per month until the full amount is reimbursed. HAP #5914 has not taken action concerning the judgment and as of December 2004, legal actions have been filed in court to enforce the judgment.

Auditor's

Response: It is recommended that the Authority should recover the funds through a Collection Agency and through the Guam Department of Revenue and Taxation via a tax offset. Therefore, this finding is considered unresolved.

Summary Schedule of Prior Year Audit Findings Year Ended September 30, 2004

1998 Audit Findings

Finding No. 98-16 - Financial Management System

Condition: The Authority did not record transactions to the general ledger in a timely manner and there was a lack of reconciliation of program expenditures between the Fiscal and Programs Divisions, as well as financial statements not being prepared in a timely manner. The finding relates to the implementation of a Financial Management System (FMS) to allow full integration and interface of the program activity with the general ledger for financial reporting.

Corrective

Action: The Authority is working with its current software vendor to develop and install modules that would fully interface its general ledger with its other programs. The software company provided a demonstration of the modules' capacity in March 2004 and has scheduled installation for late February 2005. Once the modules are installed, training will be provided to each user and functions will be monitored and reported to the Authority's Board of Commissioners as well as HUD.

Auditor's

Response: It was noted that the Authority has initiated measures to improve efficiency and eliminate redundancies in the Fiscal Division by reviewing and streamlining workflow processes, purchase of WINTEN upgrades and obtaining training on the use of all its modules. The use of electronic spreadsheets, databases and subsystems have been eliminated to reduce such redundancies, which has resulted in increased efficiency and current posting to the general ledger and financial reporting. However, the Authority should continue to seek a financial management module that fully interfaces the general ledger with its HUD programs. Therefore, this finding is considered unresolved with respect to acquiring a module to fully interface the program activity with general ledger.

SUMMARY OF UNRESOLVED QUESTIONED COSTS SEPTEMBER 30, 2004

	Qu	eginning lestioned Costs	Costs Allowed		Costs Disallowed		Unresolved Questioned Costs	
Total unresolved questioned costs for fiscal year 2001	\$	10,017	\$	-	\$	-	\$	10,017
Total unresolved questioned costs for fiscal year 2002		-		-		-		-
Total unresolved questioned costs for fiscal year 2003		26,470		-		-		26,470
Questioned costs for fiscal year ending 2004	<u>.</u>	33,588						33,588
Total unresolved questioned costs at September 30, 2004	<u>\$</u>	70,075	<u>\$</u>		<u>\$</u>		<u>\$</u>	70,075

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