

AUDIT REPORT



CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF FINANCIAL AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Audit Report on the Section 8 Housing Choice Voucher Program of the Department of Housing Preservation and Development January 1–December 31, 2002

FN04-060A

October 17, 2005



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, N.Y. 10007-2341

WILLIAM C. THOMPSON, JR.
COMPTROLLER

To the Citizens of the City of New York

Ladies and Gentlemen:

In accordance with the Comptroller's responsibilities contained in Chapter 5, § 93, of the New York City Charter, my office has audited the Department of Housing Preservation and Development's (HPD's) administration of the Section 8 Housing Choice Voucher Program.

Section 8 is a federally funded housing subsidy program that offers low-income families the opportunity to lease affordable housing. We audit programs such as this to determine whether funds are properly accounted for and appropriately disbursed.

The results of our audit, which are presented in this report, have been discussed with HPD officials, and their comments have been considered in preparing this report. The agency's complete written response is attached.

I trust that this report contains information that is of interest to you. If you have any questions, concerning this report, please e-mail my audit bureau at audit@comptroller.nyc.gov or telephone my office at 212-669-3747.

Very truly yours,

A handwritten signature in cursive script that reads "William C. Thompson, Jr.".

William C. Thompson, Jr.

WCT/fh

Report: FN04-060A
Filed: October 17, 2005

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*The City of New York
Office of the Comptroller
Bureau of Financial Audit*

**Audit Report on the
Section 8 Housing Choice Voucher Program of the
Department of Housing Preservation and Development
January 1–December 31, 2002**

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AUDIT REPORT IN BRIEF

Section 8 is a federally funded housing subsidy program that offers low-income families the opportunity to choose and lease safe, decent, and affordable privately owned rental housing that they otherwise could not afford by providing additional, supplemental funds. In New York City, there are two public housing authorities that provide Section 8 housing vouchers: the Department of Housing Preservation and Development (HPD) and the New York City Housing Authority. Each awards vouchers and administers the program separately and differently. HPD currently administers vouchers for approximately 26,000 households.

This audit determined whether HPD properly accounted for the Section 8 funds that it received from U.S. Department of Housing and Urban Development (HUD) for the Section 8 Housing Choice Voucher Program (HCV Program) and appropriately disbursed funds to landlords on behalf of eligible families, in accordance with HUD and HPD guidelines.

Audit Findings and Conclusions

HPD properly accounted for the Section 8 funds that it received from HUD for its HCV Program, and it generally disbursed funds to landlords appropriately on behalf of eligible families. In addition, payments to landlords were generally made in accordance with HUD and HPD guidelines.

HPD, however, did not provide the files for five families of the 196 requested family files. Therefore, we could not determine whether the families in these cases were eligible to receive Section 8 benefits and whether HPD followed HUD and HPD guidelines. Moreover, our review of the 191 files that were provided revealed instances of files lacking required documentation: 107 files were lacking inspection checklists; 29 files had incomplete checklists; 24 files did not include suspension letters or follow-up inspection reports; and, 23 files did not contain documentation of rent reasonableness tests. As a result, we could not determine whether these families were eligible for benefits, whether landlords received appropriate payments, and whether required annual inspections and re-certifications were conducted, as required by HPD guidelines.

In addition, HPD made excessive Housing Assistance Payments (HAP) to landlords totaling \$11,141, as shown in Appendix I, and \$195,434 in questionable payments to landlords for 42 families, in which the lack of required documents prevented us from determining the appropriateness of these payments, as shown in Appendix II.

Thus, if our findings concerning the absence of files, the lack of and inaccuracy of information, and the excessive payments to landlords are projected to the 18,167 families that received Section 8 support in 2002, we estimate that \$5,525,493 of \$101,900,572 paid to landlords is questionable.

Audit Recommendations

We recommend that HPD make the necessary adjustments to the files for the seven landlords noted in this report and recoup the \$11,141 in HAP payments that was incorrectly sent to them; investigate the 42 questionable payments detailed in this report and recoup any money due; and, review its files to determine whether any improper and questionable payments have been made other than those mentioned in the report, and recoup any money due.

In addition, HPD should maintain files for each family receiving Section 8 benefits. In this regard, HPD should ensure: that the files are not lost or misplaced; that documents necessary to determine eligibility, appropriateness of payments, and compliance with HUD and HPD regulations are included in the files; and, that all information in the files is accurate and complete. Finally, HPD should establish written procedures to ensure that all information entered into its computer system is accurate.

INTRODUCTION

Background

The New York City Department of Housing Preservation and Development (HPD) is the largest municipal developer of affordable housing in the nation. HPD protects the existing housing stock and expands housing options for New Yorkers as it strives to improve the availability, affordability, and quality of housing in New York City. HPD works with its government, community, non-profit, and for profit partners to strengthen neighborhoods, to increase the availability of well-maintained affordable housing, and to enable New Yorkers to become homeowners.

Section 8 is a federally funded housing subsidy program that offers low-income families the opportunity to choose and lease safe, decent, and affordable privately owned rental housing that they otherwise could not afford by providing additional, supplemental funds. Local public housing authorities apply to the U.S. Department of Housing and Urban Development (HUD) for Section 8 funds from the Section 8 Housing Choice Voucher Program (HCV Program), which are then provided to eligible families in accordance with HUD rules and regulations. In New York City, there are two public housing authorities that provide Section 8 housing vouchers: HPD and the New York City Housing Authority. Each awards vouchers and administers the

program separately and differently. HPD currently administers vouchers for approximately 26,000 households.

Since the New York City Housing Authority is the primary public housing authority in New York City, HPD generally targets its Section 8 assistance to households whose primary nighttime residence is either a publicly or privately operated shelter under HPD jurisdiction or the home of another household, also under HPD jurisdiction, that is allowing the applicant temporary residence. In addition, HPD, through the Section 8 HCV Program, provides assistance to households who are residing in a building that is owned by the City or by an entity designated by the City to achieve its housing goals, and that is in need of substantial renovation; and households residing in buildings that have been newly constructed or renovated with financial assistance from HPD or in buildings for which HPD maintains regulatory responsibility. HPD also administers Section 8 benefits to households facing the imminent placement of their child or children in out-of-home care, or facing the delay of the return of their child or children from such care, primarily because of the households' lack of adequate housing as certified by the City Administration for Children's Services.

For calendar year 2002, HPD received \$114,205,442 in Section 8 funds from HUD. During this period, HPD incurred \$12,414,942 in administrative expenses and paid \$101,900,572 to landlords while recouping \$655,612 in overpayments. HPD also paid \$545,554 to related Section 8 programs (Family Self-Sufficiency Program, Hard-to-House Families Program, and payments for families previously receiving Mitchell Lama subsidies).

Objectives

Our audit objectives were to determine whether HPD properly accounted for the Section 8 funds that it received from HUD for its HCV Program and appropriately disbursed funds to landlords on behalf of eligible families, in accordance with HUD and HPD guidelines.

Scope and Methodology

This audit covered the period January 1, 2002–December 31, 2002. To gain an understanding of HPD's HCV Program, we interviewed management personnel and conducted a walkthrough of the operations. We familiarized ourselves with the HPD *Housing Choice Voucher Program Guidebook* and HPD accounting and record keeping procedures. We documented our understanding of these procedures through the use of written narratives.

To determine whether HPD properly accounted for the funds received, we vouched the amounts on HUD's monthly Requisition for Partial Payment of Annual Contributions to the amounts on HPD's General Journal Report. We also vouched the deposits from the General Journal Report to HPD's General Ledger Report and to the New York City Treasury account maintained on its behalf. To determine whether HPD accurately accounted for the funds it disbursed, we traced the payments listed on HPD's Cash Disbursement Journal to its General Journal Report and General Ledger Report for the 12-month audit period. In addition, we matched the payment amounts to the amounts HPD reported to HUD on its Voucher for Payment of Annual Contributions and Operating Statement.

To determine whether HPD accurately disbursed funds to the landlords, we randomly sampled 196 of 18,167 family files that HPD officials stated were the Program for 2002.¹ We determined the accuracy of the rent calculations in the sampled files and then matched the rent amounts stated in the family file to the amounts listed on the monthly Housing Assistance Program (HAP) Payment Registers (HAP Payment Registers). We checked the voucher number, check number, check date, and amount paid.

We also determined whether the City Department of Finance paid the correct amount to each landlord by matching the voucher number, check number, check date, and check amount listed on the monthly HAP Payment Registers to the payment data in the City's Financial Management System (FMS).

To determine whether payments were made on behalf of eligible families, we examined the files of the chosen sample for documentation, in accordance with the eligibility criteria. This included birth certificates, marriage licenses, and immigration and naturalization documentation. In addition, we reviewed whether the files contained the required pay stubs, notarized letters from employers, Social Security Benefits Statements, and Department of Social Services welfare print-outs. We also determined whether each file included documentation of the required annual family re-certification and apartment inspection, the Housing Assistance Payments (HAP) Contract, the lease agreement, income verification, and the determination of rent reasonableness.

We determined whether annual inspections of tenants' apartments were completed in a timely manner by examining the annual inspection checklists from January 2001 to December 2004, noting the dates of inspections. We also noted whether files lacked any inspection checklists. We compiled a list of pass, fail, or inconclusive inspections. For failed and inconclusive inspections, we examined any documents that would indicate whether the noted problems were addressed and corrected. We then examined the inspection checklist for the presence of signatures of both the tenant and inspector.

To determine whether payments were only made for families whose apartments passed inspections, we reviewed the HAP Payment Register for the month of December 2002 (the last month in our scope period) and matched its amounts to those listed in the family files. For apartments that failed inspections, for which inspections were not completed annually, or for which a family no longer met Section 8 standards for receiving subsidies, we reviewed the HAP Payment Registers to determine whether HPD made improper payments in these cases. We also noted any instances in which HPD recouped ineligible payments.

Finally, during November and December 2004, and using HPD's inspection checklists, we attempted to conduct unannounced observations of the 155 apartments in our sample that were still listed as Section 8 housing during 2004, and determined whether the apartments were properly maintained in accordance with HUD and HPD guidelines. (We gained access to 79 apartments and did not have access to the remaining 76 apartments.)

¹ The sample size was based on the expectation that the results would be projected to the population from which it was drawn.

As previously noted, our sample of family files was randomly selected from calendar year 2002. However, we reviewed all the data that was contained in the family files, which may have covered activity from 2001 through 2004. Our sample results addressed the full impact of any noted findings, even when they extended beyond calendar year 2002. However, our projection to calendar year 2002 payments was based on calendar year 2002 data only.

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of the records and other auditing procedures considered necessary. This audit was performed in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, § 93, of the New York City Charter.

Discussion of Audit Results

The matters covered in this report were discussed with HPD officials during and at the conclusion of this audit. A preliminary draft report was sent to HPD officials and was discussed at an exit conference on June 30, 2005. On July 7, 2005, we submitted a draft report to HPD officials with a request for comments. We received a written response from HPD on July 22, 2005, in which it generally agreed with the audit, and described the actions taken to address the report's recommendations.

The full text of HPD's comments is included as an addendum to this final report.

FINDINGS

HPD properly accounted for the Section 8 funds that it received from HUD for its HCV Program, and it generally disbursed funds to landlords appropriately on behalf of eligible families. In addition, payments to landlords were generally made in accordance with HUD and HPD guidelines. However, we did note documentation weaknesses that caused us to question some payments. These and other issues are summarized as follows.

HPD did not provide the files for five families of the 196 requested family files.² Therefore, we could not determine whether the families in these cases were eligible to receive Section 8 benefits and whether HPD followed HUD and HPD guidelines.

Our review of the 191 files that were provided revealed instances of files lacking required documentation, of information incorrectly entered into HPD's computer system, and of excessive HAP payments to landlords. Specifically, we found overpayments to landlords totaling \$11,141, and 42 families for which the lack of required documents led us to question \$195,434 in payments to landlords.³ If our findings concerning the absence of files, the lack of and inaccuracy of information, and the excessive payments to landlords are projected to the 18,167 families that received Section 8 support in 2002, we estimate that \$5,525,493 of \$101,900,572 paid to landlords is questionable.⁴

Folders Not Provided

As previously stated, HPD did not provide five files that we requested. As a result, we could not determine whether these families were eligible for benefits, whether landlords received appropriate payments, and whether required annual inspections and re-certifications were conducted. In order for us to make a determination on eligibility, appropriateness of payment, and compliance with guidelines, each file should contain birth certificates, marriage licenses, immigration and naturalization documentation, pay stubs, notarized letters from employers, Social Security Benefit Statements, and Department of Social Services welfare print-outs, if applicable. In addition, the file should contain documentation of annual required re-certification and inspection, the Housing Assistant Payments (HAP) Contract, the lease agreement, income verification, and the determination of rent reasonableness.

² HPD did not provide five of the 196 sampled family files, which suggests that HPD might not be able to find approximately 2.6 percent, or 472 family files, of the population of 18,167 family files.

³ Of the \$195,434 that we questioned due to the lack of required documents, \$59,614 represents calendar year 2002 payments made for 33 families.

⁴ Our projection of \$5,525,493 is based on the precision of a +/- \$2,474,787 at 95 percent confidence level. In other words, we are 95 percent confident that the questionable amount for all 18,167 family files is between \$3,050,706 and \$8,000,280.

Lack of Documentation

As previously mentioned, our review of the sampled files revealed instances in which files lacked required documentation, which therefore was not entered in HPD's computer system, or in which information in the files was incorrectly entered in the computer system, as follows:

- ***Lacking Inspection Checklists:*** Of 191 family files that we reviewed, 107 files lacked one or more apartment inspection checklists. In total, 156 checklists were not in their files, as required—66 inspection checklists for 2001, 58 inspection checklists for 2002, and 32 inspection checklists for 2003.⁵ Since the checklists were not in their respective files, we were unable to determine whether inspections were conducted for these apartments, and if the inspections took place, whether the apartments passed or failed. Without such documentation, we were unable to determine whether the payments to the landlords were appropriate.
- ***Incomplete Checklists:*** 29 files contained incomplete checklists—10 checklists for 2001, 12 checklists for 2002, and 13 checklists for 2003 which indicated that the inspector could not gain access to the apartment to conduct the inspection, that the inspector could not complete the inspection, or that the checklist did not contain the signature of an inspector or a tenant, or both, as required. Again, in these cases, we could not determine whether these apartments passed or failed their inspections, and whether the payments made to the landlords were appropriate.
- ***No Documentation of Suspension Letters and Follow-Up Inspection Reports:*** 24 files indicated that apartments failed their inspections; however, no documentation was included in the files that would indicate that either the conditions had been corrected, or that a letter of suspension had been sent to the landlord. There were also nine instances in which HPD sent a letter of failure to the landlord, but they lacked documentation indicating whether or not follow-up inspections were made and the noted conditions corrected. As we previously mentioned, HPD will suspend subsidy payments to a landlord when an apartment fails an inspection and the cited conditions are not corrected. Therefore, without documentation that letters of suspensions were sent or that follow-up inspections took place, we could not determine whether HPD ever notified the landlords of the conditions to be corrected, or whether the payments were appropriate.
- ***No Documentation of Rent Reasonableness Tests:*** 23 files did not contain rent reasonableness test documentation. Chapter 9 of HUD's *Housing Choice Voucher Program Guidebook* requires that all public housing authorities determine rent reasonableness before entering into a HAP contract. Rent reasonableness tests determine whether the rent for a particular apartment is fair by using the following

⁵ According to the *Administrative Plan of the New York City Department of Housing of Preservation and Development Section 8 Program*, "If HQS [Housing Quality Standards] violations are found, the owner will be given a written notice that they [the cited violations] must be removed within 30 days or 24 hours if life-threatening. HPD may also consider granting an extension to the 30-day period for good cause. Failure to remove HQS violations will result in suspension and, if corrections are not made within 30 days, or any HPD approved extension for good cause, termination of subsidy benefits."

criteria: comparable sizes and rent rates for apartments, location, quality, unit type, and age of the unit. Although we found that the rent amounts paid in these 23 instances were in accordance with HUD guidelines, HPD needs to maintain documentation showing that rents were evaluated before entering into contracts with landlords.

- ***Lack of Monthly Payment Registers:*** The family files that we reviewed lacked 289 of 715 monthly HAP Payment Registers that should have been present. These registers list the name and address of the landlord; name of the tenant; voucher number; check number, date, and amount; and the total contracted amount of rent, the tenant's share of rent and HPD's funding amount to the landlord. The monthly HAP Payment Registers provide important documentation to substantiate payments to landlords.

Improper Payments to Landlords

As shown in Appendix I, HPD incorrectly made HAP payments to landlords totaling \$11,141:

- HPD improperly included \$2,508 of a \$4,389 retroactive payment from November 2002 to May 2003 to a landlord whose apartment failed inspection in April 2002, even though HPD's records indicated that this apartment was under suspension since May 2002. This apartment only passed a subsequent inspection in March 2003; therefore, payments from November 2002 through February 2003 at \$627 per month should not have been made to the landlord.
- According to HPD records, a landlord received \$425 a month from November 2002 to March 2003, even though the landlord's apartment failed its inspection on June 26, 2001. For this apartment, there was no documentation in HPD's files that indicated HPD conducted a follow-up inspection and there were no inspection checklists in the files for 2002 and 2003. Subsidies for this landlord were terminated as of October 1, 2002; therefore, \$2,125 in payments from November 2002 to March 2003 should be recouped.
- HPD sent a Notice Of Subsidy Termination for a failed November 2001 inspection, effective December 1, 2001. However, contrary to the Notice of Subsidy Termination, HAP Payment Registers indicated that the landlord was paid \$3,980 from December 2001 through April 2002.
- A Notice of Failure was sent on July 1, 2002, to a landlord whose apartment failed inspection on June 25, 2002, granting the landlord 30 days to make the required repairs. HPD then sent a Notice of Subsidy Termination dated September 30, 2002, effective August 1, 2002. However, HPD made a payment to the landlord in November 2002 for \$226 that should not have been paid.
- HPD sent a landlord, whose apartment failed a March 18, 2002 inspection, a Notice of Subsidy Termination on May 6, 2002, effective April 28, 2002. However, contrary to the Notice, HPD made two payments totaling \$810 to the landlord for May and June of 2002.

- Information found in a family file specified that a tenant's income was 30 percent greater than the actual monthly rent. However, HPD based its funding amount on the lower income that was indicated on the January 2000 HAP Payment Register. As a result, the landlord was overpaid \$370, which HPD should recoup. The landlord could then recover the amount from the tenant.
- HPD never followed up on a June 10, 2003 inspection checklist that included a comment from a person stating the tenant had passed away. Consequently, HPD continued to provide funding totaling \$1,122 to the landlord from July to December 2003 at \$187 a month.

Questionable Payments

As stated earlier, the absence of the above-mentioned documentation prevented us from determining the appropriateness of \$195,434 in rent payments to landlords that we reviewed. (See Appendix II.) Examples are as follows:

- One apartment that failed an inspection on July 21, 2003, was erroneously entered into HPD's computerized system as a "passed" inspection. As a result, the landlord received funding payments totaling \$6,550 from July 1, 2003, through September 30, 2004.
- HPD made payments to one landlord totaling \$30,001 from July 2002 through December 2004, even though the apartment failed its 2003 inspection. There was no documentation in the file to determine whether this apartment was inspected in 2002, and whether HPD notified the landlord that the apartment failed its 2003 inspection. As a result, we could not ascertain whether the problems noted in the 2003 inspection report for this apartment existed in 2002.

RECOMMENDATIONS

HPD should:

1. Maintain files for each family receiving Section 8 benefits. In this regard, HPD should ensure that the files are not lost or misplaced, that documents necessary to determine eligibility, appropriateness of payments, and compliance with HUD and HPD regulations are included in the files, and that all information in the files is accurate and complete.

HPD's Response: "HPD creates and maintains a separate file for every family receiving Section 8 assistance. HPD will continue to improve file tracking through a software program that assigns each file a unique scan barcode. This system allows files to be tracked by a digital time stamp that identifies the HPD borrower. In addition, HPD is implementing a file reorganization procedure to ensure that documentation is complete. Each file will include checklists indicating what information is needed for the case. All staff members have received extensive training that stresses the importance of maintaining proper documentation in each case file.

The staff has been instructed to keep copies of inspection reports, suspension letters, and related materials in the tenant file. Periodic staff meetings reinforce the need for accurate and complete documentation. Supervisors review individual case files to check for current and accurate information. In addition, HPD has instituted a new termination review process that will review files for complete documentation and appropriate payments.”

2. Review its files to determine whether any improper and questionable payments have been made other than those mentioned in the report, and recoup any money due.

HPD’s Response: “Case managers are constantly reviewing individual files to determine whether any improper payments have been made. Supervisors approve all certifications and provide another layer of oversight. Computer generated reports allow for payment review of the entire population. In the event of improper payment, money is recouped from the landlord. Additionally, a Quality Assurance team will examine a random sampling of files to determine whether any improper or questionable payments have been made.”

3. Make the necessary adjustments to the files for the seven landlords noted in this report and recoup the \$11,141 in HAP payments that was incorrectly sent to them.

HPD’s Response: “The individual payment findings in the report are under review. All relevant documentation is being gathered and any necessary adjustments will be made. Landlords will be notified of money to be recouped.”

4. Investigate the 42 questionable payments detailed in this report and recoup any money due.

HPD’s Response: “The questionable payments in the report are under review. All relevant documentation is being gathered and any necessary adjustments will be made. Landlords will be notified of money to be recouped.”

5. Establish written procedures to ensure that all information entered into its computer system is accurate.

HPD’s Response: “In 2004, HPD instituted the use of hand-held electronic devices for all HQS inspections. This has reduced the number of data entry errors and guarantees a digital record of all inspections. All inspection information is downloaded into HPD’s computer system for accurate record keeping. With the help of industry consultants, HPD is developing policies and procedures to improve the overall accuracy of information entered into the computer system. Targeted staff training, increased supervisor oversight, and computer controls will improve the quality of data entry. Additionally, a Quality Assurance team will examine a random sampling of files to check that all information entered into the computer system is accurate.”

Appendix I

Schedule of Improper Payments to Landlords

| Number | Case No. | Inspection History | Incorrect Payment | Housing Assistance Program Payments Made To Landlords | Amount to Recoup |
|--------|----------|----------------------------------------------------------|-------------------|-------------------------------------------------------------------------------------|------------------|
| 1 | 2 | 5/01 – Fail 4/02 – Fail ¹ | 11/02 – 2/03 | 11/02 – 2/03 at \$627 per month | \$2,508 |
| 2 | 20 | 6/01 – Fail ² 2002 Missing 2003 Missing | 10/02 – 3/03 | 11/02 – 3/03 at \$425 per month | \$2,125 |
| 3 | 21 | 11/01 – Fail ³ 3/02 – Fail | 12/01 – 4/02 | 12/01 – 4/02 at \$796 per month | \$3,980 |
| 4 | 28 | 6/02 – Fail ⁴ | 2/02 – 8/03 | 11/02 – \$226 | \$226 |
| 5 | 39 | 3/02 – Fail ⁵ 8/03 – Fail | 5/02 – 6/02 | 5/02 – 6/02 at \$405 per month | \$810 |
| 6 | 40 | | 1/00 ⁶ | 1/00 – \$370 | \$370 |
| 7 | 44 | 6/03 | 7/03 – 12/03 | HPD Payments of \$187 a month, 6/10/03 checklist noted tenant died. ⁷ | \$1,122 |
| | Total | | | | \$11,141 |

¹ HPD improperly included \$2,508 of a \$4,389 payment retroactive from November 2002 to May 2003 to a landlord whose apartment failed inspection in April 2002, even though HPD's records indicated that this apartment had been under suspension since May 2002. This apartment passed a subsequent inspection only in March 2003; therefore, payments from November 2002 through February 2003 at \$627 per month should not have been made to the landlord.

² According to HPD records, a landlord received \$425 a month from November 2002 to March 2003, even though the landlord's apartment failed its inspection on June 26, 2001. For this apartment, there was no documentation in HPD's files that indicated HPD conducted a follow-up inspection and there were no inspection checklists in the files for 2002 and 2003. Subsidies for this landlord were terminated as of October 1, 2002; therefore, \$2,125 in payments from November 2002 to March 2003 should be recouped.

³ HPD sent Notice of Subsidy Termination for a failed November 2001 inspection, effective December 1, 2001. However, HAP Payment registers indicated that the landlord was incorrectly paid \$3,980 from December 2001 through April 2002.

⁴ A Notice of Failure was sent on July 1, 2002, to a landlord whose apartment failed inspection on June 25, 2002, granting the landlord 30 days to make the required repairs. HPD then sent a Notice of Subsidy Termination dated September 30, 2002, effective August 1, 2002. However, HPD made a payment to the landlord in November 2002 for \$226 that should not have been paid.

⁵ HPD sent a landlord, whose apartment failed a March 18, 2002 inspection, a Notice of Subsidy Termination on May 6, 2002, effective April 28, 2002. However, HPD made two improper payments to the landlord for May and June of 2002.

⁶ Information found in a family file specified that a tenant's income was 30 percent greater than the actual monthly rent. The HAP Payment Register from January 2000 indicated that HPD based its payment to the landlord on the lower income. HPD should recover this amount from the landlord, who in turn, can recover the amount from the tenant.

⁷ HPD never followed up on a June 10, 2003 inspection checklist that included a comment from a person stating the tenant had passed away. Consequently, HPD continued to provide funding totaling \$1,122 to the landlord from July to December 2003.

Schedule of Questionable Payments

| No. | Case No. | Inspection History | Period of Questionable HAP Payments | Payment Registers Missing ^A | Housing Assistance Program Payments Made To Landlords | Over Payments | Payments Recouped from Landlords | Net Over-Payments |
|-----|----------|----------------------------------------------------------|-------------------------------------|----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|----------------------------------|-------------------|
| 1 | 1 | 3/01 – Fail 4/02 – Pass 3/03 – Pass | 3/01 – 4/02 | None | 3/01 – 12/01 at \$170.71 per month 1/02 – 4/02 at \$165 per month | \$1,707 660 | | \$2,367 |
| 2 | 2 | 5/01 – Fail 4/02 – Fail 5/03 – Pass | 5/01 – 12/02 | 8/02 – 12/02 | 5/01 – 10/01 at \$472.60 per month 11/01 – 7/02 at \$507.10 per month | 2,836 4,564 | | 7,400 |
| 3 | 3 | 6/01 – Pass 11/02 – Pass 8/03 – Pass | 7/02 – 10/02 | None | 7/02 – 10/02 at \$370 per month | 1,480 | | 1,480 |
| 4 | 4 | 8/02 – Fail 1/03 – Pass | 9/02 – 12/02 | None | 9/02 – \$610.61 10/02 – \$579 11/02 – \$577 12/02 – \$579 | 2,346 | -2,077 | 269 |
| 5 | 5 | 2/01 – Pass 10/02 – Pass | 2/02 – 10/02 | None | 2/02 – 5/02 at \$774 per month 6/02 – 10/02: No Payments made. | 3,096 | | 3,096 |
| 6 | 6 | 5/01 – Pass 9/02 – Fail 1/03 – Pass | 6/02 – 12/02 | 6/02 – 12/02 | 11/02 – 12/02 = \$317 per month | 634 | | 634 |
| 7 | 7 | 6/03 – Fail | 6/03 – 9/04 | None | 6/03 – 3/04 at \$103.65 per month 4/04 – 9/04 at \$111.65 per month | 1,037 670 | | 1,707 |
| 8 | 8 | 6/01 – Fail 5/02 – Pass 5/03; 11/03 (No Access) | 6/01 – 5/02 | None | 6/01 – 4/02 at \$514 per month 5/02 – No Payment | 5,654 | | 5,654 |
| 9 | 9 | 3/01 – Pass 2002 – None 8/03 – Fail | 4/02 – 9/04 | None | 11/02 – 12/02 at \$676 per month 1/03 – 6/03 at \$627 per month 7/03 – 4/04 at \$660 per month 5/04 – 9/04 at \$663.44 per month | 1,352 3,762 6,600 3,317 | | 15,031 |
| 10 | 10 | 7/01 – Pass 6/02 – Pass 12/03 – Pass | 6/03 – 12/03 | None | 6/03 – 7/03 at \$331 per month 8/03 – 12/03 at \$329 per month | 662 1,645 | | 2,307 |
| 11 | 11 | 8/01 – Fail 7/02 – Fail 6/03 – Pass | 8/01 – 5/03 | None | 8/01 – 1/02 = \$860 per month 2/02 – No Payment 3/02 – 5/03 at \$663 per month | 5,160 9,945 | | 15,105 |
| 12 | 12 | 5/02 – Pass 9/03 – Pass | 6/03 – 8/03 | None | 6/03 – 8/03 at \$1,153 per month | 3,459 | | 3,459 |
| 13 | 13 | 2/01 – Pass 11/02 – Pass 8/03 – Pass | 2/02 – 10/02 | 4/02; 6/02, 8/02, 10/02 | 2/02 – 3/02 at \$531 per month 5/02; 7/02; 9/02 at \$526 per month | 1,062 1,578 | | 2,640 |
| 14 | 14 | 1/01 – Pass 9/02 – Pass 7/03 – Pass | 1/02 – 8/02 | 4/02 – 5/02 | 1/02 – 3/02 at \$780 per month 6/02 – 7/02 at \$780 per month 8/02 – \$889 | 2,340 1,560 889 | | 4,789 |
| 15 | 15 | 6/01 – Pass 2002 – None 11/03 – Fail | 7/02 – 12/04 | 10/02 | 7/02 – 9/02 at \$1,029 per month 11/02 – 8/03 at \$1,029 per month 9/03 – 12/04 at \$1,039 per month | 3,087 10,290 16,624 | | 30,001 |
| 16 | 16 | 7/02 – Pass 7/03 – Fail | 7/03 – 9/04 | None | 7/03 – 8/03 at \$376 per month 9/03 – 9/04 at \$446 per month | 752 5,798 | | 6,550 |
| 17 | 17 | 8/01 – Pass 12/02 – Fail 3/03 – No Conclusion. | 12/02 – 5/04 | None | 12/02 – 9/03 at \$277 per month 10/03 – 5/04 at \$207 per month | 2,770 1,656 | | 4,426 |

Appendix II
(Page 2 of 3)

| No. | Case No. | Inspection History | Period of Questionable HAP Payments | Payment Registers Missing ^A | Housing Assistance Program Payments Made To Landlords | Over Payments | Payments Recouped from Landlords | Net Over-Payments |
|-----|----------|---------------------------------------------------|-------------------------------------|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|----------------------------------|-------------------|
| 18 | 18 | 4/02 – Fail 11/03 – No Conclusion | 4/02 – 10/03 | 4/02 – 2/03 | 3/03 – \$263 4/03 – 5/03 at \$256 per month 6/03 – 10/03 at \$279 per month | 263 512 1,395 | | 2,170 |
| 19 | 19 | 4/02 – Fail 8/03 – (No Conclusion) | 4/02 – 1/04 | 4/02 – 5/02 | 6/02 – 11/03 at \$88 per month 12/03 – 1/04 at \$77 per month | 1,584 154 | | 1,738 |
| 20 | 20 | 6/01 – Fail 2002 Missing 2003 Missing | 7/01 – 10/02 | 7/02 – 10/02 | 7/01 – 6/02 at \$425 per month | 5,100 | | 5,100 |
| 21 | 21 | 11/01 – Fail 3/02 – Fail 2/03 – Pass | 11/01 | None | 11/01 - \$796 5/02 – 11/03 No payments 7/02 – Recoupment | 796 | -1,592 | -796 |
| 22 | 22 | 2/01 – Pass 11/02 – Pass 8/03 – Pass | 2/02 – 10/02 | 5/02 | 202 – 4/02 at \$366 per month 6/02 – 10/02 at \$366 per month | 1,098 1,830 | | 2,928 |
| 23 | 23 | P – 4/13/01 P – 9/5/02 P – 7/22/03 | 4/02 – 8/02 | 4/02 – 6/02 8/02 | 7/02 – \$190 | 190 | | 190 |
| 24 | 24 | 4/02 – Pass 6/03 – Fail 2/04 – Pass | 4/03 – 1/04 | None | 4/03 – 10/03 at \$768, per month 11/03 – 1/04 at \$394. per month | 5,376 1,182 | -3,226 -1,028 | 2,304 |
| 25 | 25 | 3/02 – Fail 5/03 – Fail 4/04 – Pass | 3/02 – 4/04 | 3/02 - 10/02, 1/04 | 11/02 – \$710, 12/02-\$719, 12/02 – \$3,069(retro adj. for 9/02) 1/03 – 5/03 at \$719 per month 6/03 – 7/03 at \$765 per month 8/03 – 12/03 at \$789 per month 8/03-11/03-\$789, 12/03-1/04-\$798 1/04 – \$798 (added back since taken out previously) | 1429 3,069 3,595 1,530 3,945 798 | -4750 | \$9,616 |
| 26 | 26 | 7/01 – Fail 7/02 Pass 6/03 – Pass | 7/01 – 7/02 | 7/01 – 7/02 | Retroactive Rent increase from 11/01 – 7/02 at \$28.96 per month | 261 | | 261 |
| 27 | 27 | 3/01 – Pass 11/02 – Incomplete 12/03 – Pass | 3/02 – 11/03 | 3/01 – 11/03 | 11/02 – 5/03 at \$74 per month | 518 | | 518 |
| 28 | 29 | 7/01 – Fail 2002 Missing 12/03 – Fail | 7/01 – 12/03 | 7/01 – 12/03 | 11/02 – 6/03 at \$399 per month 7/03 – 12/03 at \$401 per month 8/01 – 7/31/03 at \$66 per month | 3,192 2,406 1,584 | | 7,182 |
| 29 | 30 | No Access: 5/01, 6/03, 7/03 2002 Missing | 5/01 – 8/04 | 5/01 – 10/02 | 11/02 – 12/03 at \$545 per month 1/04 – 08/04 at \$545 per month | 7,630 4,360 | -1,090 | 10,900 |
| 30 | 31 | 5/01 No Access 6/02 – Fail 7/03 – Pass | 5/01 – 6/03 | 5/01 – 10/02 | 11/02 – \$305 12/02 – 6/03 at \$128 per month 7/02 – 6/03 at \$12.33 per month | 305 896 148 | | 1,349 |
| 31 | 32 | 7/01 – Pass 2/02 – Pass 2/03 No Access | 3/03 – 9/03 | None | 3/03 – 9/03 at \$151 per month | 1,057 | | 1,057 |
| 32 | 33 | 7/01 – Fail 2002 Missing 6/03 – Pass | 7/01 – 5/03 | 7/01 – 10/02 | 11/02 – 5/03 at \$769 per month | 5,383 | | 5,383 |

Appendix II
(Page 3 of 3)

| No. | Case No. | Inspection History | Period of Questionable HAP Payments | Payment Registers Missing ^A | Housing Assistance Program Payments Made To Landlords | Over Payments | Payments Recouped from Landlords | Net Over-Payments |
|------------------------------------|----------|-----------------------------------------------------------|-------------------------------------|-----------------------------------------|---------------------------------------------------------------------------------------------------|------------------------------|----------------------------------|-------------------|
| 33 | 34 | 2/01 – Pass 2002 Missing 8/03 – Fail | 2/02 – 12/03 | 2/02 – 10/02 | 11/02 – 12/03 at \$127 per month | 1,778 | | 1,778 |
| 34 | 35 | 5/02 Fail 2003 Missing | 5/02 – 8/03 | 5/02 – 10/02 | 11/02 – 8/03 at \$638 per month | 6,380 | | 6,380 |
| 35 | 36 | 1/01 Pass 2002 Missing 9/03 No Conclusion | 2/02 – 9/04 | 2/02 – 10/02 | 11/02 – 9/03 at \$159 per month 10/03 – 9/04 at \$152 per month | 1,749 1,824 | | 3,573 |
| 36 | 37 | 5/01 – Fail 8/02 – Fail 10/03 – Pass | 5/01 – 10/03 | 5/01 – 10/02 | 11/02 – 9/03 at \$481 per month 10/03 – \$543 | 5,291 543 | | 5,834 |
| 37 | 38 | 12/02 – Fail 3/03 – Pass | 11/02 – 2/03 | None | 11/02 – 2/03 at \$633, per month | 2,532 | | 2,532 |
| 38 | 39 | 2001 – None 3/02 – Fail 8/03 – Fail 10/03 – Pas | 3/01 – 9/03 | 4/01 7/02 Suspended 11/02–2/03 | 3/01 – \$540 5/01 – 6/01 at \$540 per month 7/01 – 4/02 at \$405 per month 2/03 – \$405 | 540 1,080 4,050 405 | | 6,075 |
| 39 | 40 | 2001 – N/A 2002 – N/A 6/03 – Pass 2004 Missing | 7/02 – 5/03 6/04 – 9/04 | 12/99 2/00 – 6/02 8/02 – 10/02 | 7/02 – \$109 11/02 – 5/03 at \$109 per month 7/04 – \$109 8/04 – 9/04 at \$275 per month | 109 763 109 550 | | 1,531 |
| 40 | 41 | 10/01 – Fail 4/02 – Pass 5/03 – Pass 7/04 – Pass | 10/01 – 4/02, 5/04 – 6/04 | 10/01,12/0 1 | 1/02 – 4/02 at \$641 per month 5/04 – 6/04 at \$224 per month | 2,564 448 | | 3,012 |
| 41 | 42 | 3/02 – Pass 5/03 – Fail | 3/03 – 10/03 | None | 3/03 – 10/03 at \$717 per month. | 5,736 | -717 | 5,019 |
| 42 | 43 | 10/01 – Fail 4/02 – Pass 6/03 – Pass | 10/01 – 3/02 | 12/01 | 10/01 – 11/01 at \$577 per month 1/02 – 3/02 at \$577 per month | 1,154 1,731 | | 2,885 |
| Total Questionable Payments | | | | | | | | \$195,434 |

Notes:

^A Without the HAP Payment Registers, we were unable to determine whether any payments were made to landlords for the months indicated.



City of New York
DEPARTMENT OF
HOUSING PRESERVATION AND DEVELOPMENT
100 GOLD STREET, NEW YORK, N.Y. 10038

SHAUN DONOVAN
Commissioner

July 22, 2005

Greg Brooks
Deputy Comptroller for Policy, Audits, Accountancy & Contracts
Office of the New York City Comptroller
1 Centre Street- Room 530 South
New York, New York 10007-2341

Re: Audit on the Section 8 Housing Choice Voucher Program of the Department of Housing Preservation and Development
Audit Number: FN04-060A

Dear Mr. Brooks:

The following represents the Department of Housing Preservation and Development's response to the recommendations made in your audit on the Section 8 Housing Choice Voucher Program of the Department of Housing Preservation and Development for the period 1/1/02- 12/31/02.

If you have any additional questions, please call Deputy Commissioner Bernard Schwarz at 863-6610.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Shaun Donovan".

Shaun Donovan



nyc.gov/hpd

AUDIT RESPONSE
NEW YORK CITY COMPTROLLERS AUDIT
NEW YORK CITY DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT
SECTION 8 HOUSING CHOICE VOUCHER PROGRAM 1/1/02-12/31/02
REPORT FN04-060A

Finding

Folders Not
Provided &
Lack of
Documentation

Recommendation 1.

HPD should maintain files for each family receiving Section 8 benefits. In this regard, HPD should ensure that the files are not lost or misplaced, that documents necessary to determine eligibility, appropriateness of payments, and compliance with HUD and HPD regulations are included in the files, and that all information in the files is accurate and complete.

Response 1.

HPD creates and maintains a separate file for every family receiving Section 8 assistance. HPD will continue to improve file tracking through a software program that assigns each file a unique scan barcode. This system allows files to be tracked by a digital time stamp that identifies the HPD borrower. In addition, HPD is implementing a file reorganization procedure to ensure that documentation is complete. Each file will include checklists indicating what information is needed for the case. All staff members have received extensive training that stresses the importance of maintaining proper documentation in each case file. The staff has been instructed to keep copies of inspection reports, suspension letters, and related materials in the tenant file. Periodic staff meetings reinforce the need for accurate and complete documentation. Supervisors review individual case files to check for current and accurate information. In addition, HPD has instituted a new termination review process that will review files for complete documentation and appropriate payments.

Finding

Lack of
Documentation
& Improper
Payments to
Landlords

Recommendation 2.

HPD should review its files to determine whether any improper and questionable payments have been made other than those mentioned in the report, and recoup any money due.

Response 2.

Case managers are constantly reviewing individual files to determine whether any improper payments have been made. Supervisors approve all certifications and provide another layer of oversight. Computer generated reports allow for payment review of the entire population. In the event of improper payment, money is recouped from the landlord. Additionally, a Quality Assurance team will examine a random sampling of files to determine whether any improper or questionable payments have been made.



AUDIT RESPONSE
NEW YORK CITY COMPTROLLERS AUDIT
NEW YORK CITY DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT
SECTION 8 HOUSING CHOICE VOUCHER PROGRAM 1/1/02-12/31/02
REPORT FN04-060A

Finding

Recommendation 3.
HPD should make the necessary adjustments to the files for the seven landlords noted in this report and recoup the \$11,141 in HAP payments that was incorrectly sent to them.

Response 3.
The individual payment findings in the report are under review. All relevant documentation is being gathered and any necessary adjustments will be made. Landlords will be notified of money to be recouped.

Finding
Questionable Payments

Recommendation 4.
HPD should investigate the 42 questionable payments detailed in this report and recoup any money due.

Response 4.
The questionable payments in the report are under review. All relevant documentation is being gathered and any necessary adjustments will be made. Landlords will be notified of money to be recouped.

Recommendation 5.
HPD should establish written procedures to ensure that all information entered into its computer system is accurate.

Response 5.
In 2004, HPD instituted the use of hand-held electronic devices for all HQS inspections. This has reduced the number of data entry errors and guarantees a digital record of all inspections. All inspection information is downloaded into HPD's computer system for accurate record keeping. With the help of industry consultants, HPD is developing policies and procedures to improve the overall accuracy of information entered into the computer system. Targeted staff training, increased supervisor oversight, and computer controls will improve the quality of data entry. Additionally, a Quality Assurance team will examine a random sampling of files to check that all information entered into the computer system is accurate.



Appendix I

Schedule of Improper Payments to Landlords

| Number | Case No. | Inspection History | Incorrect Payment | Housing Assistance Program Payments Made To Landlords | Amount to Recoup |
|--------|----------|----------------------------------------------------------|-------------------|-------------------------------------------------------------------------------------|------------------|
| 1 | 2 | 5/01 – Fail 4/02 – Fail ¹ | 11/02 – 2/03 | 11/02 – 2/03 at \$627 per month | \$2,508 |
| 2 | 20 | 6/01 – Fail ² 2002 Missing 2003 Missing | 10/02 – 3/03 | 11/02 – 3/03 at \$425 per month | \$2,125 |
| 3 | 21 | 11/01 – Fail ³ 3/02 – Fail | 12/01 – 4/02 | 12/01 – 4/02 at \$796 per month | \$3,980 |
| 4 | 28 | 6/02 – Fail ⁴ | 2/02 – 8/03 | 11/02 – \$226 | \$226 |
| 5 | 39 | 3/02 – Fail ⁵ 8/03 – Fail | 5/02 – 6/02 | 5/02 – 6/02 at \$405 per month | \$810 |
| 6 | 40 | | 1/00 ⁶ | 1/00 – \$370 | \$370 |
| 7 | 44 | 6/03 | 7/03 – 12/03 | HPD Payments of \$187 a month, 6/10/03 checklist noted tenant died. ⁷ | \$1,122 |
| | Total | | | | \$11,141 |

¹ HPD improperly included \$2,508 of a \$4,389 payment retroactive from November 2002 to May 2003 to a landlord whose apartment failed inspection in April 2002, even though HPD's records indicated that this apartment had been under suspension since May 2002. This apartment passed a subsequent inspection only in March 2003; therefore, payments from November 2002 through February 2003 at \$627 per month should not have been made to the landlord.

² According to HPD records, a landlord received \$425 a month from November 2002 to March 2003, even though the landlord's apartment failed its inspection on June 26, 2001. For this apartment, there was no documentation in HPD's files that indicated HPD conducted a follow-up inspection and there were no inspection checklists in the files for 2002 and 2003. Subsidies for this landlord were terminated as of October 1, 2002; therefore, \$2,125 in payments from November 2002 to March 2003 should be recouped.

³ HPD sent Notice of Subsidy Termination for a failed November 2001 inspection, effective December 1, 2001. However, HAP Payment registers indicated that the landlord was incorrectly paid \$3,980 from December 2001 through April 2002.

⁴ A Notice of Failure was sent on July 1, 2002, to a landlord whose apartment failed inspection on June 25, 2002, granting the landlord 30 days to make the required repairs. HPD then sent a Notice of Subsidy Termination dated September 30, 2002, effective August 1, 2002. However, HPD made a payment to the landlord in November 2002 for \$226 that should not have been paid.

⁵ HPD sent a landlord, whose apartment failed a March 18, 2002 inspection, a Notice of Subsidy Termination on May 6, 2002, effective April 28, 2002. However, HPD made two improper payments to the landlord for May and June of 2002.

⁶ Information found in a family file specified that a tenant's income was 30 percent greater than the actual monthly rent. The HAP Payment Register from January 2000 indicated that HPD based its payment to the landlord on the lower income. HPD should recover this amount from the landlord, who in turn, can recover the amount from the tenant.

⁷ HPD never followed up on a June 10, 2003 inspection checklist that included a comment from a person stating the tenant had passed away. Consequently, HPD continued to provide funding totaling \$1,122 to the landlord from July to December 2003.

Schedule of Questionable Payments

| No. | Case No. | Inspection History | Period of Questionable HAP Payments | Payment Registers Missing ^A | Housing Assistance Program Payments Made To Landlords | Over Payments | Payments Recouped from Landlords | Net Over-Payments |
|-----|----------|----------------------------------------------------------|-------------------------------------|----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|----------------------------------|-------------------|
| 1 | 1 | 3/01 – Fail 4/02 – Pass 3/03 – Pass | 3/01 – 4/02 | None | 3/01 – 12/01 at \$170.71 per month 1/02 – 4/02 at \$165 per month | \$1,707 660 | | \$2,367 |
| 2 | 2 | 5/01 – Fail 4/02 – Fail 5/03 – Pass | 5/01 – 12/02 | 8/02 – 12/02 | 5/01 – 10/01 at \$472.60 per month 11/01 – 7/02 at \$507.10 per month | 2,836 4,564 | | 7,400 |
| 3 | 3 | 6/01 – Pass 11/02 – Pass 8/03 – Pass | 7/02 – 10/02 | None | 7/02 – 10/02 at \$370 per month | 1,480 | | 1,480 |
| 4 | 4 | 8/02 – Fail 1/03 – Pass | 9/02 – 12/02 | None | 9/02 – \$610.61 10/02 – \$579 11/02 – \$577 12/02 – \$579 | 2,346 | -2,077 | 269 |
| 5 | 5 | 2/01 – Pass 10/02 – Pass | 2/02 – 10/02 | None | 2/02 – 5/02 at \$774 per month 6/02 – 10/02: No Payments made. | 3,096 | | 3,096 |
| 6 | 6 | 5/01 – Pass 9/02 – Fail 1/03 – Pass | 6/02 – 12/02 | 6/02 – 12/02 | 11/02 – 12/02 = \$317 per month | 634 | | 634 |
| 7 | 7 | 6/03 – Fail | 6/03 – 9/04 | None | 6/03 – 3/04 at \$103.65 per month 4/04 – 9/04 at \$111.65 per month | 1,037 670 | | 1,707 |
| 8 | 8 | 6/01 – Fail 5/02 – Pass 5/03: 11/03 (No Access) | 6/01 – 5/02 | None | 6/01 – 4/02 at \$514 per month 5/02 – No Payment | 5,654 | | 5,654 |
| 9 | 9 | 3/01 – Pass 2002 – None 8/03 – Fail | 4/02 – 9/04 | None | 11/02 – 12/02 at \$676 per month 1/03 – 6/03 at \$627 per month 7/03 – 4/04 at \$660 per month 5/04 – 9/04 at \$663.44 per month | 1,352 3,762 6,600 3,317 | | 15,031 |
| 10 | 10 | 7/01 – Pass 6/02 – Pass 12/03 – Pass | 6/03 – 12/03 | None | 6/03 – 7/03 at \$331 per month 8/03 – 12/03 at \$329 per month | 662 1,645 | | 2,307 |
| 11 | 11 | 8/01 – Fail 7/02 – Fail 6/03 – Pass | 8/01 – 5/03 | None | 8/01 – 1/02 = \$860 per month 2/02 – No Payment 3/02 – 5/03 at \$663 per month | 5,160 9,945 | | 15,105 |
| 12 | 12 | 5/02 – Pass 9/03 – Pass | 6/03 – 8/03 | None | 6/03 – 8/03 at \$1,153 per month | 3,459 | | 3,459 |
| 13 | 13 | 2/01 – Pass 11/02 – Pass 8/03 – Pass | 2/02 – 10/02 | 4/02: 6/02, 8/02, 10/02 | 2/02 – 3/02 at \$531 per month 5/02: 7/02: 9/02 at \$526 per month | 1,062 1,578 | | 2,640 |
| 14 | 14 | 1/01 – Pass 9/02 – Pass 7/03 – Pass | 1/02 – 8/02 | 4/02 – 5/02 | 1/02 – 3/02 at \$780 per month 6/02 – 7/02 at \$780 per month 8/02 – \$889 | 2,340 1,560 889 | | 4,789 |
| 15 | 15 | 6/01 – Pass 2002 – None 11/03 – Fail | 7/02 – 12/04 | 10/02 | 7/02 – 9/02 at \$1,029 per month 11/02 – 8/03 at \$1,029 per month 9/03 – 12/04 at \$1,039 per month | 3,087 10,290 16,624 | | 30,001 |
| 16 | 16 | 7/02 – Pass 7/03 – Fail | 7/03 – 9/04 | None | 7/03 – 8/03 at \$376 per month 9/03 – 9/04 at \$446 per month | 752 5,798 | | 6,550 |
| 17 | 17 | 8/01 – Pass 12/02 – Fail 3/03 – No Conclusion. | 12/02 – 5/04 | None | 12/02 – 9/03 at \$277 per month 10/03 – 5/04 at \$207 per month | 2,770 1,656 | | 4,426 |

Appendix II
(Page 2 of 3)

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| 19 | 19 | 4/02 - Fail 8/03 - (No Conclusion) | 4/02 - 1/04 | 4/02 - 5/02 | 6/02 - 11/03 at \$88 per month 12/03 - 1/04 at \$77 per month | 1,584 154 | | 1,738 |
| 20 | 20 | 6/01 - Fail 2002 Missing 2003 Missing | 7/01 - 10/02 | 7/02 - 10/02 | 7/01 - 6/02 at \$425 per month | 5,100 | | 5,100 |
| 21 | 21 | 11/01 - Fail 3/02 - Fail 2/03 - Pass | 11/01 | None | 11/01 - \$796 5/02 - 11/03 No payments 7/02 - Recoupment | 796 | -1,592 | -796 |
| 22 | 22 | 2/01 - Pass 11/02 - Pass 8/03 - Pass | 2/02 - 10/02 | 5/02 | 2/02 - 4/02 at \$366 per month 6/02 - 10/02 at \$366 per month | 1,098 1,830 | | 2,928 |
| 23 | 23 | P - 4/13/01 P - 9/5/02 P - 7/22/03 | 4/02 - 8/02 | 4/02 - 6/02 8/02 | 7/02 - \$190 | 190 | | 190 |
| 24 | 24 | 4/02 - Pass 6/03 - Fail 2/04 - Pass | 4/03 - 1/04 | None | 4/03 - 10/03 at \$768. per month 11/03 - 1/04 at \$394. per month | 5,376 1,182 | -3,226 -1,028 | 2,304 |
| 25 | 25 | 3/02 - Fail 5/03 - Fail 4/04 - Pass | 3/02 - 4/04 | 3/02 - 10/02, 1/04 | 11/02 - \$710, 12/02-\$719, 12/02 - \$3,069(retro adj. for 9/02) 1/03 - 5/03 at \$719 per month 6/03 - 7/03 at \$765 per month 8/03 - 12/03 at \$789 per month 8/03-11/03-\$789, 12/03-1/04-\$798 1/04 - \$798 (added back since taken out previously) | 1,429 3,069 3,595 1,530 3,945 | -4750 | \$9,616 |
| 26 | 26 | 7/01 - Fail 7/02 Pass 6/03 - Pass | 7/01 - 7/02 | 7/01 - 7/02 | Retroactive Rent increase from 11/01 - 7/02 at \$28.96 per month | 261 | | 261 |
| 27 | 27 | 3/01 - Pass 11/02 - Incomplete 12/03 - Pass | 3/02 - 11/03 | 3/01 - 11/03 | 11/02 - 5/03 at \$74 per month | 518 | | 518 |
| 28 | 29 | 7/01 - Fail 2002 Missing 12/03 - Fail | 7/01 - 12/03 | 7/01 - 12/03 | 11/02 - 6/03 at \$399 per month 7/03 - 12/03 at \$401 per month 8/01 - 7/31/03 at \$66 per month | 3,192 2,406 1,584 | | 7,182 |
| 29 | 30 | No Access; 5/01, 6/03, 7/03 2002 Missing | 5/01 - 8/04 | 5/01 - 10/02 | 11/02 - 12/03 at \$545 per month 1/04 - 08/04 at \$545 per month | 7,630 4,360 | -1,090 | 10,900 |
| 30 | 31 | 5/01 No Access 6/02 - Fail 7/03 - Pass | 5/01 - 6/03 | 5/01 - 10/02 | 11/02 - \$305 12/02 - 6/03 at \$128 per month 7/02 - 6/03 at \$12.33 per month | 305 896 148 | | 1,349 |
| 31 | 32 | 7/01 - Pass 2/02 - Pass 2/03 No Access | 3/03 - 9/03 | None | 3/03 - 9/03 at \$151 per month | 1,057 | | 1,057 |
| 32 | 33 | 7/01 - Fail 2002 Missing 6/03 - Pass | 7/01 - 5/03 | 7/01 - 10/02 | 11/02 - 5/03 at \$769 per month | 5,383 | | 5,383 |

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| 35 | 36 | 1/01 Pass 2002 Missing 9/03 No Conclusion | 2/02 -- 9/04 | 2/02 -- 10/02 | 11/02 -- 9/03 at \$159 per month 10/03 -- 9/04 at \$152 per month | 1,749 1,824 | | 3,573 |
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| 37 | 38 | 12/02 -- Fail 3/03 -- Pass | 11/02 -- 2/03 | None | 11/02 -- 2/03 at \$633, per month | 2,532 | | 2,532 |
| 38 | 39 | 2001 -- None 3/02 -- Fail 8/03 -- Fail 10/03 -- Pas | 3/01 -- 9/03 | 4/01 7/02 Suspended 11/02--2/03 | 3/01 -- \$540 5/01 -- 6/01 at \$540 per month 7/01 -- 4/02 at \$405 per month 2/03 -- \$405 | 540 1,080 4,050 405 | | 6,075 |
| 39 | 40 | 2001 -- N/A 2002 -- N/A 6/03 -- Pass 2004 Missing | 7/02 -- 5/03 6/04 -- 9/04 | 12/99 2/00 -- 6/02 8/02 -- 10/02 | 7/02 -- \$109 11/02 -- 5/03 at \$109 per month 7/04 -- \$109 8/04 -- 9/04 at \$275 per month | 109 763 109 550 | | 1,531 |
| 40 | 41 | 10/01 -- Fail 4/02 -- Pass 5/03 -- Pass 7/04 -- Pass | 10/01 -- 4/02, 5/04 -- 6/04 | 10/01,12/0 1 | 1/02 -- 4/02 at \$641 per month 5/04 -- 6/04 at \$224 per month | 2,564 448 | | 3,012 |
| 41 | 42 | 3/02 -- Pass 5/03 -- Fail | 3/03 -- 10/03 | None | 3/03 -- 10/03 at \$717 per month. | 5,736 | -717 | 5,019 |
| 42 | 43 | 10/01 -- Fail 4/02 -- Pass 6/03 -- Pass | 10/01 -- 3/02 | 12/01 | 10/01 -- 11/01 at \$577 per month 1/02 -- 3/02 at \$577 per month | 1,154 1,731 | | 2,885 |
| Total Questionable Payments | | | | | | | | \$195,434 |

Notes:

^A Without the HAP Payment Registers, we were unable to determine whether any payments were made to landlords for the months indicated.