



COMMISSIONERS COURT
COMMUNICATION

REFERENCE NUMBER CO#123912

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DATE: 11/08/2016

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT OF THE TARRANT COUNTY HOUSING ASSISTANCE OFFICE INSPECTIONS**

COMMISSIONERS COURT ACTION REQUESTED:

It is requested that the Commissioners Court receive and file the Auditor's Report of the Tarrant County Housing Assistance Office Inspections.

BACKGROUND:

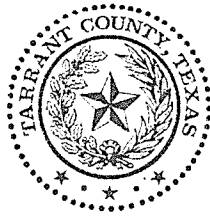
As required by Local Government Code, the Auditor's Office reviewed the Housing Quality Standards Inspection Process administered by the Tarrant County Housing Assistance Office for the ten (10) months ended July 31, 2016. The objective of the review was to determine whether controls were adequate to reasonably ensure that inspections were completed in accordance with federal regulations.

FISCAL IMPACT:

There is no direct fiscal impact associated with this item.

SUBMITTED BY: Auditor's Office

PREPARED BY: S. Renee Tidwell
APPROVED BY:



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October 25, 2016

Mr. Wayne E. Pollard, Jr., Director of Housing Assistance Office
The Honorable District Judges
The Honorable Commissioners Court
Tarrant County, Texas

Re: Auditor's Report – Tarrant County Housing Assistance Office Inspections

SUMMARY

As required by Local Government Code, we reviewed the Housing Quality Standards (HQS) Inspection Process administered by the Tarrant County Housing Assistance Office (TCHAO) for the ten months ended July 31, 2016. The objective of our review was to determine whether controls were adequate to reasonably ensure that inspections were completed in accordance with federal regulations. Our review was limited in scope due to the lack of historical data related to inspections and system reports that adequately define permissions related to Housing Pro. We found no evidence to indicate inspections due during the period were not performed or that system controls were not adequate. However, we recommend TCHAO consult with the software vendor to determine whether programming changes can be implemented to retain historical information as well as provide system reports to facilitate management oversight of system related controls. We also observed the following issues that require management's attention:

- Observation 1 TCHAO did not comply with certain federal regulations relevant to HQS inspections requirements.
- Observation 2 TCHAO did not update the administrative plan policies and procedures to reflect standard operating practices.

We discussed these observations and recommendations with management during our review.

BACKGROUND

The Housing Choice Voucher program was established by the Department of Housing and Urban Development (HUD) and is governed by Title 24 of the Code of Federal Regulations (CFR). TCHAO is the Public Housing Authority (PHA) that administers the program for Tarrant County. This program provides assistance to low income families, the elderly, and the disabled to afford decent, safe, and sanitary housing. Program regulations establish basic HQS that must be met before assistance can be paid on behalf of a family. As of July 31, 2016, inspections during the review period totaled 3,924.

OBSERVATIONS AND RECOMMENDATIONS

Observation 1 TCHAO did not comply with certain federal regulations relevant to HQS inspection requirements.

Background

Federal regulations require the PHA to inspect each unit before the Housing Assistance Payment Contract is signed and on an annual basis. Additional special inspections are performed at the request of the family, owner, or third party. Any deficiencies are noted and sent to the property owner indicating the repair deadline. The tenant or property owner is required to repair items within 30 days, 24 hours for life threatening deficiencies, or a specified number of days for complaint inspections. The PHA must abate rental payments to owners who do not comply with notifications to correct HQS deficiencies. The tenant is responsible for any damages caused beyond normal wear and tear.

Observations

During our review, we observed that TCHAO did not comply with certain federal regulations relevant to HQS inspection requirements. Specifically:

1. According to regulations, the PHA may begin the abatement process only after the property owner is given a 30-day notice and a designated deadline to comply. We tested 20 abatements and found three instances where the rent abatement was not calculated accurately. Furthermore, we could not determine whether the *Accounting Fact Sheet* was reviewed. We also observed one instance where an owner was not placed on abatement for a failed re-inspection and one instance where an extension was granted with no supporting documentation.
2. The Section Eight Management Assessment Program requires the PHA to measure and report 14 indicators on an annual basis. The program also requires that the quality control sample include a cross section of neighborhoods where program units are located as well as the inspectors that performed inspections during the period. We observed that there were two main groupings of inspections within Tarrant County that did not include units located in the northern- and southernmost parts of the county. While the inspection supervisor also performs inspections throughout the year, his inspections were not included in the quality control sample.
3. Before a lease is executed, the owner is required to disclose any knowledge of lead-based paint hazards. We observed forms used were not consistently completed for 2 out of 15 units sampled.

We also observed that TCHAO did not have procedures to identify children under the age of six with environmental intervention blood lead levels in program units. In June, the Director of Housing Assistance requested information from the Department of State Health Services. The state agency indicated that they will review data systems to determine whether they can notify TCHAO in the event lead investigation is required at one of the program units. No further recommendations necessary.

Recommendations

We recommend that TCHAO establish procedures to ensure compliance with federal regulations. Specifically:

1. All abatement calculations should be independently reviewed for accuracy, compliance, and consistency by someone with adequate knowledge of federal requirements. This review should determine whether the property owner was notified and documented.
2. Quality control sampling procedures should be modified to include a cross-section of all neighborhoods where program units are located as well as all inspectors.
3. Disclosure forms used are consistently completed.

Observation 2 TCHAO did not update the administrative plan policies and procedures to reflect standard operating practices.

Background

24 CFR §982.54 (a) states, “*The PHA must adopt a written administrative plan that establishes local policies for administration of the program in accordance with HUD requirements. The administrative plan and any revisions of the plan must be formally [emphasis added] adopted by the PHA Board of Commissioners or other authorized PHA officials... (b) The administrative plan must be in accordance with HUD regulations and requirements.*”

The TCHAO Administrative Plan outlines requirements for timing of initial inspections, minimum deficiencies allowed for self-certifications, and biennial inspections.

Observations

TCHAO did not update the administrative plan policies and procedures to reflect standard operating practices. We observed 11 self-certifications that had more than four owner deficiencies identified, which exceeded the number allowed in the Administrative Plan dated November 2014. Although federal regulations allow PHAs latitude to define requirements for self-certifications and biennial inspections, those practices had not been incorporated into the plan and approved by Commissioners Court.

Recommendations

We recommend that management review the Administrative Plan, at least annually, to ensure that changes in practice or regulations have been adequately documented, communicated, and approved by Commissioners Court as required.

SUBSEQUENT EVENT

We were recently informed that the Executive Secretary uses the Director of Housing's SAP user credentials. This event occurred outside our review period, but prior to issuance of our report. We observed that the Director's user credentials were routinely used during the last 30 days. Based on our review, it appears that the Executive Secretary approved her own time and attendance using the Director's credentials. She also used the Director's user credentials to approve accounts payable transactions. We performed limited procedures to ensure that payroll and other financial-related transactions were appropriate. Nothing unusual or out of the ordinary came to our attention. According to the Director, he believed that the *Request Forms* signed by him prior to entry into ReadSoft or SAP was sufficient for all transactions entered. The Director also believed that since the approved form, along with a copy of the invoice were attached to the transaction in ReadSoft or hand carried to the Auditor's Office, demonstrated that he approved the request. However, sharing passwords increases the risk that errors and fraud may not be prevented or detected. The Tarrant County Electronic Communication Systems Policy states that passwords should be protected and kept confidential from others.


We recommend that the Director comply with the Tarrant County Electronic Communication Systems Policy. We also recommend that the Director reset his password and keep it confidential.

We discussed the issue and recommendations with the Director on October 25, 2016.

CLOSING REMARKS

We appreciate the assistance and cooperation of TCHAO staff during our review. If you have any questions, please do not hesitate to call.

Sincerely,



S. Renée Tidwell, CPA
County Auditor

Distribution: G.K. Maenius, County Administrator
Patricia Ward, Director of Community Development

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TARRANT COUNTY

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Wayne Pollard
Director

Summary of Audit Findings October 20, 2016

Observation 1: TCHAO did not comply with certain federal regulations relevant to HQS inspection requirements.

Tarrant County Housing Assistance Office Response- Observation 1 of 1:

Tarrant County Housing Assistance Office (TCHAO) has reviewed the finding and it has been determined that there was a total of \$25.00 that was in error. TCHAO has implemented a fillable Abatement Calculation Worksheet to be used by staff for abatement adjustments in order to increase accuracy. This worksheet will be reviewed by the Finance Dept. prior to payment.

Tarrant County Housing Assistance Office Response- Observation 1 of 2:

TCHAO has increased the number of zones for all quality control inspections and will therefore ensure that we are doing a cross section of all neighborhoods. Management staff will do quality control of this supervisor's inspections.

Tarrant County Housing Assistance Office Response- Observation 1 of 3:

TCHAO has updated the Lead-Based Disclosure Form to make simpler for the Owner/Agent to complete. TCHAO staff has received training to ensure that the forms are thoroughly completed by the owners and program participants.

Observation 2: TCHAO did not update the administrative plan policies and procedures to reflect standard operating practices.

Tarrant County Housing Assistance Office Response – Observation 2:

TCHAO management team will closely review all admin changes to ensure revisions are correct and implement a final review process before they are submitted to Commissioners Court for approval to avoid any oversights or omissions.

Subsequent Event - We were recently informed that the Executive Secretary uses the Director of Housing's SAP user credentials.

Tarrant County Housing Assistance Office Response For Subsequent Event:

Tarrant County Director will comply with the Tarrant County Electronic Communication Systems Policy and his password has been changed and will be kept confidential. In addition, the Executive Secretary now has her own access to SAP.



Wayne Pollard, Jr.
Director
Tarrant County Housing Assistance Office