



COMMISSIONERS COURT  
COMMUNICATION

REFERENCE NUMBER CO#129420

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DATE: 01/22/2019

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

**COMMISSIONERS COURT ACTION REQUESTED:**

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

**BACKGROUND:**

In accordance with the Local Government Code, the Auditor's Office reviewed the financial transactions of the Tarrant County Housing Assistance Office for the eight months ending May 31, 2018. The objective of the review was to determine whether controls were adequate to reasonably ensure that financial transactions were accurately recorded and were in compliance with federal regulations.

**FISCAL IMPACT:**

There is no direct fiscal impact associated with this item.

SUBMITTED BY:	Auditor's Office	PREPARED BY: APPROVED BY:	S. Renee Tidwell
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## TARRANT COUNTY

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January 2, 2019

Mr. Wayne Pollard, Housing Assistance Office Director  
The Honorable District Judges  
The Honorable Commissioner's Court  
Tarrant County, Texas

Re: Auditor's Report – Financial Review of the Housing Assistance Office

### SUMMARY

In accordance with the Local Government Code, we reviewed the financial transactions of the Tarrant County Housing Assistance Office (Housing) for the eight months ending May 31, 2018. The objective of our review was to determine whether controls were adequate to reasonably ensure that financial transactions were accurately recorded and were in compliance with federal regulations. We identified the following observations that require management's attention:

- Observation 1    Procedures were not adequate to ensure accurate accounts receivable balances.
- Observation 2    Comparable units were not always used to determine rent reasonableness.
- Observation 3    One payment was made to a participant of the Family Self-Sufficiency Program without adequate documentation.
- Observation 4    Duplicate payments were not always resolved in a timely manner.

According to Housing management, the front desk receptionist does not collect cash, but only collects checks and money orders. The receptionist forwards the monies collected to the Office Manager who records payments on the Check Log. Both the monies collected and the Check Log are forwarded to the bookkeeper who prepares a Cash File and the deposit. The bookkeeper gives the Cash File and the deposit to the Financial Manager for review. The Financial Manager remits the Cash File and the funds to the Auditor's Office for deposit into the county's consolidated bank account. The Financial Manager is responsible for recording payments into the Tenant Accounts Receivable (TARs) module. Although we observed no evidence of missing funds, we offer no assurance that all funds collected were recorded into TARs and subsequently remitted to the Auditor's Office for deposit.

Attached to this report is management's written response. We also communicated less significant matters to management and staff during our review.

## **BACKGROUND**

Guidelines related to the U.S. Department of Housing and Urban Development's (HUD) Housing Choice Voucher (HCV) program are found in the Code of Federal Regulations (CFR). HUD provides funding to state and local governmental agencies to assist in providing eligible families decent and safe housing. During the eight months ending May 31, 2018, HUD provided Tarrant County approximately \$15 million to administer the HCV program, commonly referred to as Section 8.

Under the HCV program, participants are responsible for selecting a rental unit that meets certain quality standards. The landlord must also agree to rent under the program. Upon entering into a lease, the Public Housing Agency (PHA) pays the landlord a housing subsidy on behalf of the participant. Annually, PHAs are required to re-examine the income and composition of participating families and to re-inspect each rental unit to ensure it meets minimum housing quality standards. Housing has the right to terminate assistance payments if a landlord or tenant fail to meet federal regulation requirements.

Housing utilizes the Housing Pro System to manage tenants and the TARs module to manage accounts receivable balances. Payments to housing vendors are initiated by Housing and then processed by the Accounts Payable section of the Auditor's Office. As of May 31, 2018, Housing disbursed approximately \$15 million to approximately 2,900 housing participants for housing subsidies, utility reimbursements, and administrative fees.

## **OBSERVATIONS AND RECOMMENDATIONS**

*Observation 1 Procedures were not adequate to ensure accurate accounts receivable balances.*

### **Background**

As required by 24 CFR 982.158(a), the PHA must maintain complete and accurate accounts and other records for the HCV program in accordance with HUD requirements, in a manner that facilitates a speedy and effective audit. Housing Pro includes a Tenant Accounts Receivable module, commonly referred to as TARs. Housing records accounts receivables owed by other PHAs into TARs. Accounts receivables related to Tenant Fraud Repayment Agreements and landlord recoupments are recorded into SAP.

Housing accounts receivable balances exist for amounts owed to Tarrant County for the following reasons:

- Other PHAs owe Tarrant County for "port in" tenants. When a qualified family moves from another PHA jurisdiction into Tarrant County, the family is referred to as a "port in." The port in must report any status and/or family changes to the originating PHA. These changes may increase, decrease, or even eliminate the amount of the port in rent payment to Tarrant County. As of May 31, 2018, TARs showed accounts receivable balances totaling approximately \$1 million.

- Tenant Fraud Repayment Agreements are a result of an overpayment of a tenant's housing subsidy. This occurs when program participants fail to inform the PHA about changes in their financial situation. The tenant must pay this amount back or risk losing their housing subsidy. As of May 31, 2018, SAP showed accounts receivable balances totaling approximately \$235,000 related to Tenant Fraud Repayment Agreements.
- Landlord recoupments are a result of an overpayment made to a landlord. A landlord recoupment is recorded in the County's general ledger (SAP) as an accounts receivable balance, then offset by future payments made to the landlord. As of May 31, 2018, SAP showed accounts receivable balances totaling approximately \$228,000.

HUD previously stated that this methodology may indicate that these agreements have not been properly written off and that corrections should be made. Housing presented a *Bad Debt Policy and Procedures* to Commissioners Court on June 17, 2014 for approval. In addition to collection procedures, the policy requires that Housing present a list of uncollectible amounts, at least annually, to the Commissioners Court for approval to write-off.

### Observations

During our review, we observed that procedures were not adequate to ensure accurate accounts receivable balances. This condition was previously reported in February 2014. Housing initially records payments received on an Excel spreadsheet, referred to as the Cash File, but the payments are not always recorded into TARs. We also observed errors recorded on the Cash File. Specifically:

1. We sent payment confirmation letters to 20 PHAs whereby Housing had recorded payments totaling approximately \$904,000. Of the 20 PHAs, we received 15 confirmations from the PHAs for payments totaling approximately \$823,000. During our reconciliation between Housing's Cash File and the payment registers received from the 15 PHAs, we found:
  - Two payments totaling \$3,968 were recorded to the wrong tenants. Housing corrected these errors during the audit.
  - Housing also recorded two \$55 utility reimbursements from another PHA. However, the payment register submitted by the PHA did not show that these payments were made to Housing.
2. One administrative fee in the amount of \$36 was incorrectly recorded on the Cash File, and therefore, recorded into SAP under the wrong general ledger account.

Furthermore, Housing has not presented any amounts to the Commissioners Court for write-off since approval of the *Bad Debt Policy and Procedures* on June 17, 2014.

As a result, accounts receivable balances reported in the County's financial statements may not be accurate. Furthermore, errors and inappropriate activity may not be detected. The County could also be held responsible for reimbursing any lost funds to HUD.

## Recommendations

To improve the accuracy of accounts receivable balances and reduce the risk of errors, we recommend that payments are recorded into TARs immediately upon receipt. In order to ensure adequate segregation of duties, this responsibility should be assigned to a staff person who does not actually receive the funds.

Furthermore, management should implement procedures to evaluate aged accounts receivable balances and determine the collectability of amounts owed to Tarrant County. In accordance with the *Bad Debt Policy and Procedures*, management should also present uncollectible amounts to Commissioners Court annually for approval to write-off.

**Observation 2** *Comparable units were not always used to determine rent reasonableness.*

## Background

As required by the Code of Federal Regulations, 24 CFR 574.320(a)(3), rent charged for a unit must be reasonable to other rents charged for *comparable* units in the private unassisted market. Once a qualified participant reaches an agreement with the landlord for a unit they wish to rent under the program, Housing determines whether the requested monthly rate is reasonable using a website called *GoSection8.com*. Based on information about the participant's selected unit, such as the type of property (apartment or house), the number of bedrooms and bathrooms, and the zip code, the website provides the comparable rent amount for three other properties. Housing has utilized *GoSection8.com* since 2013 to determine rent reasonableness.

## Observations

To determine compliance with the Code of Federal Regulations, we selected a sample of 57 units and determined that the amount of rent paid for 14 units was not comparable to the amount of rent for similar units in the private unassisted market. Furthermore:

- A rent reasonableness test could not be found for one unit. The tenant has received housing assistance since November 2017.
- One unit was recorded as a three-bedroom apartment in the Housing Pro system although both the apartment website and the landlord indicated that two bedrooms were the maximum number in the complex. Furthermore, a comparison between the housing inspection completed at the inception of the lease and the one completed 12 months later showed that the number of bedrooms decreased from three to two. The landlord and Housing stated that a temporary wall was installed to convert the unit to three bedrooms. To determine rent reasonableness, Housing compared this apartment to three bedroom single-family homes with market values exceeding \$300,000 and fair market rental values ranging between \$2,800 and \$3,900 per month. According to documentation provided by Housing, the fair market rent for two- and three-bedroom units in the same zip code is \$1,020 and \$1,410, respectively. Housing approved monthly rent totaling \$1,200 for this unit.

According to a representative from *GoSection8.com*, glitches related to “property types” were identified within its database, and the data was scrubbed in October 2017.

Housing may not be in full compliance with the Code of Federal Regulations by authorizing an inflated amount of rental assistance for a unit in comparison to a similar unit. Furthermore, Housing may not have the funding to assist other eligible families.

### **Recommendation**

To ensure compliance with the Code of Federal Regulations, Housing staff should ensure that the rent is reasonable to other rents charged for *comparable* units in the private unassisted market. Therefore, staff should validate rental comparisons provided by *GoSection8.com* by using an independent source such as Zillow or another real estate website.

***Observation 3*** *One payment was made to a participant of the Family Self-Sufficiency Program without adequate documentation.*

### **Background**

The Family Self-Sufficiency (FSS) Program enables HUD-assisted families to increase their earned income and reduce their dependency on welfare assistance and rental subsidies. To participate in the program, the PHA and head of the participating family executes a FSS Contract of Participation which incorporates the family's Individual Training and Services Plan (ITSP). The ITSP documents the family's intermediate and long-term goals and how to achieve those goals over a 5-year period.

An interest-bearing escrow account is established by the PHA for each participating family. Any increases in the family's rent as a result of increased earned income during the family's participation in the program results in a credit to the family's escrow account.

The FSS Program Coordinator is required to obtain documentation supporting the participant's successful achievement of the goals documented in the ITSP. Upon successful completion of the ITSP, the FSS Program Coordinator initiates payment to the participant and obtains approval from Housing management. The FSS payout request is then sent to the Auditor's Office for payment.

During the eight-month review period, Housing approved \$136,447 to 17 participants for successful completion of the FSS Program.

### **Observations**

We reviewed FSS documentation related to four participants who received a total of \$62,099, or 46% of total disbursements. One payment totaling \$12,873 was made to a participant without adequate documentation supporting full completion of the participant's ITSP. Specifically, one of the participant's goals was to obtain a driver's license. The FSS Program Coordinator could not provide a copy of the driver's license upon request.

There is a risk of suspension or termination of federal grant funding without adequate documentation supporting a participant's completion of the FSS Program.

### **Recommendation**

Prior to approving payment to a participant, management should ensure the FSS Program Coordinator has obtained adequate documentation supporting the participant's successful and full completion of the ITSP.

*Observation 4 Duplicate payments were not always resolved in a timely manner.*

### **Background**

Every month, the Housing Financial Manager generates a vendor payment file using data extracted from Housing Pro. This file contains thousands of payments owed to Housing vendors. The Housing Financial Manager reviews the file for duplicated records and any changes in the tenants' housing subsidies. Upon completion of the review, the file is then sent to the Auditor's Office. The Auditor's Office uploads the file into the County's accounts payable system (SAP) to process payments to the Housing vendors. The Auditor's Office sends payment to the vendors after Commissioners Court approval.

At the end of each month, an Accounts Payable Auditor performs a monthly desk review to identify potential duplicate payments. The auditor prepares a list of potential duplicate payments and sends the list to Housing for resolution. If Housing confirms that a duplicate vendor payment has occurred, a "recoupment" will be recorded in the County's general ledger. This will result in a reduction of a subsequent payment to the vendor.

### **Observations**

Duplicate payments were not always resolved in a timely manner. Prior to our audit, the Accounts Payable Auditor communicated five duplicate payments totaling \$1,566 whereby corrective action had not been taken. As a result, the County could risk not recovering the overpayment of HUD funds should the tenant move out of the landlord's property.

Upon communicating these duplicate payments again during our audit, the Housing Financial Manager took immediate steps to process the recoupments in the County's general ledger so that the vendors' payments for the subsequent month would be reduced by the amount of the respective overpayments.

### **Recommendation**

To reduce the risk of loss of HUD funds, we recommend that the Housing Financial Manager immediately take corrective action to recover duplicate payments made to vendors.

**CLOSING REMARKS**

We appreciate the responsiveness and cooperation of the Housing Assistance Office staff during our review. Please call me if you have any questions regarding the contents of this report.

Sincerely,



S. Renée Tidwell, CPA  
County Auditor

*Attachment:*  
Management's Response

*Distribution:*  
G.K. Maenius, County Administrator  
Patricia Ward, Community Development Director  
Rosalind Williams, Housing Assistant Director  
Charles Jackson, Housing Financial Manager

*Audit Team:*  
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## TARRANT COUNTY

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Wayne Pollard  
Director

### Summary of Audit Findings May 31, 2018

***Observation 1: Procedures were not adequate to ensure accurate accounts receivable balances.***

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

Tarrant County Housing Assistance Office (TCHAO) has implemented as part of the cash file reconciliation process, monthly recording of payments into TARS in order to reduce outstanding receivables more efficiently.

Once TARS is up to date, TCHAO will present a recommendation to the court to write off bad debt according to the "Bad Debt Policy." TCHAO hopes to have this completed within the next 90 days.

***Observation 2: Comparable units were not always used to determine rent reasonableness.***

**Tarrant County Housing Assistance Office Response – Observation 2:**

TCHAO has been using GoSection8 for over six years. GoSection8 is a database that is widely used by hundreds of Public Housing Authorities around the country. We were surprised to learn about the glitch in the database that caused some comparable apartment types not to reflect accurately. We believe this was an isolated error in the database, however, TCHAO will take the following precautions to ensure all comps are similar to the subject unit.

TCHAO will closely verify that the comps on the certification are similar to the subject unit. TCHAO staff will note in the case file that the presented comps have been reviewed and are similar to the subject unit. We believe this will help us identify any future glitches in the GoSection8 database.

TCHAO will make sure all Rent Reasonable Certifications are placed in the electronic case file.

***Observation 3: One payment was made to a participant of the Family Self-Sufficiency Program without adequate documentation.***

**Tarrant County Housing Assistance Office Response – Observation 3:**

TCHAO will ensure we are compliant with the FSS Program policy by requesting all FSS Coordinators to submit supporting documents that support the goals completed to the Quality Control Analyst prior to graduation to determine that all FSS Program requirements were met. The Quality Control Analyst will certify that the family has met all program requirements to graduate.

***Observation 4: Duplicate payments were not always resolved in a timely manner.***

**Tarrant County Housing Assistance Office Response – Observation 4:**

TCHAO was transitioning between Financial Managers causing a delay in completing the Accounts Payable Auditor report in a timely manner. Currently, TCHAO will respond within three business days to the duplicate payment report.

In addition, TCHAO Financial Manager will be trained with the IDEA Software in order to detect possible duplicate payments during and after each payment run and act accordingly to resolve the issue before the pay file is submitted to Accounts Payable for approval. We believe by using the IDEA software this will serve as a double check process to ensure we are identifying any possibility of duplicate payments.



Wayne Pollard, Jr.  
Director  
Tarrant County Housing Assistance Office