

CHAPTER 3. PREPARING AND ISSUING THE AUDIT REPORT

Section 1. Review of Findings and Recommendations

3-1. REVIEW OF ON-SITE WORK. Upon returning to the HUD Office, the auditor shall review audit concerns, findings, and possible recommendations with the chief/director. The auditor shall recommend any changes in PHA policy which are indicated by the results of the field reviews. Findings or recommended actions affecting the program responsibilities of other specialists should be discussed with them. Any discrepancies or disagreements are resolved by the chief/director. The auditor notifies the PHA if any information discussed at the post audit conference is deleted, substantially altered, or new findings added. Problems related to equal opportunity or civil rights requirements shall be brought to the attention of the Director, Regional FH&EO, and, in Category A offices, the Director, FH&EO.

Section 2. Preparation of the Report

3-2. DIFFERENTIATING AMONG FINDINGS, ERRORS, AND TECHNICAL ASSISTANCE.

The following guidelines are to be used by the auditor in determining whether items to be contained in the audit report are to be treated as findings, recommendations, or errors requiring corrective action.

a. Finding. A finding is a description of conditions violating program requirements that obligates the PHA to undertake specific corrective action. A finding should be established when deficiencies are identified that:

(1) Violate specific HUD requirements embodied in HUD regulations, the Annual Contributions Contract or binding requirements of handbooks or other HUD issuances.

(2) Violate the general provisions of the Annual Contributions Contract related to economy and efficiency of operation.

(3) Indicate the inability of the PHA to carry out particular program requirements. An incidence of an error of a particular type in excess of 20 percent of the files in the sample constitutes the basis for a finding.

b. Errors. Errors discovered in the tenant file sample are not treated as findings when the auditor determines that they do not indicate a pattern that pervades throughout the work unit but, rather, are isolated mistakes. For example, if an arithmetic error

in computation of tenant payment occurs in one case in a sample of 20, correction of the individual error is a sufficient corrective

action and no finding would be established. If, on the other hand, a similar error occurred in 5 of 20 files, a finding requiring a review of all of the files in the work unit and a change in the PHA's

procedures might be indicated. Errors are documented on Form HUD-52380, Errors Summary (Appendix 8).

c. Recommendations are suggested corrective actions and are not binding on the PHA. Recommendations provide an opportunity for HUD to bring problems to the attention of the PHA which do not explicitly violate HUD requirements. Recommendations are also useful when it is not possible to get sufficient evidence to support a formal finding.

d. Technical Assistance. The audit provides an opportunity for the auditor to assist PHA staff in correcting problems identified during the audit, implementing new procedures and increasing staff proficiency. Technical assistance may include suggestions for preventing tenant fraud such as better tenant education and improved forms and verification procedures. A brief summary in the audit report of any technical assistance provided may be helpful.

3-3. PRESENTATION OF FINDINGS. A well constructed occupancy audit finding consists of:

a. A citation of the specific HUD requirements involved, preferably provisions in the regulations or the Annual Contributions Contract. In some cases, this will not be possible and the finding will have to be based on general principles of sound public administration or efficiency and economy of operation.

b. A description of the evidence upon which the finding is based. A finding citing specific cases and examples is far more persuasive than one stated in more general terms.

c. A statement of the corrective action required. Corrective action required of the PHA should be specific both in terms of the action itself and the time for completing it. Corrective action should eliminate the immediate problem disclosed by the audit, determine whether similar problems exist and modify or establish procedures so that whatever caused the finding does not reoccur.

d. If there is a major procedural problem disclosed by the audit, it may be necessary for the PHA, as part of its corrective actions, to review all tenant files, or all files which had a certain action taken within a given time, to ensure that possible errors are disclosed and corrected.

* e. The auditor should determine which proposed findings fall into

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the categories identified in Part 2 of Form HUD-52384, Analysis of Policies and Summary of Findings. The basis for these findings should be especially well documented and additional review work may be necessary to assure that they are well supported. *

f. Items which are listed as errors requiring corrective action, but are not listed as audit findings, will not usually require corrective action of the same scope as audit findings. For example, a violation found in less than 20 percent of the files would require corrective

action for those errors but would not require a review of all tenant files.

g. Impact of Corrective Action.

(1) In determining the type of corrective action and assigning deadline dates, the auditor must bear in mind the severity of the finding or error, the potential for hardship to tenants and the amount of PHA staff time required to carry out the corrective action.

(2) In the case of findings involving overcharges to tenants for total tenant payment or other charges, the PHA shall be required to develop a plan for reimbursement of the affected tenants. If it appears that the PHA will require additional operating subsidy in order to meet its obligations under the plan, the corrective action should be cleared with the Financial Management Analyst and Field Office or Regional Counsel.

(3) In the case of findings or errors involving underpayments by tenants resulting from under-reporting income, the corrective action should require the PHA to make all feasible efforts to collect the underpayment. In the case of tenants who are allowed to remain in occupancy, the PHA can make arrangements for the gradual repayment of the amount due.

3-4. FORM HUD-52381, OCCUPANCY AUDIT SUMMARY provides information on the audit including staff time involved, PHA and sample size and an enumeration of errors. Note that:

-The PHA Number field must contain a 5-position PHA number such as TX005.

-Date Report Issued should be the same as the date on the letter transmitting the report to the PHA.

-In Section A, do not include clerical time.

-In item D.2., Number of available applications reviewed, count only those reviewed for the purpose of filling out Section C. of Form HUD-52379.

-In Section E., where the Occupancy Audit report contains a finding based on one of the types of errors reported in this Section, simply enter "Y" in the finding column. No entry is required in the finding column if there was no finding based on a particular error category.

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3-5. AUDIT REPORT FORMAT.

a. If the occupancy audit was not part of a coordinated review, the audit report consists of:

* (1) Cover Letter to the Chairman of the PHA Board of Commissioners. The letter should a) clearly state all findings and the actions required to close them and, b) highlight errors requiring corrective actions. The letter should specify the date by which the PHA must respond to the audit report. The Regional Public Housing Director determines who signs the audit report; the signer of the report should be at least one supervisory level above the auditor.*

(2) Report to Executive Director. The report should incorporate the following: a) an introduction to include audit purposes, description of how the audit was conducted, key persons interviewed, and number of files reviewed; b) a statement of findings and errors found during the audit; c) a discussion of technical assistance; and d) a timetable as to when findings and errors are to be corrected by the PHA.

* b. If part of a coordinated review, the report should be in a format compatible with the format of the management review. In long coordinated review reports, keep the occupancy audit in a separate section. *

3-6. TIMING. Occupancy audit reports shall be issued within 30 calendar days (45 days in the case of a PHA with more than 5,000 units) of completion of the field work.

Section 3. Distribution of Report

*3-7. DISTRIBUTION TO THE PHA. One copy of the audit report and cover letter shall be sent to the PHA Chairman. One copy of the audit report and letter, two copies of the Errors Summary, Form HUD-52380, and (optionally) one set of the Tenant File Reviews, Form HUD-52378 shall be sent to the Executive Director and Board members as warranted. *

*3-8. DISTRIBUTION WITHIN HUD.

a. Headquarters

(1) In the case of occupancy audits which are not part of a Coordinated or Consolidated Management Review, one package of the audit report and cover letter (including copies of: Form HUD-52384, Form HUD-52381, and Form HUD-52382) shall be forwarded to the Assistant Secretary for Public and Indian Housing, Attention: Project Management Division, General Management Branch.

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(2) In the case of occupancy audits performed as part of the Coordinated or Consolidated Management Review, the report and forms identified in paragraph a. (1) shall be distributed in accordance with Handbook 7460.7 REV.

b. Regional Office - One complete package of the audit report and cover letter (including all audit forms) shall be sent to the Public Housing Director. Copies of Forms HUD-52381 and HUD-52384 shall be sent to the Regional Director, FH&EO.

c. Field Office - as determined by the chief/director. In Category A offices, a copy of Forms HUD-52381 and HUD-52384 shall be sent to the Director, FH&EO Division.

d. A copy of the complete audit along with relevant work papers shall be kept on file at the HUD Office until all findings have been closed and the next audit has been sent to the PHA. Where HUD is a party to litigation involving the Occupancy Function at the PHA, the

report and work papers shall be kept as long as required to support the litigation. * *3-9.DISTRIBUTION FOR PHAS PERFORMING INTERNAL AUDITS. PHAs which have performed internal audits in place of an on-site occupancy audit must submit one copy of the internal audit report including all forms identified in paragraph 1-10 to the HUD Office. The HUD Office distributes the internal audit report within HUD in accordance with paragraph 3-8. *