

CHAPTER 2. OCCUPANCY AUDIT PROCEDURES

Section 1. Scope of the Audit

2-1. OVERVIEW. The occupancy audit includes a review of PHA admission and occupancy policies, tenant selection, leasing practices, rent computation, sampling of tenant files, occupancy reporting, and general procedures, to determine compliance with HUD requirements. The audit involves:

- a. Review of documents on file at HUD Office.
- b. Research conducted and assistance provided at the PHA.
- c. Writing and issuing the report.
- d. Monitoring, assistance and follow-up to close findings.

Section 2. Pre-audit Review

2-2. PREVIOUS OCCUPANCY AUDIT. In preparation for the audit, the auditor shall review the last occupancy audit report, the response from the PHA, and any other relevant correspondence. The auditor should also check to see if there are any recent Office of Inspector General (OIG), General Accounting Office (GAO), or Independent Public Accountant (IPA) audit findings regarding occupancy.

2-3. OCCUPANCY REPORTS. The auditor shall review HUD Office files to determine whether occupancy reports required by Handbook 7465.3 are being submitted on time, appear to be correctly prepared, and reveal any potential problems.

2-4. OCCUPANCY POLICIES. The auditor shall review the HUD Office occupancy policy files for the PHA to determine whether all prescribed occupancy policies have been submitted and meet current HUD requirements as described in the Public Housing Occupancy Handbook, 7465.1 REV-2.

2-5. OTHER SPECIALISTS. The auditor should discuss the proposed audit with other HUD Office staff to determine if they are aware of any occupancy-related problem. Fair Housing and Equal Opportunity (FH&EO) and Regional Inspector General (IG) staff may be consulted for information on any problems in their areas of responsibility.

2-6. PREPARATION FOR FIELD WORK. The auditor should make notes of problem areas disclosed by the review of documents, materials, and discussion with HUD Office staff.

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2-7. INTERNAL AUDITS. PHAs performing internal audits (see Paragraph 1-9) are responsible for determining the scope of the pre-audit review.

Section 3. On-Site Field Review

2-8. PRE-AUDIT CONFERENCE. Upon arrival at the PHA, the auditor

meets with the Executive Director, or the Director's designee, and any other staff the Director wishes to include to explain the purpose, scope, and methods of the audit. The PHA arranges for provision of files and records the auditor needs and identifies key staff to be on hand for conferences.

2-9. DETERMINING NUMBER OF FILES TO AUDIT.

a. Scope of Sample. The PHA's system for taking applications and conducting re-examinations will determine how the auditor selects the sample of files.

(1) If tenant selection and re-examination activities of the PHA are centralized, the sample size is determined and sample files selected on a PHA-wide basis.

(2) If tenant selection or re-examination is not centralized, then sample size is determined and files selected from the highest level work units where tenant files are maintained. Work units can be programs, group offices, or individual projects. For example, if a PHA conducts re-examinations at the project level, but files are maintained at group management offices, the auditor bases the samples on the number of units administered by the group management office and selects a separate sample for each group management office.

(3) PHAs with computer systems may have the data required for an occupancy audit available by computer print-out at a centralized location regardless of whether re-examinations are conducted at the project or the central office level. Depending on the format and completeness of computer data, the auditor may be able to use computer generated data for a portion of the audit, using individual files to check for verification documentation, signatures, and similar information. If the auditor chooses to base the audit on centralized computer-generated information, then the sample could be a PHA-wide sample, regardless of where applications and re-examinations take place.

*(4) Projects developed under the revised Section 23 Housing Assistance Payments Program shall be audited as separate work units. *

b. Sample Size. Once the auditor has determined the highest level

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work unit which maintains tenant files, the minimum sample size for each work unit is derived from the following schedule:

No. of Units in PHA,

Management Area, etc.
as Appropriate

Minimum File Sample

100 or fewer

5 files plus 1 for each
10 units over 50

101-600	10 files plus 1 for each 50 units or part of 50 over 100
601-2,000	20 files plus 1 for each 100 units or part of 100 over 600
over 2,000	34 files plus 1 for each 200 units or part of 200 units over 2,200

c. Determining Interval for File Selection. After the auditor has determined the number of files in the sample, the next step is to determine the interval for selection of files. This is done by dividing the number of files to be sampled into the number of dwellings in the work unit. The result will be the interval at which files must be selected from a master list to produce the sample number of files. This interval information should be listed on the Occupancy Audit Summary, Form HUD-52381 (shown as Appendix 2).

For example: 375 unit PHA with centralized occupancy functions.
Sample size is 15
Interval = (375 divided by 15) = 25

Additional examples of determining the work unit, sample size, and interval are contained in Appendix 3.

2-10. REVIEW OF TENANT FILES.

a. Use of Master List. The auditor selects files from a master list, such as the rent roll, in accordance with the interval calculated by the method discussed above. To ensure that each file in the organizational unit has an equal chance to be audited, the auditor determines the starting point by selecting at random a number from one up through the number of the interval. The PHA furnishes all files selected by the auditor. Failure to do so should be documented by the auditor and discussed with the chief/director.

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b. Basic File Review. The auditor reviews each tenant file in the sample as required to complete the Tenant File Review, Form HUD-52378 (shown as Appendix 4). This form is completed for each sample file.

c. The auditor should review actions related to the most recent determination of eligibility and rent. If the family has been recently admitted, this will be the determination of eligibility and rent made at admission. If they have been re-examined, the auditor should review the latest re-examination. It may be necessary, in some cases, to review prior actions to determine whether the action being audited was correct.

d. In addition to the items reviewed on Form HUD-52378, the auditor

should also look for the following:

(1) A Form HUD-50058 (Tenant Data Summary) for each new tenant and for each tenant household that has been re-examined. The Occupancy Auditor must determine if:

-There is a copy (or reasonable computer-generated facsimile) of the form in the tenant file.

-The form is filled out.

-The information on the form matches the information on the tenant's application or re-examination form, and the verification document contained in the file.

-The file contains a signed tenant certification and a signed Federal Privacy Act Statement.

-There is a signed PHA certification (either the one at the bottom of the form or one on a separate page, in the case of a computer-generated facsimile).

* (2) For units in projects constructed prior to 1978, a copy of a notification signed by the tenant informing the tenant of possible lead-based paint hazards and corrective measures, must be on file as required by Handbook 7487.1 REV., the Lead-Based Poisoning Prevention Notification Handbook. *

(3) The auditor should be alert for patterns which may indicate possible abuse of the program. Instances of suspected fraud or abuse should be referred to the Regional Inspector General for Investigation. OIG Fraud Information Bulletins (FIBs) provide information on various indicators of fraud, waste, and mismanagement.

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e. Files Cited in Previous Audit. In addition to the sample described in paragraph 2-9, the auditor shall review 10 percent of the files which were cited for errors in the previous audit. This review should be a spot review to determine if corrections have been made. The complete review discussed in paragraph 2-8 is not required. Form HUD-52378 is not required for these files.

f. Expansion of Sample. If the auditor believes that problems exist which are not adequately revealed by the sample, the auditor may

expand the sample. The auditor shall consult with the chief/director for guidance as to the amount of staff time to be devoted to reviewing additional files.

g. Files Which are Not Auditable. If the condition of records is such that the auditor cannot complete the file review, the auditor shall consult with the chief/director for instructions.

2-11. APPLICATION PROCESSING AND TENANT SELECTION REVIEW.

a. The Auditor completes Form HUD-52379, Tenant Selection Review, Appendix 6. This form is a worksheet to select and analyze data on a PHA's application and tenant selection procedures.

(1) Section A provides information on the PHA's waiting list. If the PHA maintains more than one waiting list, combine them for this purpose and describe the situation in the comments section of the form.

(2) Section B provides a comparison of the characteristics of families who were recently admitted to the program compared to families who applied about the same time who are still on the waiting list.

* b. Form HUD-52382, Tenant Selection Preferences, involves an analysis of the PHA's policies and procedures pertaining to tenant selection preferences. If there is a difference between the PHA's policies and the actual PHA practices, the auditor should obtain sufficient information to support a finding. *

c. The auditor shall review the files of a sufficient number of applicants recently determined to be ineligible to find out if applicants determined to be ineligible are being notified of the reason for their ineligibility and of their opportunity for an informal hearing. In situations in which minority or non-minority groups reside within the PHA's area of operation and appear with frequency on the applicant list, but are not represented in the tenant population, the auditor should document the fact and attempt to determine the reasons for this pattern.

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2-12. LEASING. The auditor shall review the PHA's current lease form prior to the actual on-site visit. While on site, the auditor must be assured that the lease is the same as the one on file with the HUD Office. The auditor must ensure that:

a. The lease is signed by Agency staff and the tenant, and kept up-to-date (with riders, as necessary).

b. The PHA has a workable grievance procedure and that tenants are aware of it. A determination should be made that the grievance procedure meets the requirements of 24 CFR Part 966. The auditor should look at the frequency of formal and informal hearings, kinds

of issues involved, cost to the PHA and final outcomes resulting from hearings.

c. Applicants are aware of special deposits (security, etc., required by the PHA prior to move-in.)

2-13. REVIEW OF TERMINATION PROCEDURES. The auditor must ensure that the PHA is following its grievance procedures to assure that all terminations of tenancy are properly conducted.

*2-14. REVIEW OF OCCUPANCY DATA. The auditor compares data submitted

by the PHA on Form HUD-51234, Report on Occupancy, to assure that it is consistent with PHA records. The auditor may ask to visit a few units shown as vacant on the PHA records. *

2-15. VERIFICATION OF POSTING AND AVAILABILITY OF OCCUPANCY POLICIES. The auditor compares PHA policies on file at the HUD Office with those in the PHA's files to ensure that there are no modifications or changes. The auditor shall visit one or more sites where the PHA takes applications to determine whether occupancy policies which the PHA is required to post are posted as required by HB 7465.1 REV-2.

2-16. ANALYSIS OF THE FIELD WORK. When the auditor has completed the on-site review, the data collected must be analyzed in preparation for the close-out meeting with the Executive Director. The auditor completes Form HUD-52376, Occupancy Audit Guide (Appendix 7), as a basis for evaluating the PHA's policies and procedures and developing recommendations for corrective action.

a. If extensive additional review seems necessary, the auditor shall consult with the chief/director for guidance.

b. The auditor must make a preliminary determination of what findings, recommendations, and errors will be contained in the audit report. Definitions of findings, recommendations, and errors requiring corrective action are contained in Chapter 3 of this Handbook.

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*2-17. FORM HUD-52384 ANALYSIS OF POLICIES AND SUMMARY OF FINDINGS. Form HUD-52384 (shown as Appendix 10) involves the analysis of the PHA's tenant selection and assignment policies and procedures to make sure that they are consistent with the Tenant Selection and Assignment Plan approved by HUD (if there is no such plan, make a finding on that basis). It also serves to identify Occupancy Audit findings which suggest problems related to equal opportunity requirements. By this point in the audit, sufficient information should be available to permit the completion of part 1 of Form HUD-52384 and to identify areas of concern which may develop into findings that will be reported on the form. Findings which suggest problems related to equal opportunity should be especially well documented. *

2-18. POST AUDIT CONFERENCE. After completing the analysis of the field work, the auditor shall review all tentative findings and recommendations with the Executive Director and other appropriate officials in a post audit conference. The PHA's comments, explanations, and questions shall be recorded by the auditor. Any questions about the accuracy of the data obtained by the auditor or the conclusions derived from the data should be resolved prior to the auditor's departure from the PHA. If areas of doubt or controversy cannot be resolved at the post audit conference, the auditor may consult the chief/director for guidance prior to leaving the PHA. The chief/director determines whether additional time will be spent at the PHA and assists in resolving the problem.

*2-19. PHAS PERFORMING INTERNAL AUDITS. In cases where the PHA has elected to perform an internal audit, the HUD Office may require additional information upon receipt of the report and back-up documents. *