

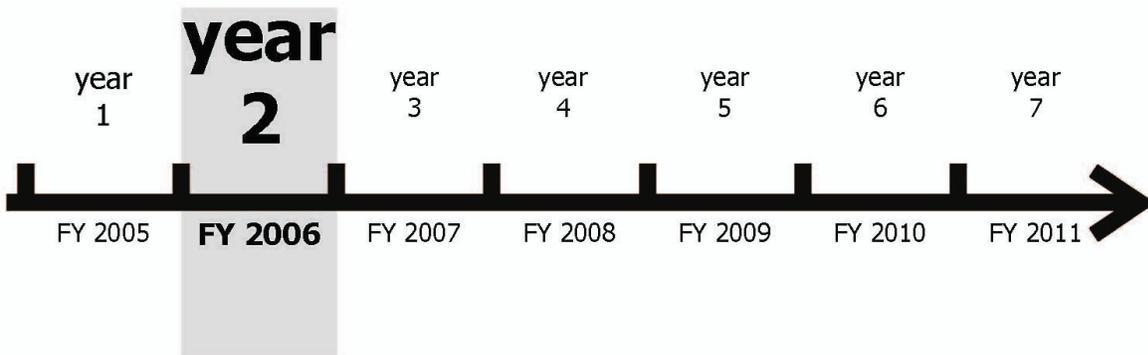


MAKING TRANSITIONS WORK

**ANNUAL REPORT
FY 2006**

TABLE OF CONTENTS

INTRODUCTION.....	III
SECTION I: HOUSEHOLDS SERVED	1
SECTION II: OCCUPANCY POLICIES	9
SECTION III: CHANGES IN THE HOUSING STOCK.....	11
SECTION IV: SOURCES AND AMOUNTS OF FUNDING.....	12
SECTION V: USES OF FUNDS.....	14
SECTION VI: CAPITAL PLANNING.....	17
SECTION VII: MANAGEMENT INFORMATION FOR OWNED/MANAGED UNITS	20
SECTION VIII: MANAGEMENT INFORMATION FOR LEASED HOUSING	24
SECTION IX: RESIDENT PROGRAMS.....	27
SECTION X: OTHER INFORMATION AS REQUIRED BY HUD.....	30



INTRODUCTION

The Oakland Housing Authority (OHA) is proud to issue its Fiscal Year 2006 Annual Report as a participant in the Moving to Work (MTW) program. MTW is a federal demonstration program of the U.S. Department of Housing and Urban Development (HUD) providing local housing authorities the opportunity to explore and test new and innovative methods of delivering housing and supportive services to low-income residents. In order to more fully capture the potential of the demonstration program as envisioned by HUD, OHA has named its program "Making Transition Work."

The FY 2006 Annual Report includes information on both OHA's regular operations and activities authorized by the MTW Agreement executed between OHA and HUD on March 31, 2004. The Report is intended to provide HUD and others with the information necessary to compare OHA's performance over the last year to the agenda OHA set for itself at the beginning of the year in its FY 2006 Annual Plan.

Completed in April, 2005, the FY 2006 Annual Plan described OHA's operations and clientele, and set out a comprehensive framework to guide and govern the Authority during its second year in MTW. The Plan called for the Authority to pursue significant changes to its administrative functions and tenant programs. It also called for OHA to explore, and possibly adopt, new policies for budgeting, rent simplification, inspections, development and more. The FY 2006 Annual Plan is posted on OHA's website at www.oakha.org/mtw/mtw.html

In describing FY 2006, the Annual Report presents specific data called for in the MTW Agreement and reviews existing and newly adopted policy developed to govern OHA's programs. The Report is intended to provide OHA residents, the public and the U.S. Department of Housing and Urban Development (HUD) with baseline information on existing OHA programs and an analysis of changes that occurred to these programs during the fiscal year ending June 30, 2006. The Report also presents information on the adopted OHA Budget from FY 2006 for the period of July 1, 2006 through June 30, 2006.

Participation in MTW continues to be tremendously beneficial to OHA. The program has helped energize staff, improve the experience for assisted families, and push the Authority toward a forward-thinking, customer-oriented, private-market approach. The policy changes adopted during the last year would not have been possible without MTW, and the many ideas in development for the coming year could not have been considered.

OHA's most significant policy initiative in FY 2006 benefited greatly from this progressive MTW atmosphere. The Authority developed, reviewed, wrote and eventually adopted entirely new versions of its Public Housing program's *Admissions and Continued Occupancy Policy (ACOP)* and *Leased Housing Administrative Plan (Admin Plan)*. These two documents include clear, concise and complete descriptions of OHA policy in an easy to access format. The new ACOP and Admin Plan ensure the Authority is in compliance with HUD policy and clarifies the Authority's principles and procedures.

FY 2006 was an important year for OHA's participation in MTW. The Authority began to use the benefits of the program's flexibility and independence to better maintain OHA's physical assets, streamline its programs and explore opportunities for innovation, all while continuing to assist over 13,000 low income Oakland families.



SECTION I: HOUSEHOLDS SERVED

CHANGES IN TENANT CHARACTERISTICS NARRATIVE DISCUSSION/EXPLANATION OF DIFFERENCES TO THE NUMBER OF HOUSEHOLDS SERVED

OHA's FY 2006 Annual Plan described the number of clients OHA was serving at the *beginning* of the fiscal year by family type, housing unit size, income group, and race. The Annual Plan also reported the number of clients that were being served by each of the Authority's programs, and estimates the number of clients that would be served at the end of the fiscal year.

The following charts and narrative recap the information reported in the Annual Plan, and compare it to the number of clients being served at the end of Fiscal Year 2006. While the charts published in the Plan combined Public Housing and Section 8 data into aggregate totals, this Report shows the different programs' data separately, thus increasing the amount of available detail.¹

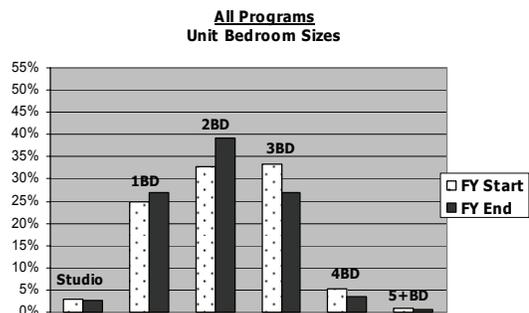
The composition of households enrolled in OHA's affordable housing programs remained relatively stable in FY 2006. Both the Public Housing and Section 8 programs contracted slightly during the year, which had little effect on the program participant's demographics.

UNIT SIZE

Number of Households by Unit/Subsidy Size and Program

OHA's Public Housing and Leased Housing programs are among the nation's largest, serving over 13,000 low income households. The Authority houses over nine percent of the City of Oakland, and over 20% of Oakland's low-income residents.² The Public Housing program has been authorized to administer up to 3,308 units, while the three programs that make up the Leased Housing program may issue 11,442 rental assistance vouchers.

At the beginning of the fiscal year, 34 percent of families receiving assistance from OHA had three bedroom units. For Section 8 clients, that was equivalent to having a voucher valued at the fair market rent for a three bedroom apartment. Almost the same number of families had two bedroom units. Most of the remaining households lived in one bedroom apartments in OHA's senior-only buildings. As the chart to the right shows, this profile changed during FY 2006. By the end of the



¹ Reporting the program data separately did present a challenge in preparing the FY 2006 Annual Report. Data from the exact day in April, 2005 that the analysis was conducted for the Annual Plan was not available. As a substitute, available data from earlier in April, 2005 was used. Thus, a keen observer will note that there are slight differences between the totals published in the Annual Plan and the totals attributed to the Plan herein. These differences prove to be statistically insignificant.

² Source: 2000 CHAS Data Set, U.S. Dept. of Housing and Urban Development.

year, a clear majority of households had two bedroom units. This was the result of a shift in policy described in the review of Section 8 below.

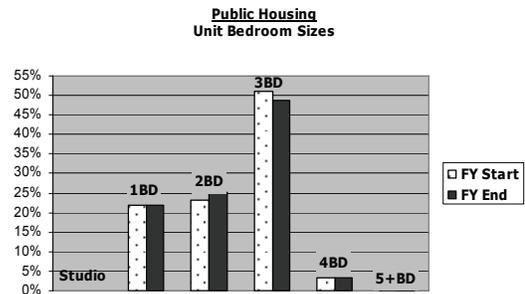
For all of OHA's programs combined, the actual number of units available for service in FY 2006 was 13,519. This was down slightly from the beginning of the year.

ALL PROGRAMS	Studio	1BD	2BD	3BD	4BD	5+BD	Total
Annual Plan (3/05)	424	3,501	4,620	4,729	754	109	14,137
Annual Report (9/06)	373	3,646	5,313	3,628	489	70	13,519
# Change	-51	145	693	-1,101	-265	-39	-618
% Change	-12.0%	4.1%	15.0%	-23.3%	-35.1%	-35.8%	-4.4%

Public Housing

The FY 2006 Annual Plan predicted an increase in the number of public housing households served in FY 2006, and that 208 units previously off-line would be returned to service through renovation and redevelopment. At 97% occupancy, these units were supposed to expand the number of households served by 202.

While the renovated units were returned to service, the increase in households served was not realized. A sharp increase in the number of routine vacancies nearly matched the number of units returned to service. Thus, the following table shows the number of actual households increased only slightly, 1.3 percent. (For additional detail, see *Section III: Housing Stock*, and *Section VII: Owned/Managed Units*).



PUBLIC HOUSING	Studio	1BD	2BD	3BD	4BD	5+BD	Total
Annual Plan (3/05)	3	612	657	1,431	96	14	2,813
Annual Report (9/06)	3	625	720	1,390	97	15	2,850
# Change	0	13	63	-41	1	1	37
% Change	0.0%	2.1%	9.6%	-2.9%	1.0%	7.1%	1.3%

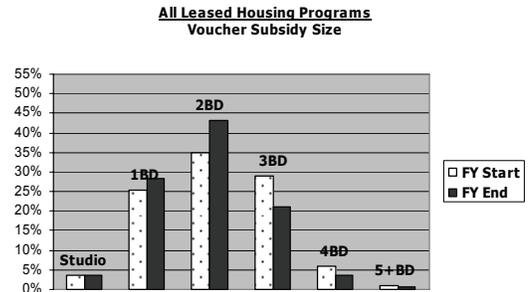
Section 8

OHA also saw the utilization rate of Section 8 vouchers fall slightly in FY 2006. The year began with 11,324 (98.9 percent) of vouchers in use, while the year ended with 10,699 (93.4 percent) in use. The resulting 5.8 percent drop appear in the table below.

SECTION 8 - ALL	Studio	1BD	2BD	3BD	4BD	5+BD	Total
Annual Plan (3/05)	421	2,889	3,963	3,298	658	95	11,324
Annual Report (9/06)	370	3,021	4,593	2,238	392	55	10,699
# Change	-51	132	630	-1,060	-266	-40	-655
% Change	-12.1%	4.6%	15.9%	-32.1%	-40.4%	-42.1%	-5.8%

The FY 2006 Annual Plan had projected a 97 to 100 percent utilization rate throughout the year. While the Authority remained committed to this goal, a number of unexpected factors caused the two percent fall in utilization. Those factors included a seven million mid-year funding rescission by HUD and depletion of the program's wait list. (For a more thorough discussion of these factors, see *Section VIII: Management Information for Leased Housing.*)

The Housing Choice Voucher program also experienced a significant shift downward in the subsidy amounts assigned to its vouchers. Fewer households received subsidies equivalent to three, four, and five bedrooms, while more families were assigned subsidies equivalent to one and two bedrooms. This change was in direct response to OHA adopting a new policy wherein families were no longer assigned additional subsidy to separately house opposite sex children.



The impact of assigning a voucher's value based solely on the number of dependents in the household, not on the sex of those dependents, can be seen in the following table of Housing Choice Vouchers by subsidy size.

FAMILY TYPE

Population by Family Type and Program

The distribution of families by type varied slightly during FY 2006. The total number of households OHA served dropped by more than 600, most of which can be attributed to elderly households leaving the Public Housing program, and elderly and family households leaving Section 8.

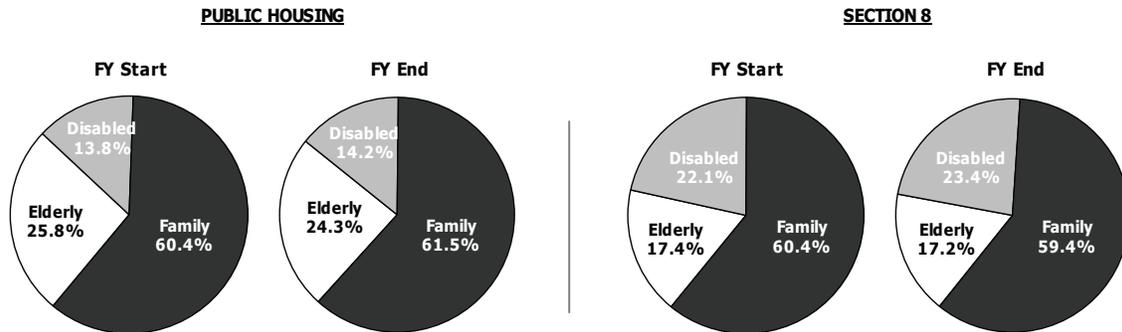
ALL PROGRAMS	Elderly	Disabled	Family	Total
Annual Plan (3/05)	2,701	2,893	8,543	14,137
Annual Report (9/06)	2,529	2,900	8,090	13,519
# Change	(172)	7	(453)	(618)
% Change	-6.37%	0.24%	-5.30%	-4.37%

PUBLIC HOUSING	Elderly	Disabled	Family	Total
Annual Plan (3/05)	726	387	1,700	2,813
Annual Report (9/06)	692	406	1,752	2,850
# Change	(34)	19	52	37
% Change	-4.68%	4.91%	3.06%	1.32%

SECTION 8 - ALL	Elderly	Disabled	Family	Total
Annual Plan (3/05)	1,975	2,506	6,843	11,324
Annual Report (9/06)	1,837	2,494	6,338	10,669
# Change	(138)	(12)	(505)	(655)
% Change	-6.99%	-0.48%	-7.38%	-5.78%

To avoid counting a person in more than one category, family type data is being reported ordinarily. The sequential order starts with elderly, then disabled and then family. Thus, if a person is counted as elderly, they will not also be counted as disabled.

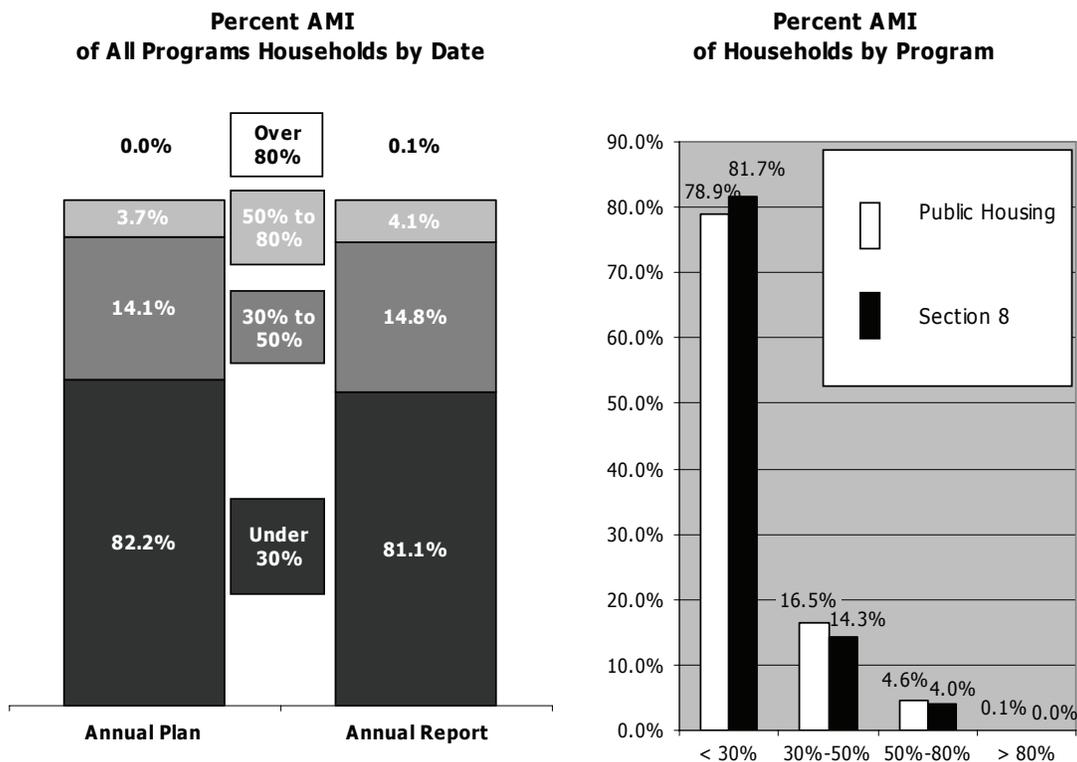
Using the data from the above tables, the following graphs show that the types of families in OHA's programs has remained fairly constant during FY 2006.



INCOME GROUP

Number of Households by Program and Median Income

The Authority continues to almost exclusively assist extremely low income families. Households earning less than 30 percent of the Area Median Income (AMI) made up 81% of the Authority's clientele, which is the equivalent of less than \$23,000 per year for a family of three. The remaining 19 percent of households earned less than 80 percent of AMI.

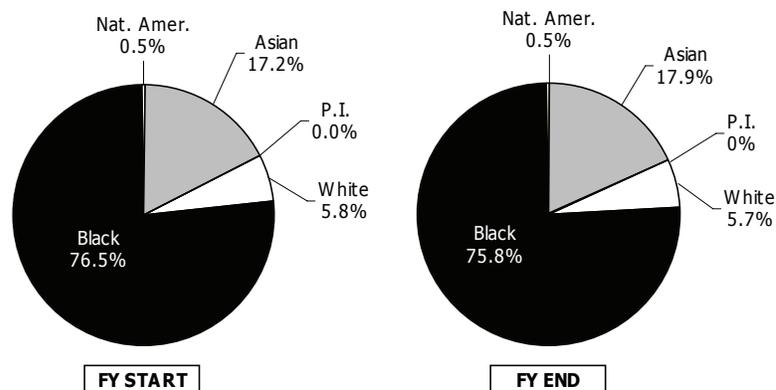


Using the data from the following tables, the above graphs show that the income of families in OHA's programs has remained fairly constant during FY 2006.

ALL PROGRAMS	Percentage of Median Income				Total
	< 30%	30%-50%	50%-80%	> 80%	
Annual Plan (3/05)	11,602	1,990	521	4	14,117
Annual Report (9/06)	10,936	1,991	554	7	13,488
# Change	-666	1	33	3	-629
% Change	-6.1%	0.1%	6.0%	42.9%	-4.7%
PUBLIC HOUSING					
PUBLIC HOUSING	Percentage of Median Income				Total
	< 30%	30%-50%	50%-80%	> 80%	
Annual Plan (3/05)	2,217	460	128	1	2,806
Annual Report (9/06)	2,235	467	130	2	2,834
# Change	18	7	2	1	28
% Change	0.8%	1.5%	1.5%	50.0%	1.0%
SECTION 8					
SECTION 8	Percentage of Median Income				Total
	< 30%	30%-50%	50%-80%	> 80%	
Annual Plan (3/05)	9,385	1,530	393	3	11,311
Annual Report (9/06)	8,701	1,524	424	5	10,654
# Change	-684	-6	31	2	-657
% Change	-7.9%	-0.4%	7.3%	40.0%	-6.2%

RACE & ETHNICITY

The Census Bureau's American Community Survey (ACS) continues to report a steady rise in Oakland's Asian, Hispanic and Pacific Islander populations, while the city's white and black populations continue to fall. Similar changes (in generally similar proportions) can be seen among OHA's tenant and client population's racial composition. Fiscal Year 2006 saw the Authority assisting few white and black clients, while more Native American, Asian, and Pacific Islanders moved onto its programs. The one anomaly to this was OHA's Hispanic population fell while the ACS shows the Hispanic population in Oakland growing.



Race of Head of Household

The following tables show how the distribution of families by race varied during FY 2006.

ALL PROGRAMS	White	Black	Native American	Asian	Pacific Islander	Total
Annual Plan (3/05)	823	10,815	68	2,430	1	14,137
Annual Report (9/06)	774	10,247	67	2,425	6	13,519
# Change	-49	-568	-1	-5	5	-618
% Change	-6.3%	-5.5%	-1.5%	-0.2%	83.3%	-4.6%

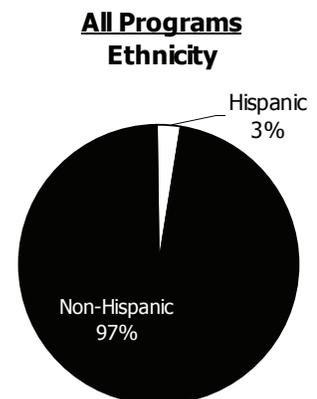
PUBLIC HOUSING	White	Black	Native American	Asian	Pacific Islander	Total
Annual Plan (3/05)	159	2,221	5	428	0	2,813
Annual Report (9/06)	152	2,226	5	465	2	2,850
# Change	-7	5	0	37	2	37
% Change	-4.6%	0.2%	0.0%	8.0%	100.0%	1.3%

SECTION 8 - ALL	White	Black	Native American	Asian	Pacific Islander	Total
Annual Plan (3/05)	664	8,594	63	2,002	1	11,324
Annual Report (9/06)	622	8,021	62	1,960	4	10,669
# Change	-42	-573	-1	-42	3	-655
% Change	-6.8%	-7.1%	-1.6%	-2.1%	75.0%	-6.1%

Ethnicity of Head of Household

	PUBLIC HOUSING			SECTION 8		
	Hispanic	Non-Hispanic	Total	Hispanic	Non-Hispanic	Total
Annual Plan (3/05)	101	2,712	2,813	298	11,026	11,324
Annual Report (9/06)	99	2,751	2,850	280	10,389	10,669
# Change	-2	39	37	-18	-637	-655
% Change	-2.0%	1.4%	1.3%	-6.4%	-6.1%	-6.1%

ALL PROGRAMS	Hispanic	Non-Hispanic	Total
Annual Plan (3/05)	399	13,738	14,137
Annual Report (9/06)	379	13,140	13,519
# Change	-20	-598	-618
% Change	-5.3%	-4.6%	-4.6%



WAIT LISTS

The demand for affordable housing in the City of Oakland far outpaces the supply of available rental and homeownership opportunities. Thus, OHA has little difficulty finding applicants to its programs. And in response to such high demand, limited supply and full participation, OHA has created a wait list to manage incoming applications.

The following charts report the number of applicants currently awaiting assistance by family type, size, race and ethnicity. The information is reported in accordance with OHA and HUD's MTW Agreement. Yet because OHA's wait lists are only open for brief periods once every few years and then slowly depleted, the number and composition of families on the list has little relationship to the current demand for subsidized housing in Oakland.

It is important to note that there were no changes to OHA policy, operations or procedure governing wait lists during the course of the year.

CHANGES IN WAIT LIST NUMBERS AND CHARACTERISTICS

WAIT LISTS AND PROGRAM APPLICANTS BY NUMBER OF MEMBERS IN HOUSEHOLD

Applications to the Public Housing program were last accepted in 2003. Approximately 12,000 applicants were placed on a wait list which the Authority has used to fill subsequent vacancies. OHA expects the next open enrollment for this program to be in late 2006, as the existing wait list will likely be exhausted by spring, 2007.

PUBLIC HOUSING	1	2	3	4	5	6+	Missing	Total
Annual Plan (3/05)	2,293	2,935	870	1,000	317	63	41	7,519
Annual Report (9/06)	1,015	2,584	284	547	273	17	40	4,760

The Section 8 program did have occasion to open the wait list this year. In February, as the existing Section 8 wait list neared exhaustion, a two-week open enrollment period was held. Public announcements and meetings, print and radio advertisements, and direct mailings were used to promote the opening and distribute applications. The Authority also partnered with over 60 community and non-profit groups, the City of Oakland and its network of Libraries to recruit needy families to apply.

The response was overwhelming. Over 42,200 valid applications were submitted, including over 19,000 on-line applications via the Authority's website. An astounding 30 percent³ of the families that live or work in Oakland and qualify for the program responded to the outreach campaign and submitted applications.

Because OHA's Section 8 program operates at full capacity, new applicant families are put on a list where they wait for the opportunity to replace a current voucher holder. As families reach the top of the list, they must wait for a current voucher holder to leave the program and relinquish their voucher. Turnover has been very slow. Oakland has one of the nation's most expensive and difficult rental markets and a limited supply of vouchers. Some of the families that applied in 2001 waited over five years for a Section 8 voucher to become available.

To avoid such long waits and false expectations for new applicants, a lottery was held among this year's applicant families to create a wait list that OHA could reasonably expect to serve in the next

³ Source: 2000 CHAS Data Set, U.S. Dept. of Housing and Urban Development

two years. The Authority estimated that number to be 10,000 new families, and hired an independent consultant to collect the applications and randomly select the applicants.

Following the lottery selection of 10,000 new families, OHA identified a pool of applicants from the 2001 Section 8 application period that had yet to be served. The Authority reacted to this oversight by making certain they remained at the beginning of the wait list in priority order. Thus, at the end of the fiscal year, the Section 8 wait list had 10,645 applicants.

SECTION 8 - ALL	1	2	3	4	5	6+	Missing	Total
Annual Plan (3/05)	1,641	1,018	727	448	183	77	55	4,149
Annual Report (9/06)	4,735	2,668	1,688	951	373	161	69	10,645

WAIT LIST AND PROGRAM APPLICANTS BY FAMILY TYPE

PUBLIC HOUSING	Elderly	Disabled	Family	Total
Annual Plan (3/05)	700	651	6,167	7,518
Annual Report (9/06)	423	344	3,993	4,760

SECTION 8 - ALL	Elderly	Disabled	Family	Total
Annual Plan (3/05)	173	1,086	1,709	2,968
Annual Report (9/06)	325	2,465	7,881	10,671

WAIT LIST AND PROGRAM APPLICANTS BY INCOME

PUBLIC HOUSING	Percentage of Median Income				Total
	< 30%	30%-50%	50%-80%	> 80%	
Annual Plan (3/05)	5,010	1,668	752	89	7,519
Annual Report (9/06)	3,327	982	425	26	4,760

SECTION 8	Percentage of Median Income				Total
	< 30%	30%-50%	50%-80%	> 80%	
Annual Plan (3/05)	3,252	858	37	2	4,149
Annual Report (9/06)	10,109	533	2	1	10,645

WAIT LIST AND PROGRAM APPLICANTS BY RACE & ETHNICITY

PUBLIC HOUSING	White	Black	Native American	Asian	Pacific Islander	Total
Annual Plan (3/05)	496	4,948	4	2,063	7	7,518
Annual Report (9/06)	318	3,250	2	1,188	2	4,760

SECTION 8 - ALL	White	Black	Native American	Asian	Pacific Islander	Missing Data	Total
Annual Plan (3/05)	241	2,779	39	909	0		3,968
Annual Report (9/06)	1,277	7,539	88	1,483	84	174	10,645

	PUBLIC HOUSING			SECTION 8		
	Hispanic	Non-Hispanic	Total	Hispanic	Non-Hispanic	Total
Annual Plan (3/05)	183	7,335	7,518	25	3,943	3,968
Annual Report (9/06)	117	4,673	4,790	571	9,900	10,471

SECTION II: OCCUPANCY POLICIES

CHANGES IN CONCENTRATION OF LOWER-INCOME FAMILIES, BY PROGRAM CHANGES IN RENT POLICY NARRATIVE DISCUSSION/EXPLANATION OF CHANGE

The FY 2006 Annual Plan anticipated OHA reviewing, examining and potentially changing a number of occupancy and rent policies during the year, including those that govern eligibility, selection, admissions, assignment and occupancy of families, and admissions for the deconcentration of lower-income families. A number of the expected policy changes were adopted in FY 2006 and the Authority also began to develop a major policy initiative to simplify its rent-setting policies.

The Authority also planned a systematic review of all existing rent policies to look for ways to make its programs more clear and simple for tenants to understand, and more transparent and efficient for staff to administer. This resulted in a major revision of the **Public Housing Admissions and Continued Occupancy Policy** (ACOP) and **Section 8 Administrative Plan** (Admin Plan).

Deconcentration

The Authority has not altered its policies or practices to effect a change in the concentration of lower-income families.

Rent Policy

The Authority made five changes to its rent policy, which were in various states of implementation by the end of the fiscal year.

Mod Rehab Project Based Waitlists

New policy was adopted to allow the owners of Moderate Rehabilitation (Mod Rehab) program units to create and maintain their own site-based wait lists. OHA is currently meeting with these owners to discuss the Authority's implementation of the policy.

Currently, a Mod Rehab owner can only consider prospective tenants referred to them by OHA. The referral must come from the Section 8 wait list developed and maintained by the Authority. With the new policy, Owners will be able to advertise the availability of their Mod Rehab units as they see fit, as long as they continue to comply with the Authority's outreach and selection policies. Families selected by these private owners will have to meet all of the Authority's screening criteria prior to receiving a Mod Rehab unit.

Adopting this proposal should allow owners of Mod Rehab properties greater control in keeping their properties fully leased. The owners will be able to maintain a pool of applicants who have expressed a desire to live at their property, thus eliminating the time waiting for OHA to refer clients that may, or may not, care to live in that location. This should also improve the client

experience, as families are not being called from a wait list for properties in which they have no interest in living.

Mod Rehab Income Verification

The Authority adopted policy to allow a select group of Moderate Rehabilitation (Mod Rehab) owners to calculate and verify tenant incomes in lieu of OHA conducting its own income calculations and verifications. Once implemented, this policy will be in effect only for those owners who are required to conduct income calculations and verifications by another non-OHA program.

The Authority is currently required to conduct income verification for families coming off the wait list (and annually thereafter) regardless whether the Mod Rehab owner/manager is also verifying tenants' income to qualify for another non-OHA program. The new policy is intended to eliminate this redundancy and allow both owners and families to realize a faster initial lease-up. A percentage of verifications completed by the Mod Rehab owners/managers will be audited to ensure compliance with HUD and Authority regulations.

Initial Income Verification

Income verifications for public housing and Section 8 applicants are now valid, due to newly implemented policy, for 120-days before initial housing assignment or voucher issuance.

The time allowed for verifying income must be long enough for staff to contact multiple outside employers and agencies, yet short enough to moderate the number of clients whose incomes change significantly between verification and the issuing of a housing subsidy. The previous policy of a 60-day limit had proven too short to ensure initial program eligibility. The 120-day limit was adopted and implemented to strike a balance between the need to ensure up-to-date income verification and the desire to grant staff more control over their workflow (ACOP, Section 6-I.C.)

Document Review for Income Verification

For new clients, where upfront income verification is not available, OHA established new policy to allow the use of pay stubs, bank statements and other forms of document review as the primary means of verifying income and assets. Previously, the Authority sent certification forms to employers, banks, etc. as the primary means of verifying income. The new policy has been written into the Authority's Admissions and Continued Occupancy Policy (ACOP, Section 7-I.B.), and Staff is currently being trained for its implementation.

The previous third party verification process often caused long delays in the clients' annual income verification process. Most employers, banks and agencies did not respond to requests for third party verification. When they did, it was often flawed because the forms were completed incorrectly and the information often conflicted with documents provided by the family.

Income Reexaminations for Elderly and Disabled Clients on Fixed Incomes

OHA adopted new policy so that it may conduct income reexaminations every 3 years for elderly and disabled clients on fixed incomes in the Public Housing and Section 8 programs. In the years between examinations, an automatic adjustment will be applied to these clients' housing payment equal to any cost of living adjustments made to their income subsidy program. Previously, OHA conducted reexaminations every year for these clients. The policy's implementation was underway at the end of FY 2006, as OHA's systems and work flow models were being tested.

The Authority expects the new policy will affect over 2,500 elderly and disabled families on fixed incomes. This represents approximately 20 percent of OHA's clients. The change should save these clients the time and effort necessary for annual reexaminations. It will also benefit Authority clients by freeing staff time for other property management and HQS activities.

SECTION III: CHANGES IN THE HOUSING STOCK

NUMBER OF UNITS IN INVENTORY BY PROGRAM NARRATIVE DISCUSSION/EXPLANATION OF DIFFERENCE

The Oakland Housing Authority owns and operates 3,308 units of Conventional Public Housing within the City of Oakland. This includes seven large developments for families, five sites specifically reserved for seniors, and 255 small sites scattered throughout the city's residential neighborhoods. As the 2006 Annual Plan showed, the year began with 331 of those units off-line undergoing modernization or replacement, including: 11 units at scattered sites; 142 units at Lockwood Gardens; and 178 units at Lion Creek Crossing (formerly Coliseum Gardens.)

OHA also operates three leased housing programs that administer over 11,400 vouchers for low income residents to use in renting from the private market. The programs are Housing Choice Vouchers, Moderate Rehabilitation and Project Based Certificates. The FY 2006 Annual Plan predicted all three programs would maintain the same number of units in their inventory throughout the year.

PROJECTED VS ACTUAL

Type of Unit	HCV	Certs.	Mod Rehab	Public Housing	Total
Annual Plan - ACTUAL (3/05)	10,874	54	514	2,977	14,419
Annual Plan - PROJECTED (3/05)	10,874	54	514	3,116	14,558
Annual Report - ACTUAL (9/06)	10,874	54	516	3,116	14,560

The FY 2006 Annual Plan anticipated the number of available Public Housing units to grow from 2,977 to 3,116 during the year, including reoccupying 142 units of newly modernized housing at Lockwood Gardens and 45 units of newly rebuilt housing at Lion Creek Crossings (formerly known as Coliseum Gardens.) The Plan also projected the Authority would take 48 units off-line for modernization from its stock of sites scattered around the city.

At the end of the 2006 fiscal year, the number of available units in OHA's Public Housing inventory had risen to 3,116. As predicted, all 142 units at Lockwood Gardens were fully modernized and available, 45 units at Lion Creek Crossings had also been returned to service and 48 scattered site units were undergoing modernization.

OHA's Leased Housing program also met its expectations by continuing to operate at the same size. OHA's portfolio of rental vouchers remained 11,444 units. The two units added to Mod Rehab in the above chart do not represent program growth, but are attributable to a reporting error in the Annual Plan.

SECTION IV: SOURCES AND AMOUNTS OF FUNDING

PLANNED VS ACTUAL FUNDING AMOUNTS NARRATIVE DISCUSSION/EXPLANATION OF DIFFERENCE CONSOLIDATED FINANCIAL STATEMENT

This section describes the level of funding OHA planned to receive during FY 2006 and compares it to the actual amount received. Consolidated MTW program funds are accounted for separate from other Special Purpose funding, and the variance between the budgeted and actual amounts are presented.

Federal funding for the Authority's main MTW programs was severely reduced in FY 2006. As predicted in the Annual Plan, Public Housing operations and capital was under funded by more than \$1.1 million, while Section 8 received \$5.9 million less than it was eligible for.

The following tables show OHA received \$7.1 million less than expected in FY 2006 funding. The Authority drew down \$6.3 million less than expected for MTW programs, and \$761K less for special purpose programs. (For information on expenditures, see *Section V: Uses of Funds*).

Consolidated MTW Budget

Under MTW, OHA has consolidated the Public Housing Program, the Capital Fund Program, and the Section 8 Housing Choice Voucher Program funding into one unified budget. In FY 2006, the Authority drew down and received \$6.3 less than anticipated for those programs. Most of the variance can be explained by a smaller than expected draw down of capital funds and a larger than expected cut in funding for the Section 8 HCV block grant.

SOURCE:	FY 2006 Budgeted	FY 2006 Actual	Variance
Dwelling Rental Income	\$ 9,800,000	\$ 9,945,888	\$145,888
Public Housing Operating Subsidy Block Grant	\$ 9,664,000	\$9,757,842	\$93,842
Capital Fund Block Grant ¹	\$ 7,887,000	\$ 3,998,760	\$ (3,888,240)
Housing Choice Voucher Block Grant ²	\$ 140,100,000	\$ 137,114,759	\$ (2,985,241)
Housing Choice Voucher Project Reserve	\$0	\$0	\$0
Other Income	\$ 235,000	\$372,115	\$137,115
Investment Income	\$ 363,000	\$499,965	\$136,965
Total Consolidated MTW Revenue	\$ 168,049,000	\$ 161,689,329	\$(6,359,671)

Notes:

1. Decrease in Capital Fund Block Grant revenue due to delays in planned rehabilitation.
2. Decrease in Housing Choice Voucher Block Grant revenue due to federal appropriation reduction.

Special Purpose Funding

Non-MTW programs faced federal funding cuts similar to Public Housing and Section 8. Almost all of these smaller, specialized programs drew down or received less funding than expected in FY 2006.

SOURCE	FY 2006 Budgeted	FY 2006 Actual	Variance
Moderate Rehab Subsidy	\$ 3,682,000	\$ 3,440,096	\$ (241,904)
Moderate Rehab Investment Income	\$ 35,000	\$ 28,544	\$ (6,456)
Moderate Rehab Other Income	\$ 3,000	\$ 0	\$ (3,000)
Section 8 Mainstream Subsidy ¹	\$ 1,957,000	\$ 1,901,950	\$ (55,050)
Shelter Plus Care Subsidy	\$ 2,371,000	\$ 2,431,955	\$ 60,955
Shelter Plus Care Investment Income	\$ 2,000	\$ (483)	\$ (2,483)
Section 8 Pension Fund (Acorn) ¹	\$ 263,000	240,873	\$ (22,127)
Family Self Sufficiency (FSS) ¹	\$ 126,000	\$ 63,000	\$ (63,000)
HOPE VI Grants ²	\$ 12,000,000	\$ 10,811,659	\$ (1,188,341)
Prior FY2005 Capital Fund ³	\$ 0	\$ 464,883	\$ 464,883
ROSS Homeownership Grant ⁴	\$ 171,000	\$ 63,000	\$ (108,000)
Local Fund Rental Income	\$ 100,000	\$ 103,125	\$ 3,125
Local Fund Investment Income ⁵	\$ 280,000	\$ 136,414	\$ (143,586)
Local Fund Other Income ⁶	\$ 166,000	\$ 709,349	\$ 543,349
Total¹	\$ 21,156,000	\$ 20,394,365	\$ (761,635)

Notes:

1. Section 8 Mainstream Subsidy, Section 8 Pension Fund and FSS were inadvertently omitted from the FY '06 Annual Plan, thus the total Special Purpose Funding budget was listed as \$18,810,000. Inserting these line items into the FY 2006 Annual Report is intended to correct that error and account for an additional \$2,346,000 in Special Purpose Funding budgeted for the year.
2. HOPE VI funding need for fiscal year was less than budgeted.
3. Balance of FY2005 Capital Fund revenue received and expended in FY2006.
4. Decrease in ROSS Homeownership Grant revenue due to staff turnover.
5. Decrease in Local Fund Investment Income revenue due to decrease in funds available for investment because of Local Fund Reserves expended for HOPE VI and Capital Fund projects.
6. Increase in Local Fund Other Income revenue due to gain on sale of three properties in the Local Fund real estate portfolio.

Total Budgeted Funding Versus Actual Funding Received

In total, OHA collected \$7,100,000 less than expected in FY 2006.

SOURCE	FY 2006 Budgeted	FY 2006 Actual	Variance
Consolidated MTW Revenue	\$ 168,049,000	\$ 161,689,329	\$ (6,359,671)
Special Purpose Program Revenue ¹	\$ 21,156,000	\$ 20,394,365	\$ (761,635)
Total¹	\$ 189,205,000	\$ 182,083,694	\$ (7,121,306)

Notes:

1. Please refer to Note 1 of the preceding table to account for a correction made to this budgeted amount since publication of the FY 2006 Annual Plan. This line item was referred to as "Special Purpose Funding not included in the MTW" in the FY 2006 Annual Plan.

SECTION V: USES OF FUNDS

BUDGETED VS ACTUAL EXPENDITURES BY LINE ITEM NARRATIVE/EXPLANATION OF DIFFERENCE RESERVE BALANCE AT YEAR END, DISCUSS ADEQUACY OF RESERVES

This section presents a comparison between the level of budgeted expenditures and actual amounts expended by the Authority in FY 2006 for the Consolidated MTW Program and other Special Purposes and a discussion of the level and adequacy of reserves.

Planned Expenditures by Budget Line Item Versus Actual Expenditures

OHA cut spending and scaled back its programs in FY 2006 in response to Federal budget cuts and increased cost of property, labor and materials. Most of the cost savings were realized by reduced spending on Section 8 vouchers and less spending on capital projects than expected. In total, OHA used nine percent less funds than expected.

CONSOLIDATED MTW	FY 2006 Budgeted	FY 2006 Actual	Variance
Line Item:			
Administration & General ^{1, 2}	\$18,050,640	\$18,595,827	(\$545,187)
Tenant Services ¹	\$603,816	\$489,805	\$114,011
Utilities	\$2,583,000	\$2,655,286	(\$72,286)
Maintenance & Contracts ^{1, 3}	\$11,408,716	\$10,718,370	\$690,346
Police Services ¹	\$2,328,828	\$2,404,320	(\$75,492)
Housing Assistance Payments ⁴	\$130,545,000	\$117,818,857	\$12,726,143
Capital Projects ^{5, 6}	\$5,726,000	\$3,998,760	\$1,727,240
Capital Equipment	\$528,000	\$701,268	(\$173,268)
Total Consolidated MTW Expenditures¹	\$171,774,000	\$157,382,493	\$14,391,507
Special Purpose PROGRAMS	FY 2006 Budgeted	FY 2006 Actual	Variance
Line Item:			
Administration & General	\$1,640,000	\$1,610,909	\$29,091
Housing Assistance Payments	\$5,519,000	\$5,342,360	\$176,640
Tenant Services	\$214,000	\$63,647	\$150,353
Utilities	\$5,000	\$530	\$4,470
Maintenance & Contracts	\$56,000	\$24,673	\$31,327
Police Services	\$26,000	\$5,324	\$20,676
HOPE VI Projects	\$11,265,000	\$10,811,659	\$453,341
Prior FY 2005 Capital Fund Projects	\$0	\$464,883	(\$464,883)

Capital Equipment	\$7,000	\$23,103	(\$16,103)
Sec 8 Reserve Investments-HOPE VI ⁷	\$5,414,000	\$2,865,498	\$2,548,502
Sec 8 Reserve Investments-Capital ^{8,9} Projects	\$1,242,000	\$1,349,898	(\$107,898)
State12 & State6 Reserves-Capital ¹⁰ Projects	\$896,000	\$0	\$896,000
Total Special Purpose Expenditures	\$26,284,000	\$22,562,484	\$3,721,516
TOTAL USES OF FUNDS	FY 2006 Budgeted	FY 2006 Actual	Variance
Consolidated MTW Program Expenditures	\$171,774,000	\$157,382,493	\$14,391,507
Special Purpose Program Expenditures	\$26,284,000	\$22,562,484	\$3,721,516
Total Expenditures	\$198,015,000	\$179,944,977	\$18,070,023

Notes:

1. The FY 2006 Annual Plan inaptly included the employee fringe benefits for staff working on Tenant Services, Maintenance & Contracts and Police Services in the line item Administration & General. Redistributing these costs out of Administration & General, and into Tenant Services, Maintenance & Contracts and Police Services, allows for a more accurate presentation of these items true cost. Accordingly, the amounts listed under FY 2006 Budgeted vary from those originally published in the FY 2006 Annual Plan by the cost of employee fringe benefits. This allows for a direct comparison with the amounts listed under FY 2006 Actual.
2. The increased spending in Administration and General Expenditures in the Consolidated MTW Program was due to higher Administrative Salaries, higher Legal Costs because of increased eviction activity, higher Administrative Office expense due to an increase in the purchase of office supplies, and higher Fringe Benefit costs due to an increase in medical benefit rates and PERS retirement contribution rate.
3. The decreased spending in Maintenance and Contracts in the Consolidated MTW Program is the result of performing more contract work in-house and lower costs in Non-Routine repair maintenance.
4. The decreased spending in Housing Assistance Payments in the Consolidated MTW Program is the result of under-leasing of units in the Housing Choice Voucher Program.
5. \$562,000 for OHA's Service Center Parking Lot has been moved to the newly created line item "Sec 8 Reserve Investments-Capital" (See Note 8 below). The parking lot project was not a Capital Fund project, and was inadvertently included in the FY 2006 Annual Plan's Capital Projects line item.
6. Decrease in Capital Fund Block Grant expense due to delays in planned rehabilitation projects.
7. Section 8 Reserves used to purchase property for Tassafaronga HOPE VI project.
8. This line item does not appear in the original FY 2006 Annual Plan. It has been added to account for \$1,242,000 in Section 8 reserves budgeted for expenditure after the start of the fiscal year. \$562,000 of this FY 2006 Budgeted amount was planned for the OHA's Service Center parking lot (see Note 5 above). The remaining \$680,000 was to be used for Public Housing capital projects. OHA's Board approved spending a total of \$7,800,000 in Section 8 reserves for Public Housing capital projects on 2/17/05 in response to over 10 straight years of HUD's failure to fully finance the Public Housing Capital fund program.
9. Section 8 Reserves used regarding upgrade of Service Center parking lot.
10. State 12 & State 6 rehabilitation deferred until FY2007. This line item was referred to as the Local Fund Investment in Capital Projects" in the FY 2006 Annual Plan.

Net Change in Reserves

The Authority was able to build its reserves by \$10.9 million in FY 2006. Much of this came from a reduced use of the Section 8 Housing Choice Voucher block grant (For additional detail, see *Section VIII: Management Information for Leased Housing.*)

CONSOLIDATED MTW	FY 2006 Budgeted	FY 2006 Actual	Variance
Total Revenue ¹	\$168,049,000	\$161,689,329	(\$6,359,671)
Total Expenditures	\$171,774,000	\$157,382,493	\$14,391,507
Total Net Change To Reserves	(\$3,725,000)	\$4,306,836	(\$8,031,836)
SPECIAL PURPOSE PROGRAMS	FY 2006 Budgeted	FY 2006 Actual	Variance
Total Revenue ¹	\$21,156,000	\$20,394,365	\$761,635
Total Expenditures	\$26,284,000	\$22,562,484	\$3,721,516
Total Net Change To Reserves	(\$5,128,000)	(\$2,168,119)	(\$2,959,881)
ALL PROGRAMS	FY 2006 Budgeted	FY 2006 Actual	Variance
Total Revenue ¹	\$189,205,000	\$182,083,694	(\$7,121,306)
Total Expenditures	\$198,015,000	\$179,944,977	\$18,070,023
Total Net Change To Reserves	(\$8,810,000)	\$2,138,717	\$10,948,717

Notes:

1. See *Section IV: Sources and Amounts of Funding*

Level and Adequacy of Reserves

The FY2006 reserve balance of \$37,857,219 is adequate to cover the deficit of (\$17,119,000) indicated in next year's FY2007 budget, however with continued cuts in HUD funding a foregone conclusion and in light of the transition that is under way to restructure Authority operations for Project Based Budgeting and Accounting and Project Asset Management, OHA management staff will be greatly challenged to meet HUD's mandate of producing balanced budgets by project by FY2008.

Continued deficit spending at the level reflected in the FY2007 budget will seriously jeopardize the Authority's fiscal stability and greatly hinder the operations of the Low Rent, Section 8, and Development housing programs.

	FY 2006 Budgeted	FY 2006 Actual	Variance
Housing Choice Voucher Project Reserves	\$11,401,314	\$ 11,401,314	\$ 0
Section 8 Voucher and Local Fund Administrative Fee Reserves	\$19,960,531	\$ 21,969,479	\$ 2,008,948
State 12 and State 6 Reserves	\$ 2,475,050	\$ 2,586,927	\$ 111,877
Mod Rehab & Shelter Plus Care Reserves	\$ 1,881,698	\$ 1,899,499	\$ 17,801
Total Reserves	\$ 35,718,593	\$ 37,857,219	\$ 2,138,626

SECTION VI: CAPITAL PLANNING

PLANNED VS ACTUAL EXPENDITURES BY PROPERTY NARRATIVE DISCUSSION/EXPLANATION OF DIFFERENCE

The Authority owns 3,308 units of public housing located throughout the City of Oakland on 267 sites. While OHA operates eight sites of 75 units or more, there are 254 "scattered sites" with an average of less than seven units. Thus, Oakland is among the nation's leaders in scattering public housing into otherwise privately owned and maintained residential areas.

A scattered public housing stock has helped the Authority deconcentrate poverty and integrate residents into neighborhoods. This approach, however, makes the public housing program significantly more challenging and expensive to operate, especially as the Authority continues to face increasing construction and maintenance costs, an aging housing stock, and more than a decade of decline in federal funding for capital projects.

OHA spent \$5,348,648 on capital projects in FY 2006, including \$3,998,760 of Capital Funds and \$1,349,898 in Section 8 Reserves on over 40 different projects. The FY 2006 Annual Plan had identified ten of these projects, which are included in the following table and narrative. A table showing the remaining capital projects then follows.

Capital Fund Project		FY 2006 Budgeted	FY 2006 Actual	Variance
1.	Lockwood Gardens (Modernization)	\$ 2,012,500	\$ 705,152	\$1,307,348
2.	1805/1619 Harrison St. (Office Improvements)	\$ 500,000	\$ 22,086	\$ 477,914
3.	Physical Needs Assessment (Phase III)	\$ 150,000	\$ 122,090	\$ 27,910
4.	State 6 (Renovation) 1242 95 th Ave.	\$ 600,000	\$ 219	\$ 599,781
5.	Public Housing Scattered Sites			
	1424 50 th Ave. (Design/Renovation)	\$ 408,900	\$ 44,275	\$ 364,625
	1445 50 th Ave. (Design/Renovation)	\$ 730,700	\$ 44,828	\$ 685,872
	2011 7 th Ave. (Design/Renovation)	\$ 664,960	\$ 57,500	\$ 607,460
	2919 E. 16 th Street (Design/Renovation)	\$ 407,250	\$ 77,462	\$ 329,788
	2170 E. 28 th Street (Design/Renovation)	\$ 359,550	\$ 47,810	\$ 311,740
	2056 35 th Ave. (Design/Renovation)	\$ 117,820	\$ 16,975	\$ 100,845
6.	1236 E. 17 th St. (Fire Repair) ¹	\$ 125,000	\$ 214	\$ 124,786
7.	1180 25 th Ave. (Service Center Parking Lot)	\$ 562,500	\$ 1,095,651	(\$ 533,150)
8.	Non-Fed. Funded Single Family Homes			
	1263 95 th Ave. (Renovation)	\$ 112,500	\$ -	\$ 112,500
	1168 78 th Ave. (Renovation)	\$ 93,750	\$ -	\$ 93,750
	1240 77 th Ave. (Renovation)	\$ 90,000	\$ -	\$ 90,000
9.	2509 77 th Ave. (Design)	\$ 217,850	\$ 209	\$ 217,641
10.	3025 MLK (Design)	\$ 30,400	\$ -	\$ 30,400
TOTAL		\$7,183,680	\$2,234,256	\$5,422,301

Notes:

1. Revenue and expenditure for this project come from the insurance claim, thus they do not appear in the capital projects accounting of sources or uses.

1. Lockwood Gardens.

Modernization of this 142 unit site was completed in FY 2006. The project began in 1994, when OHA was awarded a \$26.5 million HOPE VI grant to assist with the renovations. Over the following years, \$32.2 million in Capital and other funds were contributed to the project. In FY 2006, \$2.1 was budgeted for the completion of the project, though only \$705,152 of that total was needed.

2. 1805/1619 Harrison St.

The OHA Department of Leased Housing's offices are being redesigned as part of a department-wide reorganization. The entry lobby, meeting spaces and offices will be improved to facilitate increased traffic flow, provide confidential space for meetings with tenants and bring project staff together. An architect has been retained, and preliminary drawings are complete. Funds budgeted for this project are expected to be expended in FY 2007.

3. Physical Needs Assessment

The third and final phase of a comprehensive Physical Needs Assessment was completed in FY 2006. The project began in July 2004 when OHA hired a consultant team to provide an assessment of the Authority's scattered site public Housing stock. The primary purpose of the assessment was to identify physical work essential to bring public housing up to contemporary housing and energy conservation standards. The secondary purpose was to develop alternative funding possibilities for rehabilitating and/or replacing the housing. The assessment was broken down into three different phases and did not include the HOPE VI mixed-finance sites or Lockwood Phase III. The Authority is now using the PHA findings to guide its prioritization of work on public housing units.

4. 1242 95th Ave. (State 6)

A complete renovation of this non-federally funded six-plex was anticipated in the FY 2006 Annual Plan. A Request for Proposals for the project's design and build has been written, but not issued. The project will move forward once questions regarding the project requirement for contractors to self-insure have been answered. Funds budgeted for this project are expected to be expended in FY 2007.

5. Public Housing Scattered Sites

The Annual Plan listed six of OHA's more challenging public housing sites as a project slated for significant renovation. All of these sites were vacated during the year and are being held off-line. Architects have been retained to review the buildings, and preliminary designs are underway. Funds budgeted for these projects are expected to be expended in FY 2007.

6. 1236 E. 17th St.

This 10-unit complex was designated for renovation in the FY 2006 Annual Plan after it was significantly damaged by fire. An architect retained for the project has completed preliminary drawings. Funds budgeted for this project are expected to be expended in FY 2007. NOTE: revenue and expenditure for this project come from the insurance claim, thus they do not appear in the capital projects accounting of sources or uses of funds.

7. Service Center Parking Lot, 1180 25th Ave.

Improvements to the Facilities Management's Service Center Parking Lot were completed in 2006. By expanding and reorganizing the OHA vehicle parking facilities, the Authority has reduced the time staff spent at the department headquarters during the beginning and end of the work day. To complete the improvement, OHA had to purchase a small parcel of land between the parking lot and an adjacent out-of-service rail line. This

proved to be far more expensive than projected and drove project cost up by approximately half a million dollars.

8. Non-Federally Funded Single Family Homes.

The three projects listed here are referred to as "State 12," as OHA own 12 such homes as a result of State of California construction activity. The Annual Plan proposed renovation of all three sites. After further review, the Authority does not consider this a suitable investment, as repairs needed to make these sites habitable are extensive. OHA is considering their disposal. NOTE: The cost of staff time spent procuring the appraisal services was not drawn from Capital funds.

9. 2509 77th Ave.

Also known as 77th and Bancroft, this 22-unit development was completely vacated in FY 2004 in anticipation of a major renovation. The FY 2006 Annual Plan estimated A/E design and plans would be completed during the year. OHA has since begun to consider completely rebuilding the site. An architect has been retained for this project, and has begun preliminary design work. Funds budgeted for this project are expected to be expended in FY 2007.

10. 3025 Martin Luther King Blvd.

This project has been dropped from OHA's Capital Expenditure plans.

Capital Fund and Section 8 Reserves were also spent on the following capital projects that did not appear in the FY 2006 Annual Plan.

Project	Capital Fund and Sect. 8 Reserves
1037 62nd St	\$4,444
1127 Foothill	\$24,900
1180 25th	\$17,264
1327 65th Ave	\$1,374
1450/1500 Harrison Pl.	\$154,248
1458 52nd Ave	\$10,850
1550 38th Ave	\$14,800
1730 85th Ave	\$30,675
1801 Harrison St	\$100,000
1815 28th Ave	\$27,000
1928 96th Ave	\$42,000
2030 East 25th Street	\$75,609
2402 E. 27th Street	\$23,445
2468 Coolidge	\$23,000
2820 35th Ave	\$42,600
2919 E. 16th St.	\$76,688
2925 E. 16th Street	\$4,800
361 49th Street	\$33,000
4005 Lyon Street	\$24,200

(continued)

Project	Capital Fund and Sect. 8 Reserves
4118 Lyon Street	\$25,834
5125 MLK Blvd	\$7,900
554 37th Street	\$19,800
565 45th St	\$42,172
5814 Colby Ave	\$2,200
610 E 18th St	\$26,955
648 57th St	\$20,909
6619 Arthur St.	\$1,200
6650 & 6656 Laird Ave	\$66,350
7107 Favor St	\$21,828
8330 Bancroft	\$21,407
837 60th Street	\$15,600
9320 Sunnyside	\$29,784
935 Union Street	\$251,559
9703 Cherry	\$16,200
Administration	\$562,303
Fees & Costs	\$171,398
MTW CFP Operations	\$471,362
Mngmnt. Improvements	\$608,746
Subtotal	\$3,114,402
Annual Plan Projects	\$2,234,256
TOTAL	\$5,348,658

SECTION VII: MANAGEMENT INFORMATION FOR OWNED/MANAGED UNITS

VACANCY RATES RENT COLLECTIONS WORK ORDERS INSPECTIONS SECURITY

This section of the Annual Report presents a series of indicators for the management of the Public Housing program. It compares the targets set in the FY 2006 Annual Plan for the program's management to the state of its affairs at year end. This includes the management of OHA's 3,308 public housing units, 307 of which are apartments to be operated by private management under HOPE VI. OHA directly operates eight sites of 75 units or more and 254 small sites with an average of less than seven units scattered throughout Oakland.

It has been over a decade since the federal government fully funded the Public Housing program. Like most housing authorities, this chronic lack of funds has forced OHA to defer maintenance and repairs, and has put a severe strain on services available for public housing residents.

As the Authority's housing stock continues to age (the scattered sites were all built between 1968 and 1973, the larger sites even earlier), and more and more maintenance is deferred, residents are forced to live in less appealing conditions. Thus while the city of Oakland has enjoyed a surge in residential development, renovation and private investment, the public housing stock lags behind, creating an increasingly apparent discrepancy.

OHA has responded to this situation by regularly spending Section 8 reserves on the Public Housing program. The Authority has used the flexibility afforded it as part of the MTW program to focus on repairing basic systems and improving curb appeal of many of its units. And for the most challenging sites in the Authority's inventory, a special project team was formed to focus resources on the sites physical and social infrastructure.

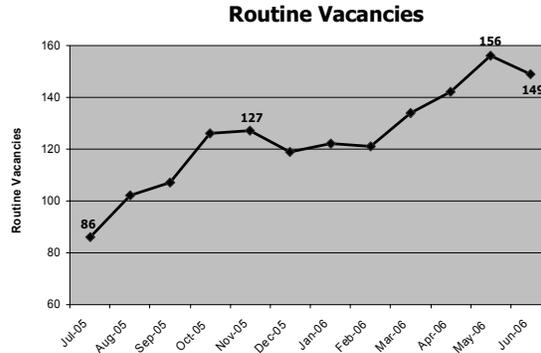
VACANCY

The FY 2006 Annual Plan set a target of less than 2 percent vacancy for the Public Housing program's entire housing stock, except those units undergoing major renovation and modernization. At the beginning of the year, the public housing vacancy rate was approximately 2.7 percent. By the end of the fiscal year, routine vacancies had soared to 4.8 percent.

Several factors influenced the increase in routine vacancies. Foremost, an unusually large number (74) of public housing tenants left the program to accept Section 8 vouchers. This occurred as OHA opened enrollment for the Section 8 program for the first time in five years.

The increase can also be attributed to OHA stepping up its rent collection activities on delinquent accounts. This triggered a spike in the number of households (40) abandoning their units, as well as 82 evictions for non-payment.

Yet management also reports that routine vacancies have grown over and above the impact of these two factors. The Authority averaged 124 vacancies a month in FY 2006, with a high of 156 vacancies in May, and 149 at year end.



It is important to note, the policy governing re-occupancy of units was not changed during the year, though proposals to modify the administration of leases and admitting of tenants were under consideration at year's end.

RENT COLLECTIONS

At the beginning of FY 2006, 3.5 percent of rents owed the Authority were going uncollected. The 2006 Annual Plan set the target for uncollected rent at yearend as 3.0 percent. This represented a relatively ambitious rate for a housing authority. To improve collections, OHA planned and implemented a two-part approach. The first step was to work with public housing families to help them develop better rent payment practices. If the tenancy could not be preserved, the next step is for the Authority to pursue for-cause evictions.

Despite OHA's increased efforts, including the OHA Police Departments Fraud Unit having investigated and closed 114 cases, 82 of which resulted in evictions for non-payment, the proportion of rents uncollected did not change by year end. 3.5 percent of rents were still going uncollected.

The policy governing rent collections was not changed during the year, though proposals to modify the administration of leases and admitting of tenants were under consideration at year's end.

WORK ORDERS

The FY 2006 Annual Plan set for the Authority a goal of completing 100 percent of emergency work orders within 24 hours. For regular work orders the set goal was to complete, or have scheduled in a plan for completion, 90 percent within 30 days. The Plan also included a proposal to improve on-site logistics in the Facilities Management Department by expanding and reorganizing the OHA vehicle parking facilities.

All three of these goals were met. One hundred percent of all emergency work orders made during the year were completed within 24 hours, while over 90 percent of all regular work orders were completed within 30 days or scheduled in a program for completion. And, the Authority's Service Center parking lot was expanded and reconfigured to reduce staff time spent at the department headquarters during the beginning and end of the work day.

INSPECTIONS

The FY 2006 Annual Plan set for the Authority a goal of completing inspections on 100 percent of its owned and managed units. The Authority inspects all available public housing units and buildings on an annual basis. Units and buildings that are vacant and undergoing comprehensive modernization through the Capital Fund or HOPE VI will not be inspected until they are ready for reoccupancy.

This goal was met. 100 percent of units that the Authority owns and/or manages were inspected during the year.

RESULTS OF INDEPENDENT PHAS INSPECTIONS

HUD's Real Estate Assessment Center (REAC) is to conduct annual inspections of its portfolio using the Public Housing Assessment System (PHAS.) Included in these inspections is the Physical Assessment Subsystem (PASS,) which determines whether a public housing authority's housing stock meet the standard of *decent, safe and sanitary, and is in good repair.* .)

OHA's units are to be inspected by HUD annually, and a score for those inspections sent to HOA. It should be noted that PASS inspections were not conducted on OHA property during FY 2006. The last time inspections were conducted was FY 2005. REAC has yet to release PHAS scores for OHA for either of these years.

SECURITY

The primary law enforcement agency in the City of Oakland is the Oakland Police Department. The Oakland Housing Authority established a police department (OHAPD) to work with Oakland Police Department (OPD) to increase the safety and security of residents living in Authority properties. During the 2006 fiscal year, OHAPD focused on the goals set for it in the FY 2006 Annual Plan, which included crime related and other community issues which affect public housing tenants and Section 8 participants:

Employ pro-active measures toward reducing crime on and around Authority-owned properties: Violent crime throughout the City of Oakland has increased significantly over the last year. Despite this, violent crime on and about public housing property has not suffered a sharp increase. The OHAPD utilized proactive crime prevention measures, and worked in concert with OPD and other law enforcement agencies to ensure a low crime rate..

Conduct regular crime analysis on calls for service to determine trends as well as types of calls OHAPD is receiving and adjust workload assessments and officer deployment accordingly: Officers conducted constant analysis on calls for service to monitor the level and type of criminal activities being reported. Based on this analysis, on field observations and other sources of information, OHAPD was able improve its deployment, including surveillance and other pro-active police activities.

Continue to investigate fraud in the Section 8 and public housing programs: During FY 2006, OHAPD's Fraud Investigations Unit (FIU) opened 82 investigations, and investigated and closed 114 cases. Many of these cases result in repayment agreements. The total amount

recovered as a result of repayment agreements for the year was \$276,208, which is an increase of \$133,000 over FY 2005.

Increase resident involvement through community meetings and resident patrols:

Authority management and OHAPD officers began a program of regular attendance of the City of Oakland Neighborhood Crime Prevention Council (NCPC) meetings. Residents were encouraged through newsletters and direct contact to accompany OHA staff, albeit with lesser success. OHAPD attended 47 community meetings in 2006 and has set a goal of 70 meeting in 2007. Concerns and problems gathered from the community are being communicated throughout the Department in a timely manner to alleviate concerns and avert problems.

Continue to create safety brochures for public housing residents, Section 8 participants and Authority employees:

Brochures were developed and distributed regarding: *Holiday Safety, Using 911, Harassing and Obscene Phone Calls, and Disaster Preparedness* in FY 2006. Current publications include: *Parking on OHA Property*. and *Elder Abuse*. Current publications include: *Gangs, is your child at risk,* and *Robbery Prevention*.

Maintain national accreditation through the Commission on Accreditation for Law Enforcement Agencies (CALEA):

OHAPD's CALEA accreditation was renewed in March, 2005. This accreditation has proven beneficial for the Police Department and has enhanced OHA's ability to provide professional services to residents and the community at large. This accreditation also benefits the Authority by reducing liability exposure. OHAPD must apply for reaccreditation every three years.

Continue Police Athletic League (PAL) activities which includes camping trips and other outings with youth:

Relationships are at the core of youth development, and the department is dedicated to offering programs that will enhance relationships between our young residents and the police. In FY 2006, more than 42 children attended a three day overnight summer camp with OHA Police officers and staff. By popular demand, an outing to the Chabot Space and Science Center was added to the program.

Conduct emergency action plan drills and demonstrations at all Authority Service facilities:

Training was conducted for all OHA senior management staff, and has begun for other OHA personnel. OHAPD also completed a tabletop exercise in emergency management to train its officers and staff and refine policy for unusual occurrences with a particular focus on earthquake, fire and agency wide disaster preparation.

Conduct resident surveys and utilize the survey result information when developing patrol strategies:

Residents of Oakland Housing residents were surveyed on the quality of services provided by OHAPD, including: overall safety; individual contacts with police; and neighborhood concerns. The information has been disseminated to Police Department staff, as well as other Authority department, in order to better provide services.

SECTION VIII:

MANAGEMENT INFORMATION FOR LEASED HOUSING

LEASING INFORMATION INSPECTION STRATEGY

The Oakland Housing Authority's leased housing program is one of the largest programs of its kind. It has housed hundreds of thousands of Oakland's neediest residents and added hundreds of millions of dollars to the local economy via housing assistance payments to landlords. The program currently administers over 11,000 Section 8 vouchers from the U.S. Department of Housing and Urban Development (HUD).

At the beginning of the 2006 fiscal year, 95.34 percent of OHA Section 8 units were under lease. This rate allowed the Authority to house over 30,000 people in more than 10,000 units. OHA projected this rate to rise by two percent during FY 2006.

TARGET VS ACTUAL LEASE UPS

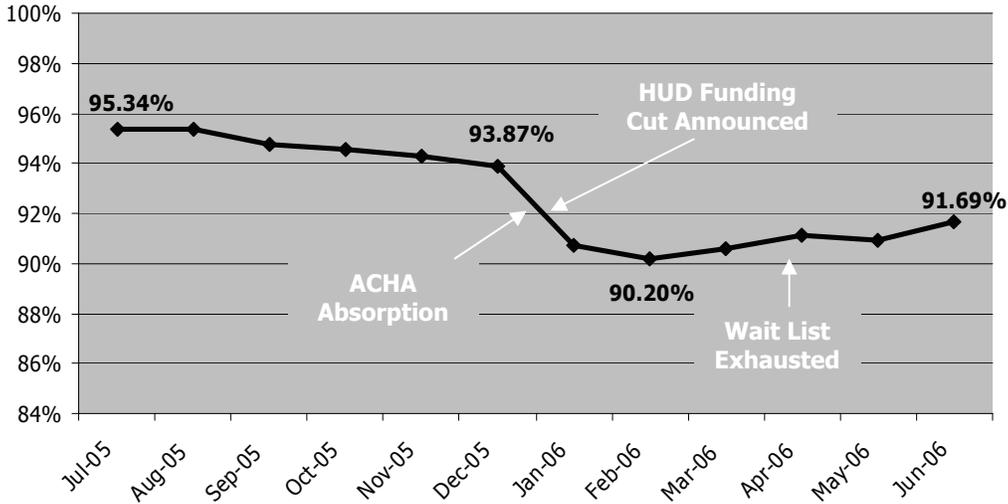
The 2006 Annual Plan projected that over 97 percent of Section 8 units would be under lease at the end of the fiscal year. These projections were based on the assumption that the federal government would fully fund the program. That assumption proved to be incorrect, thus leaving the Authority's leased housing program millions of dollars under-funded. OHA responded with an effort to maintain the program's size despite the lack of funding. To do so, funds were spent on Section 8 that had previously been earmarked as local reserves. At year's end, 91.7 percent of its Section 8 units were under lease, while the average rate for the year was 92.3 percent.

Three factors were disproportionately responsible for this drop in voucher utilization. First, HUD announced during the fiscal year that the Housing Choice Voucher Program would not receive full funding. In February, 2006, OHA received a notice that the program funding would be reduced to 95.6 percent. Worse yet, the notice indicated that this 4.4 percent cut applied to the entire fiscal year, including the eight months that had already occurred. In total, OHA lost \$7.8 million in funding. The Authority reacted by severely restricting the number of vouchers being issued in an effort to meet the new funding total.

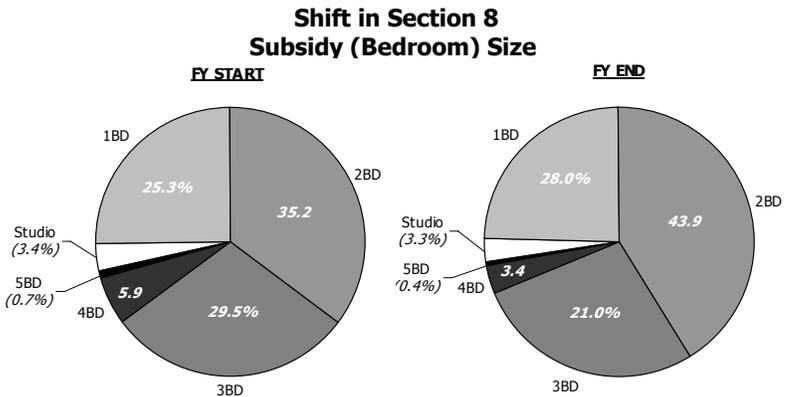
A second factor that impacted the Section 8 program lease-up rate involved a significant number of households that had ported out of Oakland but were not immediately absorbed by the Alameda County Housing Authority (ACHA). ACHA waited until it had approximately 300 of these port-outs before absorbing them en masse in January. This left OHA with an immediate drop in its voucher utilization that took most of the rest of the fiscal year to recover from.

Third, the Leased Housing department had to draw resources away from normal operations to create a new Section 8 wait list, as the existing list created in 2001 was completely emptied. And as the 2001 list neared exhaustion, it also grew "stale." Applicants at the bottom of the list had almost certainly experienced significant amounts of change while waiting five years. Eligible families became more difficult to locate, and often no longer qualified for the program. Staff had to contact more families per lease-up, thus slowing the rate vouchers could be issued.

Section 8 Utilization



It is also important to note in the above tables that a significant shift downward in the subsidy amounts assigned to Section 8 vouchers occurred in FY 2006. Fewer households received subsidies equivalent to three, four, and five bedrooms, while more families were assigned subsidies equivalent to one and two bedrooms. This change was in direct response to OHA adopting a new policy wherein families were no longer assigned additional subsidy to separately house opposite sex children. Instead, vouchers are now assigned value based solely on the number of dependents in the household, and not on the sex of those dependents.



INFORMATION AND CERTIFICATION OF DATA ON LEASED HOUSING MANAGEMENT NARRATIVE/EXPLANATION OF DIFFERENCES

Ensuring rent reasonableness

As projected, OHA did not make any changes to its rent reasonableness policies. All requests for rent increases continue to be assessed per HUD guidelines and existing OHA policy.

Expanding housing opportunities

A number of policy initiatives to expand housing opportunities in the Section 8 program were contemplated in the FY 2006 Annual Plan. While such policies remain under consideration, OHA did not adopt new policy in this area during the fiscal year.

Deconcentration of low-income families

The FY 2006 Annual Plan indicated that the Authority may examine and change policies for the deconcentration of low-income families via income targeting, differing payment standards and portability. No new policy was developed regarding deconcentration during the year.

INSPECTION STRATEGY

RESULTS OF STRATEGY

NARRATIVE/DISCUSSION OF DIFFERENCE

Planned vs. Actual Inspections Completed by Category:

The FY 2006 Annual Plan indicated that OHA intended to conduct 100 percent of its Annual, Pre-contract and Quality Control HQS inspections. The Plan also proposed exploring efficient alternatives to the current inspection process, and consider alternative inspection methods and standards.

As planned, OHA had conducted 100 percent of its Annual, Pre-contract and Quality Control HQS inspections by the end of the year. And while no new inspections policy was introduced in FY 2006, a number of administrative initiatives were begun that are making the process more efficient and accurate.

Planned Vs. Actual Inspections

Inspection Type	Budgeted FY 2006	Actual FY 2006
Annual	100%	100%
Pre-Contract	100%	100%
Quality Control	100%	100%

First, the Leased Housing department is undergoing a major reorganization. Previously, inspections were conducted as one of many duties assigned to Housing Representatives. In Leased Housing's Department-wide reorganization, this duty was assigned specifically to Housing Inspectors, a newly created staff position. This has resulted in a more focused and efficient process conducted by trained specialists.

Another administrative initiative intended to improve the inspections process involves inspectors using a newly developed handheld computer system to records inspection results. Personal Digital Assistants (PDA) have been designed to automatically download data into an inspection database that generates necessary correspondence and manages scheduling, inquiry and reporting functions. The system's software maintains historical profiles of individual units and properties, thus providing for easier sharing of information on properties, and gives more timely notification of needed repairs.

HQS Enforcement

For those units or properties that fail an HQS inspection, the Authority enforced its policy on correcting failed items in 100 percent of reported incidents. For units under contract, owners were given 24 hours to correct emergency items, 72 hours to repair replace appliances and plumbing, and 30 days for all other items.

SECTION IX:

RESIDENT PROGRAMS

PLANNED VS ACTUAL ACTIONS

NARRATIVE/EXPLANATION OF DIFFERENCE

The Oakland Housing Authority aims to support public housing residents and Section 8 participants' self-sufficiency, civic involvement and economic development. To do so, the FY 2006 Annual Plan called for a wide range of programs and services involving asset building and home ownership, self-sufficiency and job training, resident involvement and staff development and supportive services.

The Authority had a successful year linking residents to programs that support self-sufficiency and an increased quality of life. Despite limited funding, OHA made efficient use of HOPE VI, Resident Opportunity for Self-Sufficiency (ROSS), Weed and Seed and block grant funds to leverage resources from various community partners, to provide direct services to over 600 working age adults, school aged youth, older youth and seniors residents during the 2006 fiscal year.

FY 2006 activities exceeded the Annual Plans expectations, and included distributing brochures, flyers and articles regarding over 50 employment, family services, youth services, senior services and community building activities to families residing in public housing and Section 8 subsidized properties. Information was disseminated through neighborhood canvassing, community meetings, direct mailing campaigns, orientations, the resident newsletter and rent statements. Various community based organizations educated families on preventative health strategies, emergency preparedness, elder fall prevention, CalWORKS and the Food Stamp program.

Life Enrichment Services

- People's Credit Union- facilitated 16 Financial Money Management and tax preparation workshops.
- United Seniors of Alameda County - advocacy group that support seniors living in multi-unit housing with community building and life activities.
- PG&E CARE program – Providing 20% discount to senior's monthly bills.
- St. Vincent de Paul – Provides fresh bakery, perishables and bread distribution to 150 families per month.
- Jack London Aquatic Center-provides training and mentoring through kayaking and sportsmanship training
- Volunteers of America-provided 125 food baskets and hosted the annual Mother's Day Brunch honoring seniors.
- Black Firefighters Association - provided 65 food baskets to families.
- Alameda County Social Services Agency - provided orientations and enrollment in the Food Stamps program.
- CORE - Non-Profit providing instruction on emergency preparedness and disaster community mobilization.
- Red Cross - Provided instruction and earthquake kits to seniors living in public housing.
- Alameda County Public Health Department - provided on-site orientation and registration for the Healthy Living, Diabetes prevention
- Four Seasons Concerts – Provided free tickets to 28 OHA resident and staff to attend 3 musical events in the bay area.

Workforce Development and Section 3 Programs

Over 189 seniors, working age adults, and older youth benefited from workshops, training, job readiness and job placement assistance, resulting in 17 participants reporting successful employment. These services were provided through the following partnerships:

- Workforce Investment Board (WIB)-workforce development partnership with over 60 public and private section organizations focused on employment and workforce development including the One Stop Career Centers.
- The Cypress Mandela/WIST Training Center - pre-apprenticeship program for careers in the trades.
- BASICS- pre-apprenticeship program for careers in the trades.
- Youth Employment Partnership Program - Youth build program provided older youth with GED preparedness, subsidized job training, case management and job placement assistance for over 10 youth.
- Unity Council - provided job training, GED, job placement assistance and employment support that specializes in assisting limited English speaking clients.
- City of Oakland ASSETS - Provides job training and placement assistance to work able seniors. ASSETT workers staffed the OHA Dial a Care senior support program and the BACS lunch program at the Palo Vista Gardens Senior Community.
- YMCA – trained 17 older youth in youth program employment including the culinary arts.

Resident Program Highlights

- 98 jobseekers attended the OHA/Bridge Housing Career Fair to apply for jobs or receive information in job placement assistance, job training, and vocational training sites.
- Over 200 clients participated in Homeownership Orientations, individual support.
- Sessions and group education workshops funded through HOPE VI, ROSS Homeownership Supportive Services and the Section 8 Homeownership Programs, resulting in 7 first time homebuyers for the fiscal year.
- The Section 8 FSS Program provided assistance to 152 families focused on.
- achieving self-sufficiency and realizing asset building through the earned income.
- disregard savings component of the program.
- The Authority managed over 13 HOPE VI and 3 ROSS sub-contracts with community service providers for community and supportive services that provide entrepreneurial training, job training, asset building, and family counseling, after.
- school programs, parenting classes, youth mentoring, and youth media career training,.
- homeownership, and other supportive services. These services are available to.
- over 300 HOPE VI households.
- Community building and resident leadership development was supported through.
- the staffing of over 30 site meetings, resident council meetings, Resident.
- Advisory Board meetings and resident leadership trainings. One resident leader.
- was ultimately hired by the City of Oakland as a Community Liaison for Violence.
- Prevention.
- The Authority authored, co-authored and provided support documentation for.
- 7 grant and other funding applications with partners, including an application.
- for additional HOPE VI funding for the Tassafaronga Community.
- OHA supported Affordable Housing week by hosting an orientation designed to market the citywide homeownership programs that included OHA homeownership program. 42 community/ public housing and Section 8 residents attended.
- The OHA Police Department hosted a 5-day over night summer camp at Feather River camp grounds for 42 youth

- OHA hosted a youth night to enroll youth into summer programs and activities sponsored by the OHA
- 11 OHA sites hosted National Night Out festivities to build community amongst their neighbors.
- 28 youth completed 3 -five day sessions in kayaking through the Jack London Aquatic Center where they learned leadership and teambuilding skills
- OHA hosted the annual Housing Authority Insurance poster contest in which 14 youth participated and 1 youth placed 2nd in the National Award.

Results of Latest PHAS Resident Survey

The MTW Agreement provides that during the term of the MTW demonstration, OHA will be evaluated by HUD on the basis of its Annual Report, in lieu of the Public Housing Assessment System (PHAS) or its successor system. The Authority will retain its status as a "High Performer" under the Public Housing Management Assessment Program (PHMAP) and whereas future evaluation under the Public Housing Assessment System (PHAS), or its successor, does not apply, OHA will be entitled to any and all incentives, including bonus points, which may be applicable to any competitive or formula programs offered under the PHAS or any successor system.

According to HUD's Real Estate Assessment Center (REAC), the most recently released scores for OHA are from FY 2004. OHA's FY 2004 PHAS Total Score was 74 out of 100, while OHA earned 8 out of 10 points in the Resident portion of the survey. The Authority is awaiting its scores for FY 2005 and FY 2006.

SECTION X: OTHER INFORMATION AS REQUIRED BY HUD

RESULTS OF LATEST COMPLETED 133 AUDIT (including program-specific OMB compliance supplement items, as applicable to the HA's Agreement)

The most recent 133 Audit was completed on June 30, 2005. See Attached.

REQUIRED CERTIFICATIONS AND OTHER SUBMISSIONS (from which the Agency is not exempted by the MTW Agreement)

The Authority previously submitted with its Annual Plan all those certifications from which it is not exempted by the MTW Agreement.

SUBMISSIONS REQUIRED FOR THE RECEIPT OF FUNDS

The Authority attaches to its Annual Plans all those submissions required for the receipt of funds.



MORRIS, DAVIS & CHAN LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Housing Authority of the City of Oakland
Oakland, California

Regional Inspector General for Audit
Department of Housing and Urban
Development
San Francisco, California

We have audited the accompanying financial statements of the **Housing Authority of the City of Oakland** (OHA) as of and for the year ended June 30, 2005. These financial statements are the responsibility of OHA's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Chestnut Linden Associates, Limited Partnership, which represents 100% of the total assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for Chestnut Linden Associates, Limited Partnership, is based solely on the report of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

Many of the costs included in the land, structures and equipment balance of OHA at June 30, 1983 of \$69,883,405 relate to projects completed many years ago, and for which adequate records do not exist for the purpose of substantiation of these costs. Since the balance as of June 30, 2005 includes substantial portions of the unaudited balance for land, structures and equipment, we were unable to satisfy ourselves as to the fairness of the presentation of the land, structures and equipment and depreciation expense balances as of June 30, 2005.

In our opinion, based on our audit and the report of other auditors, except for the effects on the financial statements of such adjustments, if any, as might have been determined to be necessary had we been able to apply adequate procedures to the land, structures and equipment, and depreciation expense as discussed in the preceding paragraph, the financial

1111 Broadway, Suite 1505 • Oakland, California 94607 • (510) 250-1000 • Fax (510) 250-1032
Offices in San Francisco, California and Charlotte, North Carolina

MORRIS, DAVIS & CHAN LLP

statements present fairly, in all material respects, the respective net assets of the **Housing Authority of the City of Oakland** and of its discretely presented component unit as of June 30, 2005 and the respective changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2006 on our consideration of OHA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying supplemental information consisting of Management's Discussion and Analysis on pages 3 through 11 and defined benefit pension plan historical trend information on page 71 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise OHA's basic financial statements. The accompanying Combining Financial Statements and Statements of Modernization Costs listed in the table of contents are presented for purposes of additional analysis. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Financial Data Schedule is presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development. The foregoing schedules are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



February 24, 2006

HOUSING AUTHORITY OF THE CITY OF OAKLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: Qualified

Internal control over financial reporting:

Material weaknesses identified? No

· Reportable conditions identified that are not considered to be material weaknesses? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

· Material weaknesses identified? Yes

Reportable conditions identified that are not considered to be material weaknesses? Yes

Type of auditors’ report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.850	Low Rent Housing Program
14.871	Section 8 – Housing Choice Vouchers
14.195	Section 8 – Special Allocations

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as low-risk auditee? No

II – FINANCIAL STATEMENT FINDINGS

None

HOUSING AUTHORITY OF THE CITY OF OAKLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

05-1 SITUATIONS NOTED:

During our review and testing of 45 Low Rent Housing Program tenant files for Continued Occupancy, we noted the following:

- 9 instances where the required annual re-examination performed exceeded 12 months from the last examination completed;
- 4 instances where the third party verification of income reported by the tenant was not in file;
- 1 instance where the rent amount computed at the annual re-examination had not been updated during the period under audit resulting in the old rent amount being charged;
- 1 instance where the information used in the tenant data worksheet to compute the tenant's rent was inconsistent with the documentation supporting the income reported; and
- 1 instance where the tenant file was not provided; therefore, the audit tests could not be performed.

RECOMMENDATION:

We recommend that management enhance and strengthen controls and procedures to ensure that all program compliance requirements are met.

MANAGEMENT RESPONSE/ACTION PLAN:

- We are reviewing our annual re-examination procedures with housing management staff and management information systems staff to eliminate this error in compliance;
- We have modified the third party verification form and revised the method of collecting this information. Third party income verification forms will be mailed and once received, a review of rent will be performed;
- Tenant rent will be updated and appropriate adjustment will be made;
- Documentation will be reviewed to make sure that the tenant's calculated rent is consistent with documentation provided; and
- We are searching for the missing file and if it cannot be located we will reconstruct file documentation.

The person responsible for the implementation of this action plan is the Director of Housing Management (position is open), and the anticipated completion date is June 30, 2006.

HOUSING AUTHORITY OF THE CITY OF OAKLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

05-2 SITUATIONS NOTED:

During our review and testing of 40 Section 8 Housing Assistance Payments (HAP) and related tenant files, we noted the following:

- 1 instance where third party verification of the tenant's reported income could not be verified because the file containing that information could not be provided; and
- 1 instance where the tenant's file could not be located.

RECOMMENDATION:

We recommend that management enhance and strengthen controls and procedures over file retention to ensure that all program compliance requirements are documented and met.

MANAGEMENT RESPONSE/ACTION PLAN:

- We are searching for this missing file containing third party verification of the tenant's reported income and if it cannot be located we will reconstruct file documentation;
- We are searching for this missing file and if it cannot be located we will reconstruct file documentation; and
- We will review the Section 8 Leasing Department file retention procedures to ensure that all program compliance requirements are documented and met.

The person responsible for the implementation of this action plan is the Director of Leased Housing, Joseph Villarreal, and the anticipated completion date is June 30, 2006.

05-3 SITUATIONS NOTED:

During our review and testing of 8 Procurement contracts, we noted the following:

- 2 instances where the Search for Debarred Vendors was not evidenced in file to document that the procedure was performed as required by federal regulations;
- 1 instance where the contractor's certified payroll was not in file to evidence Davis-Bacon Act compliance;
- 1 instance where a signed contract for construction work was not in file; and
- 1 instance where the contractor's submitted payroll information was missing the contractor's signature certifying the information.

HOUSING AUTHORITY OF THE CITY OF OAKLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

RECOMMENDATION:

We recommend that management strengthen its procedures related to documenting the results of the Search for Debarred Vendors, obtaining certified payrolls for construction-type contracts, and retaining copies of signed contracts for awarded actions in its Procurement and Contracting files.

MANAGEMENT RESPONSE/ACTION PLAN:

- We will review our procedures related to documenting the results of the Search for Debarred Vendors to make sure we are in compliance with federal regulations;
- We will review our procedures related to who is responsible for the obtaining of certified payroll to make sure we are in compliance with Davis-Bacon Act;
- We will obtain a copy of the signed contract to place in the file as well as review our procedures for the retention of signed contracts; and
- We will obtain the contractor's signature on the certified payroll as well as reviewing our procedures in this area.

The person responsible for the implementation of this action plan is the Manager of Contract Compliance and General Services, Bob Chavez, and the anticipated completion date is June 30, 2006.

05-4 SITUATION NOTED:

During our review of OHA's Section 8 Housing Quality Standards Quality Control re-inspections process (HQS QC), we noted that no HQS QCs were performed during the year as required by HUD Regulations for Section 8 Program administration.

RECOMMENDATION:

We recommend that management take appropriate actions to ensure that Section 8 Program HQS QCs are performed as required by HUD regulations.

MANAGEMENT RESPONSE/ACTION PLAN:

During the year ended June 30, 2005, HQS QCs were not performed due to the on-going major restructuring of the Section 8 Leasing Department. The department restructuring has affected staffing levels, staffing assignments, job classifications, etc. We will take appropriate action to ensure that Section 8 Program HQS QCs are performed as required by HUD regulations.

The person responsible for the implementation of this action plan is the Director of Leased Housing, Joseph Villarreal, and this action plan will be on-going.

HOUSING AUTHORITY OF THE CITY OF OAKLAND
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

<u>FINDINGS</u>	<u>STATUS</u>
04-1 During our review of 50 Low Rent Housing Program tenant files we noted the following:	
- Third party income verification was not performed for 4 tenants;	Current year finding 05-1
1 file could not be located; and	Current year finding 05-1
Annual re-examination was not performed timely for 6 tenants.	Current year finding 05-1
04-2 During our review of 30 Section 8 Housing Program tenant files we noted the following:	
- Third party income verification was not performed for 1 tenant;	Current year finding 05-2
- An old utility and appliance allowance schedule was used for 1 tenant; and	Resolved
- Income was not properly calculated for 2 tenants.	Resolved
04-3 We also noted that OHA could not provide the proper supporting schedule for the total number of applicants denied who met the one-strike criteria for the Public Housing Assessment System (HUD Form 500072) report.	Resolved