DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

CFDA 14.855 SECTION 8 RENTAL VOUCHER PROGRAM
CFDA 14.857 SECTION 8 RENTAL CERTIFICATE PROGRAM

I. PROGRAM OBJECTIVES

The Section 8 rental voucher program and rental certificate program provide rental assistance to help very low income families afford decent, safe, and sanitary rental housing.

II. PROGRAM PROCEDURES

These programs are administered by local public housing agencies (PHAs) authorized under State law to operate housing programs within an area or jurisdiction. The PHA accepts the application for rental assistance, selects the applicant for admission, and issues the selected family a rental voucher or certificate confirming the family’s eligibility for assistance. The family must then find and lease a dwelling unit suitable to the family's needs and desires in the private rental market. The PHA pays the owner a portion of the rent (a housing assistance payment (HAP)) on behalf of the family.

The subsidies provided by the rental voucher and certificate programs are considered tenant-based subsidies because when an assisted family moves out of a unit leased under the program, the assistance contract with the owner terminates and the family may move to another unit with continued rental assistance (24 CFR section 982.1).

HUD enters into annual contributions contracts (ACCs) with PHAs under which HUD provides funds to the PHAs to administer the programs locally. The PHAs enter into HAP contracts with private owners who lease their units to assisted families (24 CFR section 982.151).

In the tenant-based Section 8 programs, the PHA verifies a family's eligibility (including income eligibility) and then issues the family a voucher. The family generally has 60 days to locate a rental unit where the landlord agrees to participate in the program. The PHA determines whether the unit meets housing quality standards (HQS). If the PHA approves a family's unit and lease, the PHA contracts with the owner to make HAPs on behalf of the family. The PHA may not approve a lease unless the rent is reasonable (24 CFR section 982.1(a)(2)).
Under the rental certificate program, the initial rent and utility costs normally may not exceed a HUD established fair market rent (FMR) for the unit size in the area, and the tenant is generally required to pay 30 percent of adjusted monthly income toward rent and utilities (the total tenant payment). The HAP made by the PHA to the owner makes up the difference between the rent the owner charges for the unit and the amount of the total tenant payment.

Under the rental voucher program, apart from the requirement that the rent must be reasonable in relation to rents charged for comparable units in the private unassisted market, there is generally no limit on the amount of rent that an owner may charge for a unit. However, at initial occupancy of any unit where the gross rent exceeds the payment standard, a family may not pay more than 40 percent of adjusted monthly income toward rent and utilities. The rental voucher subsidy is set based on the difference between the lower of the PHA's payment standard for the family's unit size or the gross rent and the total tenant payment (30 percent of the family's monthly adjusted income). This is the maximum amount of subsidy a family may receive regardless of the rent the owner charges for the unit. Therefore, rental voucher program participants may pay more or less than 30 percent of their monthly adjusted income toward rent and utilities, depending on whether the gross rent for the unit is more or less than the PHA's payment standard for the unit (24 CFR part 982, subpart K).

If the cost of utilities is not included in the rent to the owner, the PHA uses a schedule of utility allowances to determine the amount an assisted family needs to cover the cost of utilities. The PHA's utility allowance schedule is developed based on utility consumption and rate data for various unit sizes, structure types, and fuel types. The PHA is required to review its utility allowance schedules annually and to adjust them if necessary (24 CFR section 982.517).

The PHA must inspect units leased under these programs at the time of initial leasing and at least annually thereafter to ensure they meet HUD housing quality standards (HQS). The PHA must also conduct supervisory quality control HQS inspections (24 CFR sections 982.305 and 982.405).

Under the rental certificate program, the PHA reviews and approves owner requests for annual rent adjustments in accordance with HUD requirements and annual adjustment factors which are published by HUD (24 CFR section 982.519).
PHAs are required to maintain a HAP contract register or similar record in which to record the PHA's obligation for monthly HAPs. This record must provide information as to: the name and address of the family, the name and address of the owner, dwelling unit size, the beginning date of the lease term, the monthly contract rent payable to the owner, monthly rent payable by the family, and the monthly HAP. The record shall also provide data as to the date the family vacates and the number of days the unit is vacant, if any (24 CFR section 982.158).

The Section 8 Management Assessment Program (SEMAP) is HUD’s assessment program to annually and remotely measure the performance of PHAs that administer the tenant-based Section 8 programs. Under SEMAP, PHAs submit an annual certification, Form HUD-52648 (OMB No. 2577-0215), to HUD concerning their compliance with program requirements under 14 indicators of performance (24 CFR part 985).

In the Section 8 programs, required program contracts and other forms must be word-for-word in the form prescribed by HUD headquarters. Any additions to or modifications of required program contracts or other forms must be approved by HUD headquarters (24 CFR section 982.162).

Source of Governing Requirements

Section 8 rental voucher and rental certificate program regulations are found in 24 CFR parts 5, 982, and 985.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for a Federal program, the auditor should first look to Part 2, Matrix of Compliance Requirements, to identify which of the 14 types of compliance requirements described in Part 3 are applicable and then look to Parts 3 and 4 for the details of the requirements.

A. Activities Allowed or Unallowed

PHAs may use Section 8 rental voucher and certificate program funds for HAPs to participating owners, and for administrative fees (24 CFR sections 982.151 and 982.152).

E. Eligibility
1. **Eligibility for Individuals**

Most PHAs devise their own application forms that are filled out by the PHA staff during an interview with the tenant. The head of household signs: (a) one or more release forms to allow the PHA to obtain information from third parties; (b) a Federally-prescribed general release form for employment information; and (c) privacy act notice. Under some circumstances, other members of the family may be required to sign these forms (24 CFR sections 5.212, 5.230, and 5.601 through 5.617).

The PHA must:

a. As a condition of admission or continued occupancy, require the tenant and other family members to provide necessary information, documentation, and releases for the PHA to verify income eligibility (24 CFR sections 5.230, 5.609, and 5.617).

b. Verify income eligibility and calculate the tenant's rent payment in accordance with 24 CFR sections 5.613 and 982.516. This includes determining adjusted annual income (including the value of assets totaling $5,000 or more, expenses related to deductions from annual income, and other factors that affect the amount of assistance) and obtaining and using third party verification of anticipated family annual income or documenting in the tenant file why third party verifications were not possible (24 CFR sections 5.601 through 5.617, and 982.201).

c. Select tenants from the Section 8 waiting list (see "N.1, Selection from the Section 8 Waiting List") (24 CFR sections 982.202 through 982.207).

d. Reexamine family income and composition at least once every 12 months and adjust the tenant rent and housing assistance payment as necessary. This includes determining adjusted annual income (including the value of assets totaling $5,000 or more, expenses related to deductions from annual income, and other factors that affect the amount of assistance), obtaining and using third
party verification of anticipated family annual income or documenting in the tenant file why third party verifications were not possible (24 CFR sections 5.617 and 982.516).

2. **Eligibility of Group of Individuals or Area of Service Delivery** - Not Applicable

3. **Eligibility for Subrecipients** - Not Applicable

L. **Reporting**

1. **Financial Reporting**
   a. SF-269, *Financial Status Report* - Not Applicable
   b. SF-270, *Request for Advance or Reimbursement* - Not Applicable
   c. SF-271, *Outlay Report and Request for Reimbursement for Construction Programs* - Not Applicable
   d. SF-272, *Federal Cash Transactions Report* - Not Applicable
   e. HUD-52681, *Voucher for Payment of Annual Contributions and Operating Statement (OMB No. 2577-0149)* - submitted annually.
   f. HUD-52595, *Balance Sheet for Section 8 and Public Housing (OMB No. 2577-0067)* - submitted annually.

2. **Performance Reporting**

   HUD-52648, *SEMAP Certification - Addendum for Reporting Data for Deconcentration Bonus Indicator (OMB No. 2577-0215)* - PHAs with jurisdiction in metropolitan FMR areas have the option of submitting data to HUD with their annual SEMAP certifications on the percent of their tenant-based Section 8 families with children who live in, and who have moved during the PHA fiscal year to, low poverty census tracts in the PHA=s principal operating area. Submission of this information with the SEMAP
certification makes the PHA eligible for bonus points under SEMAP (24 CFR section 985.3(h)).

Key Line Items - The following line items contain critical information.

a. Line 1a - Number of Section 8 families with children assisted by the HA in its principal operating area at the end of the last HA fiscal year (FY) who live in low poverty census tracts.

b. Line 1b - Total Section 8 families with children assisted by the HA in its principal operating area at the end of the last HA FY.

c. Line 1c - Percent of all Section 8 families with children residing in low poverty census tracts in the HA's principal operating area at the end of the last HA FY.

d. Line 2a - Percent of all Section 8 families with children residing in low poverty census tracts at the end of the last completed HA FY.

e. Line 2b - Number of Section 8 families with children who moved to low poverty census tracts during the last completed HA FY.

f. Line 2c - Number of Section 8 families with children who moved during the last completed HA FY.

3. Special Reporting

HUD-50058, Family Report (OMB No.2577-0083) - The PHA is required to submit this form electronically to HUD each time the PHA completes an admission, annual reexamination, interim reexamination, portability move-in, or other change of unit for a family. The PHA must also submit the Family Report when a family ends participation in the program or moves out of the PHA's jurisdiction under portability (24 CFR part 908).

Key Line Items - The following line items contain critical information.
a. Line 2b - Effective Date of Action
b. Lines 3b, 3c - Names
c. Line 3e - Dates of Birth
d. Line 3n - Social Security Numbers
e. Line 5a - Unit Address
f. Lines 5g, 5h - Unit Inspection Dates
g. Line 7m - Total Annual Income
h. Line 11n or 12q - Gross Rent of Unit
i. Lines 2e and 16a - Family's Participation in the Family Self-Sufficiency (FSS) Program
j. Line 16d(2) - FSS Account Balance

N. Special Tests and Provisions

1. Selection from the Section 8 Waiting List

**Compliance Requirement** - The PHA must have written policies in its Section 8 administrative plan for selecting applicants from the waiting list and PHA documentation must show that the PHA follows these policies when selecting applicants for admission from the waiting list. Except as provided in 24 CFR section 982.203 (Special admission (non-waiting list)), all families admitted to the program must be selected from the waiting list. "Selection" from the waiting list generally occurs when the PHA notifies a family whose name reaches the top of the waiting list to come in to verify eligibility for admission (24 CFR sections 5.410, 982.54(d), and 982.201 through 982.207).

**Audit Objective** - Determine whether the PHA is following its own tenant selection policies in selecting applicants from the waiting list to become tenants.

**Suggested Audit Procedures**

a. Review the PHA's tenant selection policies.
b. Test a sample of new tenants admitted to the program to ascertain if they were selected from the waiting list in accordance with the PHA's tenant selection policies.

c. Test a sample of applicant names that reached the top of the waiting list to ascertain if they were admitted to the program or provided the opportunity to be admitted to the program in accordance with the PHA's tenant selection policies.

2. Reasonable Rent

**Compliance Requirement** - The PHA's administrative plan must state the method used by the PHA to determine that the rent to the owner is reasonable in comparison to rent for other comparable unassisted units. The PHA determination must consider unit attributes such as the location, quality, size, unit type, and age of the unit, and any amenities, housing services, maintenance and utilities provided by the owner. The PHA must determine that the rent to the owner is reasonable at the time of initial leasing. Also, the PHA must determine reasonable rent during the term of the contract: (a) before any increase to the owner; and (b) at the HAP contract anniversary if there is a five percent decrease in the published Fair Market Rent (FMR) in effect 60 days before the HAP contract anniversary. The PHA must maintain records to document the basis for the determination that rent to owner is a reasonable rent (initially and during the term of the HAP contract) (24 CFR sections 982.4, 982.54(d)(15), 982.158(f)(7), and 982.507).

**Audit Objective** - Determine whether the PHA is documenting the determination that the rent is reasonable in accordance with the PHA's administrative plan at initial leasing and during the term of the contract.

**Suggested Audit Procedures**

a. Review the PHA's method in its administrative plan for determining reasonable rent.

b. Test a sample of initial leases and ascertain if the PHA has documented the determination of reasonable rent in accordance with the PHA's administrative plan.
c. Test a sample of leases for which the PHA is required to determine reasonable rent during the term of the contract and ascertain if the PHA has documented the determination of reasonable rent in accordance with the PHA's administrative plan.

3. Utility Allowance Schedule

**Compliance Requirement** - The PHA must maintain an up-to-date utility allowance schedule. The PHA must review utility rate data for each utility category each year and must adjust its utility allowance schedule if there has been a rate change of 10 percent or more for a utility category or fuel type since the last time the utility allowance schedule was revised (24 CFR section 982.517).

**Audit Objective** - Determine whether the PHA has reviewed utility rate data within the last 12 months and has adjusted its utility allowance schedule if there has been a rate change of 10 percent or more in a utility category or fuel type since the last time the utility allowance schedule was revised.

**Suggested Audit Procedures**

a. Review PHA procedures for obtaining and reviewing utility rate data each year.

b. Test data on utility rates that the PHA obtained during the last 12 months and ascertain, based on data available at the PHA, if there has been a change of 10 percent or more in a utility rate since the last time the utility allowance schedule was revised, and if so, verify that the PHA revised its utility allowance schedule to reflect the rate increase.

4. Housing Quality Standards Inspections

**Compliance Requirement** - The PHA must inspect the unit leased to a family at least annually to determine if the unit meets Housing Quality Standards (HQS) and the PHA must conduct quality control reinspections. The PHA must prepare a unit inspection report (24 CFR sections 982.158(d) and 982.405(b)).
Audit Objective - Determine whether the PHA documented the required annual HQS inspections and quality control reinspections.

Suggested Audit Procedure

a. Review the PHA's procedures for performing HQS inspections and quality control reinspections.

b. Test a sample of units for which rental assistance was paid during the fiscal year and review inspection reports to ascertain if the unit was inspected.

c. Review the PHA's reports of reinspections to ascertain if quality control reinspections were performed.

5. HQS Enforcement

Compliance Requirement - For units under contract that fail to meet HQS, the PHA must require the owner to correct any cited life threatening HQS deficiencies within 24 hours of the inspections and all other HQS deficiencies within 30 calendar days or within a specified PHA-approved extension. If the owner does not correct the cited HQS deficiencies within the specified correction period, the PHA must stop (abate) HAPs beginning no later than the first of the month following the specified correction period or must terminate the HAP contract. The owner is not responsible for a breach of HQS as a result of the family's failure to pay for utilities for which the family is responsible under the lease or for tenant damage. For family-caused defects, if the family does not correct the cited HQS deficiencies within the specified correction period, the PHA must take prompt and vigorous action to enforce the family obligations (24 CFR sections 982.158(d) and 982.404).

Audit Objective - Determine whether the PHA documented enforcement of the HQS.

Suggested Audit Procedures

a. Select a sample of units with failed HQS inspections during the audit period from the PHA's logs or records of failed HQS inspections.
b. Verify that the files document that the PHA required correction of any cited life threatening HQS deficiencies within 24 hours of the inspection and of all other HQS deficiencies within 30 calendar days of the inspection or within an PHA-approved extension.

c. If the correction period has ended, verify that the files contain a unit inspection report or evidence of other verification documenting that any PHA-required repairs were completed.

d. Where the file shows that the owner failed to correct the cited HQS deficiencies within the specified time frame, verify that documents in the file show that the PHA properly stopped (abated) HAPs or terminated the HAP contract.

e. Where the file shows that the family failed to correct the cited HQS deficiencies within the specified time frame, verify that documents in the file show that the PHA took action to enforce the family obligations.