

CHAPTER 1. OVERVIEW OF AUDIT PURPOSE, RESPONSIBILITIES AND SCHEDULING

Section 1. Introduction

1-1. PURPOSE. The purpose of the occupancy audit is to:

a. Determine compliance with HUD requirements applicable to the occupancy function including program requirements implementing the civil rights laws listed in subparagraph b. below.

b. Obtain information to assist in the enforcement of civil rights laws including:

(1) Title VI of the Civil Rights Act of 1964, which prohibits discrimination based on race, color, or national origin in programs receiving Federal financial assistance;

(2) Title VIII of the Civil Rights Act of 1968, which prohibits discrimination based on race, color, religion, national origin, or sex in the sale, rental, or advertising of housing;

(3) Section 504 of the Rehabilitation Act of 1973, which prohibits discrimination based on handicap in programs receiving Federal financial assistance;

(4) The Age Discrimination Act of 1975, which prohibits discrimination based on age in programs receiving Federal financial assistance; and

(5) Executive Order 11063, which requires HUD to take whatever action is necessary to prohibit discrimination based on race, color, national origin, religion (creed), or sex in housing receiving Federal financial assistance.

c. Validate information reported to HUD by PHAs.

d. Provide technical assistance to PHAs.

e. Work in cooperation with PHAs to minimize exposure to fraud and program abuse.

1-2. APPLICABILITY.

a. This Handbook applies to:

(1) PHA-owned rental public housing.

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(2) Turnkey III Homeownership.

(3) Sections 23 and 10(c) housing.

b. This Handbook does not apply to:

(1) Section 8 (including housing vouchers).

* (2) Indian Housing (see Handbook 7440.3, 10/86). *

1-3. COORDINATION WITH SECTION 8 REVIEWS. There are many similarities between occupancy requirements and procedures applicable to public housing and PHA-administered Section 8 Existing, Moderate Rehabilitation and Housing Voucher programs. Since the same staff may be responsible for these programs along with public housing, coordination of review activities at the same PHA is advantageous. When conducting the audit, do not include Section 8 units on Form HUD- 52381, Occupancy Audit Summary.

Section 2. Responsibilities and Scheduling

1-4. REGIONAL OFFICES. The Regional Public Housing Director ensures that Regional and field staff perform occupancy audits in accordance with the requirements of this handbook and reviews a sufficient sample of completed occupancy audits to ensure that the objectives of this handbook are being achieved.

1-5. REGIONAL AND FIELD OFFICES. The overall direction and supervision of the occupancy audit program rests with the Field Office Manager or the Regional Public Housing Director in collocated offices. In addition, the Regional Director of Public Housing monitors the audit activities of field offices and provides technical assistance.

1-6. THE BRANCH CHIEF/DIRECTOR:

a. Selects PHAs to be audited and assigns staff to perform the audit.

b. Schedules occupancy audits.

c. Assures that audits are conducted in accordance with the provisions of this handbook.

1-7. THE OCCUPANCY AUDITOR performs the audit. Usually this will be a Housing Management Specialist or an Occupancy Specialist. The term "auditor" refers to the person who has responsibility for the audit.

*1-8. SCHEDULING.

a. An audit must be scheduled for each PHA at least every four

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years. PHAs audited each year are selected subject to the priority criteria discussed in c below.

b. At the beginning of each Federal fiscal year, the Branch chief/director updates the Management Operations Control Chart, Form

HUD-52420. The chief/director selects the PHAs to be audited,

assigns staff to do the audits and establishes a schedule.

c. In setting up the audit schedule, the chief/director shall apply these criteria:

(1) First priority -- PHAs which have never been audited and PHAs which have failed to submit an internal audit report agreed to pursuant to paragraph 1 of this handbook.

(2) Second priority -- PHAs where 24 months or more will have passed since their last occupancy audit, and where there are indicators of occupancy-related problems such as: outstanding audit findings, frequent tenant complaints, unfavorable publicity, negative indicators from previous management reviews, etc.

(3) Third priority -- PHAs with 500 or more units in management where 48 months or more will have passed since their last occupancy audit.

d. In the case of PHAs with 2,500 or more units, the chief/director may limit the scope of the audit to a portion of the PHA's operations provided the audit covers the centralized tenant selection function and the organizational units of the PHA responsible for at least 25 percent of the PHA's reexamination activity.

For example, the audit of a PHA with 6,000 units that conducts its reexaminations at the project level could be limited to the central applications office and a group of projects including at least 1,500 units. In determining the portion of large PHAs to be audited, the chief/director should consider any problem areas which may have been identified through previous audits and reviews, tenant complaints, complaints of discrimination, and similar indicators. *

e. The chief/director is responsible for coordinating occupancy audits with the management reviews and surveys required by Handbook 7460.7 REV. Similarly, occupancy audits should be coordinated with reviews of the Section 8 PHA-operated programs and Housing Vouchers (see Handbooks 7420.3 and 7420.7). In scheduling audits, reviews and surveys, the overall objective is to reach as many problem PHAs as possible with available resources.

*1-9. INTERNAL AUDITS. PHAs which are classified as recognized performers as defined in Handbook 7460.5, The Public Housing Decontrol Handbook, may submit an internal audit report in place of

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an on-site occupancy audit under certain circumstances. This means that PHA staff conduct the audit and submit the report to the local HUD Office. A PHA may submit an internal occupancy audit in place of an on-site audit by HUD when:

a. The previous audit was performed by HUD staff.

b. The PHA meets all of the following:

-Is a "Recognized Performer" in accordance with Handbook 7460.5.

-Has no open occupancy audit findings.

-Has sufficient staff to allow the internal audit to be performed by staff other than personnel responsible for day to day determinations of tenant eligibility and tenant payments. PHAs may contract with other entities (including PHAs) to perform internal audits.

-Is not in priority category one or two as defined in Paragraph 1-8, and is not identified for a Title VI compliance investigation.

1-10. SCHEDULING INTERNAL AUDITS.

a. Those PHAs eligible to conduct an internal audit in place of an on-site occupancy audit shall be notified by letter and, if interested, asked to indicate the date during the upcoming fiscal year when they plan to conduct the audit and submit their internal audit report to HUD. Those PHAs which prefer not to conduct an internal audit shall be scheduled for an on-site audit in accordance with Paragraph 1-8.

b. The chief/director follows up with PHAs selected for internal audit so that ample time is allowed for the development of an audit schedule for the year.

c. PHAs electing to conduct an internal audit shall be identified in the "Remarks" column of the Management Operations Control Chart.

d. The chief/director will send a copy of this Handbook together with copies of the following occupancy audit forms:

Form HUD-52376, Occupancy Audit Guide

Form HUD-52378, Tenant File Review

Form HUD-52379, Tenant Selection Review

Form HUD-52380, Errors Summary

Form HUD-52381, Occupancy Audit Summary

Form HUD-52382, Tenant Selection Preferences

Form HUD-52384, Analysis of Policies and Summary of Findings

e. In cases where the chief/director deems appropriate, additional technical assistance may be provided the PHA. *

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1-11. NOTIFICATION OF THE PHA. Two weeks before the start of an occupancy audit, the auditor notifies the PHA. These contacts should usually be made by telephone and be confirmed by letter. The letter should mention the date the audit is to begin, estimated time to be spent at the PHA, time agreed upon for the preaudit conference, and staff who need to be made available to the auditor. The letter should also identify any data that the auditor would like the PHA to make available before the auditor's field visit.

1-12. ADVANCE COMPILATION OF INFORMATION BY THE PHA may be requested only if it involves information which the PHA compiles in its

ordinary course of doing business or, information which is required to close a previous review, audit or survey finding. For example:

The PHA could be asked to collect copies of information from tenant files in a central location for the auditor's convenience, but it could not be asked to create a tabular analysis of tenant characteristics, unless the information was related to a prior finding.