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# Procedures for Conducting Field Audits of Tenant Files at Low-rent Projects

PUBLIC HOUSING ADMINISTRATION

HOUSING AND HOME FINANCE AGENCY

PROCEDURES FOR CONDUCTING FIELD AUDITS  
OF TENANT FILES AT LOW-RENT PROJECTS

This Bulletin gives procedures for scheduling and making field audits of tenant files at PL-412, PL-671, and PWA projects, as provided in Sections 3614:20 and 4614:6.

I. Scheduling of Field Audits

- A. A number of points must be considered in developing a practicable schedule for an audit of tenant files at the project. Such factors as geography, time, budget, personnel, and local authority spacing of reexaminations preclude a mechanical scheduling of reviews.
- B. If possible, a field audit should be scheduled for the sixth, seventh, or eighth month of a project fiscal year. There are at least two reasons:
  1. Before approving a local authority's request for annual contributions PHA must determine that the low-rent character of a project has been maintained. The request for annual contributions is submitted at the end of a project's fiscal year and the time for reviewing and approving it is limited to the period from the end of the fiscal year to the annual contribution payment date.

Under the terms of the assistance contract, PHA may not withhold payment of annual contributions because of a substantial breach of low-rent character unless the local authority has failed to correct such breach within 90 days after formal notice in writing. If a substantial breach is not discovered early enough to permit action within the limited time available for review and approval of the request, annual contributions cannot be withheld until the second annual contribution payment date after the discovery of the breach.

If a field audit is made not later than the 8th month, a minimum of 90 days plus the period from the end of the fiscal year to the annual contribution date will be available for notice to the local authority and for correction of the breach.

2. Aided-project fiscal years end on March 31, June 30, September 30, and December 31. Scheduling of audits in the 6th, 7th, or 8th month of a fiscal year will permit spacing audits over an entire calendar year instead of concentrating them in the four calendar months which represent the 8th months of the four fiscal years.

## Par. I (Cont'd)

- C. To permit more conclusive findings, a field audit should preferably be made after a local authority has completed a substantial number of its tenant reexaminations.

A study of the timing of reexaminations on a country-wide basis indicates that 30 per cent of local housing authorities conduct reexaminations the fourth quarter of their respective fiscal years, 37 per cent reexamine during the third quarter, 23 per cent in the first or second quarter, and 10 per cent have flexible schedules.

If reexaminations are conducted on specified dates it may be possible to relate field audit dates to reexamination dates. When this cannot be done the local authority may be requested to make some change in project practices. If reexamination dates are staggered, and the local authority does not consider it advisable to establish fixed dates, no relationship between field audit dates and reexamination dates should be attempted.

- D. Attached as Exhibit 1 is a work sheet (Tenant Eligibility Review Schedule) for the field office's use in scheduling, recording, coordinating, and controlling reviews. This schedule must be kept current at all times.

The columns are, in the main, self-explanatory.

In column (1), for multi-development projects the individual development numbers should be listed under the project number.

Since the end of the project's fiscal year (column 2) is the deadline for completion of the field audit it is suggested that the entries be made in chronological order. This arrangement will emphasize the work-program outstanding at any given time.

Column (3) (Reexamination Date) should (1) give the date on which all reexaminations are completed if the project reexamines all tenants as of a given date, or (2) indicate if the reexaminations are conducted monthly or quarterly or are staggered throughout the year.

II. Preparation for Field Audit. In preparation for the field audit, the reviewer should familiarize himself with:

- A. The results of the reviews of local authority tenant reports received and reviewed during the preceding twelve months (see Section 3614:20), the extent and type of policy deviations noted in the reports (particularly those which have been called to the attention of the local authority), the corrective measures prescribed, and the status of corrective action;
- B. The tenant-eligibility provisions in (a) the PHA Requirements, (b) the Manual of Policy and Procedure, and (c) the latest approved management policy and program resolutions (particularly the rent system and schedule contained therein);

Par. II (Cont'd)

- C. Date available in the field office files, concerning previous field audits;
- D. Any special eligibility problems of the project or local authority. To be sure of having this data available to him during the field audit, the reviewer should make appropriate summaries from material in the field office files;
- E. See also Section V.

Any discrepancy between the latest approved management policy and program resolutions and the resolutions and schedules being used currently by the local authority as a basis for its administration will necessitate determining what the latest approved resolutions are as a basis for the audit. Both now and later, conflicts between PHA policy and the resolutions should be commented upon in relation to local authority operations and necessary changes should be recommended.

III. Reviews to be Made

A. Number of Tenant Files to be Examined at the Project.

1. At the project, an examination is to be made of (a) the tenant files in every case where a deviation from approved policy was noted during the review of reports on tenants, plus (b) a random selection of all other tenant files.
2. Exclusive of the number of files reviewed because of deviations noted during review of tenant files, a minimum of 40 tenant files or a number equal to 10% of the total number of units in the development, project, or local authority program, whichever is greater, should normally make up the random sample. For example, in projects of 400 dwellings or less at least 40 tenant files should be examined; in projects of 400 or more dwellings the sample should equal at least 10% of the total number of dwellings.
3. Ordinarily examination should be on a development basis. However, where tenant selection and reexamination are centralized for all the PHA-aided and PWA projects of the local authority, the field audit may be made on a program basis and the random sample limited to 10% of the total number of units in the program. Where this is done, the sample shall include at least 10% of the tenant files for each development. Examination on a program basis may result in the review of fewer tenant files than examination on a development basis. Each separate part of the program (statutory projects, PWA) must be adequately represented.

Par. III. A. 3. (Cont'd)

Example:	Development	Number of Units	Sample	
			Exam. on Prog. Basis	Exam. on Dev. Basis
	A	250	10% of	40
	B	200	total	40
	C	800	units	80
	D	600	225 files	60
	E	<u>400</u>		<u>40</u>
	Total units in program	2,250	Total files	260

4. The minima given here have been established on the assumptions (a) that some of the deviations noted during tenant report reviews were due to errors in reporting and that, where they were not, adequate steps are being taken to correct the deviations, and (b) that the field audit will not reveal so many additional deviations (not being corrected currently) that further action will be necessary. If during the field audit the random sample reveals either 5 or greater per cent of the tenants were ineligible for admission to continued occupancy because of income in excess of approved limits, improper R/I ratio, or lack of citizenship (counting in this 5 per cent only cases about which no corrective action has been or is being taken), or 25 or greater per cent deviations of minor character which are not cause for declaration of a substantial breach of low rent character, further sampling in 5 per cent steps should be made until it appears that the rate of deviations is decreasing sufficiently to indicate that a substantial breach of contract is not present, or that a complete audit is not necessary to establish data for drastic corrective action.
5. The following factors may also influence the number of random sampling made:
  - a. Number, availability, and degree of training, of field office personnel (it should be possible to review 40 tenant files in one day under good conditions);
  - b. Geographic dispersion of programs in the field, and the projects and developments in a program;
  - c. Administrative methods of the local authority, which may be highly centralized, highly decentralized, or a combination of both;

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Par. III. A. 5. (Cont'd)

- d. Nature of the tenant body, which may present varying degrees of employment stability;
- e. Number and nature of noted deviations.

However, variations from the suggested minima must be fully explained in the report on the audit.

Par. III (Cont'd)

- B. Selection of Random Samples. The method of selecting random samples is largely a matter of the reviewer's judgment.

For files arranged alphabetically the simplest method is to pull files at intervals related to the ratio of total files to be examined to total units in the project. For example, in a 200-unit project random samples of 40 files (or 1/5 of the total number of units) should be examined. Thus every fifth file should be pulled. In a 500-unit project, 1/10 of the files should be examined. Thus every 10th file should be pulled.

For files in other than alphabetical order the reviewer will have to devise some other method.

As a random sample selected on an arbitrary basis could omit families of a particular size or composition, the unit size distribution may need to be taken into consideration as a factor.

IV. Actual Review

- A. Documents to be Reviewed. The basic documents upon which are recorded the data obtained and verified by the local authority in determining eligibility for admission or continued occupancy are:

1. For admission:

- a. An application;
- b. A document used to evidence citizenship of the family member who signs the lease (often a part of the application);
- c. A home visit report, a housing score sheet, and some verification of the status of the tenant as a veteran or serviceman or as a site occupant if the tenant was admitted for any of these reasons; and
- d. An employment report and any other documents necessary for the verification and determination of income.

2. For continued occupancy:

- a. An application for continued occupancy;
- b. Verification of present employment and income, and of employment and income for the past twelve months; and
- c. Verification of changes in family composition requiring a certificate of citizenship from new lessee.

## Par. IV (Cont'd)

**B. Scope of Files Review Where Deviations Noted in Reports on Tenants.**

If review of a tenant file for which deviations were noted during the review of reports on tenants discloses that approved policy was actually followed in the case of the particular tenant, the deviation may be considered as a reporting error and the examination of the tenant file need not be completed. If, on the other hand, an actual deviation from policy is found to have occurred, a complete review shall be made of the file.

**C. Checking of Ineligible-Tenant List Against Project Records.** The list of ineligible tenants compiled at the conclusion of the previous field audit (see paragraph IV G.) is to be checked against project records to determine if previously ineligible tenants have been removed from the project or found, upon reexamination, to be eligible.**D. Review of Tenant-Income Determination.** Because both eligibility for housing and the rents to be paid by tenants are closely related to the determined income of a family, the criteria for determining income will probably require more time and searching attention than any other item of review. The reviewer should determine whether the local authority has anticipated the net income of each family in the manner and with the results prescribed by PHA.

PHA has defined net family income in terms of both "content" (i.e., the items which comprise it), and "procedure" (i.e., the method of determining it). The reviewer, therefore, must determine, first, the correctness of the actual income determined and, second, the validity of the procedure used in calculating the final amount. Thus, the review of "content" consists of a review of the items and sources of income reported for all members of the family and of the items which are deducted from aggregate income. The review of "procedure" is concerned with amounts and with methods used in arriving at such amounts and involves consideration of the sources of information, consistency of treatment, and accuracy of computation.

When the latest PHA policy (as reflected in the PHA Requirements and in the Policy and Procedure Manuals) is not being followed with respect to items to be considered in computing net income the facts shall be noted and reported by the reviewer.

Net income at time of admission or as of the date of reexamination is considered to be the actual net income received during the preceding 12 months unless there is concrete evidence that the family's actual income for the coming 12 months will be different. Facts of the following nature would constitute such evidence.

Par. IV D. (Cont'd)

1. A clearly defined change in wage rate or in number of working hours;
2. A change in occupation or employment;
3. The addition or loss of a wage earner;
4. Predictable changes in income other than wages or salaries.

It will be noted that of these four criteria the first three deal with earnings. Anticipation of aggregate earnings has proved the most troublesome aspect of income determinations. In essence, the criteria rely on either the actual work experience of the specific worker or, where that is not relevant, the usual periodic (hourly, weekly, etc.) earnings of employees of the same industrial classification times the number of periods (hours, weeks, etc.) of probable employment.

It may be found that some local authorities, in an effort to simplify income determinations, are using a wholly inadequate formula based upon arbitrary determinations. This has been the result of the rapidly changing character of wage rates and earnings during the "war years" which has caused a number of local authorities to discontinue the practice of verifying net family income for the previous year. In the event the local authority has discontinued verification of a previous year's earnings, there must be evidence that the authority has verified the present employment and rate of pay of each employed member of the family, that the authority has taken steps to insure that the employers understand the nature of the information desired and the necessity for reasonable accuracy, that the authority has taken into account the actual work record of the family or of persons engaged in like occupations during the past year, that the authority has taken steps to reconcile discrepancies in data reported by the family and the employer, and that arithmetical computations are accurate.

Irrespective of whether the local authority actually verifies the net income of the family for the previous year, full information should have been obtained from the family regarding aggregate income and deductions, for net family income for the preceding year is the only actual yearly income figure obtainable.

Amounts entered as income from sources other than earnings and amounts deducted from aggregate income shall be examined for arithmetical accuracy and appropriate verification, and the accuracy of the figure obtained as net annual income shall be checked. Amounts entered as deductions shall be examined for consistency and for compliance with the approved management resolution. The procedures used by local

## Par. IV D. (Cont'd)

authorities for verifying income will vary in certain details. Wages and other income, as well as allowable deductions, are best verified at their source, whenever this is possible. In general, verification of earnings will be made by means of a letter to the employer, perhaps supplemented by a telephone call or by a conference with the employer. Verification or partial verification of income may also be made in some cases from pay envelopes retained by the employee, checks, receipts, special schedules giving retirement rates, benefit payments, etc. No absolute standards of verification can be given; the reviewer must simply decide whether, in his judgment, the verification is conclusive. The reviewer should make as many spot checks as are necessary to establish the reliability of income verification obtained by the local authority.

- E. Analysis of Local Authority Method of Relating Rent to Income. The reviewer should study the action of the local authority with respect to those families who have experienced changes in income during the period between scheduled reexaminations. Failure by the local authority to act upon information relating to changes in income or family status may deprive the project of substantial revenue and may constitute a violation of the approved management program. Local authority performance in this respect should be studied even though the authority's failure to act does not result in the continued occupancy of ineligible tenants.

Action taken by local authorities discovering tenant failure to report changes in family income or status as they occur should also be noted. Section 4612:6, Reporting of Changes in Income or Family Composition by Tenants in PL-412, PL-671 and PWA Housing Projects, provides that tenants of such projects shall be required to report all changes in income and family composition occurring between regularly scheduled income reviews, and that project management shall immediately review the reports and effect appropriate adjustments in rents (either upward or downward) to assure that rents be closely related to income. This policy also requires that a tenant who fails to report promptly a change in income be assessed the difference between the rent he has paid and the amount he would have paid had he reported promptly. The reviewer should note and report on the local authority operations in this connection.

- F. Record of Findings. Attached as Exhibits 2 and 3 are two suggested field review work sheet forms to be used in recording audit findings. It will be seen that both have the same major headings but that Exhibit 3 is more detailed and its use is, for that reason, preferable. The reviewer may use either of these forms or may devise a different form provided that the same major headings are followed. Instructions for using either form are attached as Exhibit 4.

Par. IV (Cont'd)

- G. Listing of Tenants not Eligible. At the conclusion of the field audit the reviewer should obtain the list of ineligible tenants called for by Section 3614:20.

V. Audit of Equivalent Elimination.

- A. Preparation. Before leaving the Field Office, the reviewer should consult Forms 444a and b, Elimination of Unsafe and Insanitary Dwellings, submitted by the local authority for the preceding four quarters. If units have been eliminated during the period, he should note any difference between the number of units claimed and allowed, also any reporting omissions. He should review Manual Section 4411:2 and PHA Requirements, Section 209.
- B. Sampling of Dwellings Eliminated. A check shall be made of local authority files and supporting records covering at least five dwellings or ten percent of the number reported eliminated during the year, whichever is greater. Where fewer than five unsafe or insanitary dwellings have been eliminated during the year, all shall be checked. The sample should include each major method of off-site elimination reported by the local authority (demolition, closing and repair or improvement); the sample should also include both units eliminated by the local authority directly and these eliminated by the municipality.
- C. Review Process. The local authority file shall be checked to see that it contains official records as to (1) the previous unsafe or insanitary character of the structure and (2) the completion of repair, improvement, closing, or demolition. This record may be a certified report of inspection before and after closing or demolition, by municipal employees or local authority staff. In the case of compulsory repair or improvement, there should be a copy of the official notice requiring the owner to repair or improve the dwelling and a certificate of completion of plumbing installation, wiring, or other repairs or improvements. For dwellings demolished in clearing project sites, a description of dwellings on the site, in the Development Program, will be sufficient.

Where the file records do not give satisfactory evidence of the reliability of the reports submitted by the local authority, efforts should be made to have the LHA staff obtain additional supporting evidence while the field audit is in process. Only in the event no satisfactory documentary evidence can be obtained will it be necessary to visit the reported location of the unsafe or insanitary dwellings, to see that the dwellings have been demolished or closed, and that repairs or improvements have provided a safe and sanitary dwelling,

Par. V (Cont'd)

D. The tenant auditor shall prepare a summary of his findings in the review of equivalent elimination, for submission to the field office director, with copies to the attorney and the management operations officer, for their use in reviewing later reports of equivalent elimination completed, and in processing the final Equivalent Elimination Notice.

VI. Discussions with Local Authority. It is recommended that questions which concern the eligibility of specific tenants and which result from incomplete or unclear information be settled as they arise, insofar as this is possible, by discussions with local authority tenant selection or reexamination staffs.

The reviewer should also discuss his findings in general terms with the executive director or other appropriate official of the local authority, giving specific examples of policy deviations or faulty procedures if requested.

VII. Report of Findings. Upon completion of the field audit, the project review summary sheet shall be prepared (as provided by Section 3614:20) from the field review work sheets.

HHFA  
PHA  
4-15-49

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Exhibit 1

TENANT ELIGIBILITY REVIEW SCHEDULE

1	2	3	4	5 Actual	6	
<u>Proj. No.</u>	<u>Fiscal Yr. Ends</u>	<u>Reexam. Date</u>	<u>Projected Date Commence Field Review</u>	<u>Date Field Review Completed</u>	<u>Date of Review Annual Certificate</u>	<u>Remarks</u>
			Must be at least 4 months in advance of date in Col. 2		Must be within 30 days of date in Col. 2	



FIELD REVIEW WORK SHEET

I. Acct. No. or Apart. No. \_\_\_\_\_ Project Name and Number \_\_\_\_\_

II. Name of Tenant \_\_\_\_\_

III. Unit Size \_\_\_\_\_ Is Unit Appropriate to Family Composition? \_\_\_\_\_

IV. Rent Paid \$ \_\_\_\_\_ Same \_\_\_\_\_ Increase \$ \_\_\_\_\_ Decrease \$ \_\_\_\_\_

V. Family Composition \_\_\_\_\_

VI. Family Income From Wages

1. Present Verified Income of Each Wage Earner \$ \_\_\_\_\_ \$ \_\_\_\_\_ \$ \_\_\_\_\_

2. Rate of Pay \_\_\_\_\_ \$ \_\_\_\_\_ \$ \_\_\_\_\_ \$ \_\_\_\_\_

3. Period of Employment \_\_\_\_\_

4. Straight and Overtime Rate \_\_\_\_\_

5. No. of Hours Worked Per Normal Week \_\_\_\_\_

6. "Usual Weekly Earnings" \$ \_\_\_\_\_

7. No. of Weeks Worked per Past Year \_\_\_\_\_

VII. Other Income. Allotment \$ \_\_\_\_\_ Pensions \$ \_\_\_\_\_ Alimony \$ \_\_\_\_\_  
Insurance \$ \_\_\_\_\_ Relief Payments \$ \_\_\_\_\_ Other \$ \_\_\_\_\_

VIII. Net Income Last Year \$ \_\_\_\_\_

IX. How Verified. Employer letter \_\_\_\_\_ W-2 Form \_\_\_\_\_ Telephone \_\_\_\_\_  
Affidavit \_\_\_\_\_ Receipts \_\_\_\_\_ Other \_\_\_\_\_ No Verification \_\_\_\_\_

X. Anticipated Net Family Income \$ \_\_\_\_\_ Deductions Allowed \_\_\_\_\_

XI. How Estimated. Present Monthly/Weekly Earnings/Other \_\_\_\_\_

XII. Citizenship \_\_\_\_\_

HOUSING NEED

Home Visit? \_\_\_\_\_

Exception \_\_\_\_\_

XIII. Substandard \_\_\_\_\_ Housing Score \_\_\_\_\_

XIV. Waiver \_\_\_\_\_

XV. Other \_\_\_\_\_ Explain Nature \_\_\_\_\_

XVI. Agreement Tenant Report \_\_\_\_\_

XVII. Agreement With Lease \_\_\_\_\_

XVIII. Remarks \_\_\_\_\_

1. New Tenant \_\_\_\_\_ Reexamined Tenant \_\_\_\_\_ First Lease \_\_\_\_\_

2. Recommendations for Adjustment, if Any \_\_\_\_\_

Examined by \_\_\_\_\_

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INSTRUCTIONS FOR USING FIELD REVIEW WORK SHEET  
FOR PHA REVIEW OF TENANT ELIGIBILITY

- Items I and II - Acct. No. or Apt. No. and Name of Tenant: Self-explanatory
- Items III and IV - Unit Size and Rent Paid: Record size of dwelling tenant now occupies and contract rent for the dwelling.
- Item V - Family Composition: List all members of the family, indicating relationship to the head and age of each as H (Husband) - 35; W (Wife) - 33; S (Son) - 6,3; D (Daughter) - 1; Aunt - 65.
- Items VI, VII, VIII, IX, X, XI - Income: Family Income from Wages - Record present verified income of each wage earner in the family, the rate of pay and period of employment. If rate is hourly, record straight and overtime rate, number of hours worked per week, "usual weekly earnings", and number of weeks worked per year. Other Income - Record any other income for the current year, as income from relief payments, alimony, allotments, etc. Net Income Last Year - Record total net family income of previous year. How Verified - Indicate whether verified and if so, how, as "Employer letter" - "receipts", etc. Anticipated Net Family Income - Record total amount of net family income anticipated for the current year. How Estimated - Record method of arriving at anticipated income and indicate factors taken into consideration, as usual weekly earnings, period of work week and work year, varying rates of pay, income from sources other than earnings and deductions.
- Item XII - Citizenship: Record "cert. - ok" to indicate the tenant's certificate of citizenship, properly executed, is in the folder. The specific nature of the verification in case the tenant is not native-born should be recorded.
- Items XIII, XIV, XV - Housing Need: Indicate the basis for admission by recording in the appropriate space the nature of the verification and degree of need (housing score) if admitted from substandard housing. If "other" explain nature.
- Item XVI - Agreement with Tenant Report: Enter "yes" if all items on the tenant reports agree with the corresponding items in the tenant files. If any inconsistencies are found, indicate the extent and nature.
- Item XVII - Agreement with Lease: Enter "yes" if items on the tenant reports and tenant files agree with corresponding items in the tenant leases. If any inconsistencies are found, indicate the extent and nature.
- Item XVIII - Remarks: Explain or clarify, if necessary, any of the previous entries. In case of omissions or errors, etc., in the folder, record the explanation given by the executive director, as well as any additional pertinent remarks.
- NOTE: The two forms of work sheet suggested permit either maintenance of information on an individual basis or upon a listing. The individual form has the advantage in that it can be readily found if a LHA should question PHA's findings with respect to a tenant.

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8-1-47

MANUAL AND HANDBOOK  
TRANSMITTAL

Transmittal

BULLETIN NO. 68 . . . . .

NOV 1 1947

6-27-49

1. REMOVE: Pages 3 and 4, Bulletin No. 68, "Procedures for Conducting Field Audits of Tenant Files at Low-Rent Projects," dated 4-15-49.

INSERT: Pages 3, 4 and 4a, Bulletin No. 68, "Procedures for Conducting Field Audits of Tenant Files at Low-Rent Projects," dated 6-27-49.

EXPLANATION: In paragraph III.A.4, the second sentence has been changed to provide for additional sampling in the event deviations of serious nature exceed 5 per cent and of minor nature 25 per cent of the initial sample provided the 5 or more per cent represents cases not under corrective action.