

PUBLIC AND INDIAN HOUSING

Special Attention of: Regional Admin- Transmittal Handbook No.: 7465.2 REV-1
istrators; Directors Office of Public
Housing; Directors, Office of Fair Issued: June 9, 1988
Housing and Equal Opportunity; Regional
Inspectors General for Audit; Field Office
Managers; Housing Management Directors;
Chiefs, Assisted Housing Management Branches;
Directors, Offices of Indian Programs

1. This Transmits:

Handbook 7465.2 REV-1, The Public Housing Occupancy Audit Handbook, dated

2. Explanation of Material Transmitted:

This Handbook updates and modifies Handbook 7465.2 REV., dated 9/85, and provides instructions and technical guidance to HUD Office staff in performing Occupancy Audits of Public Housing Agencies (PHAs). Procedures in this Handbook do not apply to the Section 8 Existing, Moderate Rehabilitation and Housing Voucher programs.

3. Discussion of Significant Changes:

This Handbook continues to emphasize the Secretary's commitment to enforcement of the Civil Rights Act of 1964, as well as accountability monitoring by focusing Departmental resources on the most problem-prone areas involving fraud, waste and mismanagement. Also incorporated in this Handbook is a new internal audit procedure for PHAs classified as recognized performers as defined in Handbook 7460.5, The Public Housing Decontrol Handbook.

- a. The most extensive change in the Occupancy Audit procedure is the elimination of the special procedures applicable to PHAs selected for Compliance Reviews under Title VI of the Civil Rights Act of 1964. Prior to these revisions, an Occupancy Audit was to be scheduled for each PHA selected for a Title VI Compliance Review during the fiscal year; the sample was expanded, additional program areas were explored, and additional data was gathered to support the Compliance Review which was, typically, scheduled after the Occupancy Audit.

Because of revisions in FH&EO's Compliance Review procedures, which now involve extensive collection of data from the PHA before the field work begins, the additional Occupancy Audit coverage in support of the Compliance Review is no longer required and the Supplemental Instructions for Non-Discrimination Monitoring formally in Appendix 1 have been eliminated. Regional Administrators were previously notified by memorandum that "Appendix 1" procedures need not be used in audits scheduled for Fiscal Year 1988.

Nevertheless, the Occupancy Audit will continue to have an essential function in support of the Department's equal opportunity and civil rights program by providing information to help Category A and Regional Offices of FH&EO select PHAs for routine monitoring visits and civil rights Compliance Reviews.

- (1) A new form, Analysis of Policies and Summary of Findings (Form HUD-52384), shown as Appendix 10, has been added to the Occupancy Audit Procedure to: a) Provide information in a structured format pertaining to PHA Tenant Selection and Assignment Policies and Procedures, and b) Identify findings contained in the report which may suggest problems related to Equal Opportunity requirements.

The procedure is structured so that in all cases, a copy of Form HUD-52381 and Form HUD-52384 will be sent to Category A and Regional FH&EO offices so that the offices will be aware of all Occupancy Audit activity in the Region. A copy of the complete Occupancy Audit report from the Assisted Housing Management Branch may be requested when warranted.

- (2) Additional questions related to both Title VI and Section 504 of the Rehabilitation Act of 1973 have been added to the Occupancy Audit Guide (Form HUD-52376), shown as Appendix 7, to direct the coverage of the Occupancy Audit to problem areas involving those laws. Cross references to Form HUD-52384 have been incorporated to assure that all findings related to Equal Opportunity are included on that form. Finally, material previously contained in paragraphs 2-10 and 2-12 of this Handbook related to Equal Opportunity problems has been moved to Form HUD-52376 for clarity and consistency.
- b. The priority categories (paragraph 1-8) have been revised to eliminate PHAs scheduled for compliance reviews from priority one, and add PHAs which have failed to perform internal audits to which they have agreed pursuant to Handbook 7460.5. The time lapse required to trigger priority three status for PHAs with 500 or more units has been increased from three to four years for consistency with Handbook 7460.5. Analysis of Fiscal Year 1987 audits indicates that larger PHAs are not inherently more error-prone.
 - c. Paragraphs 1-9 and 1-10 relate to PHAs classified as recognized performers as defined in Handbook 7460.5. These PHAs may submit an internal audit in place of an on-site Occupancy Audit under certain circumstances.

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- d. Paragraph 2-7 indicates that PHAs performing internal

audits are responsible for determining the scope of the pre-audit review.

- e. In determining number of files to be reviewed, paragraph 2-9 instructs the auditor to treat Section 23 Program projects as separate work units in the audit rather than as part of total units to be sampled.
- f. Paragraph 2-9, d. (2) clarifies requirements on lead-based paint notification.
- g. Paragraph 2-11, b. describes the use of Form HUD-52382, Tenant Selection Preferences. This form will play a critical role in monitoring PHA implementation of the statutory tenant selection preferences.
- h. Paragraph 2-14 discusses the comparison of data submitted by the PHA on Form HUD-51234, Report on Occupancy, to actual project vacancies.
- i. Paragraph 2-19 indicates that the HUD Office may request supplementary information from a PHA which has submitted an internal audit.
- j. Paragraph 3-4 describes the use of Form HUD-52381, Occupancy Audit Summary, and identifies some common problems in preparation of the form.
- k. Paragraph 3-5 delegates to Regional Public Housing Directors the authority to determine the signature level of Occupancy Audit Reports.
- l. Paragraphs 3-8 and 3-9 provide instructions to both the HUD Office and PHA performing internal audits on composition and distribution of audit reports.
- m. Paragraph 3-7 has been changed to delete the requirement that copies of the audit report be sent to each PHA Commissioner. The originating office may send copies to each Commissioner, but is required to send copies only to the Chairman and the Executive Director.
- n. Paragraph 4-4 provides sanctions for the HUD Office for those PHAs agreeing to perform an internal audit, but failing to submit the internal audit report during the Fiscal Year.
- o. This Handbook no longer applies to Indian Housing Authorities, since Handbook 7440.3, Field Office Monitoring of Indian Housing Authorities (IHAs), issued by HUD in October 1986, covers similar procedures.

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- 4. Amendments to Occupancy Audit Forms:

- a. Form HUD-52381, Occupancy Audit Summary (Appendix 2)
 - (1) The indicator for "non-discrimination monitoring" has been removed and replaced by an indicator for a combined or coordinated review.
 - (2) In Section E, the cross references to Form HUD-52378 on Eviction Procedures and Tenant Charges have been corrected.
 - (3) The previous version of Form HUD-52381 may be used until supplies are exhausted.

b. Form HUD-52378, Tenant File Review (Appendix 4)

This form will not be revised until HUD issues final regulations pertaining to the eligibility of aliens. In the meantime, lines 1.d. and 1.e. pertaining to non-immigrant student aliens in Section C. must be left blank.

c. Form HUD-52382, Tenant Selection Preferences (Appendix 5)

- (1) The PHA number as identified on Form HUD-52381 is to be used instead of the PHA name.
- (2) The previous version of this form may be used until supplies are exhausted.

d. Form HUD-52379, Tenant Selection Review (Appendix 6)

- (1) The PHA number as identified on Form HUD-52381 is to be used instead of the PHA name.
- (2) The instruction for Item B, Racial or Ethnic Group, has been modified to conform to current requirements.
- (3) The previous version of this form may be used until supplies are exhausted.

e. Form HUD-52376, Occupancy Audit Guide (Appendix 7)

- (1) This form has been extensively revised as discussed in paragraph 3 above.

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- (2) The previous version of the form is obsolete and may not be used after the date of receipt of this Handbook.
 - (3) Camera-ready copies are being distributed to the Regions in advance to permit reproduction at the local level until printed copies have been distributed.

5. Filing Instructions:

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General Deputy Assistant Secretary for
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