Financial Management Review
Ypsilanti (MI026)

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000

OFFICE OF PUBLIC AND INDIAN HOUSING
Quality Assurance Division

July 23, 2012

Mr. Walter Norris, Executive Director
Ypsilanti Housing Commission
601 Armstrong Drive
Ypsilanti, MI 48197

Dear Mr. Norris:

Recently, Quality Assurance Division (QAD) Staff were on-site at the Ypsilanti Housing Commission (YHC) to conduct a Financial Management Review of the Housing Choice Voucher (HCV) program. The purpose of our visit on June 5 through June 7, 2012 was to ensure that HCV program funds have been expended appropriately. Specifically, we determined:

1. The true "should have" PHA cumulative UNA balance from July 2006 through December 31, 2011.
2. The true "should have" PHA as of December 31, 2011,
3. The validity of specific line items reported on the Ypsilanti Financial Data Schedule (FDS) submission balance sheet and income statement including Due From/Due To issues, dated June 30, 2011, and various equity transfer balances from 2008 thru 2011.
4. The availability of cash and/or investments sufficient to support both the UNA and NRA account balances calculated,
5. Whether the current administrative fees earned by the PHA and the administrative reserve account funds were used for HUD approved expenses, and if the expenses incurred were appropriately reported in the VMS, as well as, comparing if expenses were reasonable for the PHA size.

The results of our review are presented in the enclosed report. Notification of informal corrective action(s) as a result of review concerns may be sent via e-mail to Nicole Jackson at Nicole.R.Jackson@hud.gov. A Formal corrective action plan is also required as a result of review findings, and it may also be sent via e-mail to Nicole.R.Jackson@hud.gov. However, a copy shall also be furnished to Willie C. H. Garrett, PIH Director at Wille.C.Garrett@hud.gov. Responses must be received within 30 days from the date of this report.

We appreciate the cooperation extended to QAD staff during our visit.

Sincerely,

MaryAnn Creager

MaryAnn Creager
Supervisory Program Analyst
Quality Assurance Division

cc: Willie C. H. Garrett, Director, Office of Public & Indian Housing
Roxanne Byers, Division Director, Financial Management Center
Miguel Fontanez-Sanchez, Director, Financial Management Division

Attachment

Financial Management Review
Ypsilanti (MI026)

Background: Pursuant to 24 CFR 982.155, PHAs maintain a single administrative fee reserve account for the Housing Choice Voucher (HCV) program. PHAs credit to the Administrative Fee Reserve the total of: (1) the account by which program administrative fees (paid by HUD for a PHA fiscal year) exceed PHA program administrative expenses for the fiscal year, plus (2) interest earned on the administrative fee reserve and fraud recoveries. These reserves are referred to as Unrestricted Net Assets (UNA) accounts. Beginning with the Federal Fiscal Year (FFY) 2004 Appropriations Act, use of administrative fee reserves is restricted to activities related to the provision of Section 8 tenant based assistance, including related development activities. Accordingly, administrative fee reserves from FFY 2004 and subsequent funding periods (referred to as "post-2003" funds) are restricted to HCV activities even though under GAAP it is an "unrestricted" net asset. Administrative fee reserves remaining from funding periods prior to the FFY 2004 Appropriations Act (referred to as "pre-2004" funds) are restricted in use pursuant to 24 CFR 982.155(b)(1).

Further, at the end of calendar year 2004 through a recapture process all HAP equity accounts previously held by the Department for the PHAs were reduced to zero. Beginning January 1, 2005 PHAs were required to establish and maintain their own HAP equity and administrative fee equity accounts. However, the FASS-PH system was not modified to enable PHAs to report HAP equity and Administrative Fee equity balances separately until the FASS submissions for the PHAs with a FYE of September 30, 2006. The VMS submission form was also modified effective January 1, 2010 to add reporting lines for Net Restricted Assets (NRA) and UNA. These amounts were not validated. Therefore, in order to determine accurate balances the Financial Management Center (FMC) was tasked with reconciling the NRA balances for each PHA as of December 30, 2009[i]. Since that time, many PHAs have disputed the amount as reconciled by the FMC and/or have indicated that they do not have the cash to support the amount to which they were required to adjust the NRA balance

The FMC and the Detroit HUB office noted there were several anomalies in the Ypsilanti (MI026) unaudited and audited Financial Assessment Subsystem (FASS) submissions. Concerns regarding specific line items in the FASS submissions including lines 11040 Prior Period Adjustments, Equity Transfers and Corrections, 144 Inter Program Due From and 347 Inter-program Due To. There were additional concerns raised regarding the UNA and NRA balances as reported in the Voucher Management System (VMS).

In accordance with congressional mandate and HUD PIH Notices the Department's Office of Housing Voucher Programs, Quality Assurance Division is tasked with review and validation of PHA previously certified financial submissions. The QAD utilizes source records to support our review findings. Our processes are in strict adherence to the 24 CFR, and public law as published each year with PHA renewal funding – which states specifically "The Department will continue to deploy Quality Assurance Division (QAD) teams to conduct on site reviews of PHA's to ensure the integrity of PHA reported data for the HCV program……".

Therefore, at the request of the FMC and Detroit HUB, the QAD completed a Financial Management Review at the Ypsilanti Housing Commission (YHC) which included Unrestricted Net Assets (UNA), Administrative Expenses and Net Unrestricted Assets (NRA).

Our review revealed several reporting discrepancies as noted in the body of this report.

Verification of Net Restricted Assets (NRA)

Verification of NRA balance as of December 31, 2011

The Quality Assurance Division (QAD) completed an analysis of the YHC HAP related funds received and expended during calendar years January 2005 through December 2011. The HAP incremental payments listed in HUDCAPS provided by the FMC for each month in the review period were used to determine the total HCV funding. The general ledgers, and other financial source documentation provided by the Ypsilanti Housing Commission staff were used to determine the amount of other HAP HCV related income, i.e. Fraud Recovery, FSS Forfeitures, Interest Income, and the total HCV related expenses incurred. The total validated expenditures were deducted from the revenue for the same time period to arrive at a cumulative NRA balance as of December 31, 2011.

Table No. 1 provides the Financial Management Division (FMD) and the FMC with the actual NRA balance that should have been used to calculate any NRA off-set during the calendar year 2012 renewal funding calculations. We also identified the cash available for off-set at December 31, 2011.

Table No. 1

		Comments
QAD Validated NRA Balance 12.31.11	**$1,995,853**[ii]	**Source records support**
NRA Balance Per VMS/PHA 12.31.11	$1,739,831	Under reported in VMS and FASS. See findings.
Variance	($256,022)	Variance is the net of $270,000 prior rent charged to NRA rather than UNA and portability in payment booked incorrectly.
Cash Balance 12.31.11	$ 1,739,833	PHA bank statement (One account for all HCV funds).
Cash Shortage	($256,020)	**PHA did not have sufficient cash to back the NRA balance.**

Note: "Inter-program Due From" on the PHA FYE June 30, 2011 Balance Sheet in FASS affects the UNA balance rather than NRA balance and represents administrative costs owed to HCV from Public Housing.

Verification of Unrestricted Net Assets (UNA)

Verification of UNA balance as of December 31, 2011

The Quality Assurance Division (QAD) completed an analysis of the YHC administrative fees equity account for fiscal year ending 2007 through December 2011. The administrative fees incremental payments listed in HUDCAPS provided by the FMC for each month in the review period were used to determine the total Administrative fees funding. The general ledgers, and other financial source documentation provided by the YHC staff were used to determine the amount of Interest Income, Fraud recovery, and other revenue. The total validated administrative expenditures were deducted from the admin fees funding for the same time period to arrive at a cumulative UNA balance as of December 31, 2011.

Table No. 2 provides the December 31, 2011 QAD calculated "should have" UNA balance. We also identified the cash available at December 31, 2011.

Table No. 2

		Comments
QAD Validated UNA Balance 12.31.11	**($19,526)**	**Source records support**
UNA Balance Per VMS/PHA 12.31.11	$15,589	Over reported. PHA reported a positive balance of $15,589 when balance should have been negative ($19,526).
Cash Balance 12.31.11	$0	PHA maintains one account for all funds. All funds held in bank account belonged to NRA.
Cash Shortage	**$(19,526)[iii]**	**PHA over-spent program and used HAP funds to cover shortage.**

Summary: The YHC Housing Commission incorrectly reported both the NRA and UNA account balances. Additionally, YHC failed to provide the department with correct information required for accurate renewal funding calculation. Findings and concerns related to the NRA and UNA balances are addressed in the following paragraphs.

Findings

Finding No. 1: The cash balance was insufficient to support the NRA and UNA "should have "balances.

Condition: The YHC total cash as of December 31, 2011 was insufficient to support the PHA "should have" NRA and UNA account balances. The "should have" balance represents the true cash balance that YHC should have had if the HCV program had been operated in accordance with HUD regulations and Federal statutes.

Criteria: The 24 CFR §982.151 states that under the Annual Contribution Contract (ACC) that "…HUD agrees to make payment to the PHA for housing assistance payments to owners and for the PHA administrative fee…The PHA agrees to administer the program in accordance with HUD regulation and requirements". Further, under 24 CFR §982.156 the PHA "…must practice good cash management and invest all funds received in excess of current needs". This means that all NRA and UNA must be backed by cash or cash equivalents that can be liquidated within 24 hours. Finally, Notice PIH 2008-9 communicates that NRA and UNA must be accounted for separately.

Cause: The QAD staff reconciled the YHC NRA and UNA balances as of December 31, 2011. The calculated totals represent the amount of NRA and UNA that the PHA "should have" if the PHA had appropriately managed the HCV program and spent the HCV funds for the purpose for which the funds were intended. The calculated NRA, UNA, and total validated cash and/or investment balances are shown in the Table No. 3 below.

Table No. 3

NRA Balance	NRA (restricted) Cash Balance	NRA Cash Shortage	UNA Balance and Cash Shortage	UNA (unrestricted) Cash Balance
$2,593,061	$1,739,833	($256,020)	$(19,526)	$0

We determined the insufficient cash balance is primarily caused by the inappropriate use of HAP funds that are addressed in Finding No. 2 in this report.

Effect: As a result of failing to maintain sufficient cash to back the NRA balance, and continued inappropriate use of HAP funds, the PHA is at risk for breach of the Annual Contributions Contract (ACC). In addition, the inability to properly maintain funds has resulted in the YHC being unable to provide housing assistance to additional families, and has placed the Housing Commission in a critical funding shortfall situation.

Corrective Action No. 1: The PHA must immediately identify non-federal resources sufficient to cover the cash shortage and ensure that cash is deposited to cover the verified NRA balance. This most likely will require working with the Detroit HUB to establish a repayment agreement.

Corrective Action No. 2: The PHA must immediately develop and implement policy and procedures to improve the tracking and reporting of HCV program funds.

Corrective Action No. 3: The PHA must correct its fund balances in both VMS and the Financial Assessment Subsystem (FASS) as appropriate.

Finding No. 2: Inappropriate Use of Housing Assistance Payments (HAP) funds.

Condition: The PHA used HAP NRA to cover (1) portability in voucher HAP costs that were not reimbursed by initial PHA, (2) payment of low rent operating expenses that were not reimbursed to the HCV program, (3) excessive HCV operating expenses, and (4) other unexplained transactions, for example the unreserved surplus, and NRA Equity Transfer addressed under the "Cause" paragraph.

The following anomalies were noted

- Unreimbursed portability-in HAP remained charged to the NRA rather than the administrative account.
- A Due From the low rent program remained un-cleared at FYE 2011.
- Numerous unsupported prior period adjustments and equity transfers.
- Booking unreserved surplus as NRA which the YHC alleged was related to development costs.

Criteria: The 24 CFR §981.151 provides that under the ACC the PHA agrees to administer the program in accordance with HUD regulations and requirements.

According to the appropriation law (Public Law as implemented each funding year) and PIH Notice 2011-27, "…. funds in the HAP NRA account shall only be used for eligible HAP needs in the current and future CYs. The ACC requires PHAs to use HAP funding to cover rental assistance payments only. HAP and/or HAP NRA shall not under any circumstances be used for any other purpose, such as to cover administrative expenses or be loaned, advances or transferred (referred to as operating transfers due from/due to) to other component units or other programs such as Low Rent Public Housing. Use of HAP for any purpose other than eligible HAP needs is a violation of law, and such illegal uses or transfers will result in sanctions and possible breach of the ACC. In instances where a PHA is found to have misappropriated HAP and/or HAP NRA funds by using the funds for any purpose other than valid HAP expenses for units up to the baseline, HUD will require the immediate return of the funds to the HAP or HAP NRA account. HUD may take action against a PHA or any party that has used HAP funds and/or the HAP NRA account for non-HAP purposes."

Cause: We determined that for the entire period covered by our review the YHC operating expenses were either equal to or higher than the administrative fees earned; therefore, YHC had insufficient current year administrative fees earned and no UNA available to cover the full amount of operating expenses incurred. Consequently, the PHA used HAP funds to cover the excess costs. The following discrepancies and/or anomalies were noted which contributed to the apparent misuse of funds and the resulting cash shortfall noted in Finding No. 1.

1. YHC did not properly account for portability administered (port-in) HAP and portability paid (port-out) administrative fees. According to the YHC staff and the YHC fee accountant both port-in HAP and port-out administrative fees were routinely included in, and netted against the general ledger 4715 (HAP account). Both port-out administrative fees and port-in HAP are administrative expenses to the YHC. Neither of these items are HAP. We determined that YHC port-in HAP totaled $401,190 and the port-in HAP received/reimbursed from initial PHAs totaled $469,194. The difference of $68,004 was paid from the NRA account rather than being treated as an administrative expense. The YHC also over-stated HAP expenses by $13,426 for port-out administrative expenses.

It should be specifically noted that the Real Estate Assessment Center (REAC) has repeatedly advised the YHC that each year their FDS submission is only conditionally accepted due to the issue of the PHA having reported zero on Income Statement line 97350 “HAP Portability-In” and the related memorandum account line 11170.095 “HAP Portability-In” when it was clearly reported in the VMS that the YHC had portability administered expenses.

2. YHC routinely closed their FYE with a “Due From” remaining on the books from the Low rent program which indicates that HCV funds have been used to cover other program costs. *(See Concern No. 1).*

3. According to the YHC staff and the fee accountant a prior period adjustment for $270,000 was made in 2009 which represented 10 years of prior rent that the HCV program owed to the Low Rent Program. The prior period adjustment had the effect of reducing the NRA balance when it should have been charged as administrative expenses. While the PHA contends they held sufficient pre-2004 administrative reserves to cover this cost, the QAD could find no evidence of this. In fact, the FDS clearly shows the total equity balance at 12/31/2003 was $311,971 of which a portion belonged to HAP equity. At the same period, the PHA financial records indicated only $252,391 cash available to the HCV program. By June 30, 2006 the UNA balance was reduced to approximately $131,000.

4. The YHC staff and fee accountant reported several additional prior period adjustments and equity transfers on the FDS between 2007 and 2011. Specifically as follows:

a. The FYE 2009 FDS shows a $150,000 “Payable HUD” a liability that subsequently (FYE 2010 FDS) was changed from a liability to an asset and recorded as “other revenue” thus increasing the NRA balance.

The explanation in 2010 indicates “HUD advance for development of voucher program in previous year”. Development funds are not HAP and should not be recorded as such.

b. The FYE 2011 FDS shows a ($182,706) prior period adjustment that appears to be a correcting entry for the FYE 2010 posted development costs noted in paragraph a. The FYE 11 explanation shows” equity transfer for *development* of opt out property per HUD; advance in prior year was a liability.” The amount is further shown as an ‘expense’ to the HAP account. We could locate no HUD advance in prior years for $182,706, so we can only assume this is associated with the FYE 2009 and 2010 $150,000 entry which were initially booked as a liability. The difference of $32,706 cannot be explained by the PHA or through review of financial records; but leaves these equity transfers zeroing out with the exception of $32,706.

c. The FYE 2005 and FYE 2006 FDS show equity transfers of $214,747 and $3,478 respectively. An explanation is provided by the IPA audit report indicating the$214,747 is to “adjust HUD funding prior year”, and the $3,478 adjustment is noted as “report submitted on different system”. These transactions appear to be appropriate but become suspect when year after year the PHA continues to enter prior period adjustments and/or equity transfers.

5. The previously identified $150,000 unreserved surplus and $270,000 prior years rent remain on the December 2011 YHC general ledger. It would appear these amounts have not yet been properly classified.

Effect: The PHA inappropriately used HCV HAP program funds in direct violation of public law and HUD regulation. In addition, The PHA has failed to ensure its accounts are accurate and managed in accordance with HUD regulations and Federal statutes. The above noted entries may represent the reasons for the cash shortage for the YHC HCV NRA account balance and why the UNA reflects a negative balance. The improper use of HAP funds for administrative expenses and other unknown uses resulted in a violation of the ACC, as well as, the Consolidated Appropriations Act. This in turn made funds unavailable to assist the HCV program participants, and has put the Housing Commission in a critical cash shortfall.

Corrective Action No. 4: The PHA must complete an internal audit of the HCV program accounts and determine what correcting financial entries must be made.

Corrective Action No. 5: The PHA must reimburse the HCV HAP NRA account from non-Federal funds as noted under Finding No. 1, Corrective Action No. 1.

Corrective Action No. 6: The PHA must immediately discontinue using HAP funds to pay for administrative expenses, and other unrelated non-HAP uses.

Corrective Action No. 7: The PHA must develop and implement policy and procedures to improve the financial management of and ensure the appropriate use of program funds.

Corrective Action No. 8: The PHA must work with the Detroit Field Office to develop a repayment plan as determined appropriate.

Finding No. 3: The NRA and UNA account balances as of December 31, 2011 were incorrectly calculated and reported in the VMS.

Condition: The YHC under reported in the VMS the NRA balance by $256,022 and over-reported the UNA balance by $35,115. The YHC staff had reported a positive UNA balance of $15,589, in VMS, when the actual balance was negative $19,526.

Criteria: The 24 CFR §982.151 provides that under the ACC the PHA agrees to administer the program in accordance with HUD regulations and requirements. Additionally, 24 CFR §982.158 states that the PHA must maintain complete and accurate accounts and other records for the program in accordance with HUD requirements. The records must be in the form required by HUD, including requirements governing computerized or electronic forms of records keeping.

Cause: The YHC Housing Commission failed to properly calculate its NRA and UNA account balances as a result of staff being unfamiliar with the calculation process, inaccurately tracking administrative expenses, and being unfamiliar with the different types of reports produced from their own computer software program.

Effect: Reporting incorrect NRA and UNA balances failed to provide HUD with information useful in determining what funds were available for the HCV program use. Further, the YHC actual financial position was not clearly defined.

Corrective Action No.9: The YHC Housing Commission must immediately ensure the staff is properly trained on its computer software program and the proper methodology for calculation of NRA and UNA balances.

Within 30 days of the date of this report, please provide a written Corrective Action Plan (CAP) to Nicole Jackson at nicole.r.jackson@hud.gov with a copy furnished to Willie C.H. Garrett at willie.c.garrett@hud.gov. The CAP must incorporate a detailed and comprehensive plan to correct the findings included in this report.

Concerns

Concern No. 1: Inconsistency in the Financial Assessment Subsystem (FASS) Financial Data Schedule (FDS) Reporting.

Condition: We noted an amount reported on Line 144 Inter program Due From Public Housing Low Rent to the HCV that was not cleared at the PHA FYE. In addition, we were told that the YHC fee accountant regularly used the Due From/To in transferring monies between Low Rent and the HCV program and never clears these account lines, even at the PHA fiscal year end. REAC noted this and made specific comments in reference to YHC not complying with established procedures for uniform reporting.

Cause: According to the Uniform Financial Reporting Standards (UFRS) at 24 CFR §5.801, PHAs are required to submit financial data electronically in a manner prescribed by HUD. In addition, the Real Estate Assessment Center (REAC) provides specific written guidelines for data entry as well as a user guide and technical support to assist PHAs with Financial Data Schedule (FDS) completions as submitted in FASS.

The Inter-program Due From Low Rent to the HCV was not cleared at the PHA FYE. While there are times when immaterial Inter-program Due-From and Due To remain recorded as a result of the one checking account issue, the Inter-program Due-From and Due To accounts should be cleared the next month. The expectation is that the transferring program has the intent, and ability, to repay the inter-program balance. Reasonable time is a matter of professional judgment, but typically should not exceed the annual operating cycle of the PHA. This means that there should be no inter-program Due From or Due To remaining when the PHA closes their books at fiscal year end.

The PHA stated that the amount totaling $52,242 on Line 144 represented the administrative costs that Low Rent owes back to the HCV program, and is shown as an inter-program due from/to on the PHA balance sheet.

Effect: Continuing to show an inter-fund program due to/due from on the FDS from year to year is in direct non-compliance with the UFRS and REAC reporting guidelines.

Recommended Corrective Action No. 1: The YHC staff and its fee accountant should take all steps necessary to immediately comply with HUDs regulation and reporting standards under 24 CFDR 5.801 and ~~with~~ REAC published guidelines.

Concern No 2: The YHC had Internal Control Weaknesses in Program and Financial Management.

Condition: The YHC failed to adequately manage, and did not provide sound financial management for, the HCV program.

Cause: The U. S. General Accounting Office (GAO) provides guidance for internal controls as it relates to management's plans, methods, and procedures used to meet its mission, goals, and objectives. Additionally, the Department provides numerous guidebooks, PIH Notices and other written guidance to assist the PHAs with proper program management.

A deficiency in internal control exists when the design or operation of control does not allow management or employees, in the normal course of performance of assigned functions, the reasonable opportunity to prevent, detect or correct (1) impairments to effectiveness or efficiency of operation (2) misstatements in financial information or (3) violations of laws and regulations.

The YHC did not have policies and procedures in place to ensure that HCV fund balances, fund transfers and expenditures and receivables were tracked, maintained, safeguarded and expended according to HUD rules and regulations.

We determined that the YHC currently does not have written internal control procedures. As a result, the following inconsistencies or program administration weaknesses were noted:

1. There are no "checks and balances" existing in most areas of reporting income and expenses, including all adjustments.

2. A lack of quality control measures in place to ensure the VMS submissions match the source documentation, i.e. General Ledgers, Income Statements.

3. No audit trails exist for financial transactions, particularly any journal voucher entries made during each accounting period.

4. The PHA failed to identifying or track interest for NRA and UNA separately.

5. The PHA incorrectly reported administrative fees paid for portability-out vouchers.

6. Numerous questionable items on the Income Statement and reported in the FDS. Specifically for YHC FYE 2009 through 2011 that may be affecting the NRA account balance.

Effect: The YHC over spent program funds and as a result failed to operate the HCV program in accordance with HUD established regulations and guidelines. Ultimately the lack of procedures and controls put the YHC HCV program at increased risk of waste, fraud and abuse.

Recommended Corrective Action No. 2: The YHC Executive Director should ensure that written internal control procedures are developed, Board approved and implemented as soon as possible. This would reduce many of the inconsistencies or program administration weaknesses that were noted during our review.

Concern No 3: Recordkeeping improvements are needed.

Condition: QAD staff noted several discrepancies in the PHA source documents.

Cause: According to the 24 Code of Federal Regulations §982.158(a), PHAs must maintain complete and accurate accounts and other records for the program in accordance with HUD requirements, in a manner that permits a speedy and effective audit.

There were several instances where the QAD staff requested needed supporting documents, and we found that the documents that were provided did not provide sufficient information or the information was in a format that was difficult to follow. In many cases, information was not provided timely which impeded the progress of our review.

Due to the issues noted in this report, we are recommending that a VMS Review is completed to ensure the validity and quality of the data that is currently being reported in the Voucher Management System.

Finally, we discussed with YHC staff in detail the need to have correct and accurate data. We reiterated the importance of performing quality control of financial source documents provided to and on behalf of the YHC.

Effect: Lack of accurate records fails to allow for an effective and speedy audit.

Recommended Corrective Action No. 3: The YHC should take immediate steps to improve record keeping processes.

Within 30 days from the date of this report please provide your response to the recommended corrective actions under Concerns 1 through 3. Response may be provided informally via email to Nicole Jackson at the email address listed above.

Administrative Expenses Review

The QAD staff completed a current Administrative Expenses Review for the YHC analyzing the PHA expenses for April 2011 through March 2012. Our objective was to determine if the administrative fees earned and the administrative reserve account funds were used for HUD approved expenses, were appropriately reported in the VMS, and if expenses were reasonable for the PHA size. We determined that the PHA expenses were reasonable when compared to other PHAs for the same size and program type, but its VMS reporting included several discrepancies. Further we noted that YHC was, in fact, over-spending its administrative fees earned.

According to HUD regulations and guidelines data entered into the VMS needs to be as accurate as possible. As indicated in our analysis, and summarized in the charts below, there were several discrepancies noted in the YHC VMS data. The following is a summary of our analysis:

Administrative and Audit Expenses

Date	Administrative Expenses VMS Submissions	QAD Validated	Variance		Audit VMS Submissions	QAD Validated	Variance
Apr-11	11,969	14,702	(2,733)		79	0	79
May-11	10,492	13,226	(2,734)		79	0	79
Jun-11	11,969	14,181	(2,212)		79	0	79
Jul-11	12,145	12,091	54		79	0	79
Aug-11	12,145	14,351	(2,206)		79	0	79
Sept-11	11,696	14,185	(2,489)		79	0	79
Oct-11	13,133	14,054	(921)		79	0	79
Nov-11	14,814	14,054	760		79	0	79
Dec-11	14,876	16,203	(1,327)		79	0	79
Jan-12	14,876	25,695	(10,819)		79	0	79
Feb-12	14,173	15,583	(1,410)		79	0	79
Mar-12	14,173	15,583	(1,410)		79	0	79
Total	**$156,461**	**$183,908**	**($27,447)**		**$948**	**$0**	**$948**

QAD validated the YHC current administrative expenses totaling $183,908. When compared to what the PHA reported in VMS, the administrative expenses were under-reported by $27,447. Further, we could not validate that the PHA had audit expenses for the period of our review since there was no documentation provided to support this expense.

Recommended Corrective Action No. 4: Completion of an onsite Voucher Management Review will be recommended.

Recommended Corrective Action No. 5: The YHC staff should immediately identify the reason for the ($27,447) administrative expenses and $948 audit variance. Once identified, VMS corrections will be required. Please send all supporting documents and explanations to Nicole.R.Jackson@hud.gov.

Technical Assistance and Prior VMS Review

The Quality Assurance Division staff provided technical assistance on the different types of source records that we use for our reviews. We included instructions for proper booking of portability administered (port-in), portability vouchers paid (port-out) administrative fees, and the proper tracking of HCV program funds.

[ii] It should be specifically noted that the QAD balance calculated beginning in 2005 and going forward to Dec 2011 using the PHA source records resulted in the same NRA balance at December 2009 as was calculated by the FMC through their contractor of $794,736. So any contention by the PHA that the QAD calculated balance was skewed because our starting point was Jan 2005 holds no merit.

[iii] The UNA balance as shown on this chart does not reflect the $270,000 that inappropriately reduced the NRA balance for rent paid for prior years. These funds were spent in years prior to the PHAs 2007 FY equity transfer/prior period adjustment that was not completed until 2009.