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July 29, 2005

Audit Report Number
2005-PH-1014

TO: James Cassidy, Director, Office of Public Housing, Pittsburgh Field Office,
3EPH

FROM: 
Daniel G. Temme, Regional Inspector General for Audit, Philadelphia Regional
Office, 3AGA

SUBJECT: Review of the McKeesport Housing Authority's Section 8 and Public Housing
Programs, McKeesport, Pennsylvania

HIGHLIGHTS

What We Audited and Why

We reviewed the McKeesport Housing Authority's (Authority) Section 8 and public housing programs. Our objective was to determine whether the Authority operates its Section 8 and public housing programs according to U.S. Department of Housing and Urban Development (HUD) requirements.

What We Found

We found no significant deficiencies with the Authority's administration of its Section 8 program. However, the Authority's current physical inspection process is not effective in ensuring its low rent units are always properly maintained in good operable condition. Specifically, the Authority's 1) method of scheduling its low rent inspections is causing a backlog in the maintenance division, 2) low rent inspectors are not completing thorough inspections or adequately documenting the inspection results, and 3) procedures to ensure deficiencies identified during its inspections are completed in a timely manner are not effective. In addition, the

Authority's low rent housing inspectors report to the director of security, rather than to the director of applications and leasing who is responsible for ensuring the units meet housing quality standards. As a result, the Authority's low rent housing units are not always maintained in an efficient and effective manner. This was demonstrated when five of the Authority's eight low rent properties received individual failing scores ranging from 45 to 59 points on its fiscal year 2004 Real Estate Assessment Center inspection for its Public Housing Assessment System review.

What We Recommend

We recommend that the Authority implement a number of policies and procedures that will improve its low rent inspection process. These policies should ensure that low rent inspections are scheduled throughout the year, the inspections are thoroughly completed and properly documented, and a follow-up inspection procedure is implemented to ensure previous deficiencies are corrected in a timely manner. In addition, we recommend that the Authority modify its organization so that the low rent inspectors report to the director of applications and leasing as opposed to the director of security.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

Auditee's Response

We provided our draft report to the McKeesport Housing Authority on June 15, 2005. We discussed the findings and recommendations with HUD and McKeesport representatives on June 23, 2005. At that meeting, the McKeesport Housing Authority representatives agreed with the issues and recommendations presented in our report. Formal written comments documenting their agreement were received on July 8, 2005. The complete text of the McKeesport Housing Authority's response can be found in Appendix A of this report. We did not provide an OIG evaluation to the response, instead, any adjustments that were deemed necessary based upon the auditee comments were made directly to the report.

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BACKGROUND AND OBJECTIVES

The McKeesport Housing Authority (Authority) was incorporated as a public corporation of the Commonwealth of Pennsylvania to provide housing for qualified individuals in accordance with the rules and regulations prescribed by the U.S. Department of Housing and Urban Development (HUD). The Authority received \$9,082,141 in HUD operating subsidies from 2001 through 2003. As of February 11, 2005, the Authority had disbursed \$3,018,458 of its fiscal year 2004 Operating Fund, \$2,281,444 of its fiscal year 2004 Section 8 Housing Choice Voucher program funding, and \$598,382 of its fiscal year 2004 Public Housing Capital Fund.

A five-member board of commissioners governs the Authority. The commissioners are appointed by the mayor with advice and consent of the city counsel. The appointments are for staggered five-year terms. James Brewster is the board chairman, and the Authority's executive director is John H. Kooser, Jr.

The Authority's Section 8 program consists of 542 units in its inventory. In addition, the Authority manages eight properties with 1,064 low rent units. Results from the Authority's fiscal year 2004 Real Estate Assessment Center physical inspection reports indicate that five of the eight properties received a failing physical condition score (less than 60 points). The failing scores ranged from 45 to 59. Overall, the Authority is just barely considered a standard performer with a physical condition score of 18.39 out of 30 on its Public Housing Assessment System review.

To ensure compliance with the housing quality standards, the Authority has three housing inspectors on staff: one full-time public housing inspector, one full-time inspector who splits his time between public housing and Section 8 inspections, and one part-time Section 8 inspector. There is one additional inspector who is only responsible for reviewing the exterior and common areas of the properties.

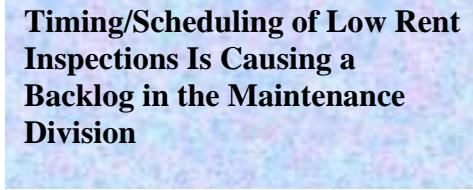
Over the past year, the local HUD Office of Public Housing has conducted numerous reviews at the Authority. Some of the deficiencies noted during those reviews related to the maintaining of tenant files, using funds that were not approved in the federal budget, and high vacancy rates in the low rent program. Our review did not cover any areas the department has previously identified; instead, we focused our review on the Authority's administration of its Section 8 and public housing programs.

Our overall objective was to determine whether the Authority operates its Section 8 program and its public housing program according to HUD requirements.

RESULTS OF AUDIT

Finding 1: The Authority's Low Rent Physical Inspection Process Is Not Effective

The Authority's physical inspection process is not effective in ensuring its low rent units are always properly maintained in good operable condition. This occurred because the Authority does not have adequate policies and procedures in place to ensure its physical inspection process is effective in identifying physical deficiencies and that those deficiencies are corrected in a timely manner. Specifically, the Authority's 1) method of scheduling its low rent inspections is causing a backlog in the maintenance division, 2) low rent inspectors are not completing thorough inspections or adequately documenting the inspection results, and 3) procedures to ensure deficiencies identified during its inspections are completed in a timely manner are not effective. In addition, the Authority's low rent housing inspectors report to the director of security, rather than to the director of applications and leasing who is responsible for ensuring the units meet housing quality standards. As a result, the Authority's low rent housing units are not always maintained in an efficient and effective manner. This was demonstrated when five of the Authority's eight low rent properties received individual failing scores ranging from 45 to 59 points for the fiscal year 2004 Real Estate Assessment Center inspection for its Public Housing Assessment System review.



Timing/Scheduling of Low Rent Inspections Is Causing a Backlog in the Maintenance Division

The Authority's low rent inspectors complete their inspections sporadically over a six-month period, amounting to 10 weeks worth of work. According to HUD's regulations, an inspection is to be completed on every public housing unit at least annually. Although the inspections are completed and deficiencies are found, we have concerns over the timing of the inspections. Instead of spreading the inspections out over a 52-week period, the McKeesport Housing Authority low rent inspectors complete all of their inspections using a compressed inspection schedule. This compressed schedule allows for excessive down time. On one occasion, the low rent inspector commented on the number of inspections he and the other inspector had completed during the morning and stated that during the next week, he would schedule only a couple of days of inspections and lay back for awhile. If the inspectors are not used throughout the entire year, we question

the need to have one full-time and one part-time inspector on board for an entire year.

In addition, using the compressed inspection schedule has led to an excessive backlog in the maintenance department. When we discussed the inspection process with maintenance staff, they expressed concerns with the number of work orders that come in at one time. They explained that during the 2004 inspection period, more than 2,000 work orders were forwarded for completion. In our sample of 35 units, we found that for 13 units that failed their inspections by the Authority, it took 50-288 days to correct the deficiencies cited. We believe that completing the inspections throughout the entire year may alleviate a possible backlog in the maintenance department, allowing deficiencies to be corrected more quickly.

Low Rent Inspectors Are Not Adequately Documenting Inspection Results

Although the Authority is completing annual inspections of its public housing units,¹ the inspection forms used to document the inspections are not completely filled out. In a sample of 34² public housing unit inspection reports, we noted the inspector was hand stamping them as opposed to directly signing the reports. In addition, there were very few other markings and/or notes showing whether the units passed or failed their inspections. We were unable to determine that all 34 of the units included in our sample had failed their inspections until the inspector explained his method for documenting the inspection reports.

Low Rent Inspectors Are Not Completing Thorough Inspections

Although the Authority's low rent housing inspectors inspected the low rent units one month before the Real Estate Assessment Center completed its inspections of the units, the units continued to fail. For example, six of the units tested as part of our sample were also part of a HUD inspection. In comparing the two sets of inspections, we noted that both inspectors found deficiencies with the units in

¹ The Authority's inspectors completed 797 annual public housing inspections during 2004. Of these inspections, 428 units failed to meet HUD's housing quality standards. The remaining 267 units were not inspected for the following reasons: 262 were vacant, 3 units were used for other purposes or did not appear on the annual contributions contract, and 2 units were not assessable during the planned inspection.

² Our sample consisted of 35 units; however, one unit was vacant, thus an inspection report was not completed for the review period, leaving 34 inspection reports to be reviewed.

question. However, the items questioned by the HUD inspector were not always the same as those noted by the Authority inspector. In two of the cases, the Authority and HUD inspectors found the same deficiencies. These deficiencies continued in spite of a work order completed by the maintenance staff stating the item was fixed. For an additional unit, the work order was not completed until December 2004, seven months after the Authority inspection and six months after the HUD inspection. A proper follow-up inspection system might alleviate some of the housing quality standards deficiencies noted within these units.

Deficiencies Are Not Corrected within the Required 30 Days

Once a public housing unit fails its annual housing quality standards inspection, the inspector completes a work order for the maintenance staff to correct the noted deficiency; the work order is used as a substitute for a follow-up inspection on the units. Thus, it is assumed by the Authority that once the work order is completed, the unit will meet the housing quality standards. However, we found the units may not meet housing quality standards for a considerable length of time. Reviewing the work orders associated with our sample of 34 public housing units, we found that 21 units had been fixed within the 30 days as required by the Authority and 13 units that failed their inspections were not corrected for 50-288 days. By not correcting the deficiencies within the 30-day requirement, the Authority is not meeting its obligation to providing housing that is in good operable condition.

Low Rent Housing Inspectors Do Not Report to the Appropriate Management Staff

According to the Authority's January 2005 organization chart, the low rent housing inspectors report directly to the director of security, instead of to a manager who is responsible for ensuring the units are in good operable condition. This management structure may have had an adverse effect on the Authority's ability to ensure all units are adequately inspected to meet housing quality standards. The deputy director explained that the low rent housing inspectors were assigned to the director of security to ensure there is some independence between the inspectors and the maintenance department staff. Although this logic may be valid, having the low rent housing inspectors report directly to the director of applications and leasing would provide the Authority with a better structure for ensuring the units meet the housing quality standards.

In the auditee's response, the executive director explained that the Authority incorrectly informed the audit team that the inspectors report to the director of security. Instead, he explained that the inspectors will be reporting to a manager that will be responsible for ensuring the inspections are completed accurately and appropriately. Based upon our understanding this manager will be the same individual that the inspectors currently report to, only with a different title.

Conclusion

In summary, the deficiencies noted in the low rent inspection process have affected the overall quality of the low rent units. As demonstrated in the fiscal year 2004 physical assessment scores, provided by the Real Estate Assessment Center, five of the Authority's eight properties received a failing physical condition score (less than 60 points). The failing scores ranged from 45 to 59. Overall, the Authority is just barely considered a substandard physical performer with a physical condition score of 18.39 out of 30 on its Public Housing Assessment System review. Further, inspection reports completed by the Authority show that the Authority's own inspectors failed more than 54 percent of its low rent units.

Recommendations

We recommend that the director of Public Housing, Pittsburgh Field Office, require the McKeesport Housing Authority to

- 1A. Establish and implement an inspection process that requires at least one inspection of each low rent unit over a 52-week period, instead of the current compressed inspection schedule.
- 1B. Implement policies and procedures that will ensure the low rent units are thoroughly inspected.
- 1C. Implement policies and procedures that will ensure the results of the low rent inspections are accurately and completely documented on the low rent inspection forms.
- 1D. Ensure a follow-up inspection process is developed and implemented. This process should ensure deficiencies noted in failed units have been corrected and implement an adequate quality control process.

- 1E. Modify the Authority's organizational structure so the low rent housing inspectors report directly to the director of leasing and applications, rather than to the director of security.

SCOPE AND METHODOLOGY

To accomplish our objectives, we

- Interviewed Authority and local HUD employees;
- Reviewed applicable HUD regulations, monitoring files, and systems;
- Reviewed Authority policies and procedures relating to the Public Housing and Section 8 programs; and
- Examined 35 low rent inspections and 27 Section 8 inspections to determine the inspection quality. Our sample was selected based upon the properties' latest physical score.

We performed the majority of our fieldwork between January and May 2005 at the office of the Authority located at 2901 Brownlee Street, McKeesport, Pennsylvania. The audit generally covered the period April 1, 2003, to December 31, 2004, but was expanded when necessary.

We performed our review in accordance with generally accepted government auditing standards.

INTERNAL CONTROLS

Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved:

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined the following internal controls were relevant to our audit objectives:

- Management oversight processes - policies and procedures that management has in place to reasonably ensure that the low rent units are meeting housing quality standards.
- Monitoring of inspector performance - policies and procedures that management has in place to ensure that adequate supporting documentation substantiates the validity of the unit inspections.

We assessed the relevant controls identified above.

A significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

Significant Weaknesses

Based on our review, we believe the following items are significant weaknesses:

- Lack of management oversight,
- Lack of adequate supporting documentation to support the low rent inspections, and
- Lack of adequate policies and procedures for the low rent inspection process.

APPENDIXES

Appendix A

AUDITEE COMMENTS

Auditee Comments

<p style="text-align: center;">MCKEESPORT MIA HOUSING AUTHORITY</p> <p>BOARD OF DIRECTORS</p> <p>James R. Brewster CHAIRMAN</p> <p>William C. Craig VICE CHAIRMAN</p> <p>Edwin D. Coulter, Sr. SECRETARY/TREASURER</p> <p>Wayne M. Kucich COMMISSIONER</p> <p>William Stephens COMMISSIONER</p> <p>MR. DANIEL G. TEMME REGIONAL INSPECTOR GENERAL for AUDIT U.S. DEPARTMENT OF HOUSING and URBAN DEVELOPMENT WANAMAKER BUILDING, SUITE 1005 100 PENN SQUARE EAST PHILADELPHIA, PA - 19107-3380</p> <p>SUBJECT: <u>Response – Audit Report – Department of Housing and Urban Development</u> <u>Review of Authority Operations</u></p> <p>Dear Mr. Temme:</p> <p>The Department of Housing and Urban Development conducted a review of the Housing Authority's Section 8 and Low Rent Housing Programs. On June 15 we received a draft copy of the results of their audit and we would like to respond.</p> <p>The report indicated that the scheduling of unit inspections is not coordinated. It is lumped together in certain time periods and stretches out in other time periods. The current inspection schedules have resulted in inadequate reports, inadequate findings and in excessive bulk work orders given to the maintenance department.</p> <p>The Authority intends to review the inspection schedule and spread the inspections over a 52 week period. They will be scheduled to allow ample time for inspections of occupied and vacant units providing reasonable distribution of unit work orders and a comfortable period of time for follow up inspections and follow up of work order completion.</p> <p>The audit also addressed how thorough these units were inspected. The Authority will review and alter the Authority's inspection form. It will be aimed at highlighting emergencies and urgent work orders and insisting on prompt response to each item. It will also stress preventative maintenance and necessary unit repairs. A Procedure will be implemented to follow these inspections towards the completion of work orders and the thoroughness of the inspections.</p>		<p>John H. Kooser, Jr. EXECUTIVE DIRECTOR</p> <p>Stephen L. Bucklew DEPUTY EXECUTIVE DIRECTOR</p> <p>Walter F. Baczkowski SOLICITOR</p>
<p>Second Floor, Family Service Center • 2901 Brownlee Avenue • McKeesport, PA 15132-1759 • Phone: (412) 673-6942 • Fax: (412) 673-1706 • E-mail: HACM@aol.com</p>		

Auditee Comments

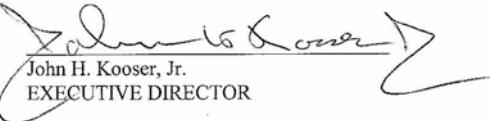
Re-inspection will be used to assure completion. The Authority will identify or create a training program for individuals responsible for unit inspections. All inspectors will become proficient in conducting inspections - completing inspection forms and writing work orders for necessary repairs. All inspectors will be of one accord in inspection procedures.

The draft recommendations also raised comment as to who will be responsible for inspection activities. We had indicated that this Director had been titled Security Officer. This is not correct. At the exit conference we discussed a department head as the Director of the Inspection Team. The individual that will be responsible for the inspections and review inspection activities and the proper coordination of the inspections is a department head. The individual has been with the Authority 20 years - 20 years of Management experience. He will be assisting us in the overall review and development of the inspection policies, inspection procedures, and the inspection follow up activity.

The Authority would like to thank the HUD individuals for their thorough review of our operations and the comments and suggestions that are contained in the draft report dated June 15, 2005. This has pointed out deficiencies within our Authority and suggests the need for corrections. These corrections are now being talked through. Policies and procedures will soon be developed and an overhaul of the entire inspection activity of the Housing Authority will be the result of this audit. Once again, we thank you for your report.

Sincerely,

McKEESPORT HOUSING AUTHORITY



John H. Kooser, Jr.
EXECUTIVE DIRECTOR

JHK/cap