
AUDIT REPORT



FLINT HOUSING COMMISSION SECTION 8 HOUSING PROGRAM

FLINT, MI

The Commission Improperly Managed Its Section 8 Program

2005-CH-1017

SEPTEMBER 23, 2005

OFFICE OF AUDIT, REGION V
CHICAGO, ILLINOIS



Issue Date	September 23, 2005
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Audit Report Number	2005-CH-1017
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TO: Robert E. Nelson, Director of Public Housing Hub, 5FPH

FROM:  Heath Wolfe, Regional Inspector General for Audit, 5AGA

SUBJECT: The Commission Improperly Managed Its Section 8 Program; Flint, Michigan

HIGHLIGHTS

What We Audited and Why

We audited the Flint Housing Commission's (Commission) Section 8 housing program. The audit was part of the activities in our fiscal year 2005 annual audit plan. We selected the Commission based upon a risk analysis that identified it as having a high risk Section 8 housing program. Our overall objectives were to determine whether the Commission managed its Section 8 housing program effectively and followed the U.S. Department of Housing and Urban Development's (HUD) requirements. We determined whether the Commission had adequate procedures and controls over its inspection of units, abatement of housing assistance payments, and rent reasonableness determinations.

What We Found

The Commission did not effectively manage its Section 8 housing program. Our inspections noted that 52 of 56 units did not meet HUD's housing quality standards and/or local housing code. We determined a total of \$80,457 in housing assistance payments and administrative fees were improperly paid for units not meeting HUD's standards and/or local code. The Commission also did not abate \$50,506 in housing assistance payments based on units that failed inspections performed by the Commission's inspector. In addition, the Commission did not properly complete rent reasonableness certifications and maintain adequate records of market rate units for rent reasonableness comparisons.

What We Recommend

We recommend that the director of HUD's Public Housing Hub, Detroit Field Office, require the Commission to reimburse its Section 8 housing program for the inappropriately used funds, and implement procedures and controls to correct the deficiencies cited in this report.

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 discussion draft audit report to the Commission's interim executive director and HUD's staff during the audit. We held an exit conference with the Commission's interim executive director on September 12, 2005.

We asked the Commission's interim executive director to provide comments on our discussion draft audit report by September 17, 2005. The Commission's interim executive director provided written comments dated September 16, 2005. The interim executive director agreed to implement corrective action to address our findings. The complete text of the written comments can be found in appendix B of this report.

TABLE OF CONTENTS

Background and Objectives	4
Results of Audit	
Finding 1: Section 8 Units Did Not Meet Housing Quality Standards	5
Finding 2: The Commission Did Not Properly Abate Housing Assistance Payments	12
Finding 3: Rent Reasonableness Requirements Were Not Followed	14
Scope and Methodology	16
Internal Controls	18
Appendixes	
A. Schedule of Questioned Costs and Funds to Be Put to Better Use	20
B. Auditee Comments	21
C. Units with Preexisting Violations	26
D. Summary of Abatement Review Results	28
E. Criteria	30

BACKGROUND AND OBJECTIVES

The Flint Housing Commission (Commission) was established by the City of Flint (City) on July 27, 1964, by City ordinance under the laws of the State of Michigan pursuant to the U.S. Housing Act of 1937, as amended. The Commission's primary objective is to provide low-income housing to the citizens within the City and the surrounding area of Genesee County. The Commission had authority to administer 963 Section 8 housing units. However, based on the U.S. Department of Housing and Urban Development's (HUD) Notice 2005-1, "Implementing the Fiscal Year 2005 Appropriations Act," HUD lowered the Commission's Section 8 funding for housing assistance payments for calendar year 2005 to a maximum of \$3,549,710 and its administrative fees to a maximum of \$422,358. Therefore, the Commission did not have sufficient monies to fund all 867 units under contract as of January 1, 2005. Normal attrition and portability of Section 8 vouchers reduced the number of units by 43, but the Commission decided to terminate 215 contracted Section 8 units to have sufficient funds to meet its obligations for the remaining Section 8 tenants. As of May 1, 2005, the Commission had 609 units under Section 8 contract.

A five-member board of commissioners appointed by the City's mayor governs the Commission. HUD placed the Commission on its list of troubled housing authorities in 2001 after an evaluation. After two years of unsatisfactory progress, HUD threatened to take over the Commission in March 2003 unless a new board was appointed. HUD forced the board to remove the Commission's former executive director in March 2003. HUD also required the Commission to sever most ties with the City during 2002 and 2003. A new board was established in July 2003, and the former executive director was brought back to address HUD's demands until June 2004 when a new executive director was appointed.

Effective November 2004, HUD declared that the Commission was no longer troubled due to a public housing assessment system score of 73 and a passing Section 8 management assessment program review for fiscal year 2004. The newly appointed executive director served until June 2005, when he was fired by the board for undisclosed reasons. The Commission's former executive director was appointed again as interim executive director.

Our objectives were to determine whether the Commission had adequate procedures and controls over its inspection of Section 8 housing units, abatement of housing assistance payments, and rent reasonableness determinations.

RESULTS OF AUDIT

Finding 1: Section 8 Units Did Not Meet Housing Quality Standards

The Commission’s Section 8 housing units did not meet HUD’s housing quality standards and/or local housing code. Our appraiser identified seven units that had repeat violations, and 40 other units with violations that existed prior to the last inspections by the Commission’s inspector. Violations existed because the Commission lacked an established, adequate quality control process over its inspections. As a result, the Commission’s tenants were subjected to conditions that were hazardous to their health and safety, and at least \$80,457 in HUD funds was not used efficiently and effectively. Improved procedures and controls will help the Commission to ensure that \$701,712 in future housing assistance payments will be made for units that are decent, safe, and sanitary.

Units Did Not Meet HUD’s Standards and/or Local Code

Our appraiser inspected 56 Section 8 units and found 675 violations that did not meet HUD’s housing quality standards and/or local housing code.

<i>Category of violations</i>	<i>Number of units</i>	<i>Number of violations</i>
Window condition	44	147
Smoke detectors	45	139
Electrical hazards	36	77
Security	29	69
Wall condition	27	51
Ceiling condition	17	25
Access to unit	23	23
Exterior surfaces	20	20
Stairs, rails, and porches	15	15
Interior and exterior lead-based paint	5	14
Floor condition	11	14
Plumbing (kitchen and bathroom sink, bathtub, and toilet)	12	12
Site and neighborhood conditions	11	11
Electricity/illumination	8	10
Range and refrigerator	10	10
Water heater	7	7
Ventilation, cooling, and interior air quality	7	7
Foundation	6	6
Safety and adequacy of heating equipment	5	5
Roofs/gutters	4	4
Garbage/debris	3	3
Infestation	2	2
Fire exits and other interior hazards	2	2
Chimney	1	1
Space for food storage, preparation, and serving	1	<u>1</u>
Total		<u>675</u>

Window Condition Violations

One hundred forty-seven window condition violations were present in 44 of the Commission's Section 8 units inspected. The following items are examples of window condition violations: holes in window screens, mold, broken window frames, broken or cracked glass pane on windows, windows that do not stay up without being propped up due to missing counterweights, and broken locks on windows.

Window has no counterweights and does not stay up. Bottle keeps window propped up for the unit located at 3905 Proctor.



The unit at 5601 Dupont has holes in a window's exterior glass pane.



Smoke Detector Violations

One hundred thirty-nine smoke detector violations were present in 45 of the Commission's Section 8 units inspected. A total of 110 of the smoke detector violations involved no smoke detectors in bedrooms. Local housing code requires a working smoke detector in each bedroom. The Commission's administrative plan also recognized this safety precaution since it required compliance with the local code.

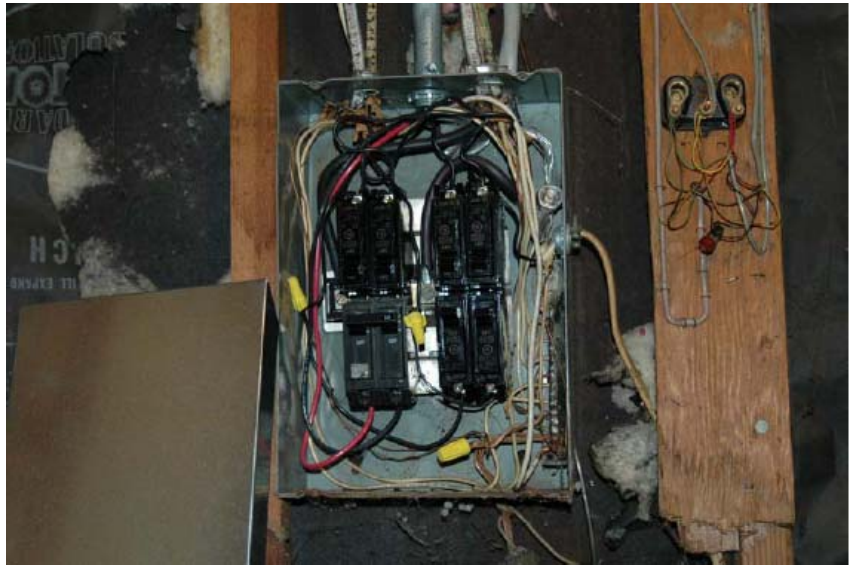
Smoke detector battery and cover are missing from unit located at 4121 Fleming.



Electrical Hazard Violations

Seventy-seven electrical hazard violations were present in 36 of the Commission's Section 8 units inspected. The following items are examples of the electrical hazard violations: broken or missing receptacle and switch cover plates, open junction boxes, open knock outs into panel, power strip connected to an ungrounded receptacle in a hazardous location, electric panel box with exposed wires and no fixed cover, improper electrical wire connection to panel, and unsecured electric disconnect box and wires spliced outside of disconnect box.

Electrical panel box in basement has exposed wires and no fixed cover in unit located at 6193 Neff.



Power strip connected to an ungrounded receptacle near sink in unit located at 3813 Kellar.



Units with Repeat Violations

The Commission had seven units in which our appraiser identified the same violations that were cited by the Commission's inspector—who passed the units on a followup inspection. The repeat violations included the following:

- Electrical panel without a fixed panel cover;
- Living room ceiling damage;
- No smoke detector in second floor hall stairway;
- Cracked window pane in kitchen;
- Abandoned vehicle in yard; and
- Basement wall cracked, leaking, moldy, and peeling.

As a result of the Commission not identifying these violations during the followup inspection, the Commission improperly made housing assistance payments for

seven units that should have had rents abated since the units continued to have the same violations. The Commission will need to abate the housing assistance payments for the period the repeat violations existed. According to the Commission's administrative plan, abatements of housing assistance payments are supposed to occur on the first day of the month following a 30-day period provided to landlords to fix any violations.

The amount that the Commission should have abated for the seven units totalled \$16,457, and the Commission received associated administrative fees of \$1,365 for managing the units. The following chart shows a list of the units and associated abatement periods:

Unit address	Housing assistance payment	Last unit inspection by Commission ¹	Abatement period	Housing assistance payment	Total fees
6193 Neff	\$504	12/7/2004	2/1/05 - 5/1/05	\$2,016	\$156
2110 Proctor	445	11/29/2004	1/1/05 - 5/1/05	2,225	195
1157 Holtslander	500	Failed on 10/11/2004, re-inspected on 1/18/2005	12/1/04 - 5/1/05	3,000	234
4207 Greenlawn	117	2/25/2005	4/1/05 - 5/1/05	234	78
129 Green	467	Failed on 11/18/2004	1/1/05 - 2/1/05	934	78
129 Green	500	Re-inspected on 1/10/2005	3/1/05 - 5/1/05	1,500	117
1610 Garland	566	10/1/2004	11/1/04 - 5/1/05	3,962	273
3713 Lawndale	431	10/21/2004	12/1/04 - 5/1/05	2,586	234
Totals				\$16,457	\$1,365

Units with Preexisting Conditions

Our appraiser identified 40 other units with violations that existed at the time of the prior inspection by the Commission, but the Commission's inspector passed the units. These housing quality standards and/or local housing code violations were noted by our appraiser during unit inspections conducted in May 2005. The conditions included

- No smoke detector in each bedroom,
- Cracked front sidewalk and driveway,
- Open ground on receptacles inside unit,
- Missing first floor bedroom and kitchen window locks,
- No handrail on basement stairs and exterior stairs,
- Leaky basement and leaky foundation walls in basement,

¹ Numerical dates are shown in month, day, and year sequence.

- Peeling paint on kitchen and bathroom ceilings and walls,
- Deteriorated wall and cracked plaster,
- No window screens or torn screens,
- Bathroom and bedroom window peeling,
- Bedroom window damaged or deteriorated,
- Exposed fuse connections and wires in basement,
- Large cracks and holes and fascia gaps in exterior walls,
- Large gap on front porch stairs,
- No ventilation in bathroom,
- Only two heat registers in house (inadequate heat),
- Board used as handrail (unacceptable),
- Handrails too short for length of stairs,
- Missing cover on switch box, and
- No pressure relief valve pipe or pipe too short for hotwater heater.

As a result, the Commission should not have made housing assistance payments on these units due to the housing quality standards and/or local housing code violations found by our appraiser. The chart in appendix C of this report lists the 40 units, the ineligible period after the Commission's last inspection, and \$57,136 in housing assistance payments that should not have been paid by the Commission. In addition, the Commission should not be entitled to the associated administrative fees of \$5,499.

The Commission Did Not Provide Adequate Quality Control Reviews of the Inspection Process

The Commission's management failed to exercise proper supervision and oversight of the inspection process by monitoring followup inspections on failed units and conducting quality control reviews of inspections. We reviewed the schedule of all unit inspections for 2004 and determined that followup inspections were late in nearly 50 instances. In addition, quality control reviews of unit inspections were not performed by the Commission during the last six months of 2004 in accordance with the Commission's quality control inspection policy. As a result, management did not have timely information on the reliability of recent unit inspections. In addition, the Commission's inspector did not receive feedback on whether housing quality standards and/or local housing code violations were adequately identified.

To increase the Commission's ability to inspect Section 8 units, the former executive director decided to contract out inspection services in March 2005. The contract was awarded to U.S. Inspection Group, effective June 1, 2005. The Commission plans to perform quality control reviews of this firm's unit inspections.

Conclusion

Because the Commission failed to implement adequate controls over reviewing the inspection process, it passed units as meeting housing quality standards that were in material noncompliance with the standards. Unless corrections in the inspection process are realized, we estimate that the Commission could make \$701,712 in future housing assistance payments for units that are not decent, safe, and sanitary. We determined this amount by multiplying 132 units (estimate that would be in material noncompliance with housing quality standards and/or local housing code if appropriate actions are not taken by the Commission) times the average monthly cost of each housing unit (\$443). This amount was then annualized to give the total estimate of \$701,712 of funds to be put to better use.

Recommendations

We recommend that the director of HUD's Public Housing Hub, Detroit Field Office, require the Commission to

- 1A. Notify landlords and tenants of units failing HUD's housing quality standards and/or local housing code and provide copies of inspection reports and written notices when the violations should be corrected.
- 1B. Conduct followup inspections in a timely manner on housing units that failed inspection to determine whether violations still exist and abate housing assistance payments to landlords accordingly.
- 1C. Implement a quality control plan to ensure all units meet HUD's housing quality standards and local code within the next 12 months to prevent an estimated \$701,712 in Section 8 funds from being spent on units in material noncompliance with housing quality standards and/or local housing code.
- 1D. Reimburse its Section 8 housing program \$17,822 from nonfederal funds (\$16,457 for housing assistance payments and \$1,365 in associated administrative fees) for the seven units that contained the same violations from the units' prior inspections by the Commission.
- 1E. Reimburse its Section 8 housing program \$62,635 from nonfederal funds (\$57,136 for housing assistance payments and \$5,499 in associated administrative fees) for the 40 units that contained preexisting violations not identified in the Commission's latest inspection reports.

Finding 2: Commission Did Not Properly Abate Housing Assistance Payments

The Commission did not properly abate housing assistance payments to landlords who failed to fix housing quality standards violations in a timely manner after unit inspections conducted by the Commission. This occurred because the Commission lacked a system to track housing units that fail annual inspections so that followup inspections can be performed and necessary abatements can be made. As a result, the Commission inappropriately paid \$50,506 in housing assistance payments to owners of dwelling units that did not meet housing quality standards and improperly earned administrative fees of \$5,504 on these failed units.

Few Failed Section 8 Units Had Housing Assistance Payments Abated

Our review identified 62 units inspected by the Commission during calendar year 2004 that failed a second unit inspection. We examined the tenant case files for these units and determined that proper housing assistance payment abatement actions were not taken for 50 of the 62 units—totaling \$50,506. This resulted in the Commission receiving improper administrative fees of \$5,504 for these units. As a result, we questioned a total of \$56,010 that the Commission needs to reimburse its Section 8 housing program for units that did not meet HUD's housing quality standards.

Appendix D of this report contains a chart showing the amount that should have been abated for each of the 50 units, the amount abated by the Commission, and the difference identified as ineligible housing assistance payments and related administrative fees.

Management Did Not Adequately Track Failed Unit Inspections

The Commission's management was not adequately tracking Section 8 housing units that failed housing quality standards and scheduling followup inspections. This was needed to verify the correction of any violations, and promptly identify units that should have had housing assistance payments abated before the next scheduled monthly payments to owners were issued.

According to the Commission's Section 8 housing manager, an assistant Section 8 manager was hired in December 2004. One of the manager's responsibilities was to oversee failed unit inspections by promptly scheduling followup inspections on the units, and then abating the housing assistance payments when the units do not pass the followup inspection. However, the Commission lacked a system to

systematically track all inspections requiring followup inspections to determine whether abatement was required. The Commission's management needs to implement a system to track failed unit inspections to ensure that appropriate followup inspections are done and any needed abatement actions occur.

By not closely tracking failed unit inspections, we determined that the Commission paid ineligible housing assistance payments of \$50,506 to owners on behalf of tenants for dwelling units that did not meet HUD's housing quality standards. Likewise, the Commission received improper administrative fees of \$5,504 for these units. We discussed these amounts with the Section 8 housing manager and the manager generally agreed with our determination. The Commission needs to take appropriate actions in these cases to ensure that owners comply with HUD's Section 8 regulations.

Recommendations

We recommend that the director of HUD's Public Housing Hub, Detroit Field Office, require the Commission to

- 2A. Reimburse its Section 8 housing program \$56,010 from nonfederal funds (\$50,506 for improper housing assistance payments and \$5,504 for Section 8 administrative fees collected by the Commission) for units in which housing assistance payments should have been abated.
- 2B. Implement a system for tracking housing units that fail housing quality standards inspections so that followup inspections can occur in a timely manner, and any needed abatements of housing assistance payments may be made.

Finding 3: Rent Reasonableness Requirements Were Not Followed

The Commission did not follow rent reasonableness procedures for units entering its Section 8 housing program and units receiving subsequent rent increases. This occurred when the Commission's rent reasonableness database became obsolete because the Commission lacked procedures to maintain and update its rent reasonableness database. By not determining rent reasonableness, the Commission assumed a risk of paying higher than reasonable contract rents.

Rental Market Database for Rent Reasonableness Determinations Was Inadequate

Rent reasonableness determinations were not adequately performed by the Commission. Out of 42 tenant case files reviewed for rent reasonableness documentation, only 26 files required rent reasonableness determinations. We found eight files contained the required documentation of a landlord certification, a Commission certification signed and dated by Section 8 staff, and documentation on three comparable unassisted rental units. The remaining 18 cases were required to have a rent reasonableness certification during 2004, but did not contain the proper documentation.

These 18 files lacked proper documentation because HUD determined that the Commission's rent reasonableness certification method was inadequate. This was due to the database used by the Commission not being truly representative of the entire Section 8 program area, and the rental market data was outdated. During HUD's confirmatory review in September 2004, HUD determined the Commission's database lacked current data and did not include enough information on unassisted units. In response, the Commission discontinued rent reasonableness determinations in September 2004 until it could update the database.

In an effort to update its database, the Commission sought proposals for a rent reasonableness study on March 4, 2005. On April 19, 2005, its board approved a contract for a rent reasonableness study with the Nelrod Company. According to the Commission's Section 8 program manager, the contractor was required to prepare a database for rent reasonableness reviews. By not maintaining its database, the Commission may have incurred higher contract rents than necessary.

Recommendations

We recommend that the director of HUD's Public Housing Hub, Detroit Field Office, require the Commission to

- 3A. Ensure that the database prepared by its contractor meets HUD's requirements for making rent reasonableness determinations, and can be

used to address data previously missing on new Section 8 units and for existing units for which increases in the contract rent requested by the owners were approved.

- 3B. Implement procedures and controls to ensure that the database for making rent reasonableness determinations is properly maintained to include current information that can be used to support rent increases and certify that unassisted units in the premises and in the neighborhood are comparable to the assisted units.

SCOPE AND METHODOLOGY

To accomplish our objectives, we reviewed the following:

- 24 CFR [*Code of Federal Regulations*] 5, 85, 966, 982, and 985;
- HUD's "One Strike and You're Out" policy;
- HUD's Public and Indian Housing Notices 2003-11 and 2005-1;
- Office of Management and Budget Circulars A-87 and A-133;
- HUD's Voucher Program Guidebook 7420.10;
- January 2003 through April 2005 meeting minutes of the Commission's board of commissioners;
- A representative sample of Section 8 tenant files;
- The Commission's Section 8 administrative plan and its procedures related to its Section 8 program;
- HUD's files for the Commission; and
- The Commission's independent public accountant report for the period ending June 30, 2003.

Our appraiser inspected 56 statistically selected units to determine whether they met HUD's housing quality standards and local housing code. The inspections were performed during May 2005, and the results were provided to the director of HUD's Public Housing Hub, Detroit Field Office, and the Commission's interim executive director on July 25, 2005. We performed a detailed review of a representative sample of 42 Section 8 tenant files to determine whether the Commission appropriately determined the tenants' eligibility and correct level of housing assistance. We also obtained a general understanding of the Commission's information technology system and performed limited tests of the accuracy of its electronic data. We interviewed HUD's staff and the Commission's management and staff.

Statistical Sample Selection and Methodology

We obtained a download of all of the Commission's current units from the housing assistance payments register for March 2005. There were 838 units as of March 1, 2005. We sorted the units by inspection date and determined that 400 units were recently inspected and passed by the Commission between October 1, 2004, and March 23, 2005. Since the Commission was planning to terminate 215 Section 8 tenant families due to a funding shortfall, we eliminated a portion of these units (97) that were part of the 400 recently inspected units. As a result, we identified 303 recently inspected units still receiving housing assistance payments. Based on a confidence level of 90 percent, a precision level of 10 percent, and an assumed error rate of 50 percent, we established a sample size of 56 units. We used the U.S. Army Audit Agency's statistical sampling system to generate a larger sample of 70 units with a random selection start to allow 14 additional sample units to be used as replacements, if needed.

We determined that 52 of the 56 unit inspections failed HUD's housing quality standards and/or local housing code. Based on our judgment, we determined that

30 of the 52 units were in material noncompliance with the standards and/or local code because they had violations involving health and safety hazards, and had 10 or more violations. Based on this information, we estimated that 132 of the 303 units in our sampled population were in material noncompliance with the housing quality standards and/or local housing code.

Since rent reasonableness is an important factor in determining accurate housing assistance payments, we also used statistical random sampling for selecting tenant files for reviewing the accuracy of housing assistance payments. Based on a population of 865, a confidence level of 90 percent, a precision level of 10 percent, and an assumed error rate of 20 percent, our statistical software determined a sample size of 42 tenant files to review.

We conducted our field work from January through June 2005 at the Commission's main office. Our audit period was from January 1, 2003, through December 31, 2004. We expanded our audit period as needed to accomplish our objectives. We performed our audit in accordance with generally accepted government auditing standards and included tests of internal controls that we considered necessary under the circumstances.

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,
- Compliance with applicable laws and regulations, and
- Safeguarding resources.

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:

- Program operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Validity and reliability of data – Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.
- Compliance with laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.
- Safeguarding resources – Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.

A significant weakness exists if internal 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:

- The Commission lacked adequate procedures to ensure units were decent, safe, and sanitary (see finding 1).

- The Commission did not have a system to track housing units that failed housing quality standards inspections to ensure housing assistance payments were only used for eligible units (see finding 2).
- The Commission lacked procedures to ensure its rental database was current and only reasonable rents were paid to landlords (see finding 3).

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

Recommendation number	Ineligible 1/	Funds to be put to better use 2/
1C		<u>\$701,712</u>
1D	\$17,822	
1E	62,635	
2A	<u>56,010</u>	
Totals	<u>\$136,467</u>	<u>\$701,712</u>

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or federal, state, or local polices or regulations.
- 2/ “Funds to be put to better use” are quantifiable savings that are anticipated to occur if an Office of Inspector General (OIG) recommendation is implemented, resulting in reduced expenditures at a later time for the activities in question. This includes costs not incurred, deobligation of funds, withdrawal of interest, reductions in outlays, avoidance of unnecessary expenditures, loans and guarantees not made, and other savings.

AUDITEE COMMENTS



FLINT HOUSING COMMISSION

3820 Richfield Rd. • Flint, Michigan 48506
Phone: (810) 736-3050

- MI 9-1
Robert Mayer (Elderly)
902 E. Court St. 48503
- MI 9-2
Howard Eastus (Family)
831 Floral Park, 48503
- MI 9-3
Alberton East (Family)
3423 Chambers 48507
- MI 9-4
Garden Apartments (Elderly)
820 & 908 Garland St. 48503
- MI 9-5
River Park Apartments (Family)
7012 Pantheon Dr. 48515
- MI 9-6
Centerview Apartments (Elderly)
2001 N. Custer Rd. 48506
- MI 9-7
Forest Park (Elderly)
4050 M.L. King Ave. 48505
- MI 9-8 & MI 9-10
Scattered Sites (Family)
- MI 9-11
Minnie Minter (Elderly)
3800 Richfield Rd. 48506
- MI 9-14
Aldridge Place (Family)
5838 Edgar Holt Drive 48505
- MI 9-15
Kenneth M. Simmons Square
(Elderly)
2101 Steedron 48504
- Section 8 Program
(810) 736-3050

September 16, 2005

Mr. Robert E. Nelson
Director of Public Housing
Room 1710
477 Michigan Avenue
Detroit, MI 48226

Dear Mr. Nelson:

Attached is the Flint Housing Commission's response to the Section 8 audit findings from the fiscal year 2005 annual audit.

Finding 1: Section 8 units not meeting Housing Quality Standards

Finding 2: The Commission did not properly abate housing assistance payments

Finding 3: Rent reasonableness requirements were not followed.

We have noted each finding and determined the necessary corrective action to be taken to resolve the current issues. We have also instituted the necessary policy and procedures to assure that this will not reoccur.

If you have any questions about the attached corrective action plan please don't hesitate to contact me.

Sincerely,

Kenneth M. Simmons
Mr. Kenneth M. Simmons

Cc: Heath Wolfe
Regional IG for Audit
File
Attachments

TDD: (810) 736-5212



Fax: (810) 736-0158

Findings:

- 1 A. Notify landlords and tenants of units failing HUD's housing quality standards and/ or local housing code and provide copies of inspections reports and written notices when the violations should be corrected.

Corrective Response:

- 1 A. Upon failed inspection, letters will be sent to landlords and tenants to inform them of deficiencies found in regards to HQS and/or local housing codes. The letters also define timeframes of compliance. (24-hour or 30-day)

Findings:

- 1 B. Conduct follow-up inspections on housing units that failed inspection to determine whether violations still exist and abate housing assistance payments to landlords accordingly.

Corrective Response:

- 1 B. Housing Assistance Payments will be sent automatically be put on hold and abatement letters will be mailed to the landlord and the tenant. Follow-up inspections will continue to be prescheduled for the 31st day to ensure proper HQS and/or local housing code enforcement. HAP is abated for units that are not in compliance after the 31st day. HAP Contract will be terminated and tenants are required to move to remain eligible for participation in the Section 8 HCV Program.

Findings:

- 1 C. Implement a quality control plan to ensure all units meet HUD's housing quality standards and local code within the next 12 months to prevent an estimate \$701,712 in Section 8 funds from being spent on units in material noncompliance with housing quality standards and/ or local housing code.

Corrective Response:

- 1 C. HQS Quality Control policy and procedures have been implemented to

ensure all units meet HUD's HQS standards and local housing codes and to ensure funds are not spent on units not in material compliance. Policy requires annual QC inspections of not less than three percent of the program size. Units are randomly selected among Initial, Recertification, Special, and Other Inspections completed within past thirty days. The QC Inspections are separate, complete inspections not merely a review or confirmation of inspection performed by regular inspection or contractor.

Findings:

- 1 D. Reimburse its Section 8 housing program \$17,822 from nonfederal funds (\$16,457 for housing assistance payments and \$1,365 in associated administrative fees) for the seven units that contained the same violations from the units' prior inspections by the Commission.

Corrective Response:

- 1 D. The Flint Housing Commission entered into a contract with the US Inspection Group to perform all annual inspections for the Section 8 HCV Program to ensure compliance and enforcement of HQS guidelines. A recoupment of Housing Assistance Payments made to owner for units not in compliance with HQS and/or local codes is in process as allowed by the Housing Assistance Payment Contract for the seven units found which remained in violation of HQS guidelines.

Findings:

- 1 E. Reimburse its Section 8 housing program \$62,635 from nonfederal funds (\$57,246 for housing assistance payments and \$5,499 in associated administrative fees) for the 40 units that contain preexisting violations not identified in the Commission's latest inspection reports.

Corrective Response:

- 1 E. The Flint Housing Commission entered into a contract with the US Inspection Group to perform all annual inspections for the Section 8 HCV Program to ensure compliance and enforcement of HQS guidelines. A recoupment of Housing Assistance Payments made to owners for units

not in compliance with HQS and/or local codes is in process as allowed by the Housing Assistance Payment Contract for the 40 units which contained preexisting violations.

Findings:

- 2 A. Reimburse its Section 8 housing program \$56,010 from nonfederal funds (\$50,506 for ineligible housing assistance payments and \$5,504 for Section 8 administrative fees collected by the Commission) for units in which housing assistance payments should have been abated.

Corrective Response:

- 2 A. The Flint Housing Commission entered into a contract with the US Inspection Group to perform all annual inspections for the Section 8 HCV Program to ensure compliance and enforcement of HQS guidelines. A recoupment of Housing Assistance Payments made to owners for units not in compliance with HQS and/or local codes is in process as allowed by the Housing Assistance Payment Contract for units in which housing assistance payments should have been abated.

Findings:

- 2 B. Implement a system for tracking housing units that fail housing quality standards inspections so that follow-up inspections can occur in a timely manner, and any needed abatements of housing assistance payments may be made.

Corrective Response:

- 2 B. A system has been implemented to track housing units that fail housing quality standards inspections whereas automatic follow-up inspections are conducted in a timely manner. Housing Assistance Payments are placed on hold until unit passes inspection, and abatement is made as required.

Findings:

- 3 A. Ensure that the database prepared by its contractor meets HUD's requirements for making rent reasonableness determinations, and can be used to address data previously missing on new Section 8 units and for existing units for which increases in the contract rent requested by the owners were approved.

Corrective Response:

- 3 A. The Flint Housing Commission contracted with the Nelrod Company to conduct a Rent Reasonableness Study to build an effective database. The HCV staff performs Rent Reasonableness comparisons for all initial units and for all rent increases.

Findings:

- 3 B. Implement procedures and controls to ensure that the database for making rent reasonableness determinations is properly maintained to contain current up-to-date information that can be used to support rent increases and certify that unassisted units in the premises and in the neighborhood are comparable to the assisted units.

Corrective Response:

- 3 B. As required by contract, the Rent Reasonableness database is properly maintained and up-dated with current information by the Nelrod Company on a semi-annual basis.

Appendix C

UNITS WITH PREEXISTING VIOLATIONS

Unit address	Housing assistance payment	Last unit inspection ²	From	To	Ineligible housing assistance payments	Ineligible administrative fees
310 West Piper	\$450	3/2/05	5/1/05	5/31/05	\$450	\$39
5282 Cedar Shores#101	421	11/29/04	1/1/05	2/28/05	842	78
	419		3/1/05	5/31/05	1,257	117
330 E. Grace	450	3/21/05	5/1/05	5/31/05	450	39
5702 Marlowe	473	1/11/05	3/1/05	5/31/05	1,419	117
3201 Winona	142	10/7/04	12/1/04	2/28/05	426	117
	450		3/1/05	5/31/05	1,350	117
602 Austin	345	2/22/05	4/1/05	5/31/05	690	78
4121 Fleming	500	10/15/04	12/1/04	5/31/05	3,000	234
315 Taylor	455	12/8/04	2/1/05	5/31/05	1,820	156
2517 N. Stevenson	600	10/4/04	12/1/04	5/31/05	3,600	234
5309 Susan	154	10/13/04	12/1/04	12/31/04	154	39
	301		1/1/05	5/31/05	1,505	195
2404 Adams	550	3/21/05	5/1/05	5/31/05	550	39
4808 Warrington	294	1/3/05	3/1/05	5/31/05	882	117
778 E. Alma	500	11/23/04	1/1/05	5/31/05	2,500	195
3905 Proctor	560	10/6/04	12/1/04	5/31/05	3,360	234
3205 Burgess	500	12/9/04	2/1/05	5/31/05	2,000	156
1829 Owens	119	2/25/05	4/1/05	5/31/05	238	78
6814 Cecil	361	2/1/05	4/1/05	5/31/05	722	78
3901 Race	509	12/16/04	2/1/05	5/31/05	2,036	156
4013 Milbourne	600	3/2/05	5/1/05	5/31/05	600	39
1143 Holtslander	274	11/4/04	1/1/05	5/31/05	1,370	195
1915 Prospect	485	1/24/05	3/1/05	5/31/05	1,455	117
1722 Broadway	500	1/26/05	3/1/05	3/31/05	500	39
	535		4/1/05	5/31/05	1,070	78
909 East Marengo	475	11/1/04	1/1/05	5/31/05	2,375	195
800 East Court #124	370	3/8/05	5/1/05	5/31/05	370	39
601 Mary	303	3/21/05	5/1/05	5/31/05	303	39
401 West Carpenter #5	367	10/5/04	12/1/04	5/31/05	2,202	234
3457 Rangely	317	11/2/04	1/1/05	5/31/05	1,585	195
1309 North Stevenson	405	3/11/05	5/1/05	5/31/05	405	39
5300 Cedar Shores, #104	393	1/5/05	3/1/05	5/31/05	1,179	117
2726 Seneca	196	11/22/04	1/1/05	1/31/05	196	39
	286		2/1/05	5/31/05	1,144	156
2061 Mill Road #1	420	3/3/05	5/1/05	5/31/05	420	39

² Numerical dates are shown in month, day and year sequence.

UNITS WITH PREEXISTING VIOLATIONS (continued)

Unit address	Housing assistance payment	Last unit inspection	From	To	Ineligible housing assistance payments	Ineligible administrative fees
3303 Stonegate	\$243	2/9/05	4/1/05	5/31/05	\$486	\$78
952 Huron	358	11/24/04	1/1/05	5/31/05	1,790	195
3813 Kellar	350	1/31/05	4/1/05	5/31/05	700	78
5601 Dupont	329	10/14/04	12/1/04	5/31/05	1,974	234
6087 Harwood	214	3/9/05	5/1/05	5/31/05	214	39
6149 Titan	367	12/9/04	2/1/05	5/31/05	1,468	156
2809 East Pierson	459	1/13/05	3/1/05	5/31/05	1,377	117
1414 Pasadena	365	10/8/04	12/1/04	5/31/05	2,190	234
8224 Meadow Wood	404	11/24/04	1/1/05	3/31/05	1,212	117
	650		4/1/05	5/31/05	1,300	78
Totals					\$57,136	\$5,499

Appendix D

SUMMARY OF ABATEMENT REVIEW RESULTS

Address	Abatement period(s) ³	Amount that should be abated	Amount that was abated	Ineligible housing assistance payments	Ineligible administrative fees
2130 West Home Street	7/1/04 - 10/26/04	\$1,267	\$0	\$1,267	\$151
906 East Ruth	2/1/04 - 2/9/04	100	0	100	0
3386 Spring Valley	12/1/03 - 3/9/04	1,949	0	1,949	128
2642 Proctor	3/1/04 - 5/20/04	1,403	526	877	103
3702 Winona	1/1/04 - 3/25/04	1,544	0	1,544	110
2324 Lapeer Road #1509	2/1/04 - 6/8/04	1,254	636	618	167
	1/1/05 - 1/17/05	162	0	162	0
249 East Sherman	12/1/03 - 2/10/05	5,371	1,484	3,887	562
4808 Warrington	2/1/04 - 7/11/04	1,574	400	1,174	209
2315 Oren	1/1/04 - 5/18/04	1,695	580	1,115	219
3012 North Chevrolet	5/1/04 - 6/7/04	546	0	546	48
712 East Marengo	4/1/04 - 5/1/04	230	0	230	78
2018 Cadillac	11/1/04 - 11/16/04	198	0	198	0
2324 Lapeer Road #405	12/1/03 - 1/21/04	496	0	496	67
8207 Kearsley Creek	5/1/04 - 5/19/04	389	0	389	0
3325 Spring Valley	7/1/04 - 11/1/04	895	0	895	158
6505 Allison	3/1/04 - 3/7/04	98	0	98	0
309 East Baltimore	5/1/04 - 7/15/04	894	174	720	98
358 East Ruth	9/1/04 - 11/2/04	930	480	450	81
2122 Frances	6/1/04 - 2/5/05	4,950	0	4,950	320
117 Westmoreland	5/1/04 - 10/27/04	1,984	0	1,984	231
217 West 13th Street	11/1/03 - 9/21/04	4,548	0	4,548	419
2317 Adams	5/1/04 - 5/31/04	521	0	521	39
122 East Austin	6/1/04 - 7/6/04	409	0	409	47
8224 Meadowwood	11/1/04 - 11/23/04	432	0	432	0
4121 LeErda	9/1/04 - 1/10/05	1,461	570	891	170
2010 Clement	2/8/04 - 3/3/04	239	0	239	0
2702 Concord	11/1/04 - 11/3/04	58	0	58	0
814 West Dartmouth #2	3/1/04 - 3/3/04	22	0	22	0
564 Welch	9/1/04 - 10/25/04	994	0	994	72
3505 Comstock	7/1/04 - 9/15/04	1,038	0	1,038	98
2521 Mount Elliot	9/11/04 - 10/10/04	445	145	300	39
5476 Kellar	4/1/04 - 4/11/04	194	0	194	0
1610 Garland	9/1/04 - 9/30/04	566	0	566	39
3001 Lawndale	3/1/04 - 3/4/04	49	0	49	0
6228 Hilton	8/1/04 - 11/8/04	1,405	545	860	128

³ Numerical dates are shown in month, day and year sequence.

SUMMARY OF ABATEMENT REVIEW RESULTS (continued)

<i>Address</i>	<i>Abatement period</i>	<i>Amount that should be abated</i>	<i>Amount that was abated</i>	<i>Ineligible housing assistance payments</i>	<i>Ineligible administrative fees</i>
4113 Leerda Street	8/1/04 - 10/3/04	\$705	\$43	\$662	\$82
6105 Harwood	8/1/04 - 11/21/04	1,665	765	900	145
	10/1/03 - 10/12/03	127	0	127	0
162 East Stewart	8/1/04 - 10/3/04	1,084	0	1,084	82
4124 Winona	11/1/03 - 7/12/04	2,625	0	2,625	329
	12/1/04 - 2/10/05	997	574	423	91
3610 Keys	11/1/04 - 11/16/04	240	0	240	0
626 East Lorado	8/1/04 - 10/27/04	1,677	0	1,677	114
1628 Broadway	11/1/04 - 11/15/04	331	0	331	0
2512 Seneca	3/1/04 - 3/15/04	86	0	86	0
129 Green Street	1/1/05 - 1/9/05	136	0	136	0
3522 Lawndale	12/1/03 - 6/15/04	1,363	943	420	255
2733 East Pierson	12/1/03 - 3/23/04	1,744	0	1,744	148
1217 East Hobson	7/1/04 - 10/6/04	1,351	0	1,351	125
4520 Edwards	7/1/04 - 7/26/04	356	0	356	0
1157 Holtlander	12/1/04 - 1/17/05	774	0	774	61
741 Marengo	2/1/04 - 9/12/04	<u>2,960</u>	<u>160</u>	<u>2,800</u>	<u>290</u>
Totals		<u>\$58,531</u>	<u>\$8,025</u>	<u>\$50,506</u>	<u>\$5,504</u>

Appendix E

CRITERIA

FINDING 1:

Housing requirements. According to 24 CFR [*Code of Federal Regulations*] 982.1(a), Section 8 housing units must be decent, safe, and sanitary. Part 982.401(a)(1) states Section 8 housing units must comply with HUD's housing quality standards, both at initial occupancy of the unit and during the term of the assisted lease. Part 982.152(d) permits HUD to reduce or offset any Section 8 administrative fee to a housing agency if the agency fails to perform its administrative responsibilities adequately, such as not enforcing HUD's housing quality standards.

Section 8 administrative plan. The Commission's Section 8 administrative plan, section V, paragraphs 1 and 2, requires that Section 8 housing units be inspected before a lease is approved and annually to assure that the owner is maintaining the units in accordance with housing quality standards as specified in 24 CFR [*Code of Federal Regulations*] 982.401. Paragraph 8 of the plan states that Section 8 inspectors will use local code requirements for proper corrective action by owners of any defects related to health and/or safety of the occupants.

FINDING 2:

HUD's regulations. According to 24 CFR [*Code of Federal Regulations*] 982.305, a public housing agency is prohibited from making housing assistance payments for a housing unit that does not meet housing quality standards. Part 982.404 states the public housing agency must take prompt action to enforce the owner's responsibilities for maintaining the property, which includes suspension, termination, or reduction of housing assistance payments to the owner. The public housing agency must not make housing assistance payments for a dwelling unit that does not meet HUD's housing quality standards unless the owner corrects the violations within the period specified by the public housing agency—and it verifies the correction. Life threatening defects must be corrected within 24 hours—and within 30 calendar days for all other defects—unless the public housing agency approves a time extension.

Section 8 administrative plan. The Commission's Section 8 administrative plan requires that for all housing units that fail a second scheduled inspection, the housing assistance payments contract should be terminated with the landlord and the tenant issued a new Section 8 voucher to look for another housing unit. The landlord can only execute a housing assistance payments contract with a new tenant after the housing unit with a second failed inspection passes a Section 8 inspection.

FINDING 3:

HUD's requirements and the Commission's Section 8 administrative plan.

According to 24 CFR [*Code of Federal Regulations*] 982, public housing agencies are required to take specific actions regarding rent reasonableness. Rents are supposed to be reasonable in accordance with part 982.503 regarding published fair market rents for the area and the local public housing agency's payment standards. Part 982.54(d)(15) requires the Commission's Section 8 administrative plan to cover its method for determining that the rent to owner is a reasonable rent initially and during the housing assistance payment contract term. Further requirements are provided in 24 CFR [*Code of Federal Regulations*] 982.507, such as

- Rent reasonableness determinations,
- Comparability, and
- Owner certifications.

In the housing assistance payments contract, Form HUD-52641, part B, paragraph 8, under owner certifications, it states that owners, by accepting each monthly housing assistance payment, certify that the rent to owner is not more than rent charged for comparable unassisted units on the premises.

The Commission's Section 8 administrative plan on rent reasonableness restates HUD's regulations but more clearly defines when a landlord certification is required—and when certain procedures must be performed.