



Issue Date	July 11, 2006
------------	---------------

Audit Report Number	2006-CH-1012
---------------------	--------------

TO: Steven E. Meiss, Director of Public Housing Hub, 5APH

FROM: *Ronald D. Meiss* for
Heath Wolfe, Regional Inspector General for Audit, 5AGA

SUBJECT: The Housing Authority of the County of Cook, Chicago, Illinois, Needs to Improve Its Section 8 Housing Program Administration

HIGHLIGHTS

What We Audited and Why

We audited the Housing Authority of the County of Cook's (Authority) Section 8 Housing Choice Voucher program (program). The audit was part of the activities in our fiscal year 2005 annual audit plan. We selected the Authority based upon a risk analysis that identified it as having a high-risk program. Our objective was to determine whether the Authority managed its program in accordance with the U.S. Department of Housing and Urban Development's (HUD) requirements. This is the first of two audit reports of the Authority's program.

What We Found

The Authority needs to improve its program administration regarding housing unit conditions, claiming of household dependents, and the reasonableness of program rents. Quality control reviews were not effective in identifying housing violations. Of the 83 housing units statistically selected for inspection, 64 did not meet HUD's housing quality standards and 61 had 279 violations that existed at the time of the Authority's previous inspection. The 61 units had between 1 and 17 preexisting violations per unit.

The Authority improperly permitted 18 of 31,587 individuals reviewed to be claimed as dependents in more than one program unit. This resulted in more than \$20,000 in overpayments of program housing assistance. The Authority also

failed to determine the reasonableness of program rents before approving housing assistance payment contracts for 11 of the 20 tenant files reviewed and lacked documentation to support when its rent reasonableness database was last updated.

As a result, program funds were not used efficiently and effectively, and fewer funds were available to assist low and moderate-income families on the Authority's waiting list.

What We Recommend

We recommend that the director of HUD's Chicago Office of Public Housing require the Authority to reimburse its program from nonfederal funds for the improper use of more than \$123,000 in program funds, ensure that program housing units inspected during this audit are repaired to meet HUD's housing quality standards, and implement procedures and controls to address the findings cited in this audit report. These procedures and controls should help ensure that nearly \$10.1 million in program funds are spent on housing units that meet HUD's requirements.

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 Authority's former executive director, its former board chairman, and HUD's staff during the audit. We held an exit conference with the Authority's former executive director on May 19, 2006.

We asked the Authority's former executive director to provide comments on our discussion draft audit report by June 15, 2006. The Authority's former executive director provided written comments dated June 14, 2006. The Authority disagreed with findings 1 and 2, but agreed with finding 3. The complete text of the written comments, except for four attachments that were not necessary to understand the former executive director's comments, along with our evaluation of that response, can be found in appendix B of this report. We provided HUD's acting director of the Chicago Office of Public Housing with a complete copy of the Authority's written comments plus the four attachments.

TABLE OF CONTENTS

Background and Objectives	4
Results of Audit	
Finding 1: Housing Quality Standards Were Not Adequately Enforced	5
Finding 2: The Authority Needs to Enhance Its Controls over Individuals Claimed as Dependents by Program Tenants	12
Finding 3: The Authority’s Rent Reasonableness Process Was Inadequate	15
Scope and Methodology	17
Internal Controls	19
Appendixes	
A. Schedule of Questioned Costs and Funds to Be Put to Better Use	21
B. Auditee Comments and OIG’s Evaluation	22
C. Criteria	35
D. Units with Preexisting Violations	37

BACKGROUND AND OBJECTIVES

The Housing Authority of the County of Cook (Authority) is the second largest public housing authority in Illinois. It is a municipal corporation established in 1946 under the Illinois Housing Act to engage in the acquisition, development, leasing, and administration of a low-rent housing program and other federally assisted programs.

The Authority administers a Section 8 Housing Choice Voucher program (program) funded by the U.S. Department of Housing and Urban Development (HUD) in 122 suburban communities in Cook County, Illinois. The Authority provides assistance to low and moderate-income individuals seeking decent, safe, and sanitary housing by subsidizing rents with owners of existing private housing. As of March 1, 2006, the Authority had 11,705 units under contract with annual housing assistance payments totaling more than \$101.2 million in program funds.

Our objective was to determine whether the Authority managed its program in accordance with HUD's requirements. This is the first of two audit reports of the Authority's program.

RESULTS OF AUDIT

Finding 1: Housing Quality Standards Were Not Adequately Enforced

The Authority did not adequately enforce HUD's housing quality standards. Our inspections found that 64 of the 83 program units did not meet minimum housing quality standards and 61 had violations that existed before the Authority's last inspection. The violations existed because the Authority lacked effective procedures and controls over its unit inspections. As a result, nearly \$101,000 in program funds was not used efficiently and effectively to provide units that were decent, safe, and sanitary.

HUD's Housing Quality Standards Not Met

From the Authority's 3,325 program units that passed its inspection between July and September 2005, we statistically selected 83 units for inspection by using the U.S. Army Audit Agency's Statistical Sampling System software. The 83 units were inspected to determine whether the Authority ensured that its program units met HUD's housing quality standards. Our appraiser inspected the 83 units between October 17 and November 10, 2005.

Of the 83 units, 64 (77 percent) had 376 housing quality standards violations. Of the 376 violations, 10 were identified by the Authority during its previous inspection and were shown on the Authority's inspection reports. In addition, 61 of the 64 units had 279 violations that existed before the Authority's previous inspections and 38 units were considered to be in material noncompliance since they had health and safety violations that predated the Authority's previous inspection. The following table categorizes the 376 housing quality standard violations in the 64 units.

Category of violations	Number of violations
Electrical	89
Security	51
Windows	51
Floor	27
Interior walls	21
Smoke detectors	20
Exterior surface	18
Lead-based paint	15
Ceiling	14
Fire exits	11
Range/refrigerator	9
Sink	8
Tub/shower unit	7
Hot water heater	6
Roof	5
Space for food storage and preparation	5
Exterior stairs	4
Ventilation	3
Flush toilet in enclosed room	2
Infestation	2
Interior stairs	2
Other potential hazardous features	2
Access to unit	1
Foundation	1
Safety of heating equipment	1
Site and neighborhood (rotted fence with exposed nails)	<u>1</u>
Total	<u>376</u>

We provided our inspection results to the former director of HUD's Chicago Office of Public Housing and the Authority's former executive director on December 16, 2005.

Electrical Violations

Eighty- nine electrical violations were present in 45 of the Authority's program units inspected. The following items are examples of electrical violations listed in the table: outlets with open grounds, light fixtures hanging from wires, no cover on junction box, ground fault circuit interrupters not tripping, holes and gaps in the breaker box, and exposed wires. The following pictures are examples of electrical violations identified in the program units inspected.

Unit for household #44248 had exposed wires in unsecured electrical junction box.



Unit for household #14195 had a fan lamp hanging from wires in the kitchen.



Security Violations

Fifty-one security violations were present in 31 of the Authority's program units inspected. The following items are examples of security violations listed in the table: locks on exterior doors not working, blocked fire exits, broken door jams, deadbolt locks on bedrooms, and the use of unacceptable double-keyed deadbolt locks. The following pictures are examples of the security violations identified in the program units inspected.

Unit for household #28119 had a damaged door jam and loose screen door latch.



Unit for household #26042 had a porch door blocked by a refrigerator. This door constitutes the secondary means of exit from the unit.



Window Violations

Fifty-one window-related violations were present in 28 of the Authority's program units inspected. The following items are examples of window-related violations listed in the table: windows not able to open, window locks not working properly, mold on window sills and sashes, and cracked window panes. The following pictures are examples of window-related violations.

Unit for household #18698 had mold on a bedroom window sash and sill.



Unit for household #7925 had a broken lock on bedroom window.



HUD Funds Not Effectively Used

The Authority did not effectively use program funds when it failed to fully enforce HUD's housing quality standards. Our appraiser identified 61 units with housing quality standards violations that existed at the time of the Authority's previous inspection. However, the Authority's inspectors passed the 61 units. Our appraiser noted these preexisting housing quality standards violations on the applicable inspection reports that we provided to the Authority and HUD.

The Authority should not have made housing assistance payments on the 61 units due to the preexisting violations. The table in appendix D of this report lists the 61 units, the period after the Authority's previous inspection (beginning after 21 days from the time of the failure) that the unit did not meet HUD's housing quality standards, and \$92,916 in housing assistance payments that should not have been paid by the Authority. In addition, the Authority should not be entitled to the associated administrative fees of \$8,054.

Causes for Violations

Unit violations were not properly identified by the Authority's inspectors because the Authority lacked written procedures for supervising and overseeing the performance of program inspections. The Authority was performing quality control inspections, but only one of its three field offices (Arlington Heights) was documenting the results of the quality control inspection log for the purpose of discussing violations with the original inspector. The other two field offices (Evanston and Harvey) lacked documentation (quality control inspection log) showing evidence of feedback provided to inspectors who missed violations. The Authority needs to establish effective procedures and controls to ensure that all field offices document the quality control inspections so that any misinterpretation or oversight of housing quality standards by the inspectors is corrected.

While observing the Authority's inspections during the audit survey, we noted that the Authority's annual inspections did not always include examinations of the mechanical, plumbing, heating, and electrical systems and structure and roofing of the units. For example, an Evanston field office inspector concluded her inspection after inspecting only the interior of the unit. The inspector made no attempt to inspect the furnace, water heater, and electrical box that were located in the basement and required access from the outside of the unit. This inspector also failed to inspect the furnace, water heater, and electrical box in other units observed. During our observation of the Authority's Harvey field office inspectors, we were informed that for multifamily buildings, items such as the furnace and water heater not in the individual units were only inspected before a tenant moved in.

The Authority's three field offices were not consistent in their application and interpretation of housing quality standards, which resulted in missed violations. For example, the Authority's Arlington Heights and Harvey field office inspectors had outlet testers, but the Evanston field office inspectors did not. The Arlington Heights field office inspector was the only one that we observed inspecting the exterior of units. Also, the Arlington Heights field office inspector was the only one observed asking questions of each tenant related to housing quality standards.

Conclusion

The Authority's tenants were subjected to health and safety-related violations resulting in program units that failed HUD's housing quality standards. If the Authority implements adequate procedures and controls over its unit inspections to ensure compliance with HUD's housing quality standards, we estimate that \$10,095,840 in future housing assistance payments will be spent for units that are decent, safe, and sanitary. We determined this amount by multiplying 1,230 units (estimate that would be in material noncompliance with housing quality standards if appropriate actions are not taken by the Authority) times \$684 (average monthly subsidy of each housing unit). This amount was then annualized to give the total estimate of funds to be put to better use.

Recommendations

We recommend that the director of HUD's Chicago Office of Public Housing require the Authority to

- 1A. Conduct followup housing quality standards inspections on housing units that failed inspection to determine whether violations still exist and abate housing assistance payments to landlords accordingly.
- 1B. Reimburse its program \$100,970 from nonfederal funds (\$92,916 for housing assistance payments and \$8,054 in associated administrative fees) for the 61 units that contained preexisting violations not identified in the Authority's previous inspection.
- 1C. Implement adequate procedures and controls to ensure that program inspections are performed adequately and that all units meet HUD's housing quality standards. By implementing adequate procedures and controls, the Authority should help ensure that \$10,095,840 in program funds support units that are decent, safe, and in sanitary condition over the next year.

Finding 2: The Authority Needs to Enhance Its Controls over Individuals Claimed as Dependents by Program Tenants

The Authority needs to enhance its controls over individuals claimed by program households as dependents. It permitted 18 of 31,587 individuals reviewed to be claimed as program dependents by multiple households. This occurred because the Authority lacked adequate procedures and controls to review its tenant database to determine whether individuals were already claimed as dependents in another household. As a result, the Authority provided excessive housing assistance.

Dependents Claimed in Two Households

Weaknesses in the Authority's procedures and controls for reviewing program tenant information allowed 18 individuals to be claimed as dependents in multiple households. According to HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.551, the family must promptly notify the Authority if any family member no longer resides in the unit. Program dependents can only be claimed by one head of household and the head of household must be able to demonstrate that the dependent resided in the unit more than 50 percent of the time.

The Authority provided information on its active program participants and their family members/dependents as of September 7, 2005, from its Emphasis computer system, which included 31,587 individuals. Using computer-assisted auditing techniques, we searched for duplicate Social Security numbers for the program participants and family members/dependents more than six years of age. Eighteen individuals were identified as being claimed as dependents in multiple households. While the error rate was small, this problem could increase if the Authority fails to implement adequate procedures and controls to eliminate the same dependent from being claimed by multiple households.

Current Procedure for Checking Social Security Numbers

As of April 30, 2006, the Authority's Emphasis computer system has the ability to identify duplicate Social Security numbers for program heads of households but not their remaining family members/dependents. When adding additional family members/dependents to its program, the Authority's intake department uses a manual system, looking up Social Security numbers in the Emphasis computer system. If a duplicate number is found, the Authority's staff informs the renewal/adjustment department. However, this process was not efficient for reviewing the Authority's entire program database. The Authority's director of rent assistance said the Authority did not have the necessary computer software to

detect duplicate Social Security numbers for family members/dependents but hopes to have the software in the near future. The director also said that sometimes there is a temporary overlap in dependents when one household loses a dependent and requests an interim rental certification and another household adds the same dependent.

The following table shows the 14 households (18 individuals) that inappropriately claimed dependents and the amount of excessive housing assistance, utility allowance, and/or utility reimbursement. It also includes one household that paid too much in rent since the household improperly claimed a dependent and the dependent had Social Security income.

Household number	Excessive housing assistance	Excessive utility allowance	Excessive utility reimbursement	Total
013061	\$2,952	\$1,872	\$2,304	\$7,128
009398	168	0	0	168
029785	48	0	0	48
032012	60	10	0	70
014028	2,450	195	0	2,645
030427	600	295	395	1,290
014778	5,010	506	1,298	6,814
051838	192	0	0	192
051274	80	0	16	96
702313	84	0	0	84
027314	(1,140)	0	(760)	(1,900)
029799	0	0	72	72
013065	24	0	0	24
051823	1,827	154	0	1,981
028232	1,112	176	248	1,536
Totals	<u>\$13,467</u>	<u>\$3,208</u>	<u>\$3,573</u>	<u>\$20,248</u>

The utility allowance is calculated for each household based on the Authority's schedule of average utility consumption by program unit size. The utility reimbursement represents the housing assistance payment exceeding the landlord's rent that the Authority sends to the head of household or utility company.

Conclusion

For the tenant files in which the duplicate dependents were found, the head of household was either the dependent's mother, grandmother, or an individual who obtained custody through a court. The Authority's Section 8 staff allowed dependents to be claimed by a parent at the same time other individuals obtained custody through the courts. This occurred because the Authority's staff did not search the database of active program tenants for duplicate Social Security numbers. As a result, the Authority provided \$22,148 in excessive housing assistance to 14 households.

Recommendations

We recommend that the director of HUD's Chicago Office of Public Housing require the Authority to

- 2A. Reimburse its program \$22,148 from nonfederal funds for the housing assistance improperly provided to the 14 households cited in this finding.
- 2B. Implement adequate procedures and controls to ensure program dependent allowances meet HUD's regulations.

Finding 3: The Authority's Rent Reasonableness Process Was Inadequate

The Authority's rent reasonableness was inadequate. The Authority did not always determine the reasonableness of program rents before housing assistance payment contracts were approved and lacked documentation to support when its rent reasonableness database was last updated. These problems occurred because the Authority lacked adequate procedures and controls over its rent reasonableness process. As a result, HUD and the Authority lacked assurance the contract rents were reasonable.

The Authority Did Not Verify the Reasonableness of Rents

Contrary to HUD's regulations, the Authority did not always verify the reasonableness of program rents before renewing housing assistance payment contracts. Of the 20 randomly selected tenant files that had their housing assistance payment contracts renewed between April 2004 and August 2005, 11 were not verified for rent reasonableness before contract renewals (five had no evidence of rent reasonableness verifications). We reviewed the Authority's documentation that showed the 11 contract rents were reasonable.

According to 24 CFR [*Code of Federal Regulations*] 982.507, the Authority may not approve a lease until it determines that the initial program rent is reasonable. Further, HUD's Housing Choice Voucher Guidebook 7420.10, chapter 9, requires housing authorities to ensure that rents charged by owners to program participants are reasonable. Since the Authority did not verify the reasonableness of rents in every case, the Authority and HUD lacked assurance that paid rents were reasonable.

The Authority Did Not Document Database Updates

The Authority did not have written procedures explaining how often and what methods were to be used for updating comparable rents in its rent reasonableness database. In addition, the Authority lacked documentation to support when comparable rents were collected and loaded into its database.

According to chapter 9 of HUD's Housing Choice Voucher Guidebook 7420.10, there should be written guidance describing how the database will be maintained and how rent reasonableness determinations will be made and documented. Chapter 9 also requires housing authorities to document the date of the rent reasonableness data collection so users know how old the data are when using or updating the data. Since the Authority did not document when and how the rent

reasonableness database was updated, it could not ensure that all rents used to determine rent reasonableness reflected current rents in the marketplace.

Recommendation

We recommend that the director of HUD's Chicago Office of Public Housing require the Authority to

- 3A. Implement adequate procedures and controls over its rent reasonableness process to include, but not limited to verifying the reasonableness of rents before executing housing assistance payment contracts with owners and maintaining documentation to support the quality and timeliness of its rent reasonableness database.

SCOPE AND METHODOLOGY

To accomplish our objective, we reviewed:

- Applicable laws; regulations; and the Authority's Section 8 administrative plan effective May 2000, and its operations manual; and HUD program requirements at 24 CFR [*Code of Federal Regulations*] Parts 5, 35, 960, 982, and 984; HUD Public and Indian Housing Notice 2005-9; and HUD's Housing Choice Voucher Guidebook 7420.10.
- The Authority's accounting records, annual audited financial statements for the periods ending March 31, 2004 and 2005, general ledgers, bank statements and cancelled checks for April 2004 through August 2005, tenant files, policies and procedures, board meeting minutes for April 2004 through August 2005, organizational chart, and Section 8 annual contributions contract with HUD.
- Downloaded tenant data for the Authority's program as of September 7, 2005.
- HUD's reports and files relating to the Authority.

We also interviewed the Authority's employees, HUD staff, and program tenants.

We statistically selected 83 of the Authority's program units to inspect, using the U.S. Army Audit Agency's Statistical Sampling software from the Authority's 3,325 units that passed its inspection conducted from July through September 2005. The 83 units were selected to determine whether the Authority ensured its program units met HUD's housing quality standards. Our sampling criteria used a 90 percent confidence level, 50 percent estimated error rate, and a precision of plus or minus 9 percent.

Our sampling results determined that 38 of 83 units (46 percent) materially failed HUD's housing quality standards. This was within our 50 percent estimated error rate; thus we did not need to adjust our sample size. Materially failed units were those units with health and safety issues that preceded the Authority's previous inspection.

The Authority's August through October 2005 housing assistance payments registers showed that the average monthly housing assistance payment was \$684. Using the lower limit of the estimate of the number of units and the average housing assistance payment, we estimated that the Authority will annually spend \$10,095,840 (1,230 units times \$684 average payment times 12 months) for units that are in material noncompliance with HUD's housing quality standards. This estimate is presented solely to demonstrate the annual amount of program funds that could be put to better use on decent, safe, and sanitary housing if the Authority implements our recommendation. While these benefits would recur indefinitely, we were conservative in our approach and only included the initial year in our estimate. We also considered that (1) the Authority did not identify many of the preexisting violations during its most recent inspections, (2) the units would not be rescheduled for another inspection for another year under normal

circumstances, and (3) it would take the Authority at least a year to complete all inspections under an improved inspection process.

Using our lower precision limit, we projected this error rate to the population of 3,325 units inspected and passed by the Authority over a three-month period. We estimated that the Authority spent \$10,095,840 in housing assistance payments for 1,230 units that materially failed housing quality standards, computed as 1,230 units times the average annual housing assistance payment of \$8,208.

We performed our onsite audit work from September 2005 to March 2006 at the Authority's former office located at 310 South Michigan, Chicago, Illinois. The audit covered the period April 1, 2004, through August 31, 2005. This period was expanded as necessary to accomplish our objective.

We performed our audit 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,
- 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 objective:

- 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.

We assessed the relevant controls identified above.

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 Weakness

Based on our review, we believe the following item is a significant weakness:

- The Authority failed to exercise proper supervision and oversight of its program unit inspections (see finding 1).

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/
1B	\$100,970	
1C		<u>\$10,095,840</u>
2A	<u>22,148</u>	
Totals	<u>\$123,118</u>	<u>\$10,095,840</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 policies or regulations.
- 2/ “Funds to be put to better use” are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. This includes reductions in outlays, deobligation of funds, withdrawal of interest subsidy costs, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings which are specifically identified. In this instance, if the Authority implements our recommendation, it will cease to incur program costs for units that are not “decent, safe, and sanitary,” and, instead will expend those funds for units that meet HUD’s standards. Once the Authority successfully improves its controls, this will be a recurring benefit. Our estimate reflects only the initial year of these recurring benefits.

Appendix B

AUDITEE COMMENTS AND OIG's EVALUATION

Ref to OIG Evaluation

Auditee Comments



**HOUSING AUTHORITY
OF THE COUNTY OF COOK**
175 W. Jackson Blvd., Suite 350 • Chicago, IL 60604-3042 Fax: (312) 939-4727

June 14, 2006

Thomas Towers
Assistant Regional Inspector General for Audit
United States Department of HUD
Office of the Inspector General
477 Michigan Avenue – Rm. 1780
Detroit, MI 48226-2592

RECEIVED
2006 JUN 15 PM 2:07
HUD - OIG
OFFICE OF AIG
CHICAGO, ILLINOIS


Re: Draft Audit Response

Dear Mr. Towers:

Thank you for the opportunity to provide input into your draft audit report. The Housing Authority of the County of Cook reviewed your findings in detail and it disagrees with your findings related to Housing Quality Standards (HQS) Inspections and Dependents Claimed in Two (2) Households. We agree that the HACC erred by not indicating the dates on some comparability surveys conducted as part of its Rent Reasonableness Program.

HQS VIOLATIONS: The HACC substantially disagrees with your findings on the Authority's HQS Program and because of the complexity of this item, would like to meet with you to discuss this item. The HACC takes seriously its responsibility to provide decent, safe and sanitary housing seriously and is committed to administering a HQS inspection program that complies with HUD regulations, notices, training manuals, handbooks, coaching aids, guidebooks and inspection forms. Our management and inspection staff are trained, tested and certified to perform unit inspections under established HUD guidelines.

Unfortunately, it appears that HUD housing inspection guidelines, upon which the HQS Inspection Program is based, were not used to audit the inspections performed by the HACC. The form itself was not used correctly to document whether an item specifically passed or failed the HQS criteria that HUD established for the item. As a result of not using the form properly and other issues, the OIG appraiser counted numerous individual "violations" more than once. For an example, lead based paint is correctly listed as a "fail" item and another check is placed in the "fail"



Serving the Cook County suburbs since 1946

Comment 1

Comment 2

column if the affected area is 10% or greater. Defective paint may also be incorrectly recorded as a wall or window condition and then the same condition as a lead paint issue. As a result, the same fail condition appears to be two (2) violations when it is only one. Another example is a door (either interior or exterior) that contains a deadbolt lock. It is listed incorrectly as a "security" violation and then listed again incorrectly as a "fire exit" violation. Deadbolt locks may violate the building/housing codes in some communities but they do not constitute HQS violations, and HUD states in its handbook that the "type of lock" is frequently identified **incorrectly** as an HQS violation, as is the case here.

Specifically, the HUD "Housing Inspection Manual" and the form HUD 52580, upon which the HQS program is based were either not used or were not used according to the HUD instruction. Used correctly, the OIG appraiser would not have determined that a violation of the HQS existed. For example, your reports specifically cite "blocked fire exits, locks on bedroom doors and the use of unacceptable double-keyed deadbolt locks" as examples of the "51 security deficiencies identified in 31 of the Authority's units inspected." None of these items are "security" deficiencies according to HUD's written resource material and none of these items are HQS violations (a keyed lock on a bedroom door is not a blocked fire exit per HQS regulations). Only the refrigerator that is identified as blocking an exit is a "blocked fire exit" per the HQS. HUD's Housing Inspection Manual, 1.4, Security, page 62 reads as follows: *"All windows and doors that are accessible from the outside are lockable. Accessible to outside means that doors that open to the outside or to a common public hall, windows with sills less than 6 feet off the ground, windows or doors leading onto a fire escape, porch or other outside place that can be reached from the ground."*

According to your audit report and the HQS "violations" reports provided to the Authority, the OIG appraiser used this section to cite the Authority's program for "blocked fire exits" which is an HQS violation but not a security violation, deadbolt locks on bedrooms which is not an HQS violation at all (also note that a bedroom door is an interior and not exterior door), and "double-keyed deadbolt locks" which is not an HQS violation at all. The HUD Handbook 7420.7, Chapter 5, paragraph 4 (b), page 137 makes it clear that the only restriction HUD has on locks is that a chain lock must be accompanied by another properly working lock and a bolt lock is adequate only when there is another door which can be locked from outside the unit. Paragraph (c) of the same section states that except for these requirements, tenants may determine the acceptability of the types of locks provided on doors. In addition, Chapter 5 of this same handbook, paragraph 5-13 c. (2) the "Type of locks, except as discussed in paragraph 5-4b (3) (b)" which is stated above, is an item **incorrectly** identified as a HQS violation.

Of the 381 violations your office states it found, we were able to confirm approximately 138 actual HQS violations. Overall, entire categories of "violations" that your office cited are actually not HQS violations according to written HUD material. Please keep in mind that HUD states repeatedly that the HQS is not the same as local building and housing codes, it is different, less stringent and is intended to be different and less stringent. You state that the purpose of the OIG HQS audit was to determine whether the HACC complied with HQS regulations. Some other examples of violations cited by the OIG appraiser, which may be violations of local building or housing codes but are not HQS violations, are given below:

Comment 3

1. OPEN GROUNDS AND REVERSED HOT AND NEUTRAL CONNECTIONS:

According to the HUD resource material attached, every violation cited in this category is incorrectly cited.

2. GLOBES ARE NOT REQUIRED BY THE HQS AND EXPOSED INSULATED WIRING DOES NOT VIOLATE THE HQS.

According to the HUD resource material attached, every violations cited in this category is incorrectly cited.

3. GROUND FAULT CURRENT INTERRUPTERS (GFCIs) ARE NOT REQUIRED BY THE HQS.

According to the HUD resource material attached, every violation cited in this category is cited incorrectly.

4. PERSONAL PROPERTY OWNED BY THE TENANT THAT IS NOT A PART OF THE UNIT DOES NOT VIOLATE THE HQS.

According to the attached resource material from HUD, tenant owned cable that may represent a tripping hazard, should pass with comment. It is not a fail item. A tenant owned window air conditioner and/or "clap on" light fixture that do not work are not HQS fail items.

A complete rebuttal is attached.

It is important to note that the HACC sent a "Notice of Violation" to the owners of the units inspected by the OIG and advised the owners of every violation identified by the OIG, regardless of whether they are actually HQS violations. As you know, the sanctions that are described in the HAP contract for violations of the HQS cannot be enforced when an HQS violation does not exist. Nonetheless, the HACC has used its persuasive powers to obtain compliance from the property owners. We have achieved approximately 90% compliance. We are negotiating dead bolt locks issues with persons who believe the locks will best provide for their security interest and are working to re-inspect units that were "no shows." We anticipate near 100% compliance with the non-HQS items the OIG has requested be corrected. Of course, all HQS items will be corrected.

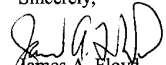
Comment 4

DUPLICATED DEPENDENTS: The HACC has procedures to prevent household members from being claimed by more than one (1) household. Our CCS tenant database is programmed to prevent HACC staff from entering a duplicate social security number for any head-of-household. However, the social security numbers for other household members have to be manually checked against the database whenever a new household member is entered into the system. This system has produced near perfect results. However, the OIG audit found fourteen (14) out of 31,587 household members that were counted two (2) households. Although our procedure was proven

to produce near perfect results, the HACC has created a computer program that will scan the database once a month and identify any possible duplicate household members. Going forward, this should not be a problem.

It is noted for the record that the HACC reviewed the OIG chart and do not agree fully with the economic impact identified by the OIG. A corrected chart is provided in this letter. Three (3) out of the fourteen (14) households complied with the HACC policy to report a change in family composition and were changed at their renewal. In all cases your chart incorrectly computed the fiscal impact. The tenant's utility allowance is considered when computing the HAP payment and it therefore considered twice on your chart. There was at least one (1) instance when a different household than the household identified by the OIG had incorrectly claimed a dependent. For the record, it is never appropriate to reimburse a household that has provided false income information and certified the information to be correct, and the false information results in an overpayment on the part of the household. The responsibility to provide accurate information rests with the subsidized household. Finally, whenever a household claims a dependent to which it is not entitled it will decrease its rent share by \$12 a year.

Sincerely,


James A. Floyd
Executive Director

cc Terry Corcoran, Sandra Sharp, Elzie Higginbottom, Elmore Richardson

HOUSING AUTHORITY OF THE COUNTY OF COOK

Response to OIG Draft Audit Findings

FINDING 1 – HOUSING QUALITY STANDARDS (HQS) NOT ADEQUATELY ENFORCED: The Housing Authority of the County of Cook (HACC) does not agree with the OIG finding that it did not adequately enforce the HQS. The HACC inspects every housing unit in its program prior to initial occupancy and does not approve any unit for occupancy that does not comply with the HQS. Thereafter, the HACC inspects all of its units at least annually and it conducts special and quality control inspections as required by HUD regulations. The HACC inspection staff is trained, tested and certified to perform HQS inspections and the management team who supervise the HQS inspection process is similarly trained, tested and certified.

The HACC developed its HQS Inspection Program using the requirements set forth in HUD regulations, notices, training manuals, handbooks, coaching aids, inspection forms and guidebooks. The primary sources upon which the HACC inspection program is based are listed below:

- A. U.S. Department of Housing and Urban Development, Office of Housing, *“HOUSING INSPECTION MANUAL, Section 8 Existing Housing Program.”*
- B. Chapter 5 of HUD’s *“Public Housing Agency Administrative Practices Handbook for the Section 8 Existing Housing Program, 7420.7.”*
- C. *“Section 8 Existing Regulations, Section 882.109, 882.210 and 882.211.”*
- D. *“Inspection Checklist Form Number HUD 52580 and 52580-A.”*
- E. *“Housing Quality Standards, Question & Answer Coaching Tool”*
www.hud.gov/local/shared/working/r10/ph/hqs.cfm?STATE=ID
- F. “Housing Choice Voucher Guidebook, 7420.10G.”

HUD requires PHAs to use the standards listed above. The above sources set forth HQS requirements, often with specificity (including the provision of drawings, diagrams and photos). A PHA cannot vary from these standards without written approval for a variation from HUD. HUD will not grant a variation if it determines the higher standard will adversely affect the availability of acceptable housing to program participants.

HACC REBUTTAL TO FINDING 1

- I. **OIG USED NEW CONSTRUCTION CODES:** The HUD HQS inspection method is different than HUD Payout Inspection requirements for housing units that are newly constructed or rehabilitated. The Housing Choice Voucher (HCV) Program subsidizes existing housing units and the HUD inspection standards are different than the HUD inspection standards that were used by HUD personnel in the former HUD Section

Comment 5

Comment 6

8 New Construction and Substantial Rehab program. The HQS are specifically targeted to meet HUD's national goals for housing quality in the HCV Program. According to the HUD Manual, HUD's objective is "to increase the supply of standard housing in the lower income market,"(HUD Housing Inspection Manual – Section 8 Existing Housing Program: #2. Overview of the Housing Quality Standards – Other Considerations, page 8, paragraph 1.)

2. **Based upon the findings, it appears that a background in performing payout inspections for newly constructed and rehabilitated housing units, and professional training and experience as an architect and engineer were inputs into the decision making process.** HUD's 'Housing Inspection Manual' warns and cautions HQS inspectors with regard to having backgrounds in other types of housing inspection, as follows:

"As a final note to those who are familiar with other types of housing inspection, the HUD Housing Quality Standards will appear less stringent than building codes (that apply to new construction) and less stringent than many local housing codes. There is a reason for this. The HUD standards have been set at a level high enough to guarantee that housing that passes is decent, safe and sanitary. The level is not so high as to make large numbers of habitable units unavailable to program participants. The inspector must keep this in mind in enforcing the standards and be careful to apply accurately each standard as it is described on the checklist and in this Manual."

3. **The HQS are not the same as local code standards and are intended to be not as stringent.**

Training, page 23, top paragraph

"However, it is important to keep in mind that the HUD Housing Quality Standards are not meant to be the same as local codes. If the inspector is consulting a local code, he or she must be careful not to apply an overly stringent requirement that may be designed primarily for new construction."

4. **Electrical Violations**

- A. **Open Ground:** The OIG cited violations related to conditions such as open grounds. However, the HQS standard is whether electric current is flowing to the outlet and not whether the outlet is wired correctly. The HQS makes it clear that tools are not required to inspect the checklist items. An open ground cannot be determined by observation but observation is generally all that is required in performing an HQS inspection. In its Housing Inspection Manual, HUD identifies the tools that may be useful to an inspector but stresses that tools are not necessary to evaluate the checklist items in units that are not vacant, (see attached).

Comment 7

- B. **The HQS does not require Ground Fault Current Interrupters in Kitchens or Bathrooms.** HUD publishes a Q&A coaching aid on its website. A participant at a HUD training session asks whether ground fault current interrupters are required in the kitchen and bathroom within certain distances from water and HUD responds that “GFCIs are not required by the HQS,” (see attached).
- C. **If there are more than 2 outlets in a room but at least 2 are working as required by the HQS, the HACC cannot fail the item but must pass it with comment. The HACC cannot require owners to make improvements beyond those required by the HQS,** (see attached HUD response.) The OIG incorrectly cited the HACC for problems with outlets in excess of the number of outlets required by the HQS.
- D. **Exposed INSULATED wires are not considered a safety hazard under the HQS, only uninsulated wires or insulated wires that are frayed, worn or damaged are deemed a hazard,** (see attached). The OIG incorrectly cited the HACC for exposed, insulated wires.
- E. **Globes are not required by the HQS,** (see attached). If a light fixture is firmly in place but it has exposed insulated wiring showing it does not violate the HQS. The OIG incorrectly cited the HACC for violations related to secure light fixtures that were firmly in place but had exposed, insulated wiring.
- F. **A non-working window air conditioning unit, which is owned by the tenant, is not an HQS violation. A window air conditioning unit is personal property and not part of the rental unit. In addition, air conditioning is not required at anytime of the year in the climate region that includes the State of Illinois,** The OIG incorrectly cited the HACC for a tenant’s window air conditioning unit that was not working.
- G. **Junction boxes that have unlocked covers and contain insulated wires that are not worn, frayed or damaged do not violate the HQS. THE HACC RESPECTFULLY REQUESTS THAT THE OIG PROVIDE THE REGULATORY BASIS FOR REQUIRING THAT SUCH JUNCTION BOXES BE SECURED.** The HQS does not require that junction boxes be secured.
- H. **Junction Boxes that contain insulated low voltage wires (such as bell wires) are not a hazard under the HQS,** (see attached). The OIG incorrectly cited the HACC for exposed uninsulated low voltage bell wires. The HUD *Housing Inspection Manual* states that PHAs do not have to concern themselves with low voltage wires during an inspection.
- I. **A broken “clap-on” light fixture that is owned by the tenant and not part of the rental unit is not a violation of the HQS.** The OIG incorrectly cited the HACC for a broken “clap-on” light fixture, owned by the tenant.

Comment 8

5. Security/Window Violations Rebuttal

- A. **Dead bolt locks are not a security violation under the HQS.** HUD standards only require that for exterior doors a chain lock must be accompanied by another properly working lock and a bolt lock is adequate only when there is another door which can be locked from outside the unit. The “type of lock” is on a list of 11 categories of items that HUD reports are cited incorrectly as HQS violations, (see attached).
- B. **The HQS does not have any restrictions nor requirements for locks, (including the type, absence of or the presence of locks) on interior doors, (see attached citing for door locks which is also given above).** Per the HUD handbook, the tenant may determine the acceptability of the types of locks on windows and doors. The OIG incorrectly cited the HACC for having locks and/or for having certain types of locks on interior doors, such as bedrooms and bathrooms. Tenants can choose to place locks on bedroom doors.
- C. **A broken window lock does not violate the HQS, if the window sill is six (6) feet or more off the ground, (see attached).** The OIG incorrectly cited the HACC for missing/broken window locks when the window sill was 6 feet or more off the ground.
- D. **Cracked window glass does not violate the HQS, unless the glass is a safety hazard or causes drafts,** (see attached). Cracked window glass is on the HUD list of eleven (11) categories of items that are incorrectly identified as HQS violations.
- E. **Defective/missing doorknobs on bedroom and closet doors do not violate the HQS,** (see attached).

6. Floors/Interior Walls Rebuttal

- A. **Worn carpeting or other worn floor covering does not violate the HQS,** (see attached). According to HUD, this is another item listed with 11 categories of items that are incorrectly cited as HQS violations. The OIG incorrectly cited the HACC for worn carpeting and other floor coverings. The carpeting must constitute a tripping hazard for it to be an HQS violation.
- B. **Soiled carpeting is not an HQS violation,** (see attached). The OIG incorrectly cited the HACC for soiled carpeting.
- C. **Mold:** Unlike lead based paint, HUD has not established any HQS requirements for mold. There is a lot of discussion on the issue with some believing that no amounts of mold in a shower stall is tolerable to those who believe that there must be significant amounts of mold before a health hazard exists. Currently, mold is a

judgment issue with small amounts of mold being tolerated. HUD advises agencies to fail substantial amounts of mold, (see attached).

The OIG inspector took the position that no amount of mold is tolerable in any area without any basis in HQS regulations. However, currently mold is an ongoing training issue with it being left up to agency judgment whether or not to tolerate any amount of mole. The OIG does not have any basis in the HQS regulations for citing the HACC for tolerating small amounts of mold.

7. Plumbing/Bathroom/Kitchen Rebuttal

- A. **Minor water leaks (except from toilet tanks) do not violate the HQS,** (see attached). The OIG incorrectly cited the HACC for minor water leaks.
- B. **Damaged faucet handles are not HQS violations,** (see attached).
- C. **Second bathrooms are not required to meet HQS standard for bathrooms if there is one bathroom that fully meets standards.** The OIG incorrectly cited a half bath for an inoperative exhaust fan.
- D. **Broken kitchen cabinet doors/drawers do not violate the HQS.** The OIG incorrectly cited the HACC for conditions that do not violate the HQS.

8. Common Hallways Rebuttal

- A. **The HQS does not require smoke detectors in common hallways.**
- B. **Junction boxes in common basement utility areas that have exposed, insulated wires are not required to be secured by the HQS.**
- C. **Handrails are required if there are 4 or more risers. If a stair system has a handrail covering all but 2 stairs the HQS does not require the handrail be extended to the 2 stairs.**

OIG Evaluation of Auditee Comments

- Comment 1** Our appraiser did not count individual violations twice. For example, if a paint violation is listed under wall, ceiling, window, or door, the violation would still have to be listed under lead-based paint if it met the criteria—that is, built before 1978 and occupied by a child under the age of six.
- Comment 2** Chapter 10 of the Housing Choice Voucher Program Guidebook,” Housing Quality Standards,” page 10-2, states that not all areas of housing quality standards are exactly defined. While acceptability criteria specifically state the minimum standards necessary to meet housing quality standards, inspector judgment or tenant preference may also need to be considered in determining whether a unit meets minimum standards. Our appraiser did not cite exterior doors for having deadbolt locks. Rather, the appraiser considered it a security violation if the exterior door had an inside keyed lock since it must be accessible to the outside per form HUD-52580-A, and serve as a primary fire exit. Our appraiser also cited as a security violation bedrooms that had keyed deadbolt locks and also served as secondary fire exits. The appraiser did not cite as a violation a keyed lock on a bedroom door if it was not needed as an alternate exit.
- Comment 3** We agree that ground fault circuit interrupters are not required by HUD’s housing quality standards. However, if ground fault current interrupters are present in a unit, our appraiser determined if they were working properly. An improperly grounded outlet poses a potentially hazardous condition. Regarding reversed hot and neutral connections, our appraiser did not fail these items, but rather annotated them as pass with comment. Globes were not cited as violations unless the light was hanging by a wire without adequate support or there were exposed wires which pose a potential electrical hazard. We eliminated any other violations that only include a missing globe. Regarding tenant-owned items, housing quality standards do not distinguish between items belonging to a landlord or tenant, so if a violation existed, our appraiser appropriately cited it.
- Comment 4** The Authority had adequate controls over heads of households in terms of checking for duplicate Social Security numbers, but lacked similar controls over their dependents. Although the margin of error was very small—only 18 dependents were found to be claimed by more than one household—the condition still warrants corrective action by the Authority to prevent it from getting any worse. The Authority recognized the risk that its data contained duplicate Social Security numbers by initiating steps to identify the duplicates through the use of a computer matching technique. The Authority’s implementation of this control should eliminate or significantly reduce the risk of dependents being claimed by more than one household.

OIG Evaluation of Auditee Comments

The Authority provided a spreadsheet of its calculation of \$11,520 in total housing assistance overpayments as a result of the duplicate dependent claims. This differed from our total calculation of \$22,148 in overpayments. Our audit scope was April 1, 2004, through August 31, 2005, whereas the Authority went back as much as five years for its calculation. In addition, the Authority only counted an annual overpayment of \$12 for eight of the tenants reviewed since its policy provides that a household claiming a dependent for which they are not entitled must forfeit \$12 in housing assistance per year. Our methodology quantified the total impact on the housing assistance payments for our audit scope.

Regarding the three households who complied with the policy on family composition at the time of their renewal, we still counted them since they were not in compliance during the scope of our audit. In addition, utility allowances claimed were not duplicative. The excessive utility allowances and reimbursements were in addition to the excessive housing assistance payments made. We furnished supporting schedules to the Authority. We agree with the Authority that the household who erroneously claimed a dependent should not be entitled to reimbursement from the Authority, regardless of whether that dependent's income caused them to pay more in rent. Therefore, we eliminated the recommendation to reimburse the household from this audit report.

Comment 5

The Authority cited references that have since been rescinded or were not applicable. HUD Handbook 7420.7, "HUD's Public Housing Agency Administrative Practices Handbook for the Section 8 Existing Housing Program", was rescinded on November 29, 2001. In addition, the housing quality standards that the Authority referred to at 24 CFR [*Code of Federal Regulations*] 882.109, 882.210, and 882.211 are not applicable to the Section 8 Housing Choice Voucher program. The applicable regulations are at 24 CFR [*Code of Federal Regulations*] 982.401.

Comment 6

As a guideline for conducting the unit inspections, our appraiser followed 24 CFR [*Code of Federal Regulations*] 982.401 on housing quality standards and explanations found on form HUD -52580-A, "Inspection Form, Housing Choice Voucher Program." Although our appraiser has extensive experience, he did not use Section 8 new construction and substantial rehab program standards as suggested by the Authority. Nothing cited by our appraiser should impact the supply of housing to low and moderate income households. The Authority's program administrative plan recognizes local code requirements when brought to the Authority's attention by a local municipality. As a result, we instructed our appraiser not to inspect in accordance with local code requirements since we determined that only housing quality standards would be used as the minimum standards for our audit.

OIG Evaluation of Auditee Comments

Comment 7

HUD's Housing Choice Voucher Program Guidebook was written to advise public housing authorities regarding the administration of tenant-based subsidy programs (for example, the Section 8 program). It discusses program requirements in detail, and provides helpful operating practices. Chapter 10 addresses housing quality standards, and page 10-8 discusses illumination and electricity. Specifically, it states that authorities must be satisfied that the electrical system is free of hazardous conditions, including: exposed, uninsulated, or frayed wires, improper connections, improper insulation or grounding of any component of the system, overloading of capacity, or wires lying in or located near standing water or other unsafe places. Other unacceptable conditions include hanging light fixtures or outlets from electric wiring, missing cover plates on switches and outlets, badly cracked outlets or cover plates, exposed fuse box connections, and overloaded circuits.

One way to test for potential electrical hazards is through the use of a circuit tester. During our observations of the Authority's inspectors, we noticed that some inspectors were using circuit testers to test if outlets were working properly.

Our appraiser cited unlocked junction boxes as a violation if exposed wires were present. For the violations noted, we provided photos to HUD and the Authority to support the cited violations.

HUD's Housing Choice Voucher Program Guidebook also addresses stairs without a handrail. On page 10-10, it states that handrails are required when four or more steps (risers) are present, and protective railings are required when porches, balconies, and stoops are thirty inches off the ground. The violations cited by our appraiser for units assigned to household numbers 52287, 50711, 14195, and 43816 were consistent with this criteria.

Comment 8

We agree that worn carpeting or other worn floor covering does not violate the housing quality standards as the Authority pointed out in its response. This is consistent with Section 1.8 of form HUD-52580-A. We adjusted our report to eliminate this previously cited violation.

Regarding mold, we disagree with the Authority's position, but understand that HUD has not specifically addressed this problem. Because of the potential health hazards of mold, and without knowing those hazards absent any testing, our appraiser cited conditions that showed a moderate to high instance of mold.

OIG Evaluation of Auditee Comments

We agree with the Authority's position that minor water leaks do not violate the housing quality standards, in accordance with section 3.11 and 3.12 of form HUD-52580-A. However, in the instance cited in our inspection report, the condition represented broken faucet controls which resulted in water flowing from the faucet that exceeded a "dripping faucet."

Regarding second bathrooms, our appraiser would normally only be looking for security and electrical conditions, as long as the primary bathroom met all the requirements of section 3 on form HUD-52580-A.

We agree with the Authority's position on broken kitchen cabinet doors and drawers not violating housing quality standards when it is minor and does not pose any risk to the occupant. In our example, there was a missing drawer and the damage was considered more than a minor defect.

We agree with the Authority that smoke detectors are not required in common hallways, per housing quality standards. We did not include this as a violation in our report.

We do not agree with the Authority's position regarding exposed, insulated wires in junction boxes. In HUD's Housing Choice Voucher Program Guidebook, Chapter 10, it states that exposed fuse box connections are unacceptable.

Appendix C

CRITERIA

Finding 1

HUD's regulations 24 CFR [*Code of Federal Regulations*] 982.152(d) state that HUD may reduce or offset any administrative fee to the Authority, in the amount determined by HUD, if the Authority fails to perform its administrative responsibilities correctly or adequately under the program, such as not enforcing HUD's housing quality standards.

HUD's regulations 24 CFR [*Code of Federal Regulations*] 982.401(a)(3) state all program housing must meet the housing quality standards performance requirements both at commencement of assisted occupancy and throughout the assisted tenancy.

HUD's regulations 24 CFR [*Code of Federal Regulations*] 982.404 require owners of program units to maintain the units in accordance with HUD's housing quality standards. If the owner fails to maintain the dwelling unit in accordance with HUD's housing quality standards, the Authority must take prompt and vigorous action to enforce the owner's obligations. The Authority's remedies for such breach of the housing quality standards include termination, suspension, or reduction of housing assistance payments and termination of the housing assistance payment contract. The Authority must not make any housing assistance payments for a dwelling unit that fails to meet the housing quality standards, unless the owner corrects the defect within the period specified by the Authority and the Authority verifies the correction. If a defect is life threatening, the owner must correct the defect within 24 hours. For other defects, the owner must correct them within 30 calendar days.

HUD's regulations 24 CFR [*Code of Federal Regulations*] 982.405 state the Authority must inspect the unit leased to a family before the initial term of the lease, at least annually during assisted occupancy, and at other times as needed to determine whether the unit meets the housing quality standards. The Authority must conduct supervisory quality control housing quality standards inspections.

HUD's Housing Choice Voucher Program Guidebook 7420.10, chapter 10, pages 10 through 33, states that quality control inspections provide feedback on inspectors' work, which can be used to determine whether individual performance or general housing quality standards training issues need to be addressed. The Authority should maintain a quality control tracking system for each program year, which indicates the address of the units; date of original inspection and inspector; date of the quality control inspection; and location of the unit by neighborhood, zip code, and census tract.

Finding 2

HUD's regulations 24 CFR [*Code of Federal Regulations*] 982.551 state that the composition of the assisted family residing in the unit must be approved by the Authority. The family must promptly inform the Authority of the birth, adoption, or court-awarded custody of a child. The family must request the Authority's approval to add any other family member as an occupant of

the unit. The family must promptly notify the Authority if any family member no longer resides in the unit.

A dependent can only be associated with one household. The household must be able to demonstrate the dependent lived at the unit for at least 51 percent of the year. Divorce custody paperwork is not a concern. A care provider on a part-time basis or a student at a second location is not considered dependents.

The dependent can be claimed by only one head of household and that head of household must be able to demonstrate the dependent was at his or her unit more than 50 percent of the time.

Finding 3

HUD's regulations 24 CFR [*Code of Federal Regulations*] 982.507 state that the Authority may not approve a lease until it determines that the initial rent is reasonable. The Authority must redetermine the reasonableness of the rent before any increase in the rent if there is a 5 percent decrease in the published fair market rent in effect 60 days before the contract anniversary or if directed by HUD. At all times during the assisted tenancy, the rent may not exceed the reasonable rent as most recently determined or redetermined by the Authority.

HUD's Housing Choice Voucher Program Guidebook 7420.10, chapter 9, page 9-7, states that by updating rent reasonableness databases periodically, the Authority may be able to avoid having to conduct a more expensive, comprehensive survey. The work involved in updating the database could be spread out with some updating each month. The Authority should always indicate in its documentation the date of the data collection so that it knows how old the data are when using or updating the data.

HUD's Housing Choice Voucher Program Guidebook 7420.10, chapter 9, page 9-11, requires the Authority to provide staff with written guidance describing how the database will be maintained and how rent reasonableness determinations will be made and documented. Clear performance standards should be set and there should be monitoring and quality control performed throughout the year with training and feedback regarding both good and inadequate performance.

Appendix D

UNITS WITH PREEXISTING VIOLATIONS

Household number	Housing assistance payment	Last unit inspection	From	To	Improper housing assistance payment	Improper administrative fee
18388	\$916	7/29/2005	9/1/2005	11/30/2005	\$2,748	\$178
	969	7/9/2005	8/1/2005	8/31/2005	969	59
	626		9/1/2005	9/30/2005	626	59
56075	483		10/1/2005	11/30/2005	966	118
	714	7/14/2005	9/1/2005	9/30/2005	714	59
14484	726		10/1/2005	11/30/2005	1,452	118
44248	456	8/1/2005	9/1/2005	11/30/2005	1,368	178
	300	7/12/2005	9/1/2005	9/30/2005	300	59
26937	306		10/1/2005	11/30/2005	612	118
14562	794	8/12/2005	10/1/2005	11/30/2005	1,588	118
	509	7/6/2005	8/1/2005	10/31/2005	1,527	178
703113	515		11/1/2005	11/30/2005	515	59
43140	900	8/1/2005	9/1/2005	11/30/2005	2,700	178
	960	7/13/2005	9/1/2005	9/30/2005	960	59
30106	979		10/1/2005	11/30/2005	1,958	118
14103	546	7/13/2005	9/1/2005	11/30/2005	1,638	178
42149	543	9/28/2005	11/1/2005	11/30/2005	543	59
14439	472	8/31/2005	10/1/2005	11/30/2005	944	118
701258	740	8/12/2005	10/1/2005	11/30/2005	1,480	118
12887	47	7/19/2005	9/1/2005	11/30/2005	141	178
52287	1020	9/6/2005	10/1/2005	11/30/2005	2,040	118
601866	614	9/14/2005	11/1/2005	11/30/2005	614	59
25264	992	9/15/2005	11/1/2005	11/30/2005	992	59
51893	789	7/13/2005	9/1/2005	11/30/2005	2,367	178
14495	529	7/25/2005	9/1/2005	11/30/2005	1,587	178
30394	687	8/18/2005	10/1/2005	11/30/2005	1,374	118
43816	818	8/8/2005	9/1/2005	11/30/2005	2,454	178
43324	928	8/24/2005	10/1/2005	11/30/2005	1,856	118
7925	727	8/3/2005	9/1/2005	11/30/2005	2,181	178
30221	562	9/23/2005	11/1/2005	11/30/2005	562	59
4420	651	9/9/2005	10/1/2005	10/31/2005	651	59
31918	103	9/15/2005	11/1/2005	11/30/2005	103	59
5365	504	9/26/2005	11/1/2005	11/30/2005	504	59
701371	409	8/31/2005	10/1/2005	11/30/2005	818	118
56149	925	8/30/2005	10/1/2005	11/30/2005	1,850	118
9178	653	8/23/2005	10/1/2005	11/30/2005	1,306	118
9023	555	9/2/2005	10/1/2005	11/30/2005	1,110	118
56123	820	7/21/2005	9/1/2005	11/30/2005	2,460	178
50617	505	9/7/2005	10/1/2005	11/30/2005	1,010	118
21555	664	9/23/2005	11/1/2005	11/30/2005	664	59
14232	658	8/30/2005	10/1/2005	11/30/2005	1,316	118
32370	486	8/1/2005	9/1/2005	11/30/2005	1,458	178

UNITS WITH PREEXISTING VIOLATIONS (continued)

Household number	Housing assistance payment	Last unit inspection	From	To	Improper housing assistance payment	Improper administrative fee
14165	\$554	8/18/2005	10/1/2005	10/31/2005	\$554	\$59
50711	920	9/29/2005	11/1/2005	11/30/2005	920	59
56205	798	9/14/2005	11/1/2005	11/30/2005	798	59
31437	716	7/12/2005	9/1/2005	10/31/2005	1,432	118
	692		11/1/2005	11/30/2005	692	59
13319	645	7/14/2005	9/1/2005	11/30/2005	1,935	178
9891	950	7/7/2005	8/1/2005	11/30/2005	3,800	237
15203	489	7/6/2005	8/1/2005	11/30/2005	1,956	237
5664	764	8/18/2005	10/1/2005	11/30/2005	1,528	118
	725	8/10/2005	9/1/2005	9/30/2005	725	59
32454	740		10/1/2005	11/30/2005	1,480	118
18698	1,186	9/14/2005	11/1/2005	11/30/2005	1,186	59
20987	969	9/19/2005	11/1/2005	11/30/2005	969	59
9602	601	8/23/2005	10/1/2005	11/30/2005	1,202	118
14027	576	9/13/2005	11/1/2005	11/30/2005	576	59
28119	684	7/9/2005	8/1/2005	11/30/2005	2,736	237
10712	603	9/8/2005	10/1/2005	11/30/2005	1,206	118
35760	802	8/30/2005	10/1/2005	11/30/2005	1,604	118
9913	476	9/13/2005	11/1/2005	11/30/2005	476	59
26042	1,116	8/11/2005	10/1/2005	11/30/2005	2,232	118
18951	776	8/29/2005	10/1/2005	11/30/2005	1,552	118
14195	1,040	8/4/2005	9/1/2005	11/30/2005	3,120	178
9940	308	7/29/2005	9/1/2005	11/30/2005	924	178
		No inspection report				
	971		8/1/2005	8/31/2005	971	59
50664	995		9/1/2005	11/30/2005	2,985	178
604967	539	7/29/2005	9/1/2005	11/30/2005	1,617	178
51691	714	7/26/2005	9/1/2005	9/30/2005	714	59
Totals					\$92,916	\$8,054