



U. S. Department of Housing and Urban Development
New York/New Jersey Office
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New York, New York 10278-0068

OFFICE OF INSPECTOR GENERAL
Office of Audit

September 25, 2000

Audit Memorandum
No. 00-NY-209-1803

TO: Carmen Valenti, Director, Office of Public Housing, 2FPH

Alexander C. Malloy

FROM: Alexander C. Malloy, District Inspector General for Audit, 2AGA

SUBJECT: Congressional Complaint
Hoboken Housing Authority
Low-Rent Housing Program
Hoboken, New Jersey

In response to a Congressional Complaint, we performed a limited review at the Hoboken Housing Authority (HHA). The review was conducted to determine the validity of complaints made regarding possible improprieties at the HHA. The complaints allege improprieties in the areas of: Admission and Occupancy; Procurements; Personnel; and Maintenance and Repairs. The specific complaints are discussed in the Summary and Results of the Review sections of this audit memorandum. The review covered the period October 1, 1997 through September 30, 1999. The review was conducted from December 7, 1999 through June 2, 2000.

To accomplish our objective we: interviewed the complainant and reviewed the documentation that was provided; met with HUD staff and reviewed the issues raised in the complaint; interviewed appropriate HHA officials; reviewed pertinent HHA files; and obtained and reviewed specific New Jersey Department of Community Affairs requirements.

Within 60 days, please furnish this office, for each recommendation cited in this memorandum a status report on: (1) the corrective action taken, (2) the proposed corrective action and the date to be completed, or (3) why action is not considered necessary. Also, please furnish us copies of any correspondence or directives issued related to this review.

If you have any questions, please contact Edgar Moore, Assistant District Inspector General for Audit at (212) 264-8000, extension 3976.

SUMMARY

We performed a limited review at the Hoboken Housing Authority (HHA) to determine the validity of complaints made regarding possible improprieties at the HHA. The issues raised in the complaint are as follows: (1) excessive vacancies and slow turnover rate; (2) over-expenditure of the amounts of the Comprehensive Grant Program (CGP) contracts (i.e. contracts amounting to \$8 million); (3) unsatisfactory renovation work in the bathrooms of units; (4) elimination of Civil Service status for HHA employees; (5) tenant leases were used for voter registration purposes; (6) requirements pertaining to waiting lists are not being adhered to; (7) HHA Executive Director and Site Managers are not certified; (8) vacant units were converted into office suites; (9) a conflict of interest exists between members of the HHA Board of Commissioners; and (10) HHA buildings are in poor physical condition.

Based on the results of our review we concluded that three of the ten complaints are valid and considered significant; therefore, the HHA should be instructed to implement the necessary corrective action to address deficiencies pertaining to those complaints, as recommended in this memorandum. The remaining seven complaints are considered invalid.

Our review disclosed that complaint Nos. 1, 3, and 10 are valid. Specifically, we concluded that the HHA needs to improve on the amount of time it takes to renovate vacant units so that the units can be leased timely. We also found that the contractor performing the bathroom renovation work was performing poorly in that units were left unfinished, which may have contributed to a pre-existing insect and rodent problem in some units. In addition, we noted that HHA resident buildings are in poor physical condition. As a result, we recommend that the HHA be instructed to develop procedures, which would ensure that: (a) the vacant unit turnaround time is reduced to HUD's standard of 30 days per unit; (b) the HHA continues to implement procedures to ensure timely and satisfactory completion of the bathroom renovation work; and (c) a workout plan is developed highlighting the procedures that will be taken to improve the physical condition of HHA buildings and units.

We found that the information in complaint Nos. 4, and 8 is factually true, however, the complaints are considered invalid because requirements and regulations were not violated. Specifically, we found that New Jersey State Statutes and New Jersey Department of Personnel regulations allow for Public Housing Agencies (PHA's) to eliminate Civil Service status for its employees. Additionally, HUD regulations allow PHA's to take some apartment units off line to be used for other housing related purposes (such as office suites).

Complaint Nos. 2, 5, 6, 7 and 9, are also considered invalid. Although there are indications that the prior HHA Administration did not properly manage the HHA's Comprehensive Grant Program (CGP) funding, we determined that the HHA did not spend over the allotted \$8 million of CGP funds, as indicated by the complainant. Additionally, we were not provided with sufficient evidence showing that: (a) HHA management provided tenant leases to outside sources for voter registration purposes; and (b) requirements pertaining to waiting lists were not adhered to. Furthermore, the HHA Executive Director is certified as a Public Housing Manager and the

HHA site managers are not required to be certified. Also, the evidence provided did not indicate that a conflict of interest exists between members of the HHA Board of Commissioners.

The results of our review were discussed with HHA officials during the course of our review and at an exit conference held on August 28, 2000 attended by:

HHA Officials

E. Troy Washington, Executive Director
Spencer Miller, Board Attorney

HUD-Office of Inspector General

Edgar Moore, Assistant District Inspector General for Audit
Karen A. Campbell, Senior Auditor
Sheila E. Murray, Financial and Program Evaluator

HHA official provided us with their written comments on the complaints we considered to be valid; they did not comment on the invalid complaints. We summarized and evaluated the HHA comments at the end of each valid complaint and included their written comments, in its entirety, as Appendix A to this memorandum.

The specific details of each complaint are discussed below in the Results Of The Review section of this memorandum.

BACKGROUND

The HHA operates 1353 units of low-income housing under Consolidated Annual Contributions Contract NY-432 and administers 308 units under its Section 8 Program, Contract NY-1288. It is governed by a seven member Board of Commissioners.

In January 1999, E. Troy Washington was appointed permanent Executive Director after serving on an interim basis since October 1998. The HHA Administration had previously been in a fluctuating state, with two different Executive Directors serving during the period of February 1997 through October 1998.

The financial and accounting records of the HHA are maintained at its administrative office, which is located at 400 Harrison Street, Hoboken, New Jersey.

RESULTS OF THE REVIEW

COMPLAINT NO. 1

The complainant alleges that there are over 50 empty units, most of which have been empty for at least 4 months. The complainant states that the renovation of a vacated apartment unit should only take 30 days .

OBSERVATION NO. 1

This complaint is considered valid. Our review disclosed that at January 31, 2000, the HHA had a total of 58 vacant units (this includes 10 units which were not listed on the Executive Directors vacancy list). Using Public Housing Management Assessment Program (PHMAP) criteria the HHA's vacancy percentage was 4.2 percent. Under PHMAP Component No.1 entitled "Vacancy Percentage and Progress in Reducing Vacancies," this score would give the HHA a ranking or grade of "B" (score between 3% and 5%). Accordingly, for a mid-sized (1000 to 1500 units) Public Housing Agency (PHA) such as the HHA, 58 vacant units are within HUD standards.

Nevertheless, our review revealed that the vacant unit turnaround rate needs improvement. We found that the number of days it took for a vacant unit at the HHA to be renovated and made ready for lease and/or to be leased to a tenant, is high. HUD's goal in turning around vacant units is 30 days; however, the HHA is turning vacant units around in 85 days. Although, this is not within HUD standards, it represents an improvement for the HHA. Under the prior HHA Administration, it took an average of 175 days to lease a vacant unit. That increased slightly to 205 days until the current HHA Administration hired an outside contractor to perform the repair work, at which point the average turnaround time decreased to 85 days. Although, this is a significant reduction in the HHA vacant unit turnaround time, more improvement is needed.

AUDITEE COMMENTS

The auditee generally agreed with Observation No. 1, in that the memorandum recognizes the steady improvement that has been made by the current HHA administration regarding the number of vacant units and the turnaround time for units to be made ready for leasing. According to the Auditee Comments, for the approximate 8-month period since January 2000 there has been only about 20 vacant units at any given time and the turnaround time has been reduced to an average of 45 days during that time period. The Auditee Comments state that it is true that the HUD goal of a 30 day turnaround time for a vacant units has not been achieved; however, the progress of the HHA in the two areas (number of vacant units & the vacant unit turnaround time) has been dramatic and impressive. Accordingly, the comments suggest that the current HHA procedures, involving the use of private sector contractors who are supervised by in-house staff, is rapidly leading to the desired result.

OIG EVALUATION OF AUDITEE COMMENTS

We agree that there has been a significant reduction in the HHA vacant unit turnaround time as a result of using private sector contractors who are supervised by in-house staff. However, we still believe that more improvement is needed to reach HUD's goals. Accordingly, we reiterate that the HHA needs to develop additional procedures that will ensure that its vacant unit turnaround time meets HUD's standard of 30 days per unit.

RECOMMENDATION

We recommend that you require the HHA to develop procedures that will ensure that its vacant unit turnaround time continues to be reduced until it meets HUD's standard of 30 days per unit.

COMPLAINT NO. 2

The complainant alleges poor management and spending of \$8 million in Federal dollars, specifically, over-expenditure of contracts.

OBSERVATION NO. 2

This complaint is considered not valid. Our review disclosed that the HHA has not expended more than the \$8 million provided for in contracts under the CGP. We noted that it was well publicized in the local media that the previous HHA Administration poorly managed its Comprehensive Grant Program (CGP) by failing to proceed in obligating and expending funds for funding years 1993, 1994 and 1995. Accordingly, the HHA was in jeopardy of losing unspent CGP funds. However, by working with the HUD Troubled Agency Recovery Center (TARC), the current HHA Administration was allowed to retain the \$8 million under imposed spending and time constraints. At Program Year Ending June 30, 1999, HHA had fully expended the '93 grant funds, and obligated '94 & '95 grant funds meeting the September 30, 1999 deadline date imposed by the HUD TARC. The current Administration of the HHA intends to fully expend the '94 - '95 CGP funds by September 30, 2000. It appears that the HHA is now adequately managing its CGP. We noted an active pursuit of progress in both the obligation of funds and the work-in-progress. Accordingly, since there has been significant progress under the current HHA Administration to correct the mismanagement of CGP funds, which occurred under the prior Administration, we believe that the above Complaint No. 2 is currently not valid.

COMPLAINT NO. 3

The complainant alleges that poor work by a contractor in renovating bathrooms in various units has compounded an insect and rodent problem. The complainant contends that the contractors and HHA management have left the bathrooms in deplorable and unsanitary condition.

OBSERVATION NO. 3

This complaint is valid. The HHA has a \$1.6 million contract for bathroom renovation work at three HHA developments. Our review disclosed that HHA has numerous documents, i.e. correspondence and photographs, which revealed that the contractor was performing poorly. The contractor was to ensure that any bathroom that had been dismantled during the day was fully restored at the end of the day. However, the contractor on one occasion left 18 units unfinished at the end of a Friday, without functioning sinks, etc. We believe that this may have contributed to any pre-existing insect and rodent problem in some units. In an attempt to correct this problem the contractor was ordered to make repairs and correct the deficiencies. The HHA also delayed payment on two occasions until the contractor adhered to contract stipulations.

Our review revealed that HHA is now closely monitoring the renovation work and that the contractor is adhering to the contract specifications. We were informed that the bathroom renovation work has been split into two phases. During the first phase, the contractor will only install the new bathroom equipment (sink, tub, toilet). This phase is almost complete, as \$1.2 million has already been disbursed. Regarding the second phase a new contractor will be used to complete the installation of tile work in the bathrooms. Although, it appears that the bathroom renovation problems are being addressed, the HHA should be reminded that it should continue to implement proper corrective actions to assure that the bathroom renovation work is performed in a satisfactory manner.

AUDITEE COMMENTS

The auditee agreed with Observation No. 3, in that the memorandum notes that the bathroom renovation problems are being addressed; renovation work is being closely monitored; and the contractor is adhering to contract specifications. The Auditee Comments state that the construction work to the bathrooms virtually by definition would not cause the existence of an insect/rodent problem. In the auditee's opinion, providing that the living units were maintained in a clean and hygienic fashion, the incomplete nature of a bathroom installation at the end of any given day should not, in theory, contribute to an insect/rodent problem unless there were other more important causative factors present. The Auditee Comments indicate that the auditee disagrees with the number of occasions when bathrooms were left incomplete at the end of the day as stated in the memorandum. According to the Auditee Comments, the memorandum comment regarding numerous occasions where at the end of any day a bathroom unit was incomplete, overstates the prevalence of this problem. The Auditee Comments state that there was one occasion (April 9, 1999) when HHA staff discovered that the contractor had not completed various units at the end of the day. The contractor was advised in no uncertain terms what his contract obligation was. As a result, there was compliance by the contractor from that point on without a recurrence of a situation where units were left incomplete at the end of the day. The Auditee Comments further provide that HHA has already demonstrated their dedication to ensure that this project is completed in an expeditious manner pursuant to the terms of the contract with the contractor.

OIG EVALUATION OF AUDITEE COMMENTS

Our review of the auditee's Progress Meeting Report, dated April 12, 1999, disclosed that on Friday April 9, 1999, there were 18 units at the end of that day that did not have a functioning sink, and that the contractor was not complying with the agreement of installing functioning sinks, toilets and bathtubs in a unit on the same day. As a result, we revised Observation No. 3 to say that we believe that this condition "may have contributed to any pre-existing insect and rodent problem in some units." During our review we did not note any other occasion where this occurred. Accordingly, we further revised Observation No. 3 to avoid overstating the prevalence of this problem. The phrase "on numerous occasions" has been replaced with the phrase "on one occasion"; however, we mention that on that one occasion 18 units were left unfinished at the end of that Friday, without functioning sinks, etc. Furthermore, although HHA has demonstrated their dedication, we reiterate that HHA must continue to implement actions that will ensure timely and satisfactory completion of the entire project.

RECOMMENDATION

We recommend that you instruct the HHA to continue to implement the actions necessary to ensure timely and satisfactory completion of bathroom renovation work at the three HHA developments.

COMPLAINT NO. 4

The complainant alleges that Civil Service status for HHA employees was eliminated. On August 15, 1999, HHA employees were fired and then re-hired the same day as non-civil servants.

OBSERVATION NO. 4

Although the information in this complaint is true, the complaint is considered invalid because neither HUD nor New Jersey (NJ) State personnel regulations were violated. Our review disclosed that Civil Service status for HHA employees was eliminated as of August 15, 1999. The reason for withdrawal from Civil Service System was to improve efficiency and effectiveness of the HHA. We found that it is not a violation of NJ Statutes or NJ Department of Personnel regulations to eliminate Civil Service status. The New Jersey Statutes allow a county or municipal housing authority to determine whether or not it will be subject to Title 11A (Civil Service Act). In accordance with New Jersey State Law a housing authority may, through an official resolution of its commissioners, withdraw from the Civil Service System leaving the Executive Director as the appointing official for hiring and firing of employees (New Jersey Statutes Annotated (NJSA) 40A: 12A-18). Furthermore, our review disclosed that the withdrawal plan was reviewed and approved by the NJ Department of Personnel. HHA employee rights, protection and entitlements are not affected by the withdrawal. Permanent employees are to be given all career service rights as long as they remain in permanent titles held as of December 9,

1998. If appointed to a different title, the employees retain their rights to a Merit System board hearing upon separation from service for disciplinary reasons or layoff. Our review has disclosed that the Civil Service withdrawal of HHA employees was done legally and in accordance with requirements.

COMPLAINT NO. 5

The complainant alleges that the losing 4th Ward City Council candidate obtained the leases of at least 200 HHA tenants for purposes of cross-referencing with voter registration lists. The complainant alleges that tenant leases were obtained with the full knowledge of HHA management.

OBSERVATION NO. 5

This complaint is considered not valid. Our review disclosed that HHA Executive Director is the only official who can approve written or oral requests for resident information. As such, the HHA Executive Director has denied providing tenant leases to anyone. We learned that an investigation was conducted by the Hudson County Board of Elections (HCBOE) concerning voter registrant residency. In June 1999, HHA Executive Director met with an HCBOE Investigator who was verifying residency status of specific registrants claiming to be tenants of the HHA. We confirmed with both the Executive Director and the HCBOE Investigator that at no time were tenant leases or any other written HHA documents provided to the Investigator. We believe this is the origin of the complaint. Furthermore, the HHA Executive Director received assurances from the site managers that leases were not provided to outside sources. Accordingly, since we were unable to substantiate that HHA tenant leases were used for voter registration purposes, we believe that this complaint is not valid.

COMPLAINT NO. 6

The complainant alleges that HHA is not maintaining and using the apartment waiting lists properly. Applicants on waiting lists are not provided numbers; tenants who are not on the waiting lists have been granted transfers; tenants are not formally notified about available apartments; and tenants who have medical needs are being skipped over on the lists. The complainant contends that HHA does not use the correct selection procedures when providing applicants available units.

OBSERVATION NO. 6

This complaint is considered not valid. There is no evidence to support the allegation that requirements pertaining to waiting lists were not adhered to. Our review disclosed that HHA Executive Director recently took over the responsibility of letting apartments himself and has just about completely eliminated the waiting lists for the elderly buildings and the 1-and 2-bedroom family units. The 3 and 4 bedroom units are currently being filled by transfers of over-crowded

HHA tenants and 1-bedroom units are being offered to non-residents. We reviewed the files for 6 out of 18 tenants that were placed in units without appearing on the waiting lists, and in each case the placement was justified. Our review disclosed that the HHA's preference policies and the guidance provided in HUD's Occupancy Handbook No. 7465-1 REV-2 Chapter 5 were adhered to.

COMPLAINT NO. 7

The complainant alleges that HHA Executive Director and site managers are possibly not certified as required.

OBSERVATION NO. 7

This complaint is considered not valid. From date of employment, PHA Executive Directors have two years to complete 10 training courses required by the NJ Department of Community Affairs (DCA). One of the 10 courses is a Public Housing Managers (PHM) Certification course. Our review revealed that in addition to the 10 courses required by the DCA, NJ State Law requires Executive Directors to have a college degree and 5 years experience in Public Administration, Finance or other similar experience (a Masters will substitute for 2 years experience). We learned that the HHA Executive Director has met the education requirements and has obtained certification as a PHM from the National Association of Housing and Redevelopment Officials (NAHRO), effective as of October 9, 1998. Additionally, the Executive Director has completed all except one of the 10 DCA required training courses. The HHA Executive Director was appointed as permanent Executive Director on January 4, 1999, after serving on an interim basis since October 21, 1998; therefore, he has until October 2000 to complete the last training course. Since he is taking the remaining training course and is still within his time limit, we do not consider this to be a problem. Furthermore, our review revealed that DCA does not require site managers to be certified as a PHM. Nevertheless, 3 out of 5 HHA site managers are certified as a PHM by either the NAHRO or the National Center for Housing Management (NCHM). Accordingly, we believe this complaint is not valid.

COMPLAINT NO. 8

The complainant alleges that vacant apartment units have been converted into site manager office suites.

OBSERVATION NO. 8

Our review disclosed that the information in the complaint is factually true, however, the complaint is considered not valid because HUD regulations have not been violated. We found that three apartment units were taken off-line for other housing related purposes. This is a practice that is permissible by HUD, whereas Public Housing Authorities (PHA's) can request that some apartment units be used for other PHA purposes. One of the units at HHA is used as a site manager's office and a second is used to provide social services such as AIDS counseling to

HHA tenants. HHA received approval from the HUD Troubled Agency Recovery Center (TARC) to convert the third unit to non-dwelling use. It is used by the Hoboken Organization Against Poverty and Economic Stress, Inc. (H.O.P.E.S.), to assist HHA residents in becoming more self-sufficient. We do not consider the use of 3 units for other housing related purposes to be a problem.

COMPLAINT NO. 9

The complainant alleges a possible conflict of interest between HHA Board of Commissioners, specifically, between the Vice-Chairperson and a fellow Commissioner. The Vice Chairperson is a board member of H.O.P.E.S.; an employee of the Hoboken Parking Authority; and is also an employee of Riverside Realty, which is owned by a fellow Commissioner.

OBSERVATION NO. 9

This complaint is considered not valid. Our review determined that a conflict of interest between HHA Board of Commissioners does not exist. There is no indication that a violation of HUD's Annual Contributions Contract (ACC), Section 19 entitled "Conflict of Interest" has occurred. In conducting our review we learned the following:

- In 1988 the HHA Vice Chairperson was recommended by the Hoboken City Council to serve on the H.O.P.E.S. Board of Directors. This is not an appointment, and there is no length of term to her involvement. The Vice Chairperson receives no monetary compensation from H.O.P.E.S. Moreover, there was no evidence presented that showed that the Vice Chairperson was involved with or voted on HHA issues concerning H.O.P.E.S.
- In 1996 the Vice Chairperson began full-time employment with the Hoboken Parking Authority (HPA). Considering the evidence provided, the Vice Chairpersons employment with the HPA does not appear to be a conflict of interest with being a Commissioner of the HHA.
- In 1984/1985 the fellow Commissioner became the owner of Riverside Realty, Inc. Thirteen years later on August 11, 1998, the Vice Chairperson began part-time employment as a real estate agent with Riverside Realty, Inc. Prior to employment at Riverside Realty the Vice Chairperson had worked for another Realtor. We found no evidence that indicates that one Commissioner influences the actions of the other; therefore, no conflict of interest exists.
- The Vice Chairperson was appointed to the HHA Board of Commissioners approximately one month before the fellow Commissioner (on April 2, 1997, and May 21, 1997, respectively). Again, there was no evidence presented that indicates that there is any conflict of interest.

Discussions with the HUD Office of General Counsel revealed that they support our determination that a conflict on interest does not exist. Their decision is based on the following

facts: (1) neither the Vice Chairperson nor the fellow Commissioner has an ownership interest in HHA property; (2) the Commissioners are not family related; and (3) the fellow Commissioner had nothing to do with the Vice Chairpersons appointment to the HHA Board. The Vice Chairperson was appointed to the HHA Board before her employment with Riverside Realty. Furthermore, upon the completion of our review, we learned that the Vice Chairperson resigned from the HHA Board in April 2000, and has already been replaced. As a result, we reiterate that this complaint is not valid.

COMPLAINT NO. 10

The complainant alleges poor physical condition of HHA resident buildings i.e. broken doorways, poor elevators and lighting.

OBSERVATION NO. 10

This complaint is considered valid. The complainant provided us with numerous photographs of the poor physical condition of the HHA buildings. This was further supported by the 1999 Inspection Survey Report prepared by officials of the HHA Office of Risk Management. The inspection results indicate that a significant number of units failed HUD's minimum Housing Quality Standards (HQS). Specifically, 82.26% of the total 1353 units failed the HQS inspection, while only 15.08% of total units passed the inspection. The remaining 2.66% of the units were classified as inconclusive (the inspector could not gain access to the units during the inspection - e.g. tenant not home). Furthermore, in September 1999, HUD conducted Section 8 inspections on a limited number of units, which yielded similar results with 70% of total units failing inspections, 20% passing inspections, and 10% were inconclusive.

HHA management advised us that most of the units fail for trivial reasons (e.g. cracked light switch etc.). Nevertheless, the current HHA Administration is now aggressively trying to upgrade the physical condition of all project buildings. We learned that the HHA is planning to use Comprehensive Grant Program funds to upgrade all common areas in the buildings. Funds are being allotted to paint and plaster hallways, renovate laundry rooms, install a new fire alarm system and to repair bathrooms (toilet, tubs and sinks). However, we remind the HHA that the National Housing Act requires that tenants be provided with decent, safe and sanitary housing. Therefore, until the unsightly conditions of the grounds, buildings and common areas are repaired and until units are upgraded to meet HUD's minimum HQS, we question whether the HHA is providing suitable housing to all of its tenants.

AUDITEE COMMENTS

The auditee states that this complaint is an extremely vague, wide ranging, ambiguous allegation and it is extremely difficult to respond to in any coherent fashion. According to the Auditee Comments, when the new administration began at the HHA, both the Executive Director and the then Board of Commissioners were faced with an appalling legacy of benign neglect that had occurred under the prior 14+ year period. Efforts to prevent recapture of Comprehensive Grant

Program (CGP) funding and implement a whole series of new contracts and substantial development planning have been successful. The Auditee agrees with Observation No. 10 in that the memorandum states that HHA is now aggressively trying to upgrade the physical condition of buildings. However, the auditee is sensitive to the requirement that tenants be provided with decent safe and sanitary housing. The Auditee Comments state that this is not something that can be physically accomplished overnight. The progress has begun in a very substantial fashion; however, an on-going process will require time, development of future CGP planning and funds to address all the needs of all HHA buildings. The Auditee comments mention that the HHA has recently undergone a project-wide site physical inspection, which occurred during July 24-26, 2000, for which the HHA is currently awaiting the formal results. The Auditee believes that this recent physical inspection will confirm HHA is on the right track towards meeting HUD's Housing Quality Standards (HQS) and will satisfy the thrust of the OIG's Recommendation.

OIG EVALUATION OF AUDITEE COMMENTS

Our review noted that there has been significant progress under the current HHA Administration to correct the mismanagement of CGP funds, which occurred under the prior HHA Administration. However, our position is unchanged. Accordingly, until HHA improves the conditions of the grounds, buildings and common areas, and until units are upgraded to meet HUD's minimum HQS, we question whether the HHA is providing suitable housing. We are in agreement that an on-going process to improve physical conditions will require time, planning and funds to address all the needs of HHA buildings; accordingly, we reiterate that a plan of action needs to be developed.

RECOMMENDATIONS

We recommend that you instruct HHA to submit a workout plan showing the procedures it will take to ensure that HHA buildings and apartment units meet HUD's minimum HQS. Your office should then periodically monitor the progress of the HHA.

Auditee Comments



HOUSING AUTHORITY
OF THE CITY OF HOBOKEN
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August 25, 2000

Alexander C. Malloy, District Inspector General for Audit
 New York/New Jersey
 U.S. Department of Housing and Urban Development
 Office of the Inspector General
 26 Federal Plaza, Room 3430
 New York, New York 10278-0068

Re: Hoboken Housing Authority, Hoboken, New Jersey

Dear Mr. Malloy:

This will acknowledge receipt under cover of your transmittal dated August 11, 2000 of your office's Tentative Audit Findings.

Set forth below are comments in response to the Tentative Audit Findings. We look forward to discussing these comments with you at the forthcoming exit conference.

With one exception, we are not furnishing any comments on your observations concerning the Complaints which resulted in a finding by your office that the Complaints were considered "invalid". The one exception to this would concern Complaint Number 7 which states that I have not obtained my PHM Certification. In actual fact, I am certified as a PHM effective as from January 1998. A copy of my Certificate (which had previously been furnished to your investigative staff) will be supplied to you at the Exit Conference. Accordingly, although we agree with your findings that this Complaint component was invalid, the record should be corrected to reflect that I am indeed PHM Certified.

The remaining comments solely concern your office's Observations concerning Complaint Numbers 1, 3 and 10 ---- which your office found to be valid, as follows:

COMPLAINT AND OBSERVATION NUMBER 1

This item concerns the number of vacant units, and the amount of turn around time for renewal of units to be made ready for leasing. We appreciate the comments in your Observation that recognizes the steady improvement that has been made in both of these areas under the current administration. I should initially note that the primary problem when I took over the Hoboken Housing Authority (hereinafter referred to as "HHA"), as Executive Director was that the in-house maintenance staff was simply not equipped or competent to perform repairs to vacant units in order to ready them for new occupants. As was noted in your Observation, we rectified this problem by awarding a vacant unit reconditioning contract to outside contractors pursuant to the public bidding process. This step, combined with the fact that the current administration has also now retained the services of an in-



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house architecturally certified Comprehensive Grant Coordinator (who oversees and supervises the reconditioning process by the contractor) ---- has resulted in a steady improvement both by way of reduction of the number of vacant units and turn around time. For the approximate 8 month period since approximately January 2000, we have been averaging only about 20 vacant units at any given time and our reconditioning turn around time has been reduced to an average of 45 days during that time period (this would be a score of less than 2% or a PHMAP equivalent score of "A"). Accordingly, the improvement in our progress, even during the limited time window between the end of your examination period (September 30, 1999) to the current date has been very substantial. While it is true that we have been, thus far, not been able to achieve the ultimate HUD goal of a 30 day turn around, I would submit that the progress of the HHA in these two areas as of the current date has been dramatic and impressive. In conclusion, on this point, I note that your Recommendation suggests the development of procedures to ensure reconditioning turn around time is reduced until it meets the HUD 30 days per unit goal. Quite frankly, I believe we are getting there through the efforts of our private sector contractors and supervision by our in-house staff. If you were to graph out the current improvement it would show a very steady and impressive climb towards the ultimate desired goal. Accordingly, we would respectfully suggest that the current procedure which is still being refined and retooled, is already rapidly leading to the desired result.

COMPLAINT AND OBSERVATION NUMBER 3

This Complaint refers to the quality of work by private sector contractors in renovating bathrooms in various units. I should initially indicate that we agree with the accurate comment in your Observation that the bathroom renovation problems are being addressed; that we are "closely monitoring the renovation work"; and that the "contractor is adhering to the contract specifications". This subject is relatively complex and has a history.

- A. Firstly, I think it is important to distinguish between the quality of the contractors work vis-a-vis any insect/rodent problem. The construction work to the bathrooms virtually by definition, would not cause the existence of an insect/rodent problem. In your observations you noted that the failure of a contractor on a given date to complete a particular bathroom unit may have "contributed" to the insect/rodent problem in some unit. In our opinion, providing that the living units were maintained in a clean and hygienic fashion the incomplete nature of a bathroom installation at the end of any given day should not, in theory, contribute to an insect/rodent problem unless there were other more important causative factors present.



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- B. The bathroom renovation project currently being run by the HHA is extremely sizeable and it involves the renovation of 903 bathrooms. The inception of this project predated the current administration. It also predated our employment of a Comprehensive Grant Coordinator ---- as a result of which (given the vast scope of the project) together with the fact that during the same time period the HHA was awarding and running a variety of other very substantial projects at the same time, that the supervision of this particular project was very difficult considering all of the time constraints for supervisory employees. The comment in your Observation that there were “numerous occasions” where at the end of any day a bathroom unit was incomplete, we believe overstates the prevalence of this problem. In fact, there was one occasion (April 9, 1999) on which HHA staff discovered that the contractor had not completed various units at the end of the day. An emergency meeting was immediately held on the following Monday; the contractor was advised in no uncertain terms what his contract obligation was; and there was compliance by the contractor from that point on without a recurrence of a situation where the unit was incomplete at the end of the day. On other occasions, as you noted in your Observation, the HHA enforced time limits of the contract with the contractor by withholding his payments until there was compliance. This represents the maximum that we were able to do with a private sector contractor short of terminating its contract (which would have created a disaster both for the tenants and for the HHA in that it would result in substantial delay in the overall completion of the contract).
- C. Lastly, we note on this point, your Recommendation that the HHA “continue to implement the actions necessary to enforce timely and satisfactory completion of bathroom renovation work”. I think, in fairness, that we have already demonstrated our dedication to ensure that this project, despite its vast scope, is completed in an expeditious manner pursuant to the terms of the contract.

COMPLAINT AND OBSERVATION NUMBER 10

This Complaint is an extremely vague, wide ranging, ambiguous allegation concerning the “poor physical condition of all resident buildings”. It is extremely difficult to respond to this type of Complaint in any coherent fashion. When the new administration began at the HHA, both I and the then current Board of Commissioners were faced with an appalling legacy of benign neglect that had occurred under the prior 14+ year period. As you noted in your Observation Number 2, there was over eight million dollars in development project funding that had been approved by HUD, for the funding years 1993, 1994 and 1995, but it had never been implemented ---- as you accurately noted



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the HHA was in jeopardy of losing the Comprehensive Grant Program funding for the very reason that it had never been obligated. One of the initial and most pressing items on our agenda was to work with HUD, and TARC, to prevent HUD from recapturing these funds and to allow us to use them for the benefit of the residents. This effort to prevent funding recapture and implement a whole series of new contracts and substantial development planning was ultimately successful. Currently, the projects being run by the HHA have resulted in the total obligation of the above-referenced CGP funds. Furthermore, we are now on track with our CGP planning for the current year and have obligated all of our CGP funding through fiscal year ending 1999. Moreover, funds for the years 1992, 1993, and 1994 now have been fully expended. We are on track with regard to planning of budgets for future CGP projects. I am sure that you and your auditors understand that this represents an enormous expenditure of time and effort by HHA staff and it is ongoing. Bearing in mind the catastrophic legacy with which we were presented when this situation began, I think, especially in the Comprehensive Grant Program areas, our progress has been dramatically impressive.

Again, addressing the Complaint and Observation Number 10, we are in accord with the accurate comment in Observation 10 that we are "now aggressively trying to upgrade the physical condition of our buildings". We are, of course, sensitive to the requirement that our tenants be provided with decent, safe and sanitary housing. Given the physical condition of the buildings as they existed when we began, this is not something that you can physically accomplish overnight. The progress has begun in a very substantial fashion. It is however, an ongoing process which will require time, development of future CGP planning and funds to address all of the needs of all of our buildings. This planning, both budgetarily and with regard to physical improvement is ongoing and continuing. Needless to say, also in this connection we are also painfully aware of our obligation to meet HUD standards in view of the new requirements of the PHAS Program. In fact, the HHA has recently undergone a project-wide site physical inspection for PHAS which occurred on July 24, 25, and 26, 2000. We are awaiting the formal results of this inspection which hopefully should be forthcoming sometime in September. We believe that this most recent physical inspection will confirm our belief that we are on a very positive track towards meeting HUD's goals with regard to Housing Quality Standards. Hopefully, this most recent physical inspection will satisfy the thrust of your Recommendation on this point.



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GENERAL COMMENT

We are appreciative of the fact that your review of the HHA was in response to a Congressional Complaint and that therefore, you had no alternative but to conduct your Fact Finding Audit review of our Authority. Your Tentative Draft Audit findings clearly found to be invalid certain complaints which would clearly (if they had been established to be accurate) rise to the level of an OIG inspection, (e.g. conflicts of interest; use of tenant leases for local elections; improper handling of waiting lists, etc.).

It strikes us that the remaining complaints which you found to be "valid", (i.e., Complaint numbers 1, 3, and 10) clearly relate to ongoing general performance by the HHA, primarily relating to CGP funding areas, which would properly be best left to other programmatic monitoring components of HUD such as the Office of Public Housing and the PHAS Program. Again, while we appreciate you had no option but to conduct the review that you conducted ---- we feel that it is inappropriate that the limited resources of the OIG be diverted to this type of general, programmatic and operational compliance rather than directing your resources to areas of misfeasance and malfeasance by PHA's where your staff might be more productively employed. Again, we understand that your office really had no choice in the decision as to whether you conducted a review or not. That being said, however, again it is our feeling that with regard to the Recommendations concerning Complaints 1, 3, and 10 ---- that these conditions are in fact, already satisfactorily improving, are under adequate control and are subject to HUD's significant supervision via the Office of Public Housing and the inspections conducted through the PHAS Program.

In conclusion, I would greatly appreciate it if you would extend your consideration to the comments set forth above in the process of the issuance of your final audit findings in this matter.

Sincerely,

E. Troy Washington, Executive Director

cc: Carmen Valenti, Director, Office of Public Housing

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