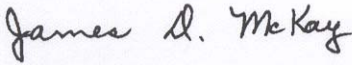




Issue Date	December 21, 2005
Audit Case Number	2006-AT-1001

TO: Karen Cato-Turner, Director, Office of Public Housing, 4DPH

FROM:   
James D. McKay  
Regional Inspector General for Audit, 4AGA

SUBJECT: The Miami Dade Housing Agency, Miami, Florida,  
Did Not Ensure Section 8-Assisted Units Met Housing Quality Standards

## HIGHLIGHTS

### What We Audited and Why

As part of the Department of Housing and Urban Development (HUD), Office of the Inspector General's (OIG) strategic plan, we conducted an audit of the Miami Dade Housing Agency's (Agency) inspection of Section 8-assisted units under the Section 8 Housing Choice Voucher program. We selected the Agency for review based on risk factors associated with a Section 8 risk assessment. Our audit objective was to determine whether Section 8-assisted units met housing quality standards in accordance with HUD requirements.

### What We Found

Our statistical sample of 120 Section 8 units found that 117 units did not meet minimum housing quality standards. Of the 117 units, 38 had significant housing quality standards violations. Projecting the results of the statistical sample to the population indicates at least 12,387 of the Agency's 13,220 units did not meet minimum housing quality standards. Further, 3,265 units had significant housing quality standards violations. This occurred because Agency management did not

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place sufficient emphasis on housing quality standards requirements and did not implement adequate internal controls. As a result, tenants lived in units that were not decent, safe, and sanitary, and HUD made housing assistance payments for units that did not meet standards. Based on the sample, we estimate that over the next year, HUD will pay housing assistance payments of more than \$25.9 million for units with significant housing quality standards violations. In addition, we estimate that \$7,300 in administrative fees should be reduced or offset.

### **What We Recommend**

We recommend that the director of the Office of Public Housing require the Agency to inspect all of the 117 Section 8 housing choice voucher-assisted units to verify that corrective actions were taken by the landlord and if not, to abate the rents or terminate the tenants' vouchers. The director should also require the Agency to develop and implement an internal control plan and incorporate it into the Agency's Section 8 administrative plan to ensure units meet housing quality standards and inspections meet HUD requirements to prevent an estimated \$25.9 million from being spent on units with significant violations. Further, HUD should reduce or offset \$7,300 of the Agency's administrative fees for the 38 units with significant housing quality standards violations.

### **Auditee's Response**

We discussed our review results with the Agency and HUD officials during the audit. We provided the draft report to the Agency and HUD on November 15, 2005, for their comments and discussed the report with them at the exit conference on December 09, 2005. The Agency provided written comments on December 12, 2005. The Agency generally concurred with recommendation 1A and 1B and has begun to take corrective action. The Agency agreed that housing quality standards violations did occur in the sampled units and some were significant. However, they disagreed with the methodology used and the conclusions of the audit. The Agency disagreed with recommendation 1C indicating no evidence of malfeasance or fraudulent behavior was found to warrant a reduction in fees.

The complete text of the Agency's response, along with our evaluation of that response, can be found in appendix B of this report. The Agency also provided attachments with its response that are available for review upon request.

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## **HUD Management Decisions**

Your December 19, 2005, memorandum indicated agreement with the findings and recommended corrective actions. We have accepted HUD's management decisions for each report recommendation and they will be recorded in the Departmental audit resolution tracking system upon report issuance. In accordance with HUD Handbook 2000.6, REV-3, please advise the audit liaison officer when all final actions have been completed. Also, please furnish us copies of any correspondence or directives issued because of the audit.

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## **BACKGROUND AND OBJECTIVES**

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The Miami Dade Housing Agency (Agency) is a department of Miami-Dade County, Florida. The Agency reports directly to the county manager, who reports to the mayor and 13-member board of county commissioners. Its primary objective is to provide low- and moderate-income residents with quality affordable housing opportunities. The Agency administers approximately 13,220 housing choice vouchers. The annual housing assistance payments for fiscal year 2004 were more than \$103 million.

Our audit objective was to determine whether Section 8-assisted units met housing quality standards in accordance with U.S. Department of Housing and Urban Development (HUD) requirements.

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# RESULTS OF AUDIT

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

Our inspection of 120 units showed that 117 units did not meet minimum housing quality standards. Of the 117 units not meeting standards, 38 had significant housing quality standards violations. Projecting the results of the statistical sample to the population indicates at least 12,387 of the Agency's 13,220 units did not meet minimum housing quality standards. Further, 3,265 units had significant housing quality standards violations. This occurred because Agency management did not place sufficient emphasis on housing quality standards requirements and did not implement adequate internal controls. As a result, tenants lived in units that were not decent, safe, and sanitary, and HUD made housing assistance payments for units that did not meet standards. Based on the sample, we estimate that over the next year, HUD will pay housing assistance payments of more than \$25.9 million for units with significant housing quality standards violations. In addition, we estimate that \$7,300 in administrative fees should be reduced or offset.

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### Units Had Significant Housing Quality Standards Violations

We estimate that over the next year, HUD will pay housing assistance payments of more than \$25.9 million for units with significant housing quality standards violations if the Agency does not institute better controls. We inspected a statistical sample of 120 units with an OIG housing inspector and the Agency's inspectors. We found that 117 units failed to meet minimum housing quality standards. Additionally, 38 of the 117 units had significant housing quality standards violations. Appendix D provides details on the 38 units. The following table lists the most frequently occurring and serious violations.

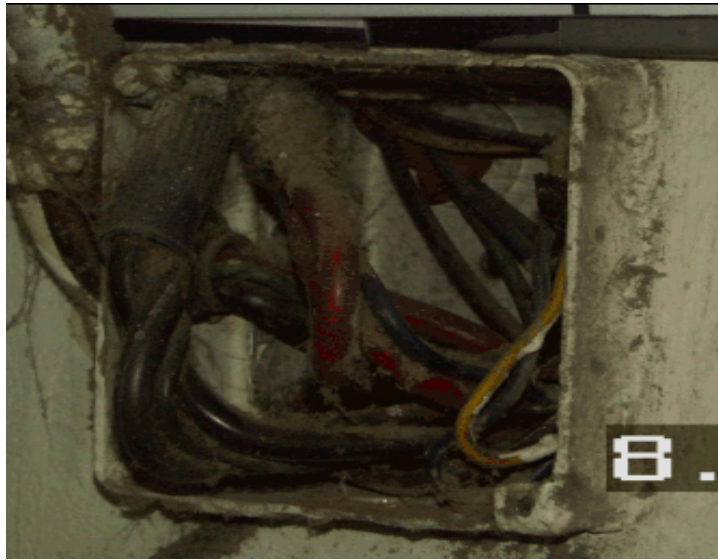
Type of violation	Frequency	Number of units with violation	Percentage of units
Electrical hazards	114	31	82
Security	60	29	76
Ventilation	52	28	74
Water heater	43	30	79
Sewer	5	5	13

The Agency either did not identify many of the violations from our inspections or did identify violations but reported them as having been corrected. We believe the violations existed when the Agency conducted their most recent inspection.

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## Safety Hazards

The most predominant violation was electrical hazards, including exposed wiring, improper installation of electrical wires, and the use of extension cords as permanent wiring. On August 30, 2005, we found exposed electrical wires to an air conditioner unit. The Agency did not report this violation during its inspection on August 15, 2005. Other safety hazards include security issues such as missing door locks, excessive damage to exterior doors, and unsecured windows.



Exposed electrical wires



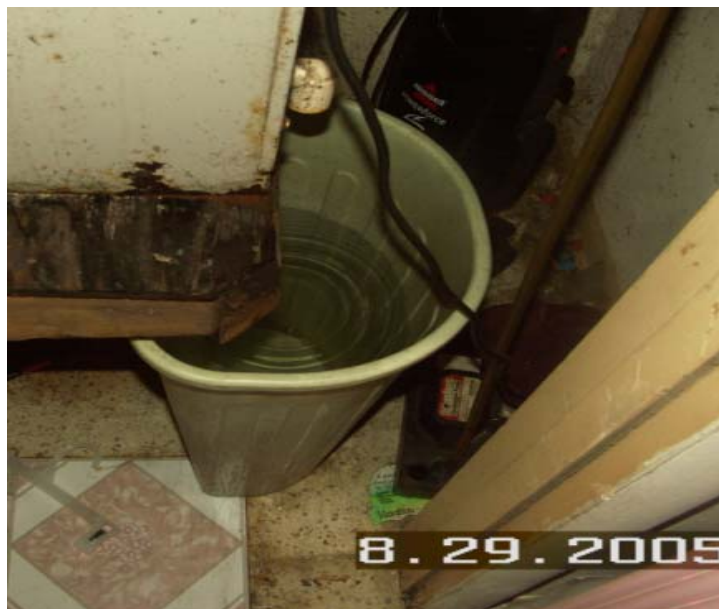
Exterior door missing door lock

## Ventilation

We found several violations involving the air conditioner unit not being properly sealed, resulting in exposed ceilings and unsecured windows. Other violations involved leaking air conditioner units.



Window unit not properly sealed



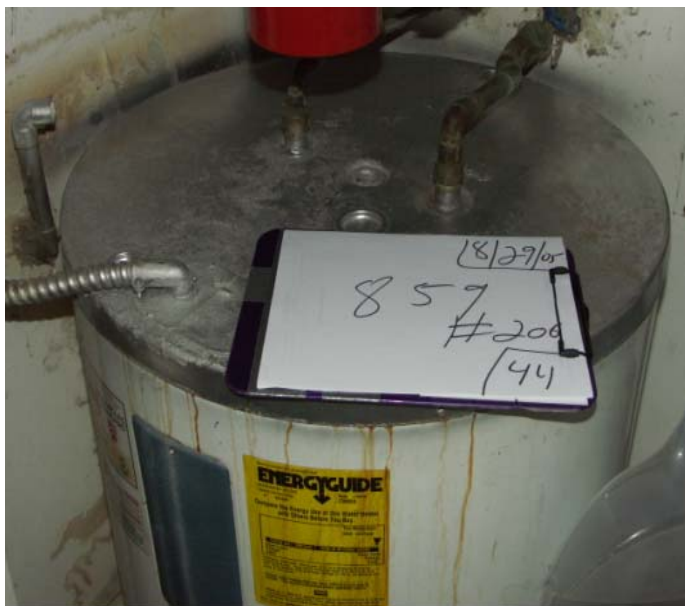
Inoperative drain pump line

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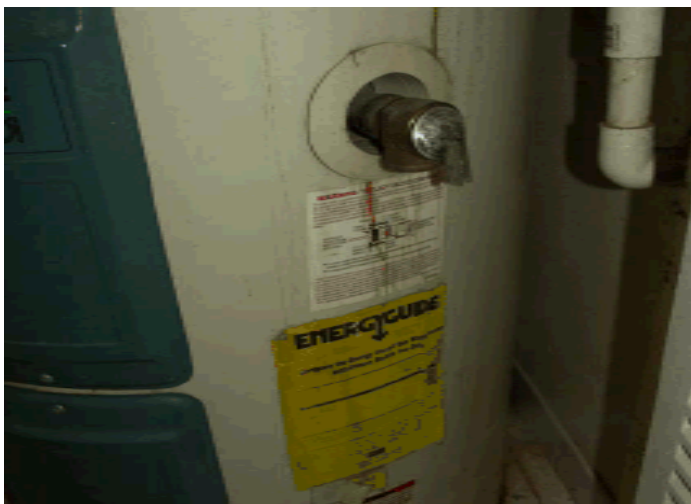


## Water Heater

We also found several units containing a water heater with a pressure relief valve that did not fully discharge to a safe place of disposal. In addition, the water heater in one unit did not have a pressure relief valve. We inspected this unit on August 29, 2005. The Agency passed the unit on August 4, 2005. The tenant said the Agency inspector never looked at the water heater. In other units, the water heater was so severely corroded that it needed to be replaced.



Missing pressure relief valve



Missing pressure relief drain line



Corroded water heater

### **Health Hazards**

Our inspections disclosed sewer leaks due to an improperly sealed toilet, an uncovered septic tank, and washing machines not properly connected to a sewer line. These violations pose health hazards to the tenants in these units. We

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inspected a unit on August 24, 2005, and found a sewer leak caused by an improperly sealed toilet. The Agency conducted an inspection on August 15, 2005, without reporting this violation.



Unsecured toilet





Washer not properly connected to a sewer line; water drained to backyard

**The Agency Did Not Have Adequate Internal Controls**

The Agency's management did not place sufficient emphasis on housing quality standards requirements. Management failed to implement an effective internal control plan that ensured units met minimum housing quality standards and inspections complied with requirements.

The Agency's internal control plan should include written policies and procedures that provide detailed daily guidance and a quality control plan that ensures policies and procedures are followed. The internal control plan, at a minimum, should provide guidance on how to properly conduct inspections to meet housing quality standards and identify corrective measures for inspectors who perform

poorly (i.e., training or disciplinary action). The plan must be sufficient to ensure the Agency complies with HUD regulations and other requirements.

An Agency official stated that the quality of the inspections was sacrificed due to the volume of inspections. The Agency reported that in fiscal year 2005, 13 inspectors were responsible for inspecting about 18,500 Section 8 units, resulting in 38,200 scheduled inspections. The inspection staff was responsible for all inspections, reinspections, emergency and complaint inspections, and the delivery of violation notices to landlords. Despite the volume of inspections, the Agency did not perform an analysis to determine whether it employed adequate inspection staff to perform all required inspections to a level that ensured violations were identified.

According to the Agency's Section 8 administrative plan, quality control inspections will be conducted to ensure that inspections are in conformance with housing quality standards, to verify the accuracy and efficiency of inspection personnel, and to monitor and document program performance. The plan also states that quality control inspections will re-inspect a minimum of 5 percent of the total units inspected each month. The Agency did not meet this 5 percent goal in fiscal year 2005 and only performed inspections in that fiscal year from October through December 2004 and September 2005. Without performing regular inspections throughout the year, the Agency cannot identify issues as they arise. Also, as shown by the results in this finding, the quality control inspections that were completed did not identify the deficiencies in the inspection process. Had the Agency developed and implemented specific written procedures to meet these objectives, it could have effectively accomplished its 5 percent inspection goal and would have been able to identify deficiencies and implement corrective actions to prevent further violations.

In addition to not meeting its goal in the administrative plan, the Agency did not conduct the number of quality control inspections required by HUD. According to the HUD Section 8 Management Assessment Program, the Agency was required to conduct 89 quality control inspections for fiscal year 2005. It only conducted 62.

**The Agency Has Begun to  
Take Corrective Actions**

The Agency has requested landlords and tenants to correct deficiencies on the 117 units, and inspectors have conducted reinspections. Agency management has begun to randomly review inspection results each week and has required inspectors to report when inspections were started and completed.

## Conclusion

Because Agency management did not place sufficient emphasis on housing quality standards requirements and did not implement adequate internal controls, HUD made housing assistance payments and provided administrative fees to the Agency for units that did not meet standards. The Agency did not maintain adequate controls to ensure that inspections meet HUD requirements. It conducted quality control inspections, but it did not use them as a tool to enhance inspector performance and identify whether inspections were performed properly. While the Agency has made some improvements, additional improvements are needed. Management must emphasize the importance of housing quality standards and implement policies and procedures that ensures it complies with HUD requirements and gives tenants the opportunity to live in decent, safe, and sanitary conditions. By continuing to make necessary improvements, the Agency will ensure that at least \$25.9 million in Section 8 funds are put to better use.

In addition, HUD provided the Agency with administrative fees to perform administrative duties under the Section 8 program. Based on our results, the Agency failed to adequately perform its administrative duties in that Section 8 units did not meet housing quality standards. Accordingly, we believe the administrative fee associated with 38 units should be reduced or offset. We generally computed the administrative fee for the 38 units with significant violations from the date of the most recent Agency annual inspection to the date of our inspection. We estimate that \$7,300 in administrative fees should be reduced or offset.

## Recommendations

We recommend that the director of the Office of Public Housing require the Agency to

- 1A. Inspect the 117 Section 8 housing choice voucher-assisted units to verify that corrective actions were taken by the landlord and if not, to abate the rents or terminate the tenants' vouchers.
- 1B. Develop and implement an internal control plan and incorporate it into the Agency's Section 8 administrative plan to ensure units meet housing quality standards and inspections meet HUD requirements to prevent an estimated \$25.9 million from being spent on units with significant violations.
- 1C. Reduce or offset \$7,300 in the Section 8 administrative fees for the 38 units with significant housing quality standards violations.

## SCOPE AND METHODOLOGY

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Our audit objective was to determine whether Section 8-assisted units met housing quality standards in accordance with HUD requirements. To accomplish our audit objective, we

- Reviewed applicable laws, regulations, and other HUD program requirements.
- Reviewed the Agency's Section 8 policies and procedures and administrative plan.
- Interviewed HUD and Agency program staff.
- Reviewed the Agency's latest independent public accountant report and HUD program monitoring reviews,
- Obtained a download of the Agency's Section 8 housing stock for the Housing Choice Voucher program as of March 2005. We then performed limited tests of the reliability of the data, such as the tenant information, housing assistance payments, and inspection results. Based on the tests, we assessed the data as sufficiently reliable, given our objective and intended use.
- Selected a statistical sample of units for inspection from the Agency's Section 8 housing stock for the Housing Choice Voucher program as of March 2005.
- Reviewed previous Agency inspection reports.
- Inspected 120 units with an OIG housing inspector and Agency inspectors to determine whether the units met housing quality standards. We performed the inspections April 11-15, 2005, and August 15-September 22, 2005.

HUD provided the Agency with administrative fees to perform administrative duties under the Section 8 program. Based on our audit results, we believe the Agency failed to adequately perform its administrative duties, and the administrative fee associated with 38 units should be reduced or offset. We generally computed the administrative fee for the 38 units with significant violations from the date of the most recent Agency annual inspection to the date of our inspection. We computed the administrative fee to be \$14,601, which is 100 percent of the administrative fee for the 38 units in the months between the Agency inspection and our inspections. To be conservative, we estimate that \$7,300 (50 percent) should be reduced or offset since the Agency also used the \$14,601 for other administrative purposes.

## Statistical Sample Selection and Methodology

The download of the Agency's Section 8 housing stock for the Housing Choice Voucher program resulted in 13,220 active units. We used a Microsoft Excel spreadsheet designed to calculate sample sizes. Based on a confidence level of 90 percent, a precision level of 7.3 percent, and an assumed error rate of 39 percent, the spreadsheet returned a sample size of 120 units. We then used the Defense Contract Audit Agency's EZ-Quant software to select a simple random statistical sample of 120 from the 13,220 units. We also used the software to generate 50 additional samples for replacements if we could not gain access to a unit. We used statistical sampling because each sampling unit is selected without bias from the audit population, thereby allowing the results to be projected to the population.

Projecting the results of the 117 failed units in our statistical sample to the population yields the following:

- The lower limit is 93.7 percent \* 13,220 units = 12,387 units not meeting housing quality standards.
- The point estimate is 97.5 percent \* 13,220 units = 12,890 units not meeting housing quality standards.
- The upper limit is 99.3 percent \* 13,220 units = 13,127 units not meeting housing quality standards.

Of the 117 failed units, we determined that 38 units have significant housing quality standards violations. We defined these units as being in extremely poor condition, resulting from (1) a deficiency that existed for an extended period of time, (2) a deficiency noted in a prior inspection but not corrected, and/or (3) deferred maintenance that consistently fails the unit. We based our assessment on prior Agency inspection reports, tenant comments, and our observation and judgment of the condition of the unit during the inspection.

Projecting the results of the 38 units that have significant housing quality standards violations to the population yields the following:

- The lower limit is 24.7 percent \* 13,220 units = 3,265 units with significant housing quality standards violations.
- The point estimate is 31.7 percent \* 13,220 units = 4,187 units with significant housing quality standards violations.
- The upper limit is 39.3 percent \* 13,220 units = 5,195 units with significant housing quality standards violations.



To be conservative, we used the lower limit to project to the population.

Using the lower limit and the average annual housing assistance payment for our audit period, we estimated the Agency spent at least \$25,971,988 for 3,265 units with significant housing quality standards violations. The estimate is not a statistical projection and is used only for determining funds that can be put to better use.

We conducted our fieldwork from March through October 2005 at the Agency's offices in Miami, Florida. Our audit period was from October 1, 2003, through February 28, 2005. We expanded our audit period as needed to accomplish our objective.

We conducted the audit in accordance with generally accepted government auditing standards.

# INTERNAL CONTROLS

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

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

Internal controls relate to the plan of organization, methods, and procedures adopted by management to meet its missions, goals, and objectives. Internal controls include the processes for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. Internal controls also serve as the first line of defense in safeguarding assets and preventing and detecting errors; fraud; and violations of laws, regulations, and provisions of contracts and grant agreements.

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## Relevant Internal Controls

We determined the following internal controls were relevant to our audit objective.

- Controls over program operations
- Controls over the validity and reliability of data
- Controls over compliance with laws and regulations
- Controls over the safeguarding of resources

A significant weakness exists if the internal controls do not provide reasonable assurance that housing units meet housing quality standards in accordance with HUD requirements.

## Significant Weaknesses

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

- The Agency did not have adequate internal controls to ensure that Section 8 units met housing quality standards. (see finding 1)

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## APPENDIXES

### Appendix A

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

<u>Recommendation number</u>	<u>Questioned costs: ineligible</u> <sup>1</sup>	<u>Funds to be put to better use</u> <sup>2</sup>
1B		\$25,971,988
1C	\$7,300	
Total	<u>\$7,300</u>	<u>\$25,971,988</u>


- 1/ Questioned costs include ineligible costs, unsupported costs, and unnecessary/unreasonable costs. Ineligible costs are defined as those costs that are questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds.
- 2/ “Funds to be put to better use” are quantifiable savings that are anticipated to occur if an OIG recommendation is implemented, resulting in reduced expenditures at a later time for the activities in question. This includes costs not incurred, reductions in outlays, avoidance of unnecessary expenditures, de-obligation of funds, withdrawal of interest, loans and guarantees not made, and other savings.

# Appendix B

## AUDITEE COMMENTS AND OIG'S EVALUATION

### Ref to OIG Evaluation

### Auditee Comments



- ADA Coordinator
- Agency Coordination
- Asst. Public Works
- Audit and Management Services
- Aviation
- Building Code Compliance
- Building
- Business Development
- Capital Improvement
- Citizen Engagement/Participation/Trust
- Communications
- Community Action Agency
- Community & Economic Development
- Community Services
- Construction Services
- Contracts & Administration
- Countywide Information Planning
- Cultural Affairs
- Customer Services
- Emergency Management
- Employer Relations
- Enterprise Technology Services
- Environmental Resources Management
- Facilities Management
- Finance
- Fire Services
- General Services Administration
- Historic Preservation
- Housing Trust
- Housing Agency**
- Housing Finance Authority
- Human Services
- Information Review Board
- International Trade Commission
- Intergovernmental Center
- Medical Examiner
- Metropolitan Planning Organization
- Non-Profit Sector
- Planning and Zoning
- Police
- Procurement Management
- Public Utilities
- Public Safety System
- Public Works
- Senior Housing/Parks
- Seaport
- Solid Waste Management
- Strategic Business Management
- Traffic Management
- Transportation
- Urban Redevelopment/Task Force
- Visitors/Museum and Convention
- Water and Sewer

**Miami-Dade Housing Agency**  
Office of the Director  
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Miami, Florida 33125-3601  
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December 12, 2005

Mr. James D. McKay  
Regional Inspector General for Audit  
U.S. Department of Housing and Urban Development  
Region 4, Office of the Inspector General  
Office of Audit, Box 42  
Richard B. Russell Federal Building  
75 Spring Street NW, Room 330  
Atlanta, Georgia 30303-3388

Dear Mr. McKay:

Enclosed is Miami-Dade Housing Agency's (MDHA) response to your draft audit report regarding housing quality standards (HQS) in Section 8 units. We would like to thank the Office of the Inspector General staff for their efforts and cooperation during the review.

Should you have any questions or require additional information, please contact Marilza Lamela, Director, Private Rental Housing, at (305) 250-5236.

Sincerely,  
  
Alphonso K. Brewster  
Director

Enclosure

c: Barry Shulman, Senior Auditor, USHUD, OIG  
Rudy Perez, Deputy Director, MDHA  
Marilza Lamela, Director, Private Rental Housing, MDHA  
Dale Poster-Ellis, Director, Quality Assurance and Compliance, MDHA

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

The United States Department of Housing and Urban Development (USHUD) Office of the Inspector General (OIG) audit report states that of 120 units inspected, 117 did not meet minimum housing quality standards (HQS). Of the 117 units not meeting housing quality standards, 38 had significant HQS violations. The report asserts that based on the sample of 120 units, a conclusion could be made that 94% of all leased units, or 12,387, did not meet HQS, and that 3,265 units had significant HQS violations. Further, the report states that Miami Dade Housing Agency (MDHA) paid housing assistance payments (HAP) for units with significant HQS violations, and that approximately \$7,300 in administrative fees should be reduced or offset. As explained in the following, MDHA disagrees with these statements.

Upon review of the report, MDHA does agree that HQS violations did occur in the sample units and some of them were significant. However, MDHA strongly disagrees with aspects of the methodology and conclusions of the audit, specifically:

- The date of the OIG inspection compared to the date of MDHA's most recent inspection
- OIG's assumption that HQS violations would not have been corrected within USHUD's prescribed timeframes.
- Types of violations cited by the OIG
- Applying the flawed sample results to the entire MDHA portfolio

#### **➤ Date of OIG Inspection Compared to Date of MDHA's Most Recent Inspection**

There are significant gaps of time between the inspection conducted by MDHA and the OIG inspection. There is a gap of as much as 372 days in one case, with an average of 183 days for units with non-significant violations and for significant violations, a case of 352 days, with an average of 161 days (Attachments 1 and 2). Of the sampling, there were only five units with non-significant violations and seven with significant violations that were inspected by OIG within 30 days or less of MDHA's last inspection.

Note that HQS quality control inspections according to the Section Eight Management Assessment Program (SEMAP) Indicator 5, Quality Control Inspections, at 24 CFR 985.3 (e) stipulates that "The PHA supervisors reinspected sample is to be drawn from recently completed HQS inspections (for example, performed during the 3 months preceding reinspection)." The majority of inspections, conducted by the OIG, surpasses SEMAP'S 3-month allowable

Comment 1

period. Ten of the 38 units with significant violations were inspected within three (3) months of MDHA's most recent inspection; for the 117 failed units, 86 units or 74% were inspected outside of the three (3) month window.

The time lapse between OIG's and MDHA's inspections could explain the difference in inspection outcome in the OIG inspection sample, particularly as many units were actually due for their next annual inspection. In the months between inspections, changes in the physical condition of a unit may and probably have occurred.

In addition, Miami-Dade County experienced two hurricane threats during the time that the OIG was conducting their inspections. Hurricane Katrina struck on August 26, 2005, resulting in windstorm and flood damage to units; and on September 20, 2005, Miami-Dade County experienced tropical storm winds from Hurricane Rita. These events caused widespread damage to units that did not have pre-existing violations and exacerbated potential defects in others.

Consequently and for the above reasons, MDHA disagrees with the statement that "OIG believes that the violations existed when the Agency conducted its most recent inspection."

**➤ Assumption that HQS Violations Would Not Have Been Corrected Within USHUD Prescribed Timeframes**

The assumption that 117 of the 120 inspected units did not meet minimum HQS is a conclusion by OIG without consideration that MDHA acted or would act in accordance with regulations stated in 24 CFR 982.404 (3) and 24 CFR 982.404 (4)(b)(2), allowing the landlord or family time to cure the violations.

According to the audit report, 38 units did not meet HQS due to what the OIG stipulates as "significant" violations and another 79 units out of the 117 failed with minor violations. Under HUD regulations, as cited above, these violations are correctible within thirty (30) days. Further, the audit report does not specify the number of OIG inspected units that subsequently passed a compliance inspection nor does the report indicate the number of units that were abated, both in accordance with the regulations.

An MDHA inspector was present for all the inspections conducted by the OIG. Each cited deficiency was noted by the MDHA inspector and subsequent enforcement actions followed in accordance with USHUD regulations. The results of the enforcement actions are indicated on Attachments 1 and 2.

Comment 2

Comment 3

➤ **Types of Violations Cited by the OIG**

The following addresses the types of violations listed in the OIG audit report, predominantly electrical hazards, security, ventilation, water heater, and sewer violations.

**Electrical**

MDHA acknowledges the concerns raised in the OIG report regarding electrical issues. As stated previously in this response, there was no distinction or consideration of the length of time between the MDHA inspection and the OIG inspection. Further, if violations are not specific to an emergency condition, the tenant and landlord are notified to correct the defects within 30 days of the date of the findings, as allowed under USHUD regulations.

**Security**

MDHA acknowledges the concerns raised in the OIG report regarding security issues. The violations cited by the OIG concur with MDHA's enforcement policy under HQS with the exception of safety hinges on exterior doors. This requirement applies to new construction and is not historically required under the building code.

**Ventilation**

In this area, many violations found for defective bathroom ventilators were later determined during the compliance inspection that the tenant had unplugged the ventilators.

Other common violations including defective window screens, range hood fans not operable, missing air conditioner filters and supply vents, and wall and window air conditioners not properly sealed, are readily correctible within 30 days.

MDHA is addressing dryer vent violations in its inspection process. We concur this is significant due to the propensity of fire from lint that could become clogged in risers to the roof. The risers are typical of construction methods in Miami-Dade County with consideration given to the number of turns and length, not to exceed 25 feet.

**Water Heater**

The OIG cited repeated violations related to water heater, specifically ¾ bibs and the water pressure relief line reduced to ½ inch and not full size through the walls to the exterior. The current Florida Building Code requires that the relief valve disperse to the immediate floor area safely. The Florida Building Code states:

"504.6.1 Discharge. The relief valve shall discharge full size to a safe place of disposal such as the floor, water heater pan, outside the building or an indirect waste receptor. The discharge pipe shall not have any trapped sections and shall have a visible air gap or air gap fitting located in the same room as the water heater. The discharge shall be installed in a manner that does not cause personal injury to occupants in the immediate area or structural damage to the building."

An engineering section plans processor for the Miami-Dade Building Department indicated there was no problem with dispersal using approved conduit reducing to ½ inch for existing construction when expelled to the exterior of the property. This statement was made in the presence of the OIG inspector, senior auditor, and MDHA's Section 8 HQS Inspection Manager.

The USHUD Housing Choice Voucher Program Guidebook, Chapter 10, page 11 (10-11) states "All water heaters must be free of leaks, have temperature relief valves, and a discharge line." The guidebook does not reference size requirements. The OIG also observed defective water heater wiring (electrical connections) and water heaters needing replacing. These concerns are being addressed through internal controls implemented by MDHA, as described below.

#### **Sewer**

OIG found toilet bases not properly sealed, tub and sink drain waste line leaks, and washers discharging to the open ground when there is availability to connect to the sewer. MDHA inspectors have routinely looked at these violations as part of all HQS inspections and will continue to do so in the future. These violations have been addressed with the MDHA housing inspectors and through internal controls implemented by MDHA.

#### **➤ Applying the Flawed Sample Results to the Entire MDHA Portfolio**

As previously stated in this response, the length of time between the MDHA and OIG inspections caused a disparity in the outcome of the inspection. With an average of five to six months between inspections, violations were cited in the subsequent OIG inspection that was not reported in the last MDHA inspection. Minor cited violations were able to be corrected within the allowable time permitted by federal regulation. In addition, the OIG report asserts that violations occurred historically and were systematically ignored by MDHA. MDHA disputes this allegation. Furthermore, OIG fails to conclusively prove the assertion.

As such, MDHA strongly disagrees with the statement that based on the sample of 120 units, 12,387 or approximately 94% of the leased units do not meet HQS and that 3,265 units had significant HQS violations. MDHA, furthermore, does not agree that \$25.9 million in housing assistance payments were issued for units not

Comment 4

Comment 5



Comment 6

passing HQS and that \$7,300 in administrative fees should be reduced or offset. Assumptions should not be made regarding future Section 8 funds not being put to good use relative to significant violations without fairly looking at MDHA's enforcement of HQS requirements through abatement or termination of HAP contracts. By using abatement and enforcement, MDHA ensures that funds are not used to pay HAP on failed units.

### **Internal Controls**

Internal controls are being addressed as follows:

1. As recommended, MDHA began drafting a more comprehensive internal control plan to address the issues raised in the audit. While MDHA concurs with the OIG regarding the importance and emphasis of internal controls, we disagree that the results of the audit are a direct result of inadequate internal controls.
2. With regard to the professional staffing of the Inspections Unit, 13 housing inspectors conduct field inspections, three inspections supervisors oversee the field inspectors, which is supervised by a manager. The staffing is consistent with other housing authorities managing similar portfolios and is appropriate for the number of Section 8 units under lease. To complement staffing, MDHA will be upgrading its existing software, enabling the staff to perform more efficiently. In addition, MDHA will pursue in-house training of staff to reinforce basic tenets of HQS, and may consider other alternatives, such as contracting with a private company to provide staff with HQS training.
3. To further improve operational controls, the written procedures for quality control inspections, in MDHA's Section 8 policy and procedures manual, are under review (Attachment 3). Note that inspections under SEMAP Indicator 5 can be conducted within three months of the original inspection. Consequently, inspections can and some did take place after the fiscal year end.
4. Finally, the internal control plan will also be incorporated into MDHA's Section 8 Administrative Plan to further ensure that units meet housing quality standards and that HQS inspections meet USHUD requirements.

### **OIG Recommendations:**

In the audit report, the OIG states that MDHA has begun to take corrective actions. MDHA acknowledges the OIG's statement and concurrently states that recognition of violations and conscientious follow-up to ensure corrective action

has been, and continues to be, of paramount concern to its Section 8 inspection program.

Comment 7

Of the 117 units that failed HQS during the OIG inspection, follow-up compliance inspections were conducted with accountability to the payment disposition of the landlord and family obligations to the tenants. For units that passed the compliance inspection, housing assistance payments continued; for units that failed, payments were abated. Family obligations were addressed when applicable with recommendations for termination when units failed for non-compliance.

Comment 8

MDHA strongly disagrees with the OIG recommendation to reduce or offset \$7,300 in Section 8 Administrative fees relating to the 38 units with significant violations. No evidence of malfeasance or fraudulent behavior was found to warrant a reduction in fees. Furthermore, such fees support all aspects of the Section 8 operations including recertification, lease-up, accounting, rent reasonableness, and other functions. Based on the time lapses between MDHA and OIG inspections, MDHA is able to demonstrate that the sampling of unit inspections was flawed in comparing to the MDHA inspection and therefore, results were questionable.

## OIG Evaluation of Auditee Comments

Comment 1

### Date of OIG Inspection Compared to Date of MDHA's Most Recent Inspection

The Agency commented that there are significant gaps of time between the inspection they conducted and our inspection. They cited HUD regulations for housing quality standards quality control inspections, which stipulate that the reinspected sample is to be drawn from recently completed housing quality standards inspections performed during the three months preceding reinspection. We did not use the methodology cited in the HUD regulations because the objective of our review is different than the Agency when they perform quality control reinspections. For our objective, we chose to use statistical sampling to ensure that inspection results were representative of the Agency's Section 8 housing choice voucher stock. This methodology allows each sampling unit to be selected without bias from the audit population. To select only recent inspections would no longer make the sample statistically valid.

The Agency stated that in the months between OIG and their inspections, changes in the physical condition of a unit may and probably have occurred. We recognize that our inspection results reflect a snapshot of the conditions of a unit at a particular point in time. However, 24 CFR 982.401(a)(3) requires that all program housing meet the housing quality standards performance requirements both at commencement of assisted occupancy, and throughout the assisted tenancy.

The Agency stated that two hurricanes caused widespread damage to units that did not have pre-existing violations. During our inspections, we distinguished between those violations related to hurricane damage. In addition, we excluded those damages in our determination on whether a unit failed with significant violations.

### Assumption that HQS Violations Would Not Have Been Corrected Within USHUD Prescribed Timeframes

Comment 2

The Agency stated that the OIG conclusion that 117 of the 120 inspected units did not meet minimum housing quality standards is an assumption without consideration that MDHA acted or would act in accordance with HUD regulations and allow the landlord or family time to cure the violations. The Agency also commented that the audit report did not specify the number of OIG

inspected units that subsequently passed a compliance inspection or were abated.

We disagree that our conclusion is an assumption. Our conclusion was based on the factual results of our inspections. We also did not state that the Agency would not ensure the future compliance of the unit in accordance with regulations. Furthermore, our audit objective was to determine whether Section 8-assisted units met housing quality standards in accordance with HUD requirements and not to verify or determine whether the Agency complied with abatement and termination policies and procedures.

Types of Violations Cited by the OIG

Comment 3

The Agency acknowledged and generally concurred with most of our concerns regarding electrical hazards, security, ventilation, and sewer violations. The Agency disagreed with our violations related to the water heater's pressure relief valve. They mentioned that a County building official informed OIG and the Agency that there is no problem in using an approved conduit to reduce the pressure relief line to ½ inch for existing construction when expelled to the exterior of the property. Our recollection of the meeting with the County building official was that the County would not approve a relief valve to go from ¾ inch to ½ inch. The County will not require the owner to change all plumbing in old buildings. However, the relief valve should discharge full size to the floor to meet County building code requirements. If the Agency is to adopt County building code requirements for water heaters, we recommend that clarification be obtained from the County on this matter.

Applying the Flawed Sample Results to the Entire MDHA Portfolio

Comment 4

The Agency stated that the OIG report asserts that violations occurred historically and were systematically ignored. The Agency disputes this allegation. We compared our inspections with Agency inspections to determine whether violations had been previously identified. We found that certain violations identified by the Agency were later signed off as being corrected when our inspection of the unit revealed that the violation was still present. In addition, we did not indicate that the Agency systematically ignored violations.

Comment 5

The Agency disagrees with our projected results, the \$25.9 million in housing assistance payments issued for units not passing housing quality standards, and \$7,300 in administrative fees that should be reduced or offset. As indicated above, we used statistical sampling that allows our audit results to be projected to the population. To be conservative, we used the lower limit to determine our projected results. The \$25.9 million in housing assistance payments is an estimate and not a statistical projection and is used only for the purpose of determining the annual amount of Section 8 funds that could be put to better use if the Agency implements the suggested recommendations. We also maintain that the Agency failed to adequately perform its administrative duties in that Section 8 units did not meet housing quality standards. Accordingly, we believe the \$7,300 in administrative fees associated with the 38 units with significant housing quality standards violations should be reduced or offset.

The Agency also stated that assumptions should not be made regarding future Section 8 funds not being put to good use without fairly looking at their enforcement of housing quality standards requirements through abatement or termination of HAP contracts. As indicated above, our audit objective was to determine whether Section 8-assisted units met housing quality standards in accordance with HUD requirements and not to verify or determine whether the Agency complied with abatement and termination policies and procedures.

Internal Controls

Comment 6

The Agency concurred with recommendation 1B and has begun to take corrective action.

OIG Recommendations

Comment 7

The Agency concurred with recommendation 1A and has begun to take corrective action.

Comment 8

The Agency disagreed with recommendation 1C and stated that no evidence of malfeasance or fraudulent behavior was found to warrant a reduction in fees. The Agency also commented that the fees support all aspects of the Section 8

operations. According to 24 CFR 982.152(d), HUD may reduce or offset any administrative fee to the public housing authority if it fails to perform its administrative responsibilities correctly or adequately under the program, such as failure to enforce housing quality standards requirements. We maintain that the Agency failed to adequately perform its administrative duties in not ensuring Section 8 units met housing quality standards. In addition, to be conservative, we estimate that \$7,300 or 50 percent in Section 8 administrative fees for the 38 units should be reduced or offset since the Agency used the fees for other administrative purposes.

## Appendix C

### CRITERIA

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**24 CFR [Code of Federal Regulations] 982.52(a)** requires the public housing authority to comply with HUD regulations and other HUD requirements for the program.

**24 CFR 982.54(a) and (d)(22)** require the public housing authority to adopt a written administrative plan that establishes local policies for administration of the program in accordance with HUD requirements. The public housing authority must administer the program in accordance with the PHA administrative plan. Among other subjects, the plan must include procedural guidelines and performance standards for conducting required HQS inspections.

**24 CFR 982.401(a)(3)** states that all program housing must meet the housing quality standards performance requirements both at commencement of assisted occupancy and throughout the assisted tenancy.

**24 CFR 982.152(d)** states that HUD may reduce or offset any administrative fee to the public housing authority if it fails to perform its administrative responsibilities correctly or adequately under the program (such as failure to enforce housing quality standards requirements).

**24 CFR 982.405(b)** requires the public housing authority to conduct supervisory quality control housing quality standards inspections.

**HUD Housing Choice Voucher Guidebook.** Chapter 10.9 of the guidebook provides that Indicator 5, “HQS Quality Control Inspections,” of the Section 8 Management Assessment Program requires a public housing authority supervisor or other qualified person to re-inspect a sample of units under contract during the last fiscal year. If the number of units under contract exceeds 2,000, the minimum number of units to be sampled is 30 plus 1 for each 200 (or part of 200) over 2,000. This is also stated in **24 CFR 985.2** and **24 CFR 985.3 (e)**.

**Agency Section 8 Administrative Plan: Purpose.** One of the objectives of the plan is to provide decent, safe, and sanitary housing for eligible program participants.

**Agency Section 8 Administrative Plan: Housing Quality Standards and Inspections.** Quality control inspections are conducted to ensure that inspections are in conformance with housing quality standards, to verify the accuracy and efficiency of inspection personnel, and to monitor and document program performance. It is the intent that these inspections and the keeping of records will assist in identification and prevention of repeat violations. In addition,

quality control inspections will re-inspect a minimum of 5 percent of the total units inspected each month. The number of units selected for quality control inspections is based on the total number of approved Section 8 certificate and housing vouchers. The selection is done randomly by the quality control inspector, using a computer listing of all scheduled annual inspections.

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## Appendix D

### TABLE OF UNITS WITH SIGNIFICANT HOUSING QUALITY STANDARDS VIOLATIONS

#	Sample #	Types of violation**				
		Electrical hazard	Security	Air conditioner	Water heater	Sewer
1	1	7	1	2	3	0
2	6	1	1	0	1	0
3	11	11	2	3	2	0
4	13	4	1	0	1	0
5	17	7	0	1	1	0
6	21	4	3	3	1	0
7	24	2	2	4	0	0
8	29	4	4	1	4	0
9	33	2	1	0	1	0
10	39	0	0	1	1	0
11	41	3	2	0	3	0
12	42	3	0	1	1	1
13	44	0	1	1	1	0
14	45	7	1	2	1	0
15	60	3	2	3	0	0
16	62	4	0	1	1	0
17	68	2	3	2	2	0
18	71	3	4	2	0	0
19	73	2	2	2	0	0
20	74	0	1	1	1	0
21	77	2	2	1	1	0
22	78	0	0	0	1	0
23	85	0	0	1	1	0
24	86	5	0	0	1	0
25	90	4	0	0	2	0
26	98	2	5	3	1	0
27	99	4	2	3	0	1
28	102	0	1	0	1	1
29	104	10	0	2	0	0
30	106	1	1	2	1	0
31	111	2	3	2	1	0
32	113	6	2	0	0	0
33	122	3	1	2	2	1
34	126	0	1	0	2	0

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		<b>Types of violation**</b>				
<b>#</b>	<b>Sample #</b>	<b>Electrical hazard</b>	<b>Security</b>	<b>Air Conditioner</b>	<b>Water heater</b>	<b>Sewer</b>
35	129	3	6	1	1	0
36	144	1	1	1	2	0
37	152	1	3	1	0	0
38	154	1	1	3	1	1
<b>Total</b>		<b>114</b>	<b>60</b>	<b>52</b>	<b>43</b>	<b>5</b>

\*\* The table does not indicate all violations we found in the unit. We only included the most frequently occurring and serious violations.

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