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Audit Report Number 2006-AT-1009

TO: Karl Kucen, Director, Office of Public Housing, 4KPH

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

SUBJECT: The Metropolitan Development and Housing Agency, Nashville, Tennessee, Did Not Ensure Section 8-Assisted Units Were Decent, Safe, and Sanitary

HIGHLIGHTS

What We Audited and Why

Based on a risk analysis, the U.S. Department of Housing and Urban Development (HUD), Office of the Inspector General (OIG) audited the Metropolitan Development and Housing Agency's (Agency) inspection of Section 8 units under the Section 8 Housing Choice Voucher program. Our audit objective was to determine whether Section 8 units met housing quality standards in accordance with HUD requirements.

What We Found

Our inspection of a statistical sample of 71 Section 8 units found that 52 units (73 percent) did not meet minimum housing quality standards. Of the 52 units, 30 were in material noncompliance. This condition occurred because Agency management did not implement an effective internal control plan that ensured it complied with HUD requirements at all times or complied with the Agency's administrative plan for inspecting units. As a result, tenants lived in units that were not decent, safe, and sanitary, and the Agency made housing assistance

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payments for units that did not meet standards. We estimate that over the next year, the Agency will pay housing assistance payments of more than \$8.7 million for units in material noncompliance with housing quality standards if it does not implement adequate controls.

What We Recommend

We recommend that the director of the Office of Public Housing require the Agency to inspect the 52 units that did not meet minimum housing quality standards to verify that the owners took appropriate corrective action to make the units decent, safe, and sanitary. If appropriate actions were not taken, the Agency should abate the rents or terminate the housing assistance payment contracts. The director should also require the Agency to implement internal controls that ensure units meet housing quality standards and inspections meet HUD requirements to prevent more than \$8.7 million from being spent on units that are in material noncompliance with standards.

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

Auditee's Response

We discussed the findings with Agency and HUD officials during the audit. We provided a copy of the draft report to Agency officials on March 28, 2006, for their comments and discussed the report with the officials at the exit conference on April 4, 2006. The Agency provided its written comments to our draft report on April 13, 2006. The auditee stated that it has controls that provide reasonable assurance that units meet housing quality standards before the housing assistance payments contracts become effective. It acknowledged that at any given time a significant percentage of units will not be in compliance with standards, but claimed that it abates housing assistance payments for units with fail items that are not corrected within 30 days. The Agency also stated that its staffing reflected HUD's priorities in other areas rather than in property inspections.

The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix B of this report.

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BACKGROUND AND OBJECTIVES

The Metropolitan Development and Housing Agency (Agency), formally known as the Nashville Housing Authority, was formed in 1938 pursuant to the Tennessee Housing Authority Law. Its primary objective is to provide safe and sanitary housing to low-income residents in and around the City of Nashville, Tennessee, in compliance with its annual contributions contract with the U.S. Department of Housing and Urban Development (HUD). The agency administers more than 5,300 housing choice vouchers. The annual housing assistance payments and administrative fees for 2005 were \$26.7 million.

A seven-member board of commissioners appointed by the mayor of Nashville governs the Agency. The Agency's executive director is responsible for the daily administration of the Agency.

Our audit objective was to determine whether Section 8 units met housing quality standards in accordance with HUD requirements.

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RESULTS OF AUDIT

Finding 1: Tenants Lived in Units That Were Not Decent, Safe, and Sanitary

Our inspection of 71 Section 8 units showed that 52 units (73 percent) did not meet minimum housing quality standards. Of the 52 units, 30 were in material noncompliance. Projecting the results of the statistical sample to the population indicates at least 3,283 of the Agency's 5,338 units did not meet minimum housing quality standards and 1,639 units were in material noncompliance. This condition occurred because Agency management did not implement an effective internal control plan that ensured it complied with HUD requirements at all times or complied with the Agency's administrative plan for inspecting units. As a result, tenants lived in units that were not decent, safe, and sanitary, and the Agency made housing assistance payments for units that did not meet standards.

The Agency Will Pay More Than \$8.7 Million for Units in Material Noncompliance

Agency management did not implement an effective internal control plan that ensured it complied with HUD requirements at all times or complied with the Agency's administrative plan for inspecting units. Thus, units were not decent, safe, and sanitary, and the Agency made housing assistance payments for units that did not meet standards. We estimate that over the next year, the Agency will pay housing assistance payments of more than \$8.7 million for units that are in material noncompliance with housing quality standards if it does not implement adequate controls. We inspected a statistical sample of 71 units with HUD facilities management specialists and the Agency's lead inspector and found that 30 units with 248 deficiencies were in material noncompliance with housing quality standards.

Further, 31 of the 248 deficiencies existed at the time of the Agency's most recent inspection, but the inspectors either did not identify the deficiencies or did not report them as failing conditions. These deficiencies included window and door problems, blocked exits, and severe mold. Appendix D provides additional details of the deficiencies for the 30 units that were in material noncompliance with standards.

The following table lists the most frequently occurring deficiencies for the 52 units that did not meet minimum housing quality standards.

Type of deficiency	Number of deficiencies	Number of units	Percentage of units
Windows	52	28	54
Doors	36	22	42
Electrical hazards	26	15	29
Blocked exits	25	18	35
Mold	20	9	17
Water leaks	18	16	31
Infestation	14	14	27

Window and Door Deficiencies Were Predominant

The most predominant deficiencies were windows and doors that did not operate properly or could not be secured.



The entry door had a damaged door knob assembly and lock set; the tenant blocked the door with a refrigerator to prevent intrusion.

We found 26 instances of electrical hazards, such as exposed wires and missing outlet covers. Many of these were in children's bedrooms.



Missing outlet cover in child's bedroom

We found numerous fire hazards, such as blocked exits.



The dresser covers the entire bedroom window, preventing exit in an emergency.

We found 20 instances of mold in nine units.



Severe mold in water heater closet



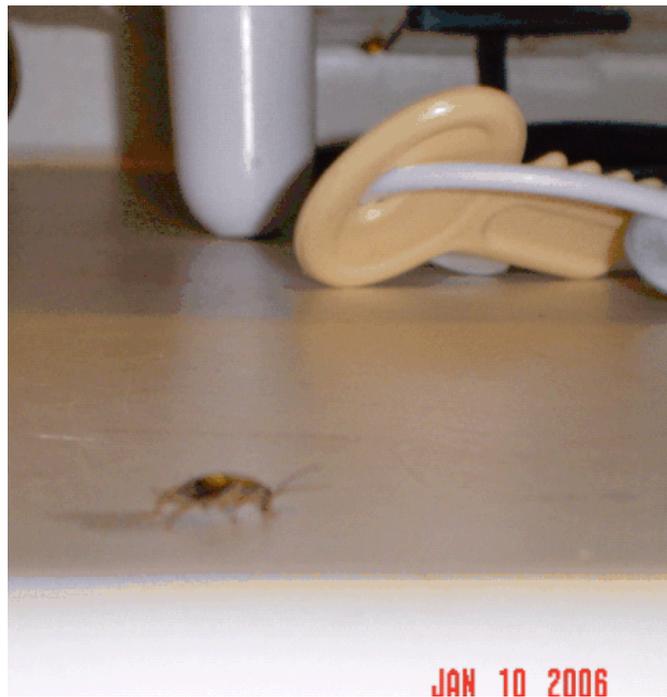
Severe mold on bathroom window

We found water leaks in 16 units.



Water leak under the kitchen sink

Insect infestation was also a common problem.



A roach near an infant's toy



Roaches on spatula and near “clean” dishes

**The Agency Is Required To
Ensure Properties Meet
Standards**

The Agency is required by HUD and its administrative plan to inspect each Section 8 unit at least once a year to ensure the properties meet minimum conditions for compliance with standards. HUD requirements and the Agency’s administrative plan provide minimum conditions that must exist for a unit to be considered decent, safe, and sanitary. Each unit must meet minimum housing quality standards for the entire period of tenancy.

We found that Agency inspectors often either did not identify or did not report failing conditions. Of the 248 deficiencies we found in the units that were in material noncompliance, 31 deficiencies clearly existed at the time of the Agency’s last inspection but were not reported by the inspectors. The deficiencies included blocked exits, severe mold, and foundation problems. Of the 31 preexisting deficiencies, 10 were in one unit that the Agency inspected and passed just 34 days before our inspection.

The inspection staff was responsible for all inspections, reinspections, emergency inspections, and complaint inspections for more than 5,300 Section 8 units. The Agency did not have a written policy requiring it to perform an analysis to determine whether it employed adequate inspection staff to perform all required inspections. However, it did employ a consultant to review its program. In a July

10, 2002, report, the consultant advised the Agency that its unit inspection workload was excessive. At that time, the Agency had five inspectors. The report states in part, “The Section 8 program has dramatically increased rental assistance in the metropolitan area over the last four years with accelerated growth resulting in an increase of over 58 percent in leased units. This has been accomplished with only minimal increase in Rental Assistance Department staffing levels from 21 to 24, an increase of less than 15 percent.” Despite the consultant’s analysis, the Agency did not hire additional inspectors. Further, from January 1, 2000, to December 31, 2005, the Agency’s allocation of Section 8 units increased by about 47 percent; however, the Agency still had only five inspectors.

Inspection staff told us that they felt rushed to get their inspections done and did not have time to perform a detailed inspection of all units. Thus, they “skimmed over” their inspections when the workload was too high, and they relied heavily on tenants to tell them about deficiencies. Further, because of the inspectors’ high workloads, they often worked at their homes in the evenings to prepare their inspection reports and letters to owners, notifying them of inspection deficiencies.

Recommendations

We recommend that the director of the Office of Public Housing

- 1A. Require the Agency to inspect the 52 units that did not meet minimum housing quality standards to verify that the owners took appropriate corrective actions to make the units decent, safe, and sanitary. If appropriate actions were not taken, the Agency should abate the rents or terminate the housing assistance payment contracts.
- 1B. Require the Agency to develop and implement an internal control plan that ensures units meet housing quality standards and inspections meet HUD requirements to prevent more than \$8.7 million from being spent on units that are in material noncompliance with standards.

SCOPE AND METHODOLOGY

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

- Reviewed applicable laws, regulations, and other HUD program requirements.
- Reviewed the Agency's Section 8 policies, procedures, and administrative plan.
- Interviewed HUD and Agency management and 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 December 1, 2005.
- Selected a statistical sample of units for inspection from the Agency's Section 8 housing stock for the Housing Choice Voucher program as of December 1, 2005.
- Reviewed previous Agency inspection reports.
- Inspected 71 units with a facilities management specialist from the Nashville, Tennessee, Office of Public Housing and the Agency's lead inspector to determine whether the units met housing quality standards. We performed the inspections from January 9 to 27, 2006.

The download of the Agency's Section 8 housing stock for the Housing Choice Voucher program resulted in 5,338 active units. We used a statistical software program to select a random sample of the 5,338 units. Based on a confidence level of 95 percent, a precision level of 10 percent, and an assumed error rate of 75 percent, the software returned a statistical sample of 71 units with a random selection start. We used the software to generate 29 additional sample units to be used as replacements if needed.

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.

We inspected 12 of the replacement units because 12 of the primary units were no longer being subsidized or the tenants were not home. We selected the replacement units in succession until the required 71 units were inspected.

Projecting the results of the 52 failed units in our statistical sample to the population indicates

The lower limit is 61.5 percent x 5,338 units = 3,283 units not meeting housing quality standards.

The point estimate is 73.24 percent x 5,338 units = 3,910 units not meeting housing quality standards.

The upper limit is 83.0 percent x 5,338 units = 4,431 units not meeting housing quality standards.

Of the 52 failed units, 30 were in material noncompliance with housing quality standards. We based our assessment on prior Agency inspection reports, tenants' comments, and our observation and judgment of the condition of the unit during the inspection. We judged units to be in material noncompliance with housing quality standards because of the overall poor condition of the unit, and/or one of the fail conditions was a 24-hour emergency deficiency, and/or one of the fail conditions was a preexisting condition that either was not identified or not reported at the time of the Agency's last inspection, and/or the unit had inadequate repairs.

Projecting the results of the 30 units that were in material noncompliance with housing quality standards to the population yields the following:

The lower limit is 30.7 percent x 5,338 units = 1,639 units in material noncompliance with housing quality standards.

The point estimate is 42.25 percent x 5,338 units = 2,255 units in material noncompliance with housing quality standards.

The upper limit is 54.5 percent x 5,338 units = 2,909 units in material noncompliance with housing quality standards.

The Agency's December 1, 2005, housing assistance payments register showed that the average monthly housing assistance payment was \$447. Using the lower limit of the estimate of the number of units and the average monthly housing assistance payment, we estimated that the Agency will annually spend at least \$8,791,596 (1,639 units x \$447 average payment x 12 months) for units that are in material noncompliance with housing quality standards. This estimate is presented solely to demonstrate the annual amount of Section 8 funds that could be put to better use on decent, safe and sanitary housing if the Agency implements our recommendation. While these benefits would recur indefinitely, we were conservative in our approach and only included the initial year in our estimate. We also considered that (1) the Agency did not identify many of the past conditions during its most recent inspections, (2) the units would not be scheduled for another inspection for another year under normal circumstances, and (3) it would take the Agency at least a year to complete all inspections under an improved inspection process.

We conducted our fieldwork from November 2005 through February 2006 at the Agency's offices in Nashville, Tennessee. Our audit period was from October 1, 2004, through January 31, 2006. We expanded our audit period as needed to accomplish our objectives.

We conducted the audit in accordance with generally accepted government auditing standards and included tests of management controls that we considered necessary under the circumstances.

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INTERNAL CONTROLS

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

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

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

Relevant Internal Controls

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

- Compliance with laws and regulations – Policies and procedures that management has implemented to reasonably ensure resource use is consistent with laws and regulations.
- Safeguarding of resources – Policies and procedures that management has implemented to reasonably ensure resources are safeguarded against waste, loss, and misuse.

We assessed the relevant controls identified above.

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

Significant Weaknesses

Based on our review, we believe the following item is 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</u>	<u>Funds to be put to better use 1/</u>
1B	\$ 8,791,596
Total	<u>\$ 8,791,956</u>

1/ “Funds to be put to better use” are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. This includes reductions in outlays, deobligation of funds, withdrawal of interest subsidy costs, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings which are specifically identified. In this instance, if the Agency implements our recommendation, it will cease to incur Section 8 costs for units that are not “decent, safe and sanitary,” and, instead will expend those funds for units that meet HUD’s standards. Once the Agency successfully improves its controls, this will be a recurring benefit. Our estimate reflects only the initial year of these recurring benefits.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

	<p style="text-align: center;">Metropolitan Development and Housing Agency 701 SOUTH SIXTH STREET * NASHVILLE, TENNESSEE * TELEPHONE (615) 252-8410 TELEPHONE DEVICE FOR DEAF (615) 252-8599 FAX (615) 252-3677</p> <p>Phil Ryan Executive Director</p> <p style="text-align: right;">Mailing Address: P. O. Box 846 Nashville, TN 37202</p> <p style="text-align: center;">April 13, 2006</p> <p>Mr. James D. McKay Regional Inspector General for Audit U. S. Department of Housing and Urban Development Richard B. Russell Federal Building 75 Spring Street, SW, Room 330 Atlanta, GA 30303-3388</p> <p>Dear Mr. McKay:</p> <p>We appreciate the opportunity to respond to your report on the physical inspection of some of the units our Agency is assisting under the Section 8 Housing Choice Voucher program. This program is a critical resource in our mission of providing the residents of Nashville and Davidson County with affordable housing opportunities in a safe environment, and we welcome your suggestions about how we might best accomplish our mission.</p> <p>Our staff managing this program are long-term, dedicated employees who work hard to achieve the numerous goals of the Housing Choice Voucher program: maximizing the utilization of program resources, continually broadening the base of participating owners, responding to tenant and owner grievances, using EIV and other means to assure that rental subsidies are limited to what is justified, enforcing the "one-strike" policies, and assuring that units pass their HQS inspection before HAP contracts are put into effect.</p> <p>MDHA does have an effective internal control plan in place that provides reasonable assurance that assisted units meet Housing Quality Standards before HAP contracts become effective. Our plan includes:</p> <ul style="list-style-type: none">• All participating property owners are provided a Landlord Handbook, outlining their responsibilities.• All participating owners are provided a 65-point check-list of HQS inspection items.
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Comment 1

Comment 2

- All of our HQS inspectors have been training and certified by Nan McKay and Associates; they have a minimum of 6 years and an average of over 13 years experience conducting HQS inspections.
- Our Section 8 Inspector Supervisor conducts quality-control reinspections on 8% of all HQS inspections, well beyond the HUD-mandated 5%; results of these quality-control inspections are used to counsel with individual inspectors and to provide material for the regular Section 8 Inspector training sessions which are conducted the second Wednesday of each month.
- We encourage assisted tenants to call in for complaint inspections if they have been unable to secure requested repairs from their property owners; in 2005, we conducted 322 such complaint inspections.

Comment 3

- We refuse to initiate HAP contracts until units pass the HQS inspection fully and we abate HAP contract payments (over the strenuous objection of owners) for units on which HQS fail items have not been corrected within 30 days of an annual reinspection or complaint inspection.

Comment 4

At any given time, a significant percentage of units will not be in compliance with HQS. We see this every year upon the annual reinspection of units which had passed inspection a year earlier; in fact, last year a full 64% of units failed during the first round of their annual reinspections. Windows get broken, smoke detectors get disabled, screens are lost, weather-stripping wears out, and tenant abuse occurs. As in any home, when guests are expected, everything is put in perfect order; days or weeks later, standards decline and imperfections arise. So it is with our Section 8 properties: they may meet HQS for the initiation or annual renewal of the HAP contract, but deficiencies arise over the ensuing months and will be found during the next reinspection.

Comment 5

The audit report states that 43% of the units sampled were in material non-compliance with HQS at the time of the HUD/IG reinspection. This is not unexpected given what we find during our annual reinspections. It is also in line with what HUD's Inspector General has found recently in other cities administering the Section 8 Housing Voucher program (47% in Chattanooga, 39% in Winston-Salem). In fact, our experience on units developing deficiencies after they have passed an annual inspection has made us extremely skeptical of the Administration's concerted efforts in recent years to require (and pay for) inspections less frequently than once a year. In the Housing Assistance for Needy Families ("HANF") proposal HUD was urging in 2003, reinspections would have been required only once every three years. In 2005, when HUD was urging the State and Local Housing Flexibility Act ("SLHFA"), the reinspection requirement had dropped to just 25% of the units being reinspected per year. We strenuously objected to this proposed relaxation (or partial abandonment) of the annual inspections requirement because we were keenly aware of the slippage in housing conditions that

does occur within just one year and we realized that reinspection is needed at least that frequently in order to safeguard the quality of the housing being subsidized.

Comment 6

The report mentions that we had engaged a consultant to review our Section 8 program in 2002 and that we then failed to implement his recommendations. Actually, the "consultant" was our internal auditor, a professional auditor who had retired from a 30-year career with the General Accounting Office with extensive experience in reviewing government programs funded by HUD and other federal domestic agencies. His comprehensive review included six specific recommendations, all of which we implemented. He cited the unit inspection workload as being excessive but he attributed that to the high frequency of failures and subsequent reinspections; his recommendation was that we impose a penalty/fee for reinspections to deter the practice of owners not maintaining their properties until our inspectors provided them in essence the "to do" list of repairs. In another recommendation, he cited the increase in the number of funded Vouchers and recommended that we transfer certain application staff to the Rental Assistance office, and that we add a second supervisor for the Rental Assistance Advisor staff. We implemented both of these recommendations (even adding additional Advisors); he did not recommend any increase in the number of inspectors.

Comment 7

At the time that our internal audit was prepared, the funding of the Section 8 program by HUD was in disarray. Funding renewal reductions were being made retroactively based on utilization data from an arbitrarily selected three-month period a year or so earlier. Authorized vouchers were ceasing to be funded and remaining vouchers were receiving limited funding based on dated average costs rather than on current costs. In the midst of these HUD strategies for cost containment in the Voucher program, the use of administrative fees was being made more restrictive. Based on HUD's legislative efforts during this period, the special target for cost reductions in the administrative fees seemed to be the expense of conducting unit inspections. As mentioned earlier, HUD's 2003 HANF proposal would have reduced annual reinspections by two thirds and HUD's SLFHA proposal in 2005 would have reduced annual reinspections by three quarters. HUD was clearly not sending a message to housing authorities that an enhanced inspection capability was a priority.

In fact, at that time, HUD's major thrust was on income verification and reducing the housing subsidies being claimed by households underreporting their income. Therefore, there was a major focus on UIV/EIV systems and procedures and HUD was sending out review teams to audit how well we were utilizing those systems and sanctioning households for underreported income. As recently as March 30 of this year, HUD Secretary Jackson testified before Congress repeatedly blaming proposed cuts to HUD programs on the Housing Choice Voucher program, claiming that "the Section 8 program is eating at the core of HUD's budget" and stating his belief that a substantial percentage of voucher holders are not truly eligible for the program. Secretary Jackson testified, "PHAs are not doing what they should be doing to purge their rolls and getting families off the program. I was a Housing Authority Director at three PHAs. I know the caliber of the people running the Housing Authorities and they are not doing their job."

While we certainly repudiate his assessment of the caliber of PHA staff in general who administer the Section 8 program, and emphatically so in regard to the personnel at this Agency who are highly trained and dedicated career professions, we have recognized the Secretary's priority toward income verification and rooting fraudulent subsidies out of the program. Our increases in Section 8 staffing have reflected his priorities in these matters rather than in property inspections, which he considered so unnecessary that they could be relegated to being done as infrequently as once in four years.

In terms of actions on the specific recommendations of this audit report:

1A. Deficiency letters have been sent to the owners of the 52 properties which did not meet minimum HQS requirements. Of these, as of April 6, 2006, 15 units have had the corrections made and have passed reinspection within the 30-day deadline, 10 units have had the corrections made and have passed reinspection after the 30-day deadline (and HAP payments have been or will be appropriately abated), 7 units were vacated or terminated from the program, and 20 units have yet to pass reinspection (and HAP payments have been or will be appropriately abated or terminated).

Comment 8

1B. We believe that we have in place an internal control plan that provides reasonable assurance that assisted units are in compliance with the Housing Quality Standards prior to execution of any new HAP contract and prior to any renewal of a HAP contract. Our plan also provides for interim reinspections whenever a tenant advises us of property deficiencies between regularly scheduled inspections. We do not believe that there is any practical method by which there could be assurance that every assisted unit fully complies with HQS requirements throughout term of the HAP contract.

Please feel free to contact me at (615) 252-8410 if you need any clarification about our response to your review.

Sincerely,



Phil Ryan
Executive Director

OIG Evaluation of Auditee Comments

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| Comment 1 | Our audit showed that 73 percent of the Agency's units did not meet minimum housing quality standards and at least 42 percent of the units were in material noncompliance with standards. These results do not support the Agency's claim that its internal controls were effective. Further, HUD requires units to meet minimum standards during the entire tenancy, not just at the time the housing assistance payment contract becomes effective. |
| Comment 2 | Section 12.1 of the Agency's administrative plan required a minimum of five percent of units under lease at fiscal year end be subject to quality control inspections. At September 30, 2004, the Agency had 5,190 units under lease. Thus, in accordance with its administrative plan, the Agency was required to conduct 260 (5,190 x .05) quality control inspections during its fiscal year ended September 30, 2005. However, the Agency only performed 162 quality control inspections during the period. While this exceeded HUD's requirement, the Agency did not comply with its own requirements to review five percent. Further, the number of quality control inspections was well below the eight percent the Agency claimed it performed in its response to our draft report. |
| Comment 3 | We agree that the Agency's policies and procedures required it to abate housing assistance payments for units when deficiencies were not corrected. However, our review found the Agency did not always comply with its policies and procedures. Our review of twenty tenant files found the Agency did not abate housing assistance payments for two units. We discussed the deficiency with Agency staff during our audit. The Agency subsequently revised its procedures. Because we believed the revised procedures, if followed, should be adequate to reduce the likelihood of future occurrences, we did not include this condition in our report. |
| Comment 4 | The Agency claimed that deficiencies arise during the year, but are identified during the next inspection. However, our inspections showed that 15 of the 30 units (50 percent), that were in material noncompliance with standards had deficiencies that existed at the time of the Agency's most recent inspection, but the inspectors either did not identify the deficiencies or did not report them as failing conditions. The Agency had inspected five of these 15 units within the last 50 days. We also found that inspectors did not consistently fail units that had blocked exists. We discussed this with Agency management at the exit conference. |

Comment 5 We agree that the Agency’s percentage of units that were in material noncompliance with housing quality standards is in line with those found during other recent OIG audits. Similarly, our recommendations are consistent with those audits.

Comment 6 Our report does not state that the Agency failed to implement the consultant’s recommendations. We did point out that the consultant advised the Agency that its unit inspection workload was excessive, and even though the workload has grown since that time, the Agency has not hired additional inspectors. We recognize the consultant’s report did not recommend an increase in the number of inspectors. Similarly, we have not recommended an increase. However, despite the changes the Agency implemented pursuant to the consultant’s report, it has still failed to meet its mission of providing decent, safe, and sanitary housing. We believe that in its implementation of our recommendations, the Agency should consider performing the suggested staffing analysis along with other internal control improvements that would enable it to better accomplish its mission and to ensure additional HUD funds are not spent for units that are in material noncompliance with housing quality standards. We added the suggested guidance in the Criteria section of the report.

Comment 7 In fiscal year 2003, Congress enacted changes in the Housing Choice Voucher Program in order to fund each public housing agency’s Housing Choice Voucher Program at a level that more closely reflected actual funding needs. For fiscal year 2004, 2005, and 2006, additional changes were enacted to better control the increasing costs of vouchers. Notice PIH 2004-7 advises that agencies must manage their programs in a prudent manner, to enable them to serve families within their baseline.

While funding levels and HUD priorities may have necessitated the Agency to operate more efficiently, HUD did not relieve the Agency of its responsibility to inspect units or to provide decent, safe, and sanitary housing to eligible families in accordance with requirements.

Comment 8 As discussed in our Comment 1, 73 percent of the Agency’s units did not meet minimum housing quality standards and at least 42 percent of the units were in material noncompliance with standards. Further, as discussed in Comment 4, 50 percent of the units in material noncompliance had conditions that existed at the time of the Agency’s last inspection. Thus, we do not believe the Agency’s internal controls in effect at the time of our audit provides reasonable assurance that units are in compliance with standards.

Appendix C

CRITERIA

Federal Regulations at 24 [Code of Federal Regulations] 982.54(a)(c)

Housing authorities must adopt a written administrative plan that establishes local policies for administration of the program in accordance with HUD requirements. The housing authorities must administer the program in accordance with their administrative plan.

Federal Regulations at 24 [Code of Federal Regulations] 982.401(a)(3)

All program housing must meet housing quality standards performance requirements, both at commencement of assisted occupancy and throughout the assisted tenancy.

Federal Regulations at 24 [Code of Federal Regulations] 982.405(a)

The public housing authority must inspect the unit leased to a family before the initial term of the lease, at least annually during assisted occupancy, and at other times as needed to determine whether the unit meets housing quality standards.

National Fire Protection Association 101 Life Safety Code, Chapter 24, Section 2.2.1

In any dwelling or dwelling unit of two rooms or more, every sleeping room and every living area shall have one primary means of escape and one secondary means of escape.

HUD Handbook 7420.10g, Chapter 10, Section 10.6

The handbook provides guidance the public housing authority should consider in determining how many total inspections will need to be scheduled and completed each year. After estimating the number of required unit inspections, the public housing authority should determine the number of staff needed to complete required inspections. It should take into account the following factors:

- Number of days employees conduct inspections each year (exclude time in office, training days, vacation, sick days, and approximate number of days lost to weather conditions for the area) and
- Number of inspections each employee completes per
- day.

This analysis will indicate the number of inspections each inspector must have scheduled and completed each day. The public housing authority should determine the amount of time required for an inspector to complete thorough inspections, taking into account the type of unit and the number of bedrooms. The public housing authority should also consider travel time.

Appendix D

SCHEDULE OF UNITS IN MATERIAL NONCOMPLIANCE WITH HOUSING QUALITY STANDARDS

Sample item number	Total deficiencies	24-hour emergency deficiencies	Preexisting conditions	Inadequate repairs
1846	7	1	1	
122	4	1	4	
5093	5	1	1	
4360	6		1	1
3888	6	2	1	
3595	5		2	
4030	11	2	1	
4996	10			
4790	8			
3194	9			
1736	4			
146	12			
4184	8	1		
3862	7			
4966	11	1		
3803	17		10	1
5044	8			1
5169	8	2		
4671	10	2	1	
3434	12	1	2	
5152	13	1		
489	3		1	
1421	6		1	

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Sample item number	Total deficiencies	24-hour emergency deficiencies	Preexisting conditions	Inadequate repairs
4707	8		2	
4271	8	2		
5225	8			
1430	9			
4895	11		3	
4915	7	1		
2739	7			
Total	248	18	31	3

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