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Audit Report Number 2006-AT-1015

TO: Olga I. Saez, Director, Public and Indian Housing, San Juan Field Office,
4NPH

James D. McKay

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

SUBJECT: The Municipality of Bayamon Housing Authority, Bayamon, Puerto Rico,
Did Not Ensure Section 8-Assisted Units Were Decent, Safe, and Sanitary

HIGHLIGHTS

What We Audited and Why

As part of the U.S. Department of Housing and Urban Development (HUD), Office of the Inspector General's (OIG) strategic plan, we audited the Municipality of Bayamon Housing Authority's (Authority) 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 66 Section 8 units found that 58 units (88 percent) did not meet minimum housing quality standards. Of the 58 units, 15 were in material noncompliance with housing quality standards. As a result, tenants lived in units that were not decent, safe, and sanitary, and the Authority made housing assistance payments for units that did not meet standards. We estimate that over the next year, the Authority will disburse housing assistance payments of more than \$1.4 million for units in material noncompliance with housing quality standards.

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What We Recommend

We recommend that the director of the Office of Public Housing require the Authority to inspect all of the 58 units that did not meet minimum housing quality standards to verify that the landlords took appropriate corrective actions to make the units decent, safe, and sanitary. If appropriate actions were not taken, the Authority should abate the rents or terminate the tenants' vouchers. The director should also require the Authority to implement an internal control plan and incorporate it into the Authority's Section 8 administrative plan to ensure that units meet housing quality standards and inspections meet HUD requirements to prevent an estimated \$1.4 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 the Authority and HUD officials during the audit. We provided a copy of the draft report to Authority officials on June 26, 2006, for their comments and discussed the report with the officials at the exit conference on July 10, 2006. The Authority provided its written comments to our draft report on July 13, 2006.

The Authority generally disagreed with the finding. However, the Authority identified a number of actions it has taken to improve its controls. The Authority's response, except for 12 attachments, along with our evaluation of that response, can be found in appendix B of this report. The attachments are available upon request.

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BACKGROUND AND OBJECTIVES

The Municipality of Bayamon Housing Authority (Authority) administers approximately 1,800 housing choice vouchers in Bayamon, Puerto Rico, and its vicinity. The annual assistance payments and administrative fees approach \$13 million. The Authority's housing department was assigned the responsibility of administering the Section 8 program. The Authority's records for the Section 8 program are maintained at Marginal Virgilio Davila, Bayamon, Puerto Rico.

The objective of our audit was to determine whether the Authority's Section 8 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

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

Our inspection of 66 units showed that 58 units (88 percent) did not meet minimum housing quality standards. Of the 58 units not meeting standards, 15 were in material noncompliance with housing quality standards. Projecting the results of the statistical sample to the population indicates at least 1,475 of the Authority's 1,813 units did not meet minimum housing quality standards and 261 units were in material noncompliance with housing quality standards. This occurred because the Authority did not implement an effective internal control plan that ensured units met minimum housing standards and inspections complied with requirements. As a result, tenants lived in units that were not decent, safe, and sanitary, and the Authority made housing assistance payments for units that did not meet standards. Based on the sample, we estimate that over the next year, the Authority will disburse housing assistance payments of more than \$1.4 million for units in material noncompliance with housing quality standards.

Health and Safety Hazards Were Predominant

We inspected a statistical sample of 66 units with an Office of Inspector General (OIG) housing inspector and the Authority's inspectors and found that 15 units with 149 deficiencies were in material noncompliance with housing quality standards. Appendix D provides details on the 15 units.

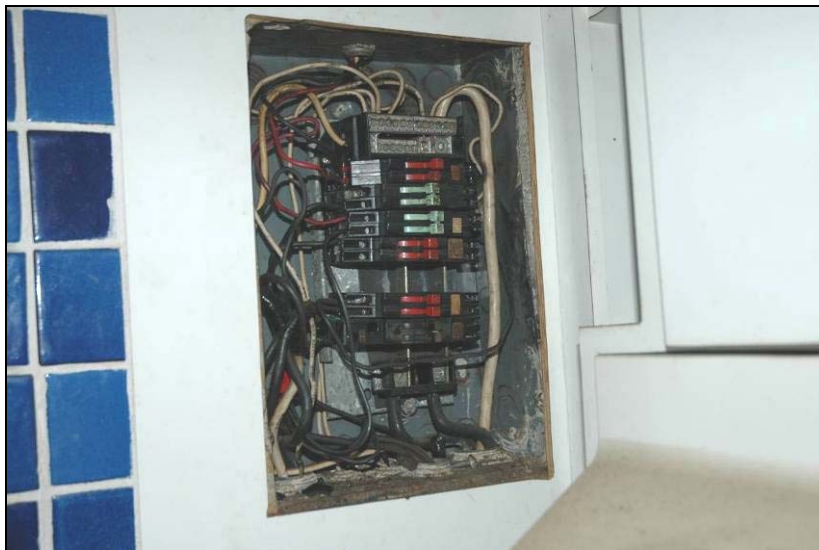
The following table lists the most frequently occurring deficiencies for all 66 units we inspected.

Type of deficiency	Number of deficiencies	Number of units	Percentage of units
Illumination and electrical	169	52	78.8
Structure and materials	42	26	39.4
Water supply	35	25	37.9
Smoke detectors	12	12	18.2
Other	39	23	34.8
Total deficiencies	297		

The most predominant deficiencies were electrical hazards, including exposed wiring, missing outlet covers, improper wiring of water heaters, inoperable outlets, and unshielded electrical wires.



Main electrical connection resting on plywood sheet above metal roof, creating an electrical shock hazard.



Breaker panel in kitchen with no internal fixed cover and with exposed electrical contacts, creating an electrical shock hazard. The tenant stated that this deficiency had existed since move-in, around October 2003.



Improper wiring of water heater with exposed wire connections, creating an electrical shock hazard. In addition, the pressure relief valve has no discharge pipe. The tenant stated that this deficiency existed at the time of the last Authority inspection.



Hole in the bedroom wall (next to bed) and missing outlet cover, creating an electrical shock hazard.



Improper wiring of a secondary breaker box to primary breaker. This deficiency was not reported by the Authority during its June 7, 2005, inspection.



Unauthorized and improperly installed shower heater, creating an electrical shock hazard.

We also found other health and safety hazards, including water leaks, stairs or porches needing handrails, vermin or rodent infestation, bedrooms with no windows, and missing or inoperable smoke detectors.



Peeling paint due to water leak on living room ceiling.



Second floor porch has no guardrails. The tenant stated that this deficiency had existed since move-in, around June 2002. This deficiency was not reported by the Authority during its January 31, 2006, inspection.



Front entrance porch has no guardrail and handrail. The tenant informed us that this condition had existed since move-in, around May 2003. This deficiency was not reported by the Authority during its February 9, 2006, inspection.



Rusted out hole in the bottom of bathroom tub, creating a cutting hazard.

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Signs of rodent infestation (droppings) inside sink cabinet in kitchen.



View of bedroom that has no window and does not provide adequate air circulation, except for wind driven ventilator next to the ceiling fan. This deficiency was not reported by the Authority during its January 30, 2006, inspection.

The Authority Is Required to Ensure Properties Meet Standards

The Authority is required by HUD and its administrative plan to inspect Section 8 units at least once a year to ensure that the properties meet minimum conditions for compliance with standards. HUD requires and the Authority's administrative plan provides 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 225 deficiencies that existed at the time of the Authority's most recent inspection, but the inspectors did not identify or did not report them. Damage from water leaks, missing guardrails, bedrooms with no windows, and improper electrical installations were some of the deficiencies not reported by inspectors. Authority inspectors informed us that some of the deficient inspections were attributed to oversight or their unfamiliarity with HUD requirements.

Conclusion

Because the Authority did not implement adequate internal controls, it made housing assistance payments for units that did not meet housing quality standards. The Authority did not maintain adequate controls to ensure that inspections met HUD requirements. Management must emphasize the importance of housing quality standards and implement policies and procedures that ensure it complies with HUD requirements and gives tenants the opportunity to live in decent, safe, and sanitary conditions. By making the necessary improvements, we estimate the Authority will prevent more than \$1.4 million in Section 8 funds from being spent on units that are in material noncompliance with standards.

Recommendations

We recommend that the director of the Office of Public Housing

- 1A. Require the Authority to inspect the 58 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 Authority should abate the rents or terminate the housing assistance payment contracts.
- 1B. Require the Authority to develop and implement an internal control plan that ensures units meet housing quality standards and inspections meet HUD requirements to prevent more than \$1.4 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 Authority's Section 8 policies, procedures, and administrative plan.
- Interviewed HUD and Authority management and staff.
- Reviewed the Authority's latest independent public accountant report and HUD program monitoring reviews.
- Obtained a download of the Authority's Section 8 housing stock for the Housing Choice Voucher program as of February 6, 2006.¹
- Selected a statistical sample of units for inspection from the Authority's Section 8 housing stock for the Housing Choice Voucher program as of February 6, 2006.
- Reviewed previous Authority inspection reports.
- Inspected 66 units with an OIG housing inspector and the Authority inspectors to determine whether the units met housing quality standards. We performed the inspections from April 3 to 20, 2006.

The download of the Authority's Section 8 housing stock for the Housing Choice Voucher program resulted in 1,813 active units in Puerto Rico. We used a statistical software program to calculate the sample size. Based on a confidence level of 90 percent, a precision level of 10 percent, and an assumed error rate of 50 percent, the software returned a statistical sample of 66 units. We used the Audit Command Language software to select a random sample from the 1,813 units and to generate 60 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 had moved to new units. We selected the replacement units in succession until the required 66 units were inspected.

¹ To achieve our audit objectives, we relied in part on computer-processed data contained in the Authority's database. Although we did not perform a detailed assessment of the reliability of the data, we did perform a minimal level of testing and found it to be adequate for our purposes.

Projecting the results of the 58 failed units in our statistical sample to the population indicates the following:

The lower limit is 81.39 percent x 1,813 units = 1,475 units not meeting housing quality standards.

The point estimate is 87.88 percent x 1,813, units = 1,594 units not meeting housing quality standards.

The upper limit is 94.37 percent x 1,813 units = 1,710 units not meeting housing quality standards.

Of the 58 failed units, 15 units were in material noncompliance with housing quality standards. We based our assessment on prior Authority inspection reports, tenants' comments, and our observation and judgment of the condition of the unit during inspection. We judged units to be in material noncompliance with housing quality standards because of the overall poor condition of the unit, one of the fail conditions was a preexisting condition that either was not identified or not reported at the time of the Authority's last inspection, one of the fail conditions was a 24-hour emergency deficiency, and/or the unit had inadequate repairs.

Projecting the results of the 15 units that were in material noncompliance with housing quality standards to the population yields the following:

The lower limit is 14.40 percent x 1,813 units = 261 units in material noncompliance with housing quality standards.

The point estimate is 22.73 percent x 1,813 units = 413 units in material noncompliance with housing quality standards.

The upper limit is 31.06 percent x 1,813 units = 563 units in material noncompliance with housing quality standards.

The Authority's February 6, 2006, housing assistance payments register showed that the average monthly housing assistance payment was \$458. Using the lower limit of the estimate of the number of units and the average monthly housing assistance payment, we estimated that the Authority would annually spend at least \$1,434,456 (261 units x \$458 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 Authority implements our recommendations. While these benefits would recur indefinitely, we were conservative in our approach and only included the initial year in our estimate. We also considered that (1) the Authority did not identify many of the past conditions during its most recent inspections and (2) the units would not be scheduled for another inspection for another year under normal circumstances.

We conducted our fieldwork from February through May 2006 at the Authority's offices in Bayamon, Puerto Rico. Our audit period was from July 1, 2004, through January 31, 2006, but 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.

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

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	\$ 1,434,456
Total	<u>\$ 1,434,456</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 Authority implements our recommendations, 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 Authority successfully improves its controls, this will be a recurring benefit. Our estimate reflects only the initial year of this recurring benefit.

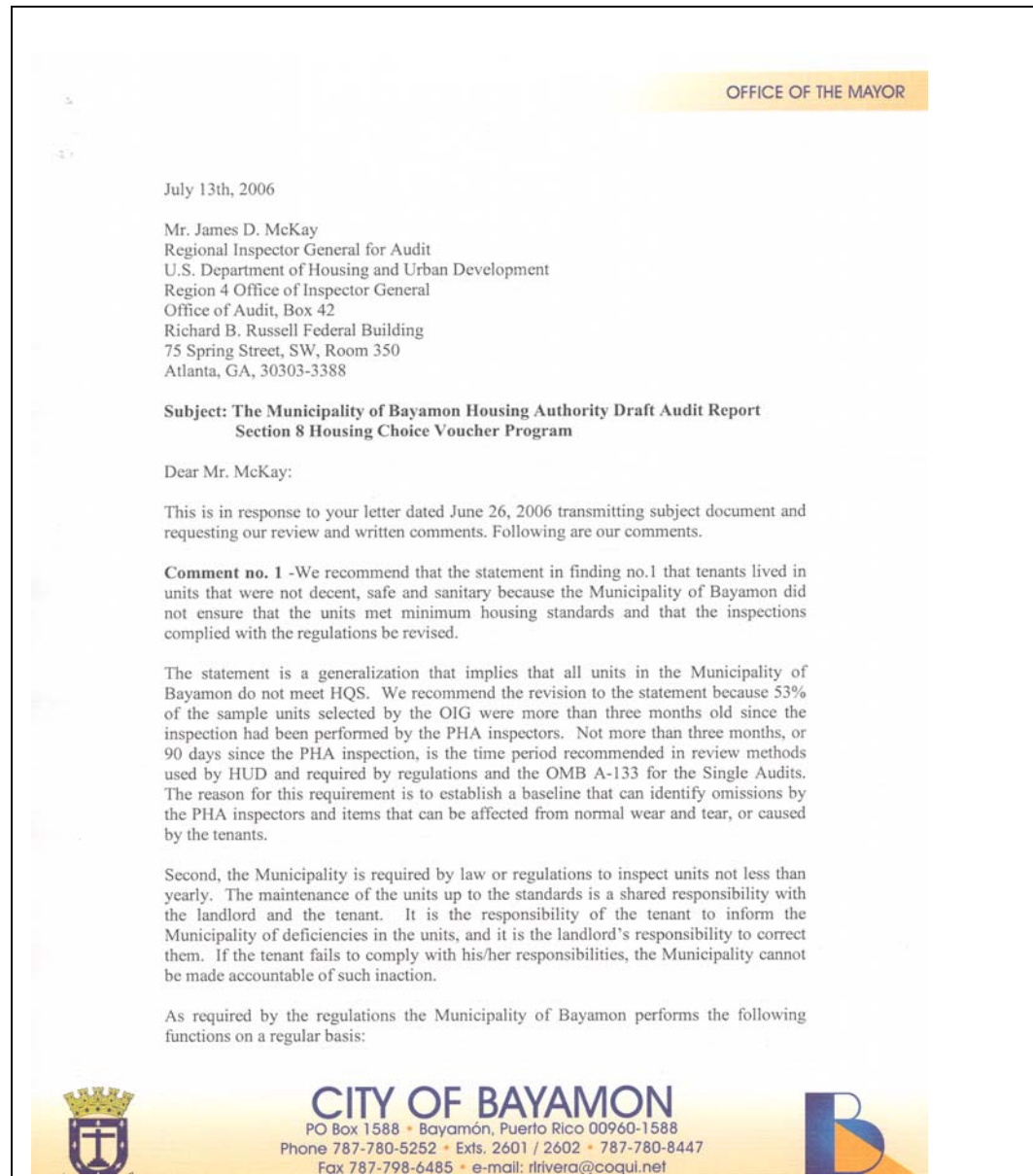
Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

Comment 1



- Inspects each unit under contract at least annually and before the initial term of the lease to determine that it complies with the HQS
- Conducts quality control re-inspections
- For units under HAP contract that fail to meet HQS, requires the owner to correct any life threatening HQS deficiencies within 24 hours after the inspections and all other HQS deficiencies within 30 calendar days
- When the owner does not correct the cited HQS deficiencies within the specified correction period, stops the payment or terminates the HAP contract
- For family-caused defects, if the family does not correct the cited HQS deficiencies within the specified correction period, takes prompt and vigorous action to enforce the family obligations

Comment no. 2-In due justice, the OIG report should clearly state that no instances of fraud or unlawful situations were found in the Municipality of Bayamon related to the management of its Section 8 Housing Choice Voucher Program. We find it most important and necessary that the OIG state this in the final report in order to present the real facts and true outcome of the Municipality's Section 8 program audit.

Comment 2

Comment no.3-The OIG found that 58 units did not meet minimum housing quality standards and that 15 of those were in material noncompliance. Based on these results, the OIG projects in its draft report that over the next year the Municipality will disburse HAP payments of more than \$1.4 millions for units in material non compliance. We strongly believe that the report must recognize all of the actions taken immediately by the Municipality to correct the finding and prevents its recurrence. Specifically during the course of the audit the Municipality undertook the following corrective actions and to strengthen our internal controls:

- City staff evaluated and took immediate action to address the possible findings found by the OIG during the audit (see appendix 1).
- In compliance with the regulations, we required all of the landlords to repair the deficiencies identified by the OIG in the period stipulated by the regulations, thus all of the units passed the HQS before the OIG finished the audit.
- The Municipality reinspected the 58 units that failed the HQS to verify that the landlords completed the repairs identified. Copies of the HQS inspections form and the actions taken on each case are included in appendix 2 for your review.
- As an additional internal control measure, the Municipality created and recruited a supervisory position for the Section 8 housing inspection area. The specific tasks to be performed by the supervisor are included in (appendix 3).
- All landlords were informed about problem areas (water heaters, breaker box) identified by the OIG. We integrated these issues during our weekly orientation to owners.(see appendix 4)
- We are reinspecting of all the units in its Section 8 Housing Voucher stock to assure that all the units are in compliance with the regulations. As of today 1,287 (71%) of the 1,813 units have been inspected and we expect to complete the

inspections by August 2006. We have included the inspection itinerary for all of the units(see appendix 5)

- Special training on HQS failed items identified by the OIG was provided to the inspectors. On this issue we prepared a written clarification to the inspector explaining the most important failed items. (see appendix 6)
- We developed a HQS quality control program that includes the following elements(see appendix 7):
 - an operational definition of the Housing Quality Standards;
 - an approach to communicating the Housing Quality Standards to tenants and owners;
 - a system for enforcing the standards by means of an initial and periodic subsequent inspections of the unit;
 - a means of managing and monitoring the effectiveness of the housing quality program over -time.
 - the role of the HQS Supervisor and inspectors.
- We have requested to meet with the local HUD Public Housing and Section 8 Director to discuss and develop an agreement regarding housing conditions which are unique to Puerto Rico and which may need special consideration regarding applicability of mainland housing quality standards. (Appendix 8).

As all of the above demonstrates, the Municipality has already implemented all of the required corrective actions included in the report thus we request the elimination of such statement from the report and that the “funds to be put to better use” are reduced to the equivalent of one month or \$119,538.

Comment 3

Comment no. 4- We concur with the OIG that some, but not all, of the deficiencies existed at the time of the Authority’s most recent inspection. The deficiencies related to the water heaters and some electrical connections can be attributed to an omission from the inspectors. However, it appears that the OIG inspector incorrectly assumed that all of the deficiencies found in the units were present at the time of the original inspection. When tenants are accepted to the Section 8 program they are oriented about the HQS and their responsibility to inform the PHA about deficient conditions found in the housing units. Annually more than 100 requests from tenants are received about deficiencies in the dwellings. The Municipality promptly requires the landlords to repair the units and when the landlord does not repair the units the payment is abated or the tenant is required to move to another unit. As required by the housing inspection manual (page 7) it is the responsibility of the tenant to inform of deficiencies found in the unit after the HQS inspection is performed. If the tenant decides not to inform the PHA about the housing condition, he/she failed to comply with his/her responsibilities under the HAP. The Municipality cannot be made accountable for deficiencies not reported by the tenant.

In addition we evaluated each of the individual inspection performed by the OIG and found the following:

Items incorrectly identified by the OIG as fail

Some items were incorrectly failed by the OIG. The fail determination was based on the Housing Inspection Form used and did not take into consideration other documents that clarify specific areas (Housing Inspection Manual, HUD web page). We have prepared the following summary of those item failed by the OIG inspector that we understand are pass items (appendix 8 includes the document(s) that confirms our interpretation):

Comment 4

Ground Fault Circuit Interrupter (GFCI) does not trip. This item was failed consistently during the audit. We understand that ground fault circuit interrupters are not required in the HQS thus the interpretation by the OIG needs to be corrected. This issue was clarified by HUD in a publication posted in HUD web page (see appendix 9). Specifically HUD established that "Ground Fault Circuit Interrupters are not required by the Housing Quality Standards" thus it deserves a pass rating. Taking this into consideration we request the correction of the following inspections that included this item:

1288CV	211CV(two instances)	553CV	033CV
1107CV	702CV	667V	684CV

Comment 5

Lack of Breaker Box cover or loose cover, holes in breaker box, missing breakers- These items were failed consistently during the audit. The lack of the breaker box cover, loose cover, holes in breaker box, and missing breakers were identified as a failed item. Again this issue was clarified by HUD in the same publication posted in HUD web page (see appendix 9). Specifically HUD established that "A door is not required on a breaker box if the box is safe in all other respects" thus it deserves a pass rating. Taking this into consideration we request the correction of the following inspections that included this item:

656V	1288CV	265CV	382CV
485CV	708CV	422CV	697CV
525V	809V	1235CV	414CV
399CV	465CV	365VFUP	271CV
632CV	486CV		

Units with missing breakers

1288CV	422CV	318VFSS	150V
525V	414CV	726V	632CV
1072CV	684CV	1166CV	754V

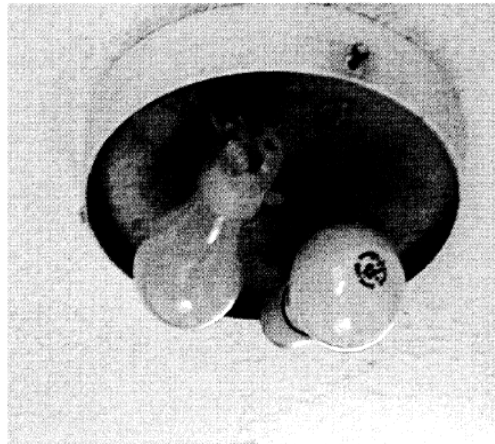
Comment 6

Cracked switches and outlet plates- These items were failed consistently during the audit. Cracked plates on switches and outlets are considered pass items. Again this issue was clarified by HUD in the same publication posted in HUD web page (see appendix 9). Specifically HUD established that "Hairline cracks in COVER PLATES on switches or outlets are not a "fail" items" thus it deserves a pass rating. Taking this into consideration we request the correction of the following inspections that included this item:

1376(two instances)	924CV	382CV	998CV
1107V	1376(2 instances)	852CV	702CV
1376CV			

Comment 7

Missing lens on lamp, exposed wires- These items were failed consistently during the audit. The lack of globe and lens in lamps cannot be rated as fail. Again this issue was clarified by HUD in the same publication posted in HUD web page (see appendix 9). Specifically HUD established that "a globe (lamp cover) is not required, as long as the fixture is firmly supported and there is no hazardous wiring such as frayed or non insulated wiring, improper connections, etc." It would be a "pass with comment". To really appreciate this we have included a photo of the situation that better illustrates why this situation is not a hazard.



The "exposed wires" are part of the lamp and it will not cause any additional risk than the one taken when changing bulbs. Taking this into consideration we request the correction of the following inspections that included this item:

264CV	553CV	1235CV	465CV
328VFUP	903CV	514V	503V

Comment 8

271CV

924CV

Exposed wire connection for lamps, fans and other electrical connections- These items were failed consistently during the audit. Specifically the OIG failed items that have uncovered romex electrical wires that provide electricity to lamps, fans and other items. Again this issue was clarified by HUD in the same publication posted in HUD web page. Specifically HUD established that "Romex type wires, Cracked plates on switches and outlets are considered pass items". Taking this into consideration we request the correction of the following inspections that included this item:

525V

1376CV

708CV

684CV

Comment 9

Open ground on outlet- The testing of ground in electrical outlets is not part of the HQS and is not included in the regulation, the Housing Inspection Manual or the Housing Inspection form. In addition the electricity requirements of the HQS do not require an outlet with ground thus any testing of this item is not required and does not deserve a fail rating. The housing inspection manual (page 58) recommends the use of circuit tester on new housing but this equipment only tests the presence of power and not if the ground is open in the outlet. In older homes the original wiring did not have ground wire connected to the outlets. Ungrounded outlets used in a home that was originally wired in this manner and has not been rewired are considered acceptable. Taking this into consideration we request the correction of the following inspections that included this item as fail:

1102CV

568CV (two instances)

150V

525V

809V

614V (three instances)

1235CV

007CV

175CV

514V (two instances)

754V

1100V

1166CV

Comment 10

Deteriorated Paint- This item was failed consistently during the audit. Regarding units built before 1978 and which are, or will be, occupied by a family with children under seven years of age, all interior surfaces are either free of cracking, scaling, peeling, chipping and loose paint, or have been adequately treated or covered to prevent exposure of the occupants to lead-based paint hazards. In the following cases the item was *failed* even when no minors were occupying the units thus the unit deserved a pass rating:

365VFUP

632CV

007CV

1100CV

The result of our analysis shows that approximately 85 items were incorrectly classified as fail items where they deserved a pass rating. Of these 85 items 81 are related to electrical hazards. Table in page 5 of the report shall be revised to reflect our comments. In addition other pages that mention the number of deficiencies shall be revised accordingly.

Housing Units failed by the OIG that deserves a Pass rating.

The following units were failed by the OIG inspector. After a careful analysis we understand that they deserve a pass rating and shall be corrected in the report.

File number Case 485-CV

Bayamon Inspection Date: 1/12/2006
 OIG Inspection Date: 04/10/2006
 Days Elapsed: 88 days

Deficiencies found by the OIG

6.4 Missing fixed internal cover on main breaker box exposed contacts

Municipality's Response:

6.4 No fixed internal cover on main breaker box, exposed electrical contacts- These items were failed consistently during the audit. The lacks of the breaker box cover, loose cover, holes in breaker box, and missing breakers were identified as a failed item. Again this issue was clarified by HUD in the same publication posted in HUD web page (see appendix 9). Specifically HUD established that "A door is not required on a breaker box if the box is safe in all other respects" thus it deserves a pass rating.

Taking into consideration that all of the item shall pass the unit deserves a pass rating. We request the clarification in the report.

File number Case 553-CV

Bayamon Inspection Date: 03/29/2006
 OIG Inspection Date: 04/05/2006
 Days Elapsed: 7 days

Deficiencies found by the OIG

2.3 GFCI near sink does not trip
 3.3 Missing lens on lamp, exposed wires

Municipality's Response:

Comment 11

Comment 12

2.3 Ground Fault Circuit Interrupter (GFCI) near sink does not trip. This item was failed consistently during the audit. We understand that ground fault circuit interrupters are not required in the HQS thus the interpretation by the OIG need to be corrected. This issue was clarified by HUD in a publication posted in HUD web page (see appendix 9). Specifically HUD established that "Ground Fault Circuit Interrupters are not required by the Housing Quality Standards" thus it deserves a pass rating.

3.3 Missing lens on lamp, exposed wires- These items were failed consistently during the audit. The lack of globe and lens in lamps cannot be rated as fail. Again this issue was clarified by HUD in the same publication posted in HUD web page (see appendix 9). Specifically HUD established that "a globe (lamp cover) is not required, as long as the fixture is firmly supported and there is no hazardous wiring such as frayed or non insulated wiring, improper connections, etc. It would be a "pass with comment".

Taking into consideration that all of the item shall pass the unit deserves a pass rating. We request the clarification in the report.

File number Case 033-CV

Bayamon Inspection Date: 02/27/2006
OIG Inspection Date: 04/12/2006
Days Elapsed: 14 days

Deficiencies found by the OIG

3.3 GFCI does not trip when tested
8.3 Roach infestation in kitchen cabinets

Municipality's Response:

3.3 Ground Fault Circuit Interrupter (GFCI) near sink does not trip. This item was failed consistently during the audit. We understand that ground fault circuit interrupters are not required in the HQS thus the interpretation by the OIG need to be corrected. This issue was clarified by HUD in a publication posted in HUD web page (see appendix 9). Specifically HUD established that "Ground Fault Circuit Interrupters are not required by the Housing Quality Standards" thus it deserves a pass rating.

8.3 Roach infestation- Dead roaches evidence that the unit was fumigated by a commercial exterminator. Taking this into consideration we understand that the unit deserves a pass rating.

Comment 13

Taking into consideration that all of the item shall pass the unit deserves a pass rating. We request the clarification in the report.

File number Case 150-V

Bayamon Inspection Date: 11/10/2005
 OIG Inspection Date: 04/07/2006
 Days Elapsed: 148 days

Deficiencies found by the OIG

- 1.3 Open ground on outlet
- 2.3 Missing Breaker exposed contacts

Municipality's Response:

1.3 Open ground on outlet- The testing of ground in electrical outlets is not part of the HQS and is not included in the regulation, the Housing Inspection Manual or the Housing Inspection form. In addition the electricity requirements of the HQS do not require an outlet with ground thus any testing of this item is not required and does not deserve a fail rating. The housing inspection manual (page 58) recommend the use of circuit tester on new housing but this equipment only test the presence of power and not if the ground is open in the outlet. In older homes the original wiring did not have ground wire connected to the outlets. Ungrounded outlets used in a home that was originally wired in this manner and has not been rewired are considered acceptable.

2.3 Missing Breaker exposed contacts- These items were failed consistently during the audit. The lacks of the breaker box cover, loose cover, holes in breaker box, and missing breakers were identified as a failed item. Again this issue was clarified by HUD in the same publication posted in HUD web page (see appendix 9). Specifically HUD established that "A door is not required on a breaker box if the box is safe in all other respects" thus it deserves a pass rating.

Taking into consideration that all of the item shall pass the unit deserves a pass rating. We request the clarification in the report.

File number Case 399-CV

Bayamon Inspection Date: 12/27/2005
 OIG Inspection Date: 04/07/2006
 Days Elapsed: 101 days

Deficiencies found by the OIG

Comment 14

Comment 15

6.4 Cover on main breaker box is not fastened, exposed contacts

Municipality's Response:

6.4 No fixed internal cover on main breaker box, exposed electrical contacts- These items were failed consistently during the audit. The lacks of the breaker box cover, loose cover, holes in breaker box, and missing breakers were identified as a failed item. Again this issue was clarified by HUD in the same publication posted in HUD web page (see appendix 9). Specifically HUD established that "A door is not required on a breaker box if the box is safe in all other respects" thus it deserves a pass rating.

Taking into consideration that all of the item shall pass the unit deserves a pass rating. We request the clarification in the report.

File number Case 614-V

Bayamon Inspection Date: 5/13/2005
OIG Inspection Date: 04/05/2006
Days Elapsed: 327 days

Deficiencies found by the OIG

- 1.3 Open ground on outlets
- 2.3 Open ground on outlets
- 4.3 Open ground on outlets

Municipality's Response:

Open ground on outlet- The testing of ground in electrical outlets is not part of the HQS and is not included in the regulation, the Housing Inspection Manual or the Housing Inspection form. In addition the electricity requirements of the HQS do not require an outlet with ground thus any testing of this item is not required and does not deserve a fail rating. The housing inspection manual (page 58) recommends the use of circuit tester on new housing but this equipment only test the presence of power and not if the ground is open in the outlet. In older homes the original wiring did not have ground wire connected to the outlets. Ungrounded outlets used in a home that was originally wired in this manner and has not been rewired are considered acceptable.

Comment 16

Comment 17**File number Case 667-V**

Bayamon Inspection Date: 5/16/2005
 OIG Inspection Date: 04/05/2006
 Days Elapsed: 324 days

Deficiencies found by the OIG

2.3 GFCI does not trip

Municipality's Response:

2.3 Ground Fault Circuit Interrupter (GFCI) does not trip. This item was failed consistently during the audit. We understand that ground fault circuit interrupters are not required in the HQS thus the interpretation by the OIG need to be corrected. This issue was clarified by HUD in a publication posted in HUD web page (see appendix 9). Specifically HUD established that "Ground Fault Circuit Interrupters are not required by the Housing Quality Standards" thus it deserves a pass rating.

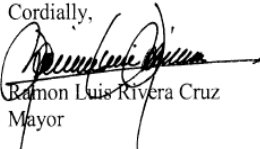
Comment 18

We understand that a total of 8 units shall be reclassified as pass. If our analysis is considered the report shall be corrected to reflect the new classification.

If our comments and arguments are considered and the OIG decides to implement the changes in the draft report we officially request that the new draft report be provided to us for final review before the final publication on the internet.

Before ending, I will like to extend my appreciation and thanks to Mr. Michael Rivera, Mr. William Davila, and Mr. Wilfredo Rivera, for the cooperation, guidance and support provided to the staff of the Municipality of Bayamón in addressing the correction of the findings in this report, which we are sure will result in a significant improvement in our operation of the Section 8 Housing Choice Voucher Program.

Cordially,



Ramon Luis Rivera Cruz
 Mayor

Enclosures

Evaluation of Auditee Comments

- Comment 1** Our report does not state or imply that all Section 8 units did not meet housing quality standards. The audit report showed that 58 units (88 percent) of the units we inspected did not meet housing quality standards, and that 15 of these units were in material noncompliance with standards.
- Comment 2** The measures taken by the Authority should help to improve procedures and controls over its unit inspections. As the Authority pointed out in its response, these efforts were taken as the result of the deficiencies found during our audit. Our audit showed the Authority did not identify many of the violations from our inspections, and most were recurring violations. The \$1.4 million figure represents a reasonable and conservative estimate of the dollar impact avoided by implementing the recommendation. We believe the conclusion, recommendation, and definition of funds to be put to better use in appendix A clearly communicates what this number represents.
- Comment 3** Our report does not state that all of the deficiencies found in the Section 8 units were present at the time of the Authority's inspections. Our report clearly states that 225 deficiencies existed at the time of the Authority's most recent inspection, but the inspectors did not identify or did not report them.
- Comment 4** Ground fault circuit interrupter does not trip - We agree that ground fault circuit interrupters are not required by HUD's housing quality standards as the Authority pointed out in its response. However, if ground fault current interrupters are present in a unit, our appraiser determined if they were working properly. This is consistent with requirements contained in 24 CFR [*Code of Federal Regulations*] 982.401(f), which states that electrical outlets must be in proper operating condition. Improperly working ground fault circuit interrupters poses a potential hazardous condition.
- Comment 5** Lack of breaker box cover or loose cover, holes in breaker box, missing breakers - Our appraiser did not count as a violation breaker panels with no doors. The items were cited as a violation because the breaker panels had exposed electrical contacts, creating an electrical shock hazard.
- Comment 6** Cracked switches and outlets plates - We agree that a hairline crack in cover plates does not violate the housing quality standards as the Authority pointed out in its response. We adjusted our report to eliminate this previously cited violation in file numbers 382CV, 702-CV, and 1376CV. In the remaining four cases, cover plates were broken and remain as cited violations.

- Comment 7** Missing lens on lamps, expose wires - HUD's Housing Choice Voucher Program Guidebook, Chapter 10, addresses housing quality standards, including illumination and electricity standards. Specifically, it states that authorities must be satisfied that the electrical system is free of hazardous conditions, including: exposed, uninsulated, or frayed wires, improper connections, improper insulation or grounding of any component of the system, overloading of capacity, or wires lying in or located near standing water or other unsafe places. Globes were not cited as a violation unless the light was hanging by a wire without adequate support, improperly connected, exposed to the elements, or there were exposed wires that pose a potential electrical hazard.
- Comment 8** Exposed wire connections for lamps, fans and other electrical connections - Uncovered "Romex" type electrical wires were not cited as a violation unless the wire was not covered by rubber or plastic insulation, frayed, or improperly installed creating an electrical shock hazard. In all four cases cited by the Authority, the violations we cited included the use of regular lamp cord (not "Romex") as part of the permanent wiring of the unit, with improper electrical connections or exposed wires.
- Comment 9** Open ground outlet - We agree that grounded outlets are not required by HUD's housing quality standards as the Authority pointed out in its response. However, if grounding type outlets are present in a unit, our appraiser determined if they were working properly. This is consistent with requirements contained in 24 CFR [*Code of Federal Regulations*] 982.401(f), which states that electrical outlets must be in proper operating condition. An improperly grounded outlet poses a potential hazardous condition.
- Comment 10** Deteriorated paint - We agree that lead-base paint hazard requirements apply when units are occupied by minors as the Authority pointed out in its response. The deteriorated paint was not cited as a lead-based paint violation in the four units pointed out by the Authority. Our appraiser cited the items as violation because scaling, peeling, chipping, or loose paint was (a) above an area used for preparation of meals, or (b) caused by water leaks in the unit. In one of the units we cited the violation, the Authority's inspector also reported the same condition we found; ultimately the tenant was instructed to vacate the unit.
- Comment 11** File number 485CV - Our appraiser did not count as a violation breaker panels with no doors. The items were cited as a violation because the breaker panels had exposed electrical contacts, creating an electrical shock hazard. Our inspection showed the dwelling unit did not meet applicable standards.
- Comment 12** File number 553CV - If ground fault current interrupters are present in a unit, our appraiser determined if they were working properly. This is consistent with requirements contained in 24 CFR [*Code of Federal Regulations*] 982.401(f). Globes were not cited as a violation unless the light was hanging by a wire

without adequate support, improperly connected, exposed to the elements, or there were exposed wires that pose a potential electrical hazard. Our inspection showed the dwelling unit did not meet applicable housing standards.

Comment 13 File number 033CV - If ground fault current interrupters are present in a unit, our appraiser determined if they were working properly. This is consistent with requirements contained in 24 CFR [*Code of Federal Regulations*] 982.401(f). We agree that dead vermin does not violate the housing quality standards as the Authority pointed out in its response. We adjusted our report to eliminate this previously cited violation. Our inspection showed the dwelling unit did not meet applicable housing standards.

Comment 14 File number 150V - If grounded type outlets are present in a unit, our appraiser determined if they were working properly. This is consistent with requirements contained in 24 CFR [*Code of Federal Regulations*] 982.401(f). Our appraiser did not count as a violation breaker panels with no doors. The items were cited as a violation because the breaker panels had exposed electrical contacts, creating an electrical shock hazard. Our inspection showed the dwelling unit did not meet applicable standards.

Comment 15 File number 399CV - Our appraiser did not count as a violation breaker panels with no doors. The items were cited as a violation because the breaker panels had exposed electrical contacts, creating an electrical shock hazard. Our inspection showed the dwelling unit did not meet applicable standards.

Comment 16 File number 614V - If grounded type outlets are present in a unit, our appraiser determined if they were working properly. This is consistent with requirements contained in 24 CFR [*Code of Federal Regulations*] 982.401(f). Our inspection showed the dwelling unit did not meet applicable standards.

Comment 17 File number 667V - If ground fault current interrupters are present in a unit, our appraiser determined if they were working properly. This is consistent with requirements contained in 24 CFR [*Code of Federal Regulations*] 982.401(f). Our inspection showed the dwelling unit did not meet applicable housing standards.

Comment 18 We evaluated the Authority's response. We adjusted our report to eliminate four previously cited violations, but made no other changes. Therefore, there was no need to issue a revised draft report.

Appendix C

CRITERIA

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

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

Appendix D

SCHEDULE OF UNITS IN MATERIAL NONCOMPLIANCE WITH HOUSING QUALITY STANDARDS

File number	Types of violations**					
	Illumination and electrical	Structure and materials	Water supply	Lead-based paint	Smoke detectors	Interior air quality
505-V	0	0	1	0	0	1
230-V	1	1	1	0	0	0
632-CV	7	1	2	0	0	0
1072-CV	8	0	1	5	0	0
486-CV	4	1	1	0	0	0
1337-CV	2	0	4	3	0	0
684-CV	7	3	0	0	1	0
007-CV	3	4	0	0	0	0
209-CV	4	1	1	0	1	0
175-CV	3	3	0	0	1	0
1166-CV	3	1	1	0	0	0
754-V	11	4	1	5	0	0
1100-CV	6	2	1	0	1	1
514-CV	8	2	1	0	0	0
903-CV	7	4	1	5	0	0

** 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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