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TO: John G. Niesz, Office of Public Housing Director, 4HPH  
*James D. McKay*

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

SUBJECT: The Jacksonville, Florida Housing Authority's Section 8 Units Met HUD Housing Quality Standards

## HIGHLIGHTS

### What We Audited and Why

We conducted an audit survey of the Jacksonville Housing Authority's (Authority) Section 8 Housing Choice Voucher program as part of the U.S. Department of Housing and Urban Development (HUD), Office of the Inspector General's (OIG) annual audit plan. We selected the Authority for review based on a Section 8 risk assessment we conducted. Our objectives were to determine whether the Authority made Section 8 subsidy payments only for units that met housing quality standards and whether the program warranted a full audit.

### What We Found

Our inspection of 18 Section 8 units found that five did not meet minimum housing quality standards, two of which were in material noncompliance. The low error rate did not warrant proceeding from the survey to a full audit of the program.

The Authority agreed with our inspection results. It notified the owners of the inspection results and requested that they correct the violations. The Authority has also agreed to re-inspect the units to ensure the violations have been corrected. Thus, the report contains no finding, and no further action is necessary.

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## **Auditee's Response**

On July 28, 2006, we provided the Authority copies of our inspection reports for the five units that failed to meet housing quality standards. The Authority agreed with our inspection results, notified the owners of the conditions, and required them to correct the violations. We provided the draft report to the Authority on August 25, 2006. The Authority decided not to provide a written response to the report and hold an exit conference because the report contained no findings.

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## **BACKGROUND AND OBJECTIVES**

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The Jacksonville Housing Authority (Authority) is a governmental agency created pursuant to Florida Statute 421 by the City of Jacksonville, Florida, on October 1, 1994. The Authority's primary purpose is to develop, acquire, and operate safe, decent, sanitary, and affordable housing for low-income families in Duval County in accordance with federal legislation and regulations. The Authority's governing board consists of a seven-member board of commissioners appointed by the mayor. In fiscal year 2005, the Authority received \$39.9 million in U.S. Department of Housing and Urban Development (HUD) funds for its Section 8 program. The Authority received high performance ratings from HUD on its Section 8 program for fiscal years 2004 and 2005. As of July 2006, the Authority had administered 4,815 tenant-based Section 8 housing choice vouchers.

Our objectives were to determine whether the Authority's Section 8 housing choice voucher units met HUD standards and whether the program warranted a full audit.

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## RESULTS OF AUDIT

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The Authority's Section 8 units generally met standards.

We selected a statistical sample of 67 units to inspect from the universe of 4,815 tenant-based Section 8 housing choice voucher units as of July 2006. For the survey, we obtained the services of an inspector from the Jacksonville HUD Office of Public Housing to inspect 18 of the 67 units. An inspector from the Authority's staff accompanied us. The HUD inspector failed five of the units, two of which failed due to significant violations. The survey sample projections show .04 of a percent error rate or an occurrence of two (lower limit) of 4,815 Section 8 housing units with significant violations. The low error rate did not warrant proceeding from the survey to a full audit of the program.

The Authority agreed with our inspection results. It notified the owners of the inspection results and requested that they correct the violations. The Authority has also agreed to re-inspect the units to ensure the violations have been corrected. Thus, the report contains no finding, and no further action is necessary.

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## SCOPE AND METHODOLOGY

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To achieve the review objectives, we

- Reviewed applicable laws, regulations, and other HUD program requirements;
- Reviewed the Authority's procedures and controls used to administer its Section 8 housing quality standards inspections;
- Reviewed files and documents from HUD and the Authority, including files related to past HUD reviews of the Authority's operations and the Authority's completed and/or planned corrective action;
- Selected and reviewed a random sample of 18 of the 4,815 Section 8 housing choice voucher units that received subsidy payments for July 2006; and
- Interviewed appropriate officials and staff from the HUD Jacksonville office and the Authority.

We obtained a listing of the Authority's current units from the housing assistance payment register as of July 2006. We adjusted the listing to exclude units not located in the Jacksonville area, such as portable units for tenants with housing choice vouchers issued by the Jacksonville Housing Authority but who now live in the jurisdiction of other housing authorities. The Authority had 4,815 housing choice voucher tenants as of July 2006. We used a statistical software program to select a random sample from the 4,815 tenants. The software returned a sample size of 67 units with a random start based on a 90 percent confidence level, 10 percent precision level, and 50 percent expected error rate. During the survey, we inspected 18 of the 67 units with a HUD inspector from the Jacksonville, Florida, Office of Public Housing to determine whether the units met housing quality standards. An Authority inspector accompanied us on the inspections.

We performed the inspections during July 2006. We identified two units with material violations after giving consideration to factors such as (a) deficiencies that had existed for an extended period, (b) deficiencies noted in a prior inspection but not corrected, and/or (c) deferred maintenance that consistently failed the unit. We further based our assessment on prior Authority inspection reports, tenant comments, and our observation and judgment based on our unit inspections. Projecting the results of the two failed units with material violations in our statistical sample to the population indicates

- The lower limit is .04 of a percent x 4,815 units = 2 units in material noncompliance with housing quality standards.
- The point estimate is 2.99 percent x 4,815 units = 144 units in material noncompliance with housing quality standards.

- The upper limit is 6.38 percent x 4,815 units = 307 units in material noncompliance with housing quality standards.

The low error rate did not warrant proceeding to a full audit of the program.

The review covered the period October 1, 2003, through May 31, 2006. We extended the period as needed to accomplish our objectives. We conducted the fieldwork in June and July 2006 at HUD, the Authority, and the homes of various tenants located within the Authority's jurisdiction.

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

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

## Relevant Internal Controls

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

- Controls over inspections.
- Controls over the validity and reliability of data.
- Controls over compliance with laws and regulations.

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

We did not identify any significant weaknesses in the controls cited above.