



Wausau Community Development Authority, Wausau, WI

Housing Choice Voucher Program

**Office of Audit, Region 5
Chicago, IL**

**Audit Report Number: 2020-CH-1002
December 12, 2019**



To: Shirley Wong, Director of Public Housing, 5IPH

From: //signed//
Kelly Anderson, Regional Inspector General for Audit, Chicago Region, 5AGA

Subject: The Wausau Community Development Authority, Wausau, WI, Generally Complied With HUD's and Its Own Requirements Regarding Housing Quality Standards Inspections

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the Wausau Community Development Authority's housing quality standards inspections.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, appendix 8M, requires that OIG post its reports on the OIG website. Accordingly, this report will be posted at <https://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 312-913-8499.



Audit Report Number: 2020-CH-1002

Date: December 12, 2019

The Wausau Community Development Authority, Wausau, WI, Generally Complied With HUD's and Its Own Requirements Regarding Housing Quality Standards Inspections

Highlights

What We Audited and Why

We audited the Wausau Community Development Authority's Housing Choice Voucher Program based on our analysis of risk factors related to the public housing agencies in Region 5's jurisdiction (States of Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin). The audit was part of the activities in our fiscal year 2019 annual audit plan. Our audit objective was to determine whether the Authority administered its program in accordance with the U.S. Department of Housing and Urban Development's (HUD) and its own requirements. Specifically, we wanted to determine whether the Authority ensured that its program units met HUD's housing quality standards.

What We Found

The Authority generally complied with HUD's and its own requirements regarding housing quality standards inspections of its program units. However, it did not always ensure that housing quality standards deficiencies were corrected in a timely manner. As a result, program participants were subjected to living in units that may not have been decent, safe, and sanitary.

What We Recommend

We recommend that the Director of HUD's Milwaukee Office of Public Housing require the Authority to develop and implement adequate enforcement procedures that support its policy and ensure that housing quality standards deficiencies are corrected in a timely manner.

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Background and Objective

Under the laws of the State of Wisconsin, the Wausau Community Development Authority was established by the City of Wausau in May 1989, combining the Housing Authority and Redevelopment Authority under a single entity. The Authority is a division of the Community Development Department and is staffed with city employees. Its mission is to promote adequate and affordable housing, economic opportunity, and a suitable living environment free from discrimination. The Authority is governed by a seven-member board of commissioners appointed by the mayor of Wausau.

The Authority administers the Housing Choice Voucher Program, funded by the U.S. Department of Housing and Urban Development (HUD). The program assists very low-income families, the elderly, and the disabled in affording decent, safe, and sanitary housing in the private market. As of June 2019, the Authority had 584 vouchers and was authorized to receive more than \$1 million in program funds for fiscal year 2019.

The goal of the Housing Choice Voucher Program is to provide decent, safe, and sanitary housing at an affordable cost to low-income families. To accomplish this goal, program regulations set forth basic housing quality standards that all units must meet before assistance can be paid on behalf of a family and at least biennially throughout the term of the assisted tenancy. Housing quality standards define “standard housing” and establish the minimum criteria for the health and safety of program participants.

The objective of our audit was to determine whether the Authority administered its program in accordance with the HUD’s and its own requirements. Specifically, we wanted to determine whether the Authority ensured that its program units met housing quality standards.

Results of Audit

Finding: The Authority Generally Complied With HUD's and Its Own Requirements Regarding Housing Quality Standards Inspections

The Authority generally complied with HUD's and its own requirements regarding housing quality standards inspections for its program units. However, it did not always ensure that housing quality standards deficiencies were corrected in a timely manner. The weakness occurred because the Authority lacked adequate oversight of its program landlords and a sufficient policy to address repairs that extended beyond the Authority's 60-day requirement. As a result, program participants were subjected to living in units that may not have been decent, safe, and sanitary.

The Authority Generally Ensured That Its Program Units Met HUD's and Its Own Requirements

We reviewed the Authority's inspection activities to determine whether it ensured that its program units met HUD's housing quality standards and its own requirements. Based on our observations of 14 units, the Authority generally ensured that its program units were maintained in good condition, and its inspectors generally conducted detailed inspections of the units, appropriately noting deficiencies as applicable. In addition, based on our review of its inspections report for January 2016 through March 2019, the Authority completed the biennial inspections for its program units in a timely manner in accordance with HUD's and its own requirements.

The Authority Did Not Always Ensure That Deficiencies Were Corrected in a Timely Manner

For the period January 2017 through January 2019, the Authority completed 154 biennial inspections of its program units for compliance with HUD's housing quality standards and its own requirements. Of the 154 units inspected, 72 had failed the inspection. We reviewed the Authority's inspections report for the 72 units to determine whether the Authority's inspector performed followup inspections to ensure that identified deficiencies had been corrected in a timely manner.¹

Based on our review, the Authority did not always ensure that the deficiencies noted during the housing quality standards inspections were corrected in a timely manner. Specifically, of the 72 failed inspections, 16 units had deficiencies that were not corrected within 30 days, and 10 units had deficiencies that were not corrected within 60 days.²

¹ HUD's requirements at 24 CFR (Code of Federal Regulations) 982.404(a)(3) and Authority's administrative plan, paragraph 8-II.F.

² All deficiencies identified for the 26 (16 + 10) units had been corrected but not in a timely manner.

The weakness described above occurred because the Authority lacked adequate oversight of its program landlords to ensure that corrective actions were taken in a timely manner. Specifically, although the Authority had a process to ensure that its program landlords corrected housing quality standards deficiencies in a timely manner, it did not consistently enforce HUD's requirements. Based on supporting documentation, the Authority was timely with notifying the program landlords of the deficiencies identified in the units, and it generally followed up with the landlords when they exceeded the deadline for repairs. However, the Authority chose to continue following up with the program landlords regarding required corrections for housing quality standards deficiencies, rather than implementing its abatement procedures.

The Authority also lacked a sufficient policy to address repairs, such as damaged concrete and siding that extended beyond 60 days. The number of days past the 60-day period that the landlords took to complete the repairs for the 10 units ranged from 2 to 111 days. According to the Authority's administrative plan, it granted extensions to implement corrective actions beyond 60 days only due to delays caused by weather conditions. However, for the 10 units with deficiencies that had not been corrected within 60 days, delays in implementing corrective actions were not due to the weather. Instead, the delays were due to the scope of work or availability of contractors or materials. Documentation in the household files for the 10 units showed that the Authority was working with the landlords to address the repairs during that period.

The Authority acknowledged that it could improve its process for enforcing the timeliness of the repairs. Therefore, as a result of our audit, on April 23, 2019, the Authority's board approved an update to the administrative plan to allow for extensions beyond 60 days based on the scope of work and other reasons beyond the landlords' control. In addition, the Authority created an extension request form, which its program landlords must complete for extensions beyond 30 days.

Conclusion

The weakness noted above occurred because the Authority lacked adequate oversight of its program landlords and a sufficient policy to address repairs that extended beyond 60 days. As a result, program participants were subjected to living in units that may not have been decent, safe, and sanitary.

Recommendations

We recommend that the Director of HUD's Milwaukee Office of Public Housing require the Authority to

- 1A. Develop and implement adequate enforcement procedures that support its policy and ensure that housing quality standards deficiencies are corrected in a timely manner.

Scope and Methodology

We performed our onsite audit work in March and April 2019 at the Authority's office located at 550 East Thomas Street, Wausau, WI. The audit covered the period January 1, 2017, through January 31, 2019, but was expanded as necessary.³

To accomplish our audit objective, we interviewed HUD program staff and the Authority's employees. In addition, we obtained and reviewed the following:

- HUD's regulations at 24 CFR (Code of Federal Regulations) parts 5 and 982, HUD Office of Public and Indian Housing notices, and HUD's Guidebook 7420.10G.
- The Authority's accounting records, annual audited financial statements, bank statements, policies and procedures, board meeting minutes for January 2017 through January 2019, organizational chart, and household files.

The Authority inspectors performed scheduled housing quality standards inspections of 14 units during the period March 25 through April 9, 2019. We accompanied the inspectors to observe the conditions at the 14 units and to assess the quality of the inspection. Our results were limited to the 14 units.

For the period January 2017 through January 2019, the Authority inspected 154 of its program units for compliance with HUD's housing quality standards and its own requirements. Of the 154 units inspected, we determined that 72 had failed the inspection. We reviewed all of the 72 failed inspections (100 percent) to determine the timeliness of the followup inspections. Therefore, the results of our review are based solely on the universe of failed inspections.

We relied in part on data maintained by the Authority in its systems. Although we did not perform a detailed assessment of the reliability of the data, we performed a minimal level of testing and found the data to be adequately reliable for our purposes.

We provided our review results to the Director of HUD's Milwaukee Office of Public Housing and the Authority's executive director during the audit.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

³ Because the Authority performs biennial housing quality standards inspections, we expanded our scope to include inspections completed between January 2016 and March 2019 to ensure that the biennial inspections were completed in a timely manner.

Internal Controls

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- effectiveness and efficiency of operations,
- reliability of financial reporting, and
- compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

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

- Effectiveness and efficiency of operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Compliance with applicable laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

We evaluated internal controls related to the audit objective in accordance with generally accepted government auditing standards. Our evaluation of internal controls was not designed to provide assurance regarding the effectiveness of the internal control structure as a whole. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal controls.

Separate Communication of Minor Deficiencies

We informed the Authority's executive director and the Director of HUD's Milwaukee Office of Public Housing of minor deficiencies in a separate memorandum, dated December 12, 2019.

Appendixes


Appendix A

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 1



Wausau Community Development Authority

Christian Schock
Executive Director

October 25, 2019

Ms. Marcie Ibizugbe
US Dept. of HUD-Office of Inspector General
Ralph H. Metcalfe Federal Building
77 West Jackson Boulevard, Rm 2201
Chicago, IL 60604

Re: Wausau Community Development Authority - Audit Report Number: 2020-CH-10XX

Dear Ms. Ibizugbe:

This letter confirms receipt of your October 16, 2019, letter and included discussion draft audit report of the Wausau Community Development Authority's (WCDA's) Housing Choice Voucher Program. In response to this draft report, I am providing the following written comments reflecting management's position for consideration of inclusion into the final audit report.

Condition: *The Authority did not always ensure that the deficiencies noted during HQS inspections were completed in a timely manner, lacked adequate landlord oversight and sufficient policy to address repairs extending beyond 60 days.*

WCDA Response: The WCDA agrees with this finding and has implemented policies and processes to eliminate this condition:

Effective April 2019, the WCDA adopted changes to Chapter 8 of its Administrative Plan (Admin Plan) to include additional verbiage relative to granting owners/landlords an extension, for deficiencies that are not life-threatening, to implement corrective actions beyond 60 days:

"The length of extension will be determined on a case by case basis, but will not exceed 60 days, except in the case of delays caused by weather conditions or the scope of work required to complete the necessary repairs for deficiencies. In the case of weather conditions, the necessary repairs must be made within 15 calendar days, once the weather conditions have subsided."

The Admin Plan further states that if an owner fails to correct the deficiencies within the 60 days or granted extension, the WCDA will begin HAP abatement.

Effective April 2019, the WCDA also created and implemented an *Inspection Extension Request Form* which must be completed by any owner/landlord who requests an extension, beyond HUD's requirement, to avoid HAP abatement.

Enforcement: The WCDA has implemented enforcement procedures to support its policy. Effective January 2019, WCDA staff implemented the use of a re-inspection log to track any failed inspection. The log reflects the tenant name, owner/landlord, date of initial inspection, re-inspection due date, inspector's name, and deficiency confirmation. The log also now tracks Inspection Extension Requests. The log is monitored on a weekly basis by the HCV Housing Project Coordinator and Occupancy Specialist to ensure efficacy. Since its implementation, and in accordance with HUD requirements, the WCDA has abated one owner's HAP.

The WCDA will continue to work closely with HUD to create and maintain controls that meet all program requirements. Documentation relative to these comments will be communicated with the WCDA's Portfolio Management Specialist, [REDACTED], as well as the Director of HUD's Milwaukee Office of Public Housing, if requested.

CITY OF WAUSAU • WAUSAU COMMUNITY DEVELOPMENT AUTHORITY
350 EAST THOMAS STREET • WAUSAU, WI 54403 • 715-261-6687 • FAX 715-843-5167

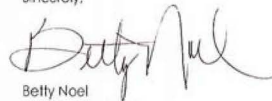
Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

If you have any questions relative to these comments, you may contact me at 715-261-6674 or by email at Betty.Noel@ci.wausau.wi.us.

Sincerely,



Betty Noel
Housing Manager
Wausau Community Development Authority

Cc: Christian Schock, Director of Community Development

OIG Evaluation of Auditee Comments

Comment 1 The Authority agreed with the finding in the report and stated that it has implemented policies and processes to eliminate the condition. We acknowledge the Authority's willingness to take corrective actions for the issue cited in this audit report. The Authority should work with HUD to ensure that its policies and enforcement procedures fully address the deficiencies cited in this report.

Appendix B

Federal and the Authority's Requirements

HUD's regulations at 24 CFR 982.54(a) state that the public housing agency must adopt a written administrative plan that establishes local policies for the administration of the program in accordance with HUD requirements.

HUD's regulations at 24 CFR 982.404(a)(3) state that the public housing agency must not make any housing assistance payments for a dwelling unit that fails to meet the housing quality standards, unless the owner corrects the defect within the period specified by the public housing agency and the public housing agency verifies the correction. If a defect is life threatening, the owner must correct the defect within no more than 24 hours. For other defects, the owner must correct the defect within no more than 30 calendar days (or any public housing agency-approved extension).

The Authority's program administrative plan, paragraph 8-II.C, states that each unit under housing assistance payments contract must be inspected within 24 months of the last full housing quality standards inspection.

Before May 2019, the Authority's program administrative plan, paragraph 8-II.F, stated that

- For deficiencies that not life-threatening, the Authority will send the owner and the family a written notification of the inspection results within 5 business days of the inspection, specifying who is responsible for correcting the violation and the time frame within which the failure must be corrected. Generally not more than 30 days will be allowed for the correction.
- The owner's housing assistance payments will be abated in accordance with the public housing agency's policy if non-life threatening conditions are not corrected within the specified time frame (or any public housing agency-approved extension).
- For deficiencies that were not life threatening, the Authority could grant an exception to the required timeframes for correcting the violation if the Authority determined that an extension was appropriate. It further stated that the length of the extension would be determined on a case-by-case basis but would not exceed 60 days, except in the case of delays caused by weather conditions.
- The public housing agency will conduct a reinspection immediately following the end of the corrective period, or any public housing agency-approved extension.
- If the deficiencies have not been corrected by the time of the reinspection, the public housing agency will send a notice of abatement to the owner, or in the case of family caused violations, a notice of termination to the family, in accordance with the public housing agency's policies.

Effective May 1, 2019, the Authority's program administrative plan, paragraph 8-II.F, states that for deficiencies that are not life threatening, the Authority may grant an exception to the required timeframes for correcting the violation if the Authority determines that an extension is appropriate. It further states that the length of the extension will be determined on a case-by-

case basis but will not exceed 60 days, except in the case of delays caused by weather conditions or the scope of work required to complete necessary repairs for deficiencies.

The Authority's program administrative plan, paragraph 8-II.G, states that if an owner fails to correct the housing quality standards deficiencies by the specified time, the public housing agency will make all housing assistance payment abatements effective the first of the month following the expiration of the public housing agency specified correction period (including any extension).