



**Housing Authority of the County of Lackawanna
Dunmore, PA**

Housing Choice Voucher Program



Issue Date: July 1, 2014

Audit Report Number: 2014-PH-1006

TO: Dennis G. Bellingtier, Director, Office of Public Housing, Pennsylvania State Office, 3APH
//signed//

FROM: David E. Kasperowicz, Regional Inspector General for Audit, Philadelphia Region, 3AGA

SUBJECT: The Housing Authority of the County of Lackawanna, Dunmore, PA, Needs To Improve Its Housing Quality Standards Inspections and Properly Abate Housing Assistance Payments as Required

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 Housing Authority of the County of Lackawanna, PA.

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, section 8M, requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 215-430-6730.



July 1, 2014

The Housing Authority of the County of Lackawanna, Dunmore, PA, Needs To Improve Its Housing Quality Standards Inspections and Properly Abate Housing Assistance Payments as Required

Highlights

Audit Report 2014-PH-1006

What We Audited and Why

We audited the Housing Authority of the County of Lackawanna's Housing Choice Voucher program because we received an anonymous complaint alleging incompetent leadership and poor quality of life at the Authority. This is the second of two audit reports on the Authority.¹ Our objectives in this audit were to determine whether the Authority ensured that its Housing Choice Voucher program units met U.S. Department of Housing and Urban Development (HUD) housing quality standards and whether it abated housing assistance payments as required.

What We Recommend

We recommend that HUD require the Authority to (1) reimburse its program \$18,499 from non-Federal funds for the 35 units that materially failed to meet HUD's housing quality standards; (2) continue to implement procedures and controls to ensure that program units meet housing quality standards; and (3) reimburse its program \$18,655 from non-Federal funds for housing assistance payments that should have been abated.

What We Found

The Authority did not conduct adequate inspections to ensure that its program units met housing quality standards as required. Of 80 program units statistically selected for inspection, 72 did not meet HUD's housing quality standards. Further, 35 of the 72 units were in material noncompliance with housing quality standards. The Authority disbursed \$17,029 in housing assistance payments and received \$1,470 in administrative fees for these 35 units. We estimate that over the next year if the Authority does not implement adequate procedures to ensure that its program units meet housing quality standards, HUD will pay more than \$1.1 million in housing assistance for units that materially fail to meet those standards.

The Authority did not abate housing assistance payments as required. As a result, it improperly paid owners at least \$18,655 for units that did not meet housing quality standards. Additionally, it incorrectly certified on its Section 8 Management Assessment Program score that it enforced housing quality standards as required.

¹ Audit Report #2014-PH-1003, The Housing Authority of the County of Lackawanna, Dunmore, PA, Needs To Improve Its Controls Over Its Operations To Comply With HUD Requirements, issued February 28, 2014

TABLE OF CONTENTS

Background and Objectives	3
Results of Audit	
Finding 1: Housing Quality Standards Inspections Were Inadequate	4
Finding 2: The Authority Did Not Abate Housing Assistance Payments	13
Scope and Methodology	16
Internal Controls	19
Appendixes	
A. Schedule of Questioned Costs and Funds To Be Put to Better Use	21
B. Auditee Comments and OIG's Evaluation	22

BACKGROUND AND OBJECTIVES

The Housing Authority of the County of Lackawanna, PA, was established in 1961 to provide low-income citizens with safe, clean, and affordable housing and help improve their quality of life. The Authority is a nonprofit corporation, which was organized for the purpose of engaging in the development, acquisition, and administrative activities of the low-income housing program and other programs with similar objectives for low- and moderate-income families residing in Lackawanna County in accordance with the rules and regulations prescribed by the U.S. Department of Housing and Urban Development (HUD). The Authority is governed by a board of commissioners consisting of five members appointed by the Lackawanna County Board of Commissioners. The board appoints an executive director to manage the day-to-day operations of the Authority. The Authority's executive director during the audit was James Dartt. Its main office is located at 2019 West Pine Street, Dunmore, PA.

Under the Section 8 Housing Choice Voucher program, HUD authorized the Authority to provide leased housing assistance payments to more than 880 eligible households in fiscal year 2013. HUD authorized the Authority the following financial assistance for housing choice vouchers for fiscal years 2011 through 2013.

Year	Number of vouchers authorized	Annual budget authority
2011	886	\$3,256,165
2012	886	\$3,324,699
2013	886	\$3,250,518

HUD regulations at 24 CFR (Code of Federal Regulations) 982.405(a) require public housing authorities to perform unit inspections before the initial move-in and at least annually. The authority must inspect the unit leased to the family before the 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. HUD regulations at 24 CFR 982.404(a)(2) require the Authority to ensure that housing units and premises be maintained in accordance with HUD's housing quality standards and if not, the Authority is required to abate housing assistance payments to the owners until the requirements are met.

Our audit objectives were to determine whether the Authority ensured that its Housing Choice Voucher program units met HUD's housing quality standards and whether it abated housing assistance payments as required.

RESULTS OF AUDIT

Finding 1: Housing Quality Standards Inspections Were Inadequate

The Authority did not conduct adequate inspections to enforce HUD's housing quality standards. Of 80 program housing units inspected, 72 did not meet HUD's housing quality standards, and 35 materially failed to meet HUD's standards. The Authority's inspector did not observe or report 518 violations that existed at the 35 units when they conducted their inspections. This condition occurred because: (1) the Authority did not have a quality control program for its housing quality standards inspection program, (2) the inspector missed some violations during inspections, (3) the inspector was not aware that some deficiencies were violations, (4) the inspector did not always record violations on the inspection report and verbally communicated them to the owner for resolution, and (5) the inspector did not always conduct follow-up inspections to ensure that 24-hour and 30-day violations were corrected. As a result, the Authority disbursed \$17,029 in housing assistance payments and received \$1,470 in administrative fees for the 35 units that materially failed to meet HUD's housing quality standards. Unless the Authority improves its inspection program and ensures that all units meet housing quality standards, we estimate that it will pay nearly \$1.1 million in housing assistance for units that materially fail to meet housing quality standards over the next year.

Housing Units Did Not Meet HUD's Housing Quality Standards

We statistically selected 80 units from a universe of 121 units that passed an Authority housing quality standards inspection between August 15 and October 15, 2013. The 80 units were selected to determine whether the Authority ensured that the units in its Housing Choice Voucher program met housing quality standards. We inspected the 80 units from November 12 to December 4, 2013.

Of the 80 housing units inspected, 72 (90 percent) had 801 housing quality standards violations, including 284 violations that needed to be corrected within 24 hours because the violations posed a serious threat to the safety of the tenants. Additionally, 35 of the 72 units (49 percent) were in material noncompliance with housing quality standards because they had 518 violations that predated the Authority's last inspection. These violations were not identified by the Authority's inspector, creating unsafe living conditions. Also, of the 72 units that failed our inspection, 2 had 2 violations that were noted on the Authority's previous inspection reports, and the Authority later passed the units. However, during our inspection, we determined that the violations had not been corrected. HUD regulations at 24 CFR 982.401 require that all program housing meet housing quality standards performance requirements both at commencement of assisted occupancy and throughout the assisted tenancy. The following table

categorizes the 801 housing quality standards violations in the 72 units that failed our housing quality standards inspections.

Key aspect²	Number of violations	Number of units	Percentage of units
Illumination and electricity	320	59	74
Structure and materials	224	54	68
Site and neighborhood	82	40	50
Smoke detectors	73	39	49
Access	40	26	33
Food preparation and refuse disposal	17	10	13
Interior air quality	14	9	11
Space and security	11	9	11
Sanitary facilities	9	8	10
Sanitary condition	8	8	10
Thermal environment	3	3	4
Total	801		

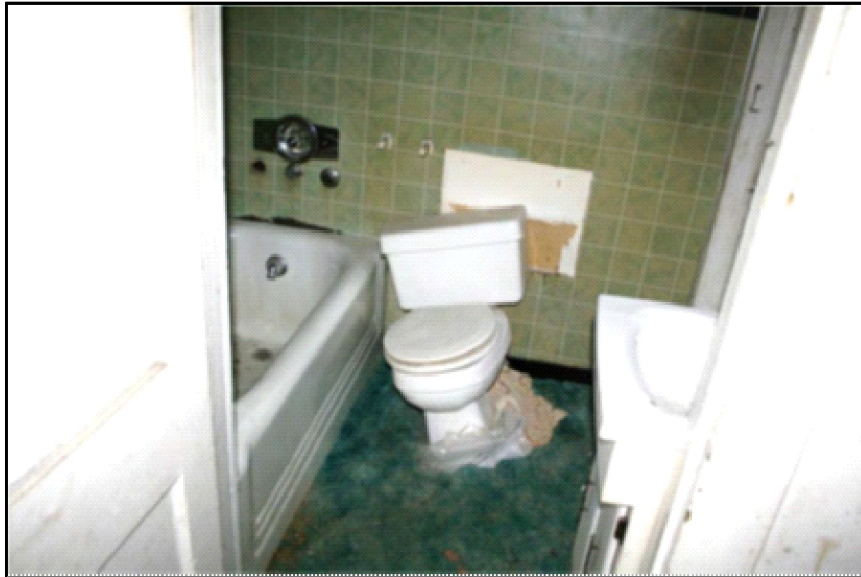
We provided our inspection results to the Authority and the Director of HUD’s Pennsylvania State Office of Public Housing during the audit.

The following photographs illustrate some of the violations we noted while conducting housing quality standards inspections in the 35 units that materially failed to meet HUD’s housing quality standards.



Inspection #24: The furnace and hot water heater flue pipes located in the basement were not sealed, allowing fumes to enter the unit. The Authority did not identify this violation during its August 29, 2013, inspection.

² Regulations at 24 CFR 982.401 categorize housing quality standards performance and acceptability criteria by 13 key aspects. Only 11 key aspects are listed in the table because we identified no violations for 2 key aspects.



Inspection #28: Flooring under the toilet was rotted, and the bathroom was not functional. The Authority did not identify this violation during its August 16, 2013, inspection.



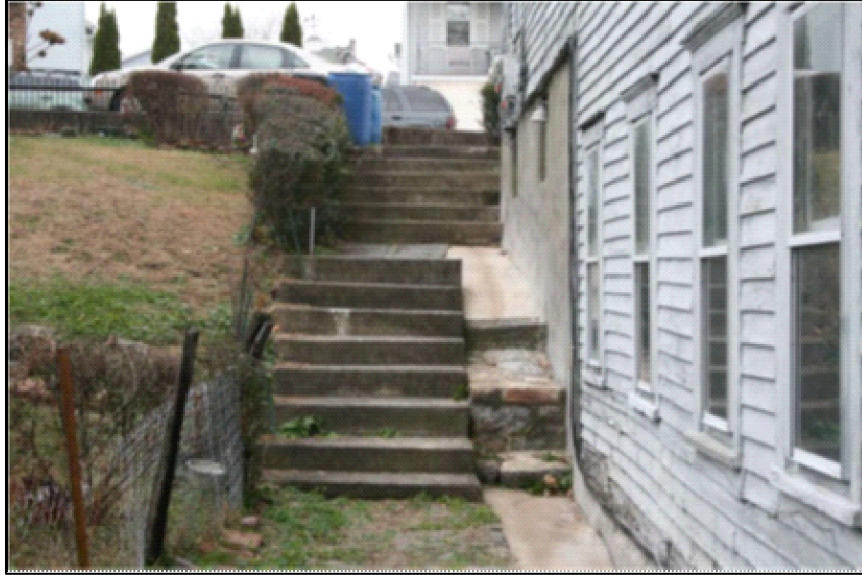
Inspection #46: The 220-volt outlet was missing a cover, exposing the electrical wiring. The Authority did not identify this violation during its October 15, 2013, inspection.



Inspection #46: The ceramic light fixture was not secured to the junction box, and the romex connector was missing. The Authority did not identify this violation during its October 15, 2013, inspection.



Inspection #57: The unit's garage was not structurally sound. Support beams were used to hold the ceiling in place. Additionally, the side wall was rotted at the bottom, allowing the wall to lean. The unit's kitchen was located above the garage. The Authority did not identify this violation during its October 8, 2013, inspection.



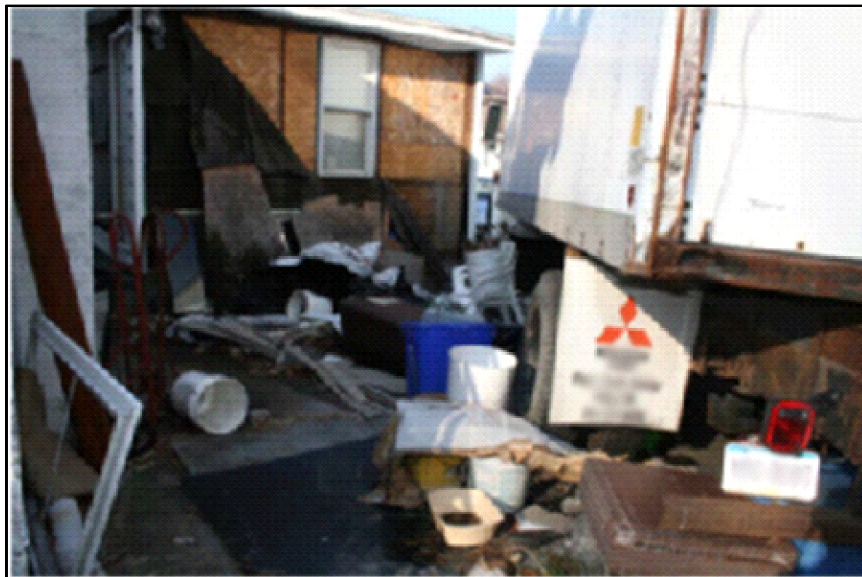
Inspection #58: Multiple handrails and railings were missing. Four or more steps required handrails, and fall distances of greater than 30 inches required railings. The Authority did not identify this violation during its August 27, 2013, inspection.



Inspection #59: The basement door was rotted and was missing the bottom section, allowing water and other outside elements to enter the basement. The Authority did not identify this violation during its October 2, 2013, inspection.



Inspection #67: The junction box located in the basement of the unit had the wrong cover, exposing the electrical contacts inside the box. The Authority did not identify this violation during its September 27, 2013, inspection.



Inspection #74: The back yard of the unit was covered in trash and debris. An abandoned truck was parked alongside the unit. Additionally, siding was missing on the rear of the unit, and the tar paper was not functional. The Authority did not identify this violation during its August 21, 2013, inspection.

The Authority Needs To Improve Its Housing Quality Standards Inspection Process

Although HUD regulations at 24 CFR 982.401 and the Authority's administrative plan required the Authority to ensure that its program units met housing quality standards, it did not always do so. The Authority did not have a quality control program for its inspections to ensure that program units met program requirements. Because the Authority did not perform quality control inspections, it did not determine whether its inspector performed sufficient inspections to ensure compliance with HUD's standards, and it did not provide performance-related feedback to the inspector to improve the Authority's inspection program. HUD's Housing Choice Voucher Program Guidebook 7420.10G states that the results of the quality control inspections should be provided as feedback on inspectors' work, which can be used to determine whether individual performance or general housing quality standards training issues need to be addressed.

The lack of a quality control program was critical for the Authority. The inspector did not identify some violations during inspections, such as improperly sloped flue pipes, unsecured fuse boxes, a missing smoke detector, and inoperable window locks. The inspector was not aware that some deficiencies, such as missing knockout plugs in junction boxes, improperly wired electrical outlets, deteriorated and broken concrete steps and walkways, and open sides on flights of stairs, were violations. Further, the inspector did not always record violations on the inspection report. Instead, the inspector verbally communicated the violations to the owners for resolution while on site, and did not always conduct follow-up inspections to ensure that 24-hour and 30-day violations were corrected. The inspector relied on the owners to make the necessary repairs. The inspector did not fail the units on the inspection reports if he considered the violations minor, such as inoperable smoke alarms and missing outlet covers. The inspector stated that he did not have enough time to reinspect all units. However, based on the Authority's inspection data, the inspector completed five unit inspections per day on average.

The Authority needs to improve its housing quality standards inspections by establishing a quality control inspection program and training its inspector.

The Authority Had Begun Taking Action Based on the Audit Results

The Authority had taken action to improve its housing quality standards inspection program during the audit. The Authority informed us that it had hired a new inspector for its Housing Choice Voucher program units and reassigned the former inspector to a different department. The Authority's new inspector,

Section 8 coordinator, and executive director had received housing quality standards inspection training from a housing industry organization recognized by HUD. Additionally, the Authority had proposed changes to its quality control process and sent a corrective action plan with the proposed changes to HUD for review and approval. The Authority planned to assign recertification inspections to one employee and quality control inspections to another employee to ensure that all units complied with housing quality standards. The Authority also planned to update its administrative plan to reflect these changes.

Conclusion

The Authority's program participants were subjected to housing quality standards violations that created unsafe living conditions during the participants' tenancy. The Authority did not properly use its program funds when it inspected and passed program units that did not meet HUD's housing quality standards. In accordance with HUD regulations at 24 CFR 982.152(d), HUD is permitted to reduce or offset program administrative fees paid to a public housing authority if it fails to perform its administrative responsibilities correctly or adequately, such as not enforcing HUD's housing quality standards. The Authority disbursed \$17,029 in housing assistance payments and received \$1,470 in program administrative fees for 35 units that materially failed to meet HUD's housing quality standards. If the Authority implements controls and trains its inspector and other responsible staff to ensure that all units meet housing quality standards, we estimate that nearly \$1.1 million in future housing assistance payments will be spent for units that are decent, safe, and sanitary. Our methodology for this estimate is explained in the Scope and Methodology section of this report.

Recommendations

We recommend that the Director of HUD's Pennsylvania State Office of Public Housing direct the Authority to

- 1A. Certify, along with the owners of the 72 units cited in this finding, that the applicable housing quality standards violations have been corrected.
- 1B. Reimburse its program \$18,499 from non-Federal funds (\$17,029 for housing assistance payments and \$1,470 in associated administrative fees) for the 35 units that materially failed to meet HUD's housing quality standards.
- 1C. Continue to implement procedures and controls, including a quality control program, training for its inspectors, and an evaluation of the inspection workload to determine whether one inspector is sufficient to conduct all of the necessary inspections, to ensure that program units meet

housing quality standards, thereby ensuring that \$1,096,644 in program funds is expended for units that are decent, safe, and sanitary.

Finding 2: The Authority Did Not Abate Housing Assistance Payments

The Authority did not abate housing assistance payments as required. It did not reduce housing assistance payments when owners failed to make repairs to their program units within the required period. This condition occurred because managers did not understand how to properly perform abatements. The Authority lacked policies and procedures pertaining to the abatement process, and its staff lacked practical knowledge in the abatement process and the ability to use its computer system to process abatements. As a result, the Authority made ineligible housing assistance payments totaling at least \$18,655 for units that did not meet HUD's housing quality standards. Additionally, it incorrectly certified on its Section 8 Management Assessment Program score that it enforced housing quality standards as required.

The Authority Did Not Abate Housing Assistance Payments

Contrary to the regulations at 24 CFR 982.404(a)(2), the Authority did not abate housing assistance payments when units failed housing quality standards inspections and repairs were not made within the required timeframe. The Authority failed to abate housing assistance payments because managers did not understand how to properly perform an abatement. Therefore, it did not implement policies and procedures pertaining to the abatement process. The responsible staff did not fully understand the abatement process and how to process abatements in its computer system. As a result, the Authority made ineligible housing assistance payments totaling \$18,655 for 22 units³ during the period July 15, 2012, to October 16, 2013.

The Authority's SEMAP Score Was Overstated

Because the Authority is a participant in HUD's Housing Choice Voucher program, it is required to use HUD's Section 8 Management Assessment Program (SEMAP) to assess whether its Housing Choice Voucher program operates to help eligible families afford decent rental units at the correct subsidy cost. The Authority is required to annually self-certify to the effectiveness of its program. SEMAP uses 16 indicators to measure the effectiveness of the Authority's program. Indicator 6, maximum 10 points, is used to determine whether the Authority takes appropriate housing quality standards enforcement actions when housing units do not meet housing quality standards.

Regulations at 24 CFR Part 985, subpart A, section 3, state that for indicator 6, if housing quality standards deficiencies are not corrected in a timely manner, the Authority should abate housing assistance payments beginning no later than the

³ None of these 22 units was included in the sample of 80 units discussed in finding 1.

first of the month following the specified correction period or terminate the housing assistance payment contract or for family-caused defects, take prompt and vigorous action to enforce the family's obligations.

For 2013, for indicator 6, the Authority gave itself a 10-point score for housing quality standards enforcement. However, based the results of our review, the score was incorrect. The Authority did not properly abate housing assistance payments as required. It did not reduce housing assistance payments when owners failed to make repairs to their program units within the required period and retroactively paid owners housing assistance, which is prohibited. The Authority's SEMAP score was overstated. We discussed this issue with the Director of HUD's Pennsylvania State Office of Public Housing, and the Director agreed to review the certification and rescore the Authority's SEMAP submission.

The Authority Had Begun Taking Action Based on the Audit Results

The Authority acknowledged that it did not abate housing assistance payments as required. It informed us that it had begun taking corrective action during the audit. It had begun training its staff on the abatement process and on its computer system to instill a working knowledge of the system functions involved with abatement.

Conclusion

The Authority did not abate housing assistance payments as required. It did not reduce housing assistance payments when owners failed to make repairs to their program units within the required period. The Authority disbursed \$18,655 in housing assistance payments for 22 units that failed to meet HUD's housing quality standards. Additionally, it incorrectly certified on its Section 8 Management Assessment Program score that it enforced housing quality standards as required. If the Authority implements policies and procedures and trains the responsible staff on the proper abatement of housing assistance payments and the use of its computer system to process abatements, we conservatively estimate that at least \$18,655 in future housing assistance payments will be spent for units that meet housing quality standards. Our methodology for this estimate is explained in the Scope and Methodology section of this report.

Recommendations

We recommend that the Director of HUD's Pennsylvania State Office of Public Housing direct the Authority to

- 2A. Reimburse its program \$18,655 from non-Federal funds for housing assistance payments that should have been abated.
- 2B. Continue to develop and implement policies and procedures and train the responsible staff on the proper abatement of housing assistance payments and the use of its computer system to process abatements, thereby ensuring that at least \$18,655 in program funds is expended for units that meet housing quality standards as required over the next year.

We recommend that the Director of HUD's Pennsylvania State Office of Public Housing

- 2C. Rescore the Authority's 2013 SEMAP submission to correct the points for indicator 6, housing quality standards enforcement.

SCOPE AND METHODOLOGY

To accomplish our objectives, we reviewed

- Applicable laws, regulations, the Authority's administrative plan, HUD's program requirements at 24 CFR Parts 982 and 985, HUD's Housing Choice Voucher Guidebook 7420.10G, and other guidance.
- The Authority's inspection reports; computerized databases, including housing quality standards inspection, housing assistance payment, and tenant data; annual audited financial statements for 2012; tenant files; policies and procedures; board meeting minutes; and organizational chart.
- HUD's monitoring reports for the Authority.

We also interviewed the Authority's employees, HUD staff, and program households.

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

We statistically selected 80 of the Authority's program units to inspect from a universe of 121 program units that passed an Authority-administered housing quality standards inspection between August 15 and October 15, 2013. These inspections were conducted by one Authority inspector. We selected the sample based on a confidence level of 90 percent, an estimated error rate of 50 percent, and a precision level of plus or minus 10 percent. We inspected the selected units between November 12 and December 4, 2013, to determine whether the Authority's program units met housing quality standards. The Authority's inspector and maintenance mechanic accompanied us on all of the inspections.

Our sampling results determined that 35 of the 80 units (44 percent) materially failed to meet HUD's housing quality standards. We determined that the 35 units were in material noncompliance because they had 518 violations that existed before the Authority's last inspection, which created unsafe living conditions. All units were ranked according to the severity of the violations, and we used auditors' judgment to determine the material cutoff point.

We estimate, with a one-sided confidence interval of 95 percent, that at least 30.98 percent of the 121 units passed by the Authority's inspector during the 2-month sample period were in material noncompliance with housing quality standards. By averaging the housing assistance payments made for substandard housing across all 121 units that passed an Authority inspection and deducting for a statistical margin of error, we estimate, with a one-sided confidence interval of 95 percent, that the amount of monthly housing assistance payment dollars spent on substandard housing passed by the Authority during the sample period was \$125.36 per unit. Prorating the 121 units passed by the Authority inspector during the 2-month sample period to an annual basis

yields 729 units expected to pass an Authority inspection in 1 year. Multiplying the 729 units by the \$125.36 per unit monthly housing assistance payment for substandard housing yields a total of \$91,387 per month. Multiplying the monthly amount of \$91,387 by 12 months yields an annual total of \$1,096,644 in housing assistance payments for substandard housing that passed an Authority inspection. This amount is presented solely to demonstrate the annual amount of program 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 included only the initial year in our estimate.

We reviewed a dataset of the Authority's inspections for the period July 15, 2012, through October 16, 2013, to determine whether the Authority should have abated housing assistance payments. To pare down the universe, we eliminated all passed inspections, initial inspections, and inspections for which the owner or the tenant failed to show up at the unit so it could be inspected. We matched all of the failed inspections to their corresponding passed inspection, if available.

We determined the amount of time that passed between the date when a unit failed inspection and the date when it passed its follow-up inspection. If no date was entered into the system for a "pass" inspection for a given unit, we gave the Authority until November 22, 2013, to provide documentation supporting why no "pass" date was entered. The Authority provided inspection reports with "pass" dates for all but 6 of the units that had no "pass" date in the system. However, the lack of a "pass" date was correct for those 6 units because the units no longer participated in the program after the failed inspection. We eliminated all units for which the amount of time that passed between the date when the unit failed inspection and the date when it passed its follow-up inspection was less than 30 days because the Authority needed to provide owners at least 30 days' notice that their housing assistance payments would be abated.

We determined the number of days that should have been abated by subtracting the date on which the unit passed inspection from the date on which the abatement should have been started. We found that the Authority should have abated housing assistance payments for 22 units. A total of 1,256 days passed before each of the 22 units passed inspection. On average, the Authority should have abated payments a total of 57 days for the 22 units, with the lowest number of days being 1 day and the highest number being 303 days. We determined the housing assistance payment for those 22 units for the months when the Authority should have abated it. We divided the housing assistance payment by 30 to calculate the average housing assistance payment per day and multiplied that figure by the number of days the housing assistance should have been abated and determined that the Authority should have abated \$18,655 in housing assistance payments for the 22 units.

Since the Authority lacked procedures and knowledge regarding abatement, the problem was systemic. Therefore, if the Authority implements our recommendations, it will stop making ineligible housing assistance payments for units that should have their housing assistance abated. While this benefit would recur indefinitely, we were conservative in our approach and reported only \$18,655 as our estimate of future housing assistance payments to be put to better use. We believe that this figure is a conservative estimate because our inspections of 80 units showed that 72 (90 percent) of the units did not meet HUD's housing quality standards and that 71 of the 72

units had at least 1 pre-existing violation. Moreover, the Authority's inspector did not always fail units on the inspection reports and relied on the owners to make the necessary repairs. Therefore, not all of the "passed" results recorded in the Authority's computer system were accurate. There could be significantly more assisted units that should have had the housing assistance payment abated but did not. The Authority will identify those units and properly abate the housing assistance payments when it fully implements the needed policies, procedures and controls.

We conducted our onsite audit work from September 2013 through April 2014 at the Authority's offices located at 2019 West Pine Street, Dunmore, PA, and at our office located in Philadelphia, PA. The audit covered the period July 2012 through August 2013 but was expanded when necessary to include other periods.

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 objectives.

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 objectives:

- Program operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Validity and reliability of data – Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed.
- Compliance with laws and regulations – Policies and procedures that management has implemented to reasonably ensure that the use of resources 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.

Significant Deficiencies

Based on our review, we believe that the following items are significant deficiencies:

- The Authority did not implement procedures and controls, including a quality control program, and train its inspector to ensure that program units met housing quality standards (see finding 1).
- The Authority did not implement policies and procedures for abating housing assistance payments, and the responsible staff did not fully understand the abatement process and the use of its computer system to process abatements (see finding 2).

Separate Communication of Minor Deficiencies

A minor internal control and compliance issue related to rent reasonableness was reported to the Authority by a separate letter, dated May 7, 2014.

APPENDIXES

Appendix A

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

Recommendation number	Ineligible 1/	Funds to be put to better use 2/
1B	\$18,499	
1C		\$1,096,644
2A	18,655	
2B		18,655
Totals	\$37,154	\$1,115,299

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.
- 2/ Recommendations that funds 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. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, if the Authority implements our recommendations, it will cease to incur program costs for units that are not decent, safe, and sanitary and, instead, will expend those funds for units that meet HUD's standards, thereby putting nearly \$1.1 million in program funds to better use. Once the Authority successfully improves its controls, this will be a recurring benefit. Our estimate reflects only the initial year of these benefits. Additionally, if the Authority implements our recommendations, it will stop making ineligible housing assistance payments for units that should have their housing assistance abated, thereby putting approximately \$18,655 in program funds to better use. Once the Authority begins abating housing assistance payments as required, this will be a recurring benefit. Our estimate reflects only the initial year of these benefits.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

Comment 1



Administrative Office: 2019 West Pine Street, Dunmore, Pennsylvania 18512
(570) 342-7629 TDD: 1-800-545-1833 FAX: (570) 342-5756 E-Mail: contact@hacl.org

DATE: June 18, 2014

David E. Kasperowicz
Regional Inspector General for Audit
Wanamaker Building
100 Penn Square East, Suite 10205
Philadelphia, Pa 19107-3380

Dear Mr. Kasperowicz;

This letter in response to review of the Housing Authority of the County of Lackawanna completed by the Office of Inspector General. The period of review was from May 2013 to June 2014.

The audit focused on Housing Quality Standard inspections of the Housing Choice Voucher Program. During the course of the audit the Housing Authority took action to improve Housing Quality Standards by hiring a new inspector and receiving Certifications for three staff members in regard to Housing Quality Standards and Visual Assessment Training. The Housing Authority implemented an intense Quality Control Program in accordance with HUD Guidance. The Housing Authority updated its Administrative Plan to reflect changes made to its Housing Quality Standards and Quality Control Programs. All OIG sited inspections have been corrected by the landlords and passed HQS.

Working with the Office of Inspector General during this audit has helped this Authority become knowledgeable, efficient, and better suited to meet the needs of our residents.

Housing Authority of the County of Lackawanna would like to commend your auditors and Staff for their professionalism, courtesy and helpfulness in all areas of the audit. They kept the Authority abreast and informed in all phases during the audit process, explaining the changes that were needed and expected.

If you need any additional information, please contact me at 570-342-7629, ext. 305.

Sincerely,


James Dart
Executive Director



Housing Authority of the County of Lackawanna

OIG Evaluation of Auditee Comments

Comment 1 The Authority stated that it hired a new inspector; provided training to staff; implemented an intense quality control program; and updated its administrative plan to reflect the changes it has made to its housing quality standards and quality control programs. It also stated that all of the deficiencies that we identified during our inspections have been corrected by the landlords and that the units comply with housing quality standards. These actions relate to recommendations 1C and 1A respectively. However, we did not verify the implementation of these actions. Therefore, as part of the normal audit resolution process, HUD will verify the Authority's corrective actions and determine whether they were adequate to satisfy the intent of the recommendations.