Issue Date August 14, 2007
Audit Report Number 2007-PH-1011

TO: William D. Tamburrino, Director, Baltimore Public Housing Program Hub, 3BPH

FROM: John P. Buck, Regional Inspector General for Audit, Philadelphia Regional Office, 3AGA

SUBJECT: The Housing Commission of Anne Arundel County, Glen Burnie, Maryland, Did Not Always Operate Its Housing Choice Voucher Program in Accordance with Federal Requirements

HIGHLIGHTS

What We Audited and Why

We audited the Housing Commission of Anne Arundel County's (Commission) housing choice voucher program (program) as part of our fiscal year 2007 audit plan. Our objective was to determine whether the Commission operated its program in accordance with HUD requirements and regulations.

What We Found

The Commission did not always operate its program in accordance with HUD requirements and regulations. It did not always ensure that its housing choice voucher housing stock met housing quality standards. Of the 61 housing choice voucher units statistically selected for inspection, 35 did not meet HUD's housing quality standards and 30 had 117 material violations that existed on or before the Commission's previous inspections. The Commission paid housing assistance of $116,522 for the 30 units with material violations. We estimated that over the next year, HUD will pay more than $2.1 million in housing assistance payments for units with material housing quality standards violations. The Commission also did not always properly perform rent reasonableness determinations for units it owned and, therefore, could not support housing assistance payments of $733,354. Lastly, the Commission did not properly administer its family self-sufficiency program and as a result, did not ensure that $215,293, which it paid to program participants, was proper.

What We Recommend

We recommend that the director of HUD's Baltimore Public Housing Program Hub require the Commission to reimburse its program from nonfederal funds for the improper use of $116,522 paid for 30 units with 117 material violations of housing quality standards, provide documentation or reimburse its program $733,354 from nonfederal funds for unsupported housing assistance payments, and $215,293 for improper escrow payments made to participatants of the family self-sufficentcy program. We also recommend that the director of HUD's Baltimore Public Housing Program Hub require the Commission to ensure that program housing units inspected during the audit are repaired to meet HUD's housing quality standards, and implement adequate procedures and controls to ensure that program units meet housing quality standards to prevent an estimated $2.1 million from being spent on units with material housing quality standards violations.

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 provided our discussion draft audit report to the Commission's executive director, its board chairman, and HUD staff during the audit. We held an exit conference with the Commission on June 19, 2007.

We asked the Commission to provide comments on our discussion draft audit report by June 30, 2007. The Commission provided written comments to our draft report on June 29, 2007. The complete text of the Commission's response, along with our evaluation of that response, can be found in appendix B of this report.

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BACKGROUND AND OBJECTIVES

The Anne Arundel County Housing Commission was organized in 1968 and changed its name to the Housing Commission of Anne Arundel County (Commission) in 1991. The Commission serves as the public housing authority for Anne Arundel County. A 12-member board of commissioners governs the Commission. Although the board of commissioners is responsible for the overall condition of the public housing authority, its executive director is responsible for coordinating established policy and carrying out its day-to-day operations. The board of commissioners also serves as the board of directors for the Housing Corporation of Anne Arundel County. The Housing Corporation of Anne Arundel County, a nonprofit subsidiary of the public housing authority, was established in 1998 for use of nonpublic funds for housing projects. The Housing Corporation of Anne Arundel County acts an agent on behalf of the Commission and governs the administration and leasing of the Commission's owned units.

The Commission administers a housing choice voucher program (program) funded by the U.S. Department of Housing and Urban Development (HUD). The Commission provides assistance to low- and moderate-income individuals seeking decent, safe, and sanitary housing by subsidizing rents with owners of existing private housing. For fiscal year 2006, the Commission received $13.5 million in housing choice voucher funds, and $963,829 in administrative fees to administer the program. It issued an average of 1,455 housing choice vouchers for 2006.

Our audit objective was to determine whether the Commission operated its program in accordance with HUD requirements. Specifically, we wanted to determine whether the Commission issued subsidy payments for units that were decent, safe, and sanitary; properly assessed rent reasonableness for public housing authority-owned units; and adequately administered its family self-sufficiency program.

RESULTS OF AUDIT

Finding 1: Controls over Housing Quality Standards Were Not Adequate

The Commission did not adequately enforce HUD's housing quality standards. Of the 61 program units statistically selected for inspection, 35 did not meet minimum housing quality standards. Thirty of 35 units had 117 material violations that existed before the Commission's previous inspections or were identified during the last inspection and were not corrected. These material violations occurred because the Commission did not implement adequate procedures and controls to ensure compliance with HUD regulations and its administrative plan. As a result, program funds of $116,522 were used on units that were not decent, safe, and sanitary. Based on our statistical sample, we estimated that over the next year, HUD would pay more than $2.1 million in housing assistance payments on units with material housing quality standards violations.

HUD's Housing Quality Standards Were Not Met

We statistically selected 61 units for inspection from the 580 program units the Commission inspected between July 31, 2006, and January 10, 2007. Our appraiser inspected the 61 units between February 20 and March 2, 2007, to determine whether the Authority ensured its program units met HUD's housing quality standards.

The audit identified 165 housing quality standards violations in 35 of the 61 units inspected (57 percent). In addition, 30 of the 35 units had 117 material violations that existed before the Authority's previous inspections or were identified during the Commission's last inspection. Thirty units were considered to be in material noncompliance since they had multiple material violations that predated the Commission's last inspection but were not identified by the Commission's inspector, had material 24-hour health and safety violations that predated the Commission's last inspection, or material violations were on the last inspection report and the violation had not been corrected at the time of the HUD/OIG (Office of Inspector General) inspection. The Commission was provided $107,266 in housing assistance payments and $9,256 in associated administrative fees for these 30 units that materially failed to meet HUD's housing quality standards. The following table categorizes the 165 housing quality standards violations in the 35 units.

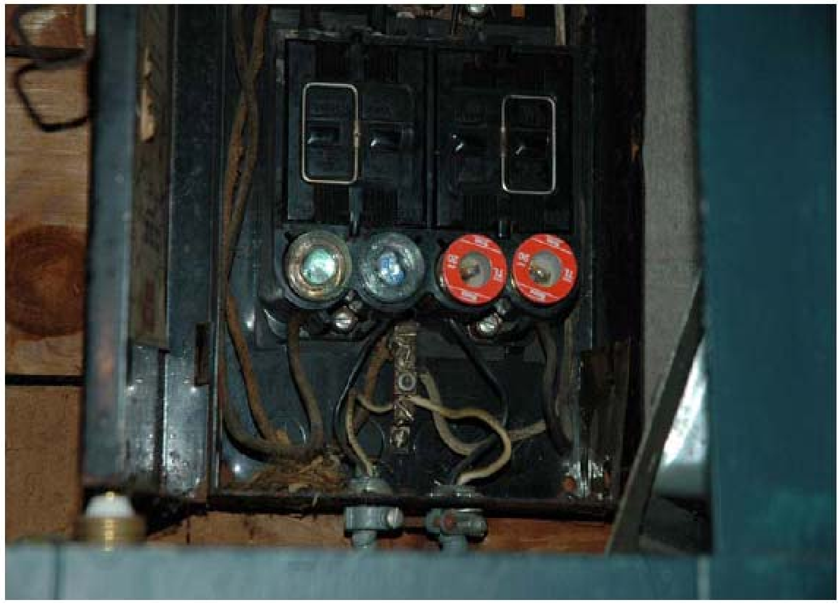
Category of violations	Number of violations
Electrical	48
Stairs and porches	28
Other interior hazards	11
Range/refrigerator	9
Smoke detectors	9
Security	7
Window	7
Exterior surface	7
Fire exits	7
Floor	6
Wall	5
Ventilation/plumbing	5
Evidence of infestation	3
Tub, shower, and/or sink	3
Toilet or wash basin	3
Lead-based paint	2
Site and neighborhood conditions	2
Roof/gutters	1
Ceiling	1
Space for preparation, storage, and serving of food	1
Total	**165**

We provided our inspection results to the Commission's executive director on March 29, 2007, and to the director of HUD's Baltimore Public Housing Program Hub on April 4, 2007.

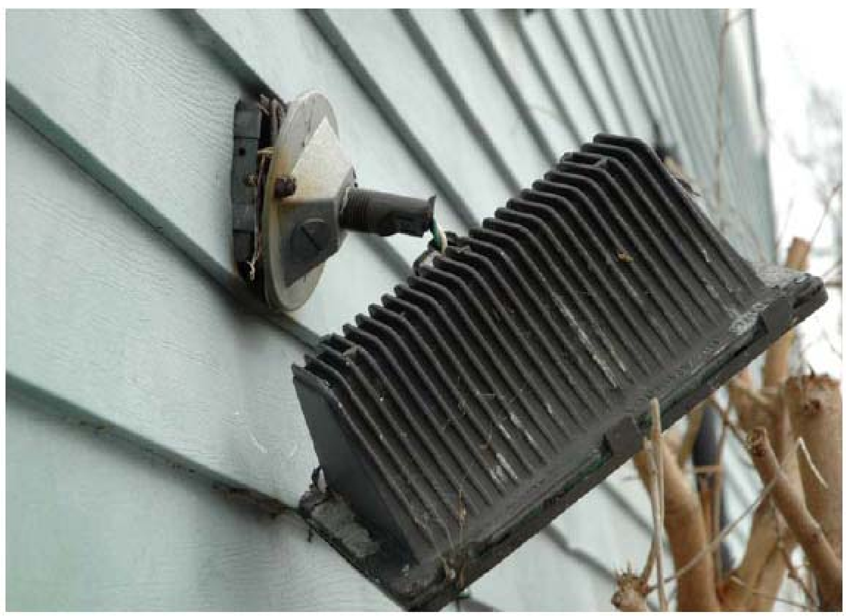
Electrical Violations Were Found

Forty-eight electrical violations were present in 27 of the Commission's program units inspected. The following items are examples of electrical violations listed in the table: outlets with open grounds, no cover on junction box, ground fault circuit interrupters do not trip, and loose wires. The following pictures are examples of the electrical-related violations identified in the Commission's program units inspected.

Unit #0005411: Internal fixed cover on the fuse box in the basement is missing.



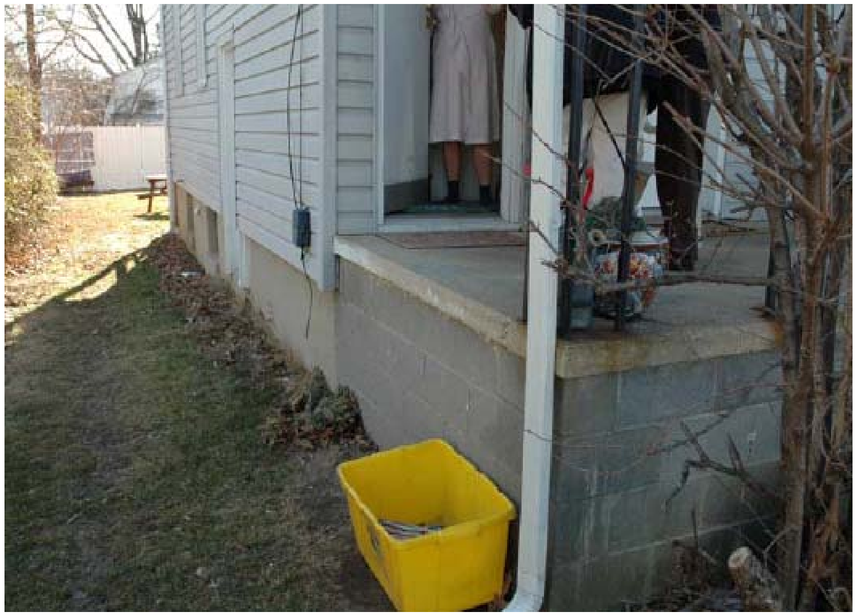
Unit #0001575: Wall-mounted lamp outside of rear door is hanging from its wires.



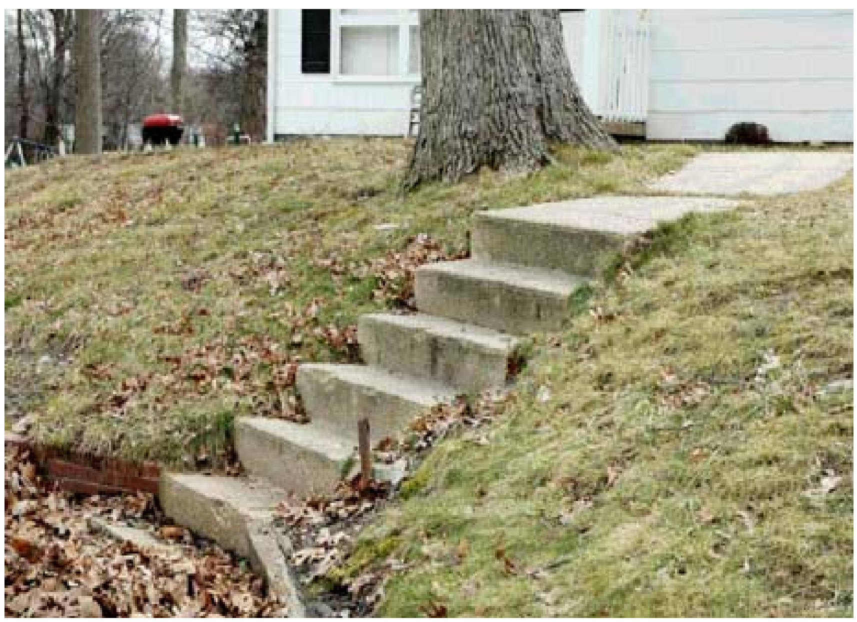
Stairs and Porch Violations Were Found

Twenty-eight stairs and porch violations were present in 18 of the Commission's program units inspected. The following items are examples of stairs and porch violations listed in the table: missing guardrail, missing handrail, deteriorated handrail, and handrail too short. The following pictures are examples of the stairs- and porch-related violations identified in the Commission's program units inspected.

Unit #005411: Front porch needs railing on open side.



Unit #0004762: The stairway at the front is missing a handrail.



The Commission Did Not Implement Adequate Procedures and Controls

The violations occurred because the Commission did not implement adequate procedures and controls to ensure compliance with HUD regulations and its administrative plan. Regulations at 24 CFR [*Code of Federal Regulations*] 982.54(d) require the public housing authority's administrative plan to cover policies, procedural guidelines, and performance standards for conducting required housing quality inspections. The audit showed that the Commission's administrative plan sufficiently covered policies, procedural guidelines, and performance standards for conducting required housing quality inspections. However, the audit also showed that the Commission did not implement the policies and procedures contained in its own administrative plan.

Conclusion

The Commission disbursed housing assistance payments for units that were in material noncompliance. In accordance with 24 CFR [*Code of Federal Regulations*] 982.152(d), HUD is permitted to reduce or offset any program administrative fees paid to a public housing authority if it fails to enforce HUD's housing quality standards. The audit showed that the Commission was provided $107,266 in housing assistance payments and $9,256 in associated administrative fees for the 30 units that materially failed to meet HUD's housing quality standards. In addition, if the Commission implements adequate procedures and controls over its unit inspections, we estimate that more than $2.1 million in future housing assistance payments will be spent for units that are decent, safe, and sanitary. We determined this amount by multiplying 227 units (estimate that would be in material noncompliance with housing quality standards if appropriate actions are not taken by the Commission) times $9,347 (average annual subsidy of each housing unit).

Recommendations

We recommend that the director of HUD's Baltimore Public Housing Program Hub require the Commission to

1A. Certify that the owners of the 35 program units cited in this finding repaired the applicable housing quality standards violations.

1B. Reimburse HUD $116,522 from nonfederal funds ($107,266 for housing assistance payments and $9,256 in associated administrative fees) for the 30 units that materially failed to meet HUD's housing quality standards.

1C. Implement adequate procedures and controls to ensure that all units meet HUD's housing quality standards to prevent $2.1 million in program funds from being spent on units that are in noncompliance with the standards.

Finding 2: The Commission Failed to Follow Federal Regulations Regarding Rent Reasonableness

The Commission did not follow federal regulations when determining rent reasonableness for its own units. The Commission performed an internal market survey of rental units for its own units and requested the independent entity to endorse the Commission's results. The independent entity did not perform any additional work to verify the Commission's results, but certified that proposed rents were reasonable. Because the independent entity's determination of rent reasonableness was not based on its own verification of data to support the rents, HUD has no assurance that the $733,354 in rental payments for the Commission's own program housing units were appropriate.

The Commission Did Not Administer Its Rent Reasonableness Determination in Accordance with HUD Regulations

We reviewed the 39 program tenant files, from June 2002 through March 2007, for housing units owned by the Commission to determine whether the Commission properly performed its rent reasonableness certifications. The Commission has an agreement with the Howard County Housing Commission, as an independent entity, to provide it with an unbiased rental market survey and certify a reasonable rent payment to be used for its tenants. However, we found that rent for the 39 tenants were not based on the Howard County Housing Commission's assessment of rent reasonableness. The Commission provided the Howard County Housing Commission with an internal market survey, which included a price comparison chart of unsubsidized rent payments in the surrounding area of its units as required of landlords requesting to participate in the program. It set its own unit rents by requesting the Howard County Housing Commission to endorse its market survey without conducting an independent market survey or using the Commission's rent comparison database to verify proposed rents. From June 2002 through March 2007, the Commission received $733,354 in housing assistance payments for the 39 units.

Conclusion

The Commission did not adequately determine program reasonable rent payments or administer the rent reasonableness determination in accordance with HUD regulations and guidelines for its own units. The Commission paid housing assistance payments of $733,354 to itself without properly determining the reasonableness of the rents. These weaknesses occurred because the Commission lacked adequate procedures and controls concerning its rent reasonableness assessment. The executive director stated that the Commission was unaware of HUD regulations stating that an independent agency had to perform the market rate survey. As a result, HUD has no assurance that appropriate rental payments were paid for the Commission's own units for which it received program payments.

Recommendations

We recommend that the director of HUD's Baltimore Public Housing Program Hub require the Commission to

2A. Provide supporting documentation or reimburse HUD $733,354 from nonfederal funds for the housing assistance payments related to the Commission-owned units lacking independent rent reasonableness determinations.

2B. Implement procedures and controls to ensure that housing assistance payments contracts are executed only when an independent agency performs an independent rent reasonableness certification of proposed rents of Commission-owned units.

Finding 3: The Commission Failed to Operate Its Family Self-Sufficiency Program in Accordance with Federal Requirements

The Commission failed to operate its family self-sufficiency program in accordance with HUD requirements and its family self-sufficiency program action plan. This noncompliance occurred because the Commission failed to exercise proper supervision and oversight of its family self-sufficiency program and lacked adequate procedures and controls to ensure that federal requirements were appropriately met. As a result, the Commission paid $61,978 in early escrow payments and an additional $153,315 in final escrow payments that are unsupported, and tenants are not participating in the program according to HUD requirements.

The Commission Inappropriately Paid $215,293 in Escrow Payments

The Commission inappropriately administered its family self-sufficiency program by failing to properly execute the contract of participation, complete the required forms, include individual training and service plans in the contract of participation, ensure that participants sought and maintained suitable employment, ensure that participants identified and met final goals, and ensure that participants met interim goals before being issued early escrow payments.

The Commission paid 24 escrow payments of $215,293 to 20 participants of the family self-sufficiency program between February 2004 and December 2006. We reviewed the participants' files to determine whether interim and/or final goals were accomplished before the issuance of escrow payments. The Commission could not provide the contract of participation and/or the individual training plans which identify the interim and final goals established for 17 participants issued escrow payments totaling $186,108. For the remaining three participants, support documentation revealed that the Commission paid escrow payments of $29,185 to participants who established final goals that were contrary to federal requirements.

The *United States Code*, Title 42, chapter 8, subchapter I, subsection 1437u(c)(1), provides that each public housing agency carrying out a local program under this section shall enter into a contract with each leaseholder receiving assistance under the voucher program of the public housing agency that elects to participate in the self-sufficiency program under this section. The contract shall establish specific interim and final goals by which compliance with and performance of the contract may be measured and shall specify the resources and supportive services to be made available to the participating household.

According to 24 CFR [*Code of Federal Regulations*] 984.303, the head of the family self-sufficiency program household is required under the contract of participation to seek and maintain suitable employment during the term of the contract. The contract of participation also requires that the final goal list on the individual training plans of the head of the family include getting and maintaining suitable employment specific to that individual's skills, education, and job training and the available job opportunities in the area.

As earned income increases with employment, the escrow accounts are funded with a portion of the increases in the household's rent because of increases in earned income and are credited to the escrow account in accordance with HUD requirements. Essentially, the escrow accounts are funded with program funds since the household's portion of rent is not adjusted when the household's income increases.

According to 24 CFR [*Code of Federal Regulations*] 984.305(c)(2), to issue disbursements before completion of the program, the Commission must determine that the family self-sufficiency program household has fulfilled certain interim goals established in the contract of participation and needs a portion of the family self-sufficiency program account for purposes consistent with the contract of participation. As previously stated, the Commission failed to ensure that participants identified and met interim goals. Additionally, the Commission's family self-sufficiency program contract, Loss of family self-sufficiency Account, states that the household will not receive the funds in its family self-sufficiency program escrow account if the household has not met its household responsibilities within the timeframe specified as stated in the contract. The Commission could not provide documentation showing that it appropriately paid $293,275 from escrow accounts to program participants.

Participation Is Not in Accordance with Requirements

We reviewed 91 tenant files for the current participants in the family self-sufficiency program. None of the files contained the family assessments required by the Commission's action plan, 69 files did not contain a final goal of maintaining and seeking employment, 16 files did not have an individual training plan, and nine files contained two-year extensions without written requests from the participant.

The Commission failed to demonstrate that it achieved the objectives of the family self-sufficiency program which are to establish working partnerships that will use available resources to assure families' maximum use and minimize any possible duplication; address service issues that result as barriers to families becoming economically self-sufficient; provide families with a service plan execution that respects families and is based on family strengths, needs, and realistic outcomes; implement a case management system that will encourage and support families to become self-sufficient; and provide ongoing evaluation to address program effectiveness.

The Deficiencies Were Caused by a Lack of Supervision and Oversight

These weaknesses occurred because the Commission failed to exercise proper supervision and oversight of its program. The Commission lacked adequate procedures and controls to ensure that federal requirements were appropriately followed. Its family self-sufficiency program coordinator performed additional duties and responsibilities; thereby limiting the amount of time spent overseeing the program. Although the Commission received $97,505 in grant funding for 2003 and 2004, it did not receive grant funding for the family self-sufficiency program coordinator from HUD for fiscal years 2005 and 2006, thereby reducing supporting funds to maintain the program.

Conclusion

The Commission improperly used funds from its family self-sufficiency program when it failed to comply with federal and its own requirements and it did not ensure that tenants participated in the program according to requirements. The Commission's failure to maintain sufficient documentation and ensure that program requirements were followed prohibited us from determining whether the family self-sufficiency program was meeting its goal of enabling households to become economically self-sufficient and increases the likelihood of inappropriate households receiving payments. It also reduces the ability to monitor and measure the effectiveness of the family self-sufficiency program. As a result of its noncompliance, the Commission inappropriately paid escrow payments.

Recommendations

We recommend that the director of HUD's Baltimore Public Housing Program Hub require the Commission to

3A. Provide supporting documentation or reimburse HUD $215,293 from nonfederal funds for escrow payments issued without proper supporting documentation.

3B. Implement procedures and controls over its family self-sufficiency program to ensure that it follows federal requirements and its HUD-approved action plan.

SCOPE AND METHODOLOGY

To accomplish our objective, we reviewed

- Applicable laws; regulations; the Commission's program administrative plan, effective April 2004 and April 2006; HUD's program requirements at 24 CFR [*Code of Federal Regulations*] 982 and 984; and HUD's Housing Choice Voucher Guidebook 7420.10.

- The Commission's accounting records; annual audited financial statements for 2003, 2004, and 2005; general ledgers; checks; tenant files; computerized databases; policies and procedures; board meeting minutes for 2004 through 2006; and organizational chart.

- HUD's files for the Commission.

We also interviewed the Commission's employees and HUD staff.

To achieve our audit objectives, we relied in part on computer-processed data in the Commission'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 the data to be adequate for our purposes.

We statistically selected 61 of the Commission's program units to inspect, using the U.S. Army Audit Agency's Statistical Sampling software, from the 580 units that were inspected by the Commission from July 31, 2006, through January 10, 2007. The 61 units were selected to determine whether the Commission ensured that its program units met HUD's housing quality standards. Our sampling criteria used a 90 percent confidence level, 50 percent estimated error rate, and precision of plus or minus 10 percent.

Our sampling results determined that 30 of 61 units (49 percent) materially failed to meet HUD's housing quality standards. Materiality was determined by using multiple material violations that predated the Commission's last inspection but were not identified by the Commission's inspector; had 24-hour health and safety violations that predated the Commission's last inspection; or were on the last inspection report and the material violation had not been corrected at the time of the HUD/OIG inspection.

Based upon our sample size of 61 from a total population of 580, we estimate that 49.18 percent (286) of the population materially failed housing quality inspections. The sampling error is plus or minus 9.96 percent. We are 90 percent confident that the frequency of occurrence of Section 8 units materially failing housing quality standards inspections lies between 39.22 and 59.14 percent of the population. This equates to an occurrence of between 227 and 343 units of the 580 units of the population.

The Commission's 2006 housing assistance payments registers showed that the average annual housing assistance payment was $9,347. Using the lower limit of the estimate of the number of units and the average housing assistance payment, we estimated that the Commission will annually spend $2,121,769 (227 units times $9,347 annual average payment) for units that are in material noncompliance with HUD's housing quality standards. 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 the Commission did not identify many of the preexisting violations during its most recent inspections.

We performed our on-site audit work between August 2006 and March 2007 at the Commission's central office located at 7477 Baltimore-Annapolis Boulevard, Glen Burnie, Maryland. The audit covered the period from July 1, 2004, through June 30, 2006, but was expanded when necessary to include other periods.

We performed our audit in accordance with generally accepted government auditing standards.

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,
- Compliance with applicable laws and regulations, and
- Safeguarding resources.

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 objective:

- 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 in reports.

- Compliance with laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.

- Safeguarding resources – Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.

We assessed the relevant controls identified above.

Significant Weaknesses

It is a significant weakness if internal controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet an organization's objectives.
Based on our review, we believe the following item is a significant weakness:

- The Commission lacked sufficient procedures and controls to ensure compliance with HUD regulations regarding unit inspections, rent reasonableness of its own units, and family self-sufficiency program requirements (see findings 1, 2, and 3).

APPENDIXES

Appendix A

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

Recommendation number	Ineligible 1/	Unsupported 2/	Funds to be put to better use 3/
1B	$116,522		
1C			$2,121,769
2A		$733,354	
3A		$215,293	
Total	**$116,522**	**$948,647**	**$2,121,769**

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/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.

3/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an HUD/OIG recommendation is implemented. This includes reductions in outlays, deobligation of funds, withdrawal of interest subsidy 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 Commission implements our recommendation, 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. Once the Commission successfully improves its controls, this will be a recurring benefit. Our estimate reflects only the initial year of this benefit.

Appendix B

AUDITEE COMMENTS AND OIG's EVALUATION

Ref to OIG Evaluation **Auditee Comments**

HCAAC

The Housing Commission of Anne Arundel County

June 29, 2007

Mr. James Olson
Assistant Regional Inspector General for Audit
U.S. Department of Housing and Urban Development
Office of the Inspector General
10 South Howard Street, Room 4610
Baltimore, Maryland 21201

RE: COMMENTS TO PRELIMINARY FINDINGS

Dear Mr. Olson:

Pursuant to the release of the Preliminary Findings issued by your office on May 22, 2007 in reference to the Audit Survey completed at the Housing Commission of Anne Arundel County, please accept the enclosed written responses due on June 30, 2007.

The Housing Commission duly noted during the exit conference on June 19, 2007 that the Office of the Inspector General would paraphrase comments that are lengthy. For this reason, we composed responses that are minimal in length and that do not require paraphrasing. We expect that you will retain them in their original form and content. We took the liberty to add exhibits within the hard copy for your review. These exhibits do not need to be included in the final posted version.

Finally, there was agreement that several changes would be made to verbiage within the preliminary report, however as of this date we have received no written confirmation of those agreed upon changes. Please forward those revisions as soon as they are available. Until we receive those revisions, we reserve the right to insert additional comments.

Should you require any further information, please feel free to contact my office at 410-222-6200, extension 101 or at my email address laloyd@hcaac.org.

Yours truly,

Larry A. Loyd
a.u.

Larry A. Loyd,
Executive Director

Enclosures

7477 Baltimore-Annapolis Blvd. • P.O. Box 817 • Glen Burnie, MD • 21060-2817 • 410.222.6200 • Fax 410.222.6214 • TDD-MDRelay711

Comment 1, 2

Comment 1

Comment 2

Responses to Preliminary Findings Issued by the Office of the Inspector General's Audit of the Housing Choice Voucher Program at the Housing Commission of Anne Arundel County

General Concerns

During the late summer of 2006, the Office of the Inspector General (OIG) contacted the Housing Commission of Anne Arundel County regarding its selection for an "Audit Survey". The audit survey commenced on September 11, 2006 and continued for 7 months. The OIG staff assigned to complete the audit survey provided and overview of the process and informed the Housing Commission that it was chosen for this audit survey at random.

In December of 2006, the on-site OIG reviewer informed the Housing Commission that it was chosen for the audit survey due to concerns relating to a previous Voucher Management System (VMS) review. The findings noted in the VMS review were not evaluated during the OIG audit survey.

During the exit interview at the conclusion of the audit on June 19, 2007 the OIG staff revealed that the agency was chosen because it receives a large amount of funding for this program and has not been reviewed in over 10 years, which are selection protocols established by the OIG in their annual audit plan.

> ***Finding of Fact #1:***
>
> *The statements made in writing within the report and during meetings and interviews continually conflicted as to the reason for the audit survey. At the exit interview on June 19, 2007, several of the OIG staff members continued to contradict each other as to the reasons and actual scope of the audit.*
>
> *After reviewing the three (3) findings within the report, it will be quite clear that the motive for the audit kept changing in effort to delve deeper into very specific areas of the program in an effort to identify a finding. The OIG conducted the audit in such a bizarre manner that it became obvious to the Housing Commission that the reviewer would remain on-site until findings were identified or created.*

The commencement of the audit survey began in earnest in September of 2006. The OIG review staff person assigned to the Housing Commission was extremely professional, polished, friendly and easy to work with. The reviewer required an extremely large number of documents and began reviewing every area of the program. The reviewer honestly revealed that they had not had any significant exposure to the Housing Choice Voucher program, and had no experience working with or for a housing agency. The reviewer offered to several staff and directors at the Housing Commission that this would be a great learning process.

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Comment 2

Finding of Fact #2:

The process was unusually cumbersome and long due to lack of technical experience and practical knowledge of the OIG reviewer. The Housing Commission contends that the findings identified in the report defy practicality and would have been better understood by a technician experienced in this field, who had exposure to the management and implementation of regulations in the program. While the OIG reviewer was extremely professional and thorough, there was clearly a practical knowledge deficit that hindered understanding of how this program truly is operated.

Until someone has been exposed to employment in program operations, can they truly understand how to practically apply these regulations into procedure and policy.

Finding 1 – Controls Over Housing Quality Standards Were Not Adequate

The Inspector General requested the assistance of a HUD approved inspector to perform Housing Quality Standards inspections of 61 units. According the final results, 35 of the units were found to be in non-compliance with the standards. Also, the inspector found that there were 117 material violations in 30 units that existed before the last Housing Commission inspection.

The Housing Commission is convinced that the methodology utilized for this process was instituted deliberately to skew the results and create a finding where clearly none existed. The Housing Commission has findings of the Inspector General in accordance with the methods used to construct and complete the inspections:

Comment 3

Finding of Fact #3:

During the preliminary meetings in January and February it was clearly decided that the Inspector General would complete HQS inspections in units that were recently inspected. Specifically, the Housing Commission stated that it would be unfair and unreasonable to compare inspections that were done 3- 6 months ago. The Housing Commission requested that the OIG Inspector perform inspections on units that were very recently inspected. The Inspector General representative agreed that this protocol would be utilized.

Instead, the Inspector General compiled a list of units to inspect that had previous inspections that were 3, 4, 5 and nearly 6 months old. According to the information provided by the Inspector General, the average number of days between inspections was 150 days- 5 months. The OIG Inspector was obviously going to find violations in units that had gone many months since their last inspection. Clearly, this was organized in this manner to create an unfair bias that is completely unacceptable.

Comment 3

Finding of Fact #4:

The Inspector contracted by the Office of the Inspector General made broad-based assumptions that only a well trained psychic would be able to offer. The Inspector General states that the inspector found 117 material violations that existed prior to the Housing Commission most recent inspections. There is no rational explanation as to how the inspector was able to certify that a violation existed prior to our most recent inspection, and that it did not occur during the 3, 4, 5, or 6 months since we last inspected the unit.

The OIG offered that an engineer with over 25 years of experience completing inspections performed the OIG inspections, and that without fail, this engineer could look at deficiencies and tell how long the deficiency had existed. After a review of the list of 117 material violations offered by the Inspector (out of a possible 7,625 potential inspectable items), it seems inconceivable that anyone could tell how long a GFCI had been tripped, or how long a roach had been in a bathroom, or how long a latch bolt had been loose. Is it possible to know exactly how long a door handle had been cracked, or how long a fan had been noisy? If so, this is a remarkable, nearly inhuman skill.

Comment 4

Moreover, because we found the statement to be so preposterous, our staff took the liberty of contacting all of the families whose units were found to have failed items that existed prior to our last inspection. This process yielded interesting results, and many of the families offered that the deficiencies occurred in between the two inspections. Clearly, our inspectors did not overlook items. 26 of the 30 families whose units supposedly contained violations that existed prior to our inspection signed affidavits that negate the inspector's findings. The 4 remaining families indicated that they could not honestly remember with clarity when the violations occurred, and they were not comfortable certifying an affidavit. The affidavits are attached to the hard copy of these comments as Exhibit A.

Comment 3

The fact that these 117 material violations were held against the Housing Commission unfairly, the assumption that $2.1 million in funds could be better utilized is erroneous and unsupported.

Finding of Fact #5:

Comment 5

The Inspector General utilized a criterion that is not contained in the regulations on Housing Quality Standards. During the process of completing the inspections of the 61 units, the Housing Commission received 7 consecutive daily notices of units that failed "exigent health and safety" conditions. An example is attached as Exhibit B.

Comment 6

The inspector cited the exigent health and safety items that required 24-hour repairs. Items such as keyed dead bolts and a single stove burner are not required to be repaired in 24 hours, and are clearly not life threatening. There appears to be conflicting information as to the criterion that were used, and the Housing Commission is certain that the OIG Inspector used criterion that were

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more stringent than those Housing Quality Standards that are identified in 24 CFR 982.401.

Comment 7

Finding of Fact #6:

The report indicates that the Housing Commission should "reimburse HUD $139,857 for the 30 units that materially failed to meet HUD's housing quality standards." However, upon questioning the OIG staff during the exit interview on June 19, 2007 about how the dollar amount was calculated, it was revealed that the OIG staff calculated the housing assistance payment for the exact period between inspections. The OIG staff used complete disregard of 24 CFR 982.404, which clarifies that the PHA may set a period of time which housing assistance payments may be made while the owner is making repairs. The Housing Commission (assuming the material violations from 3-6 months ago were truly valid) would have continued payments for 30 days, and then abated the housing assistance payments.

The OIG should not completely disregard this regulation just to enhance the repayment. The Housing Commission considers this to be unfair and unreasonable treatment.

Finding – The Commission Failed to Follow Federal Regulations Regarding Rent Reasonableness

The report states that the Housing Commission did not follow Federal Regulations when determining rent reasonableness for its own units. Moreover, the report states that the Housing Commission performed an internal market survey of rental units for its own units and required the independent entity (Howard County Housing Office) to endorse the Commission's results.

Comment 8

Finding of Fact #7:

The Inspector General has provided no evidence to support the statement that "the Housing Commission…required the independent entity to endorse the Commission's results". The reviewer was provided with a copy of the agreement dated April 19, 2002 between the Housing Commission and the Howard County Housing Office, which clearly states that, "(HCAAC) would ask for one Rent Reasonableness survey to be completed annually for each community, at which time the Housing Commission of Anne Arundel County will supply your agency with the proposed rent for that calendar year. Rent increases and updates to Rent Reasonableness will only be requested once annually for both sites." See Exhibit C.

The preliminary discussions regarding the scope of this agreement occurred with Directors of the Howard County Housing Office and the Deputy Executive Director at the Housing Commission. This was clearly explained to the OIG reviewer during the audit, and continues to be discounted. There were never statements made by the Housing Commission staff, or offered in any written

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document that the Housing Commission "required the independent entity to endorse the Commission's results".

The Housing Commission followed directly the regulations contained in 24 CFR 982.507 regarding the requirement for owners to provide information on most recent rents charged for comparable units.

Comment 9

Finding of Fact #8:

The Office of the Inspector General is recommending repayment of housing assistance payment subsidies on all of the units in the two PHA owned properties in question in this finding. However, the units are in two buildings, contiguous, and of equal value in their amenities and size.

The Housing Commission contends that only one unit in each building would have been required to have a Rent Reasonableness determination annually, and the other units would have been immune from individual requirements. The OIG reviewer should have been well versed in how these types of situations are handled, and consulted with HUD Field Staff before issuing this finding.

During the exit interview following the audit, HUD Field Office staff agreed that only two units (one at each building) would have been affected by this provision annually.

Comment 10

Finding of Fact #9:

The report indicates that, "The Commission initiated action to gain compliance with HUD requirements" which is an incorrect statement. The reviewer clearly knew from several ongoing dialogues with the Housing Commission management that there was complete disagreement with the fact that the Housing Commission was non-compliant with the Rent Reasonableness regulation. The Housing Commission staff clearly stated that the procedural change was implemented only as a result of the continued disagreement between the OIG and the agency, and would be done to insure that this disagreement would not resurface again at a later time.

The report gives the perception that the Housing Commission changed the procedure to gain compliance during the audit. This is untrue, as the Housing Commission remains adamant that no regulations were violated. See Exhibit D.

Comment 11

Finding of Fact #10:

The report states that, "The Housing Commission… required the independent entity to endorse the Commission's results". The reviewer confirmed, during the exit interview, that this statement and determination were made after interviewing staff at the Howard County Housing Office. These interviews did not occur in the presence of Housing Commission staff, nor has a transcript been provided of their statements.

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Moreover, the original discussions regarding the methodology for the Rent Reasonableness determinations were held between the Directors at each agency. The Directors at the Howard County Housing Office are no longer employed at that agency and were not contacted to discuss the situation. The staff that was interviewed could not have been able to provide reliable or feasible information regarding how the procedures were to be performed.

Comment 12

Finally, the OIG stated in the exit interview that the Housing Commission should have periodically performed quality control analysis over the methods that the Howard County Housing Office was utilizing. The Howard County Housing Office has been a well managed, high performing agency for many years and there was absolutely no reason for the Housing Commission to question their integrity.

Comment 13

Finding of Fact #11:

The report states that, "The Housing Commission… required the independent entity to endorse the Commission's results". The OIG reviewer did not ask for any information regarding previous audits of these units, including HUD Field Office reviews and Independent Audits. The OIG reviewer should have evaluated previous reviews of the Housing Commission prior to commencing the audit.

In 2003, the Baltimore Field Office of HUD performed a Rental Integrity Monitoring Review of the same program, and reviewed a broad range of files in the program. During the Rental Integrity Monitoring Review (RIM), many components of the Housing Choice Voucher Program were evaluated and scrutinized. In a letter issued by the Field Office on December 11, 2003 (see Exhibit E) closing out the review, it is explained that the review evaluated areas of operation, including Rent Reasonableness.

The RIM review staff selected a file to evaluate from 308 West Juneberry Way (Client 21995), which is one of the PHA owned properties in question under this finding. The RIM review staff evaluated the Rent Reasonableness forms and methods utilized and found no significant violations of regulation. It is clear that the OIG and HUD Field Staff have to come to two completely different conclusions, and if the methodology was acceptable in 2003, why is it suddenly unacceptable in 2007?

Finding – The Commission Failed to Operates Its Family Self Sufficiency Program in Accordance with Federal Requirements

The report states that the Housing Commission inappropriately administered the Family Self-Sufficiency program and improperly paid escrow payments to 39 participants between January of 2002 and December of 2006. The report also states that four of the participant families had final goals that were contrary to federal requirements.

Comment 14

Finding of Fact #12:

The OIG staff inflated the number of clients in the cited reference in this section. Spreadsheets offered by the reviewer questioned 39 disbursements, however the 39 disbursements were spread over 32 separate FSS families.

The OIG continues to state that they could not identify interim or final goals for 35 of the families, which again is very poor math. There are only 32 families that are in question. The two spreadsheets provided by the OIG reviewer are attached as Exhibit F.

Comment 15

Finding of Fact #13:

The OIG staff fails to mention that their request to review FSS Graduate files that were 3 or more years old placed the Housing Commission in an unfair situation. 9 of the files had been purged by the agency, since independent audits had closed those respective years.

It was impossible for the Housing Commission to provide detailed and thorough documentation for these clients, as the type of detailed written information requested is not maintained in financial ledgers. Those documents were maintained in the now purged FSS Client files. Computerized financial reports were provided to substantiate the disbursements.

The Housing Commission maintains that the request was unreasonable and unfair.

Comment 16

Finding of Fact #14:

The OIG Staff did not accurately portray the situation with the four clients identified who "had final goals that were contrary to federal requirements". The OIG staff also went on to further state that the regulations require families to have a final goal of obtaining employment.

During the exit interview, OIG staff revealed that these clients had goals of "homeownership in the HCAAC homeownership programs". While this statement is accurate, it is also accurate that all HCAAC homeownership programs require families to obtain employment. The information regarding each family's income, escrow balances, goals and annual reviews were maintained in the FSS Module of the Housing Commission's database, which was disregarded by the OIG reviewer.

Of the 32 families in question, we have already identified that the Housing Commission had purged 9 of the files, however 13 of the remaining families in question became homeowners, which requires employment income. These 13 families clearly met FSS program requirements under 24 CFR 984.303. The reviewer was provided with documentation for these disbursements, but it was continually discounted.

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The remaining 10 families in question were all employed at the time of graduation from the program. A chart is attached with the names and annual salaries of the 10 remaining families in Exhibit G.

Instead of congratulating the Housing Commission for enabling 13 families to become homeowners, and to graduate 10 families with employment income; the Housing Commission is being chastised due to fact that the OIG does not like the systems that are utilized by the agency.

It seems fair to assert that the OIG might request that the Housing Commission amend the types of documents that it retains, but it certainly is not fair or reasonable to request that the Housing Commission reimburse HUD for the escrow payments on these families who met the guidelines of 24 CFR 984.303.

Comment 17

Finding of Fact # 15

The report states that the FSS Program deficiencies were caused by a lack of supervision and oversight. Moreover, the reviewer judged independently that the FSS Coordinator was limited in the amount of time spent on the program. The report indicates that the FSS Coordinator had other duties and responsibilities.

The Housing Commission in 2003 and 2004 did not receive full funding for an FSS Coordinator, and never intended for the FSS Coordinator to work full time on pure contract and program goals. The FSS Coordinator provided a broad range of assistance to families interested in FSS, marketing FSS, assisting interested families to homeownership and in assisting families to enhance their position to become ready for FSS. The program size fluctuated between 75 and 110 families, and certainly could create sufficient workload for full time activity.

Comment 18

Finding of Fact #16

The report states that "none of the files contained family assessments, 69 files did not contain a final goal of maintaining and seeking employment, 16 files did not have an individual training plan, and nine files contained two year extensions without written request of the participant."

The reviewer evaluated hard files for each client that includes the contracts of participation, however the Housing Commission FSS database contains many of the other components that are used by the staff to track the progress of the clients. The database contains information about the contract periods, extensions, incomes, services, training, escrow balances and free form notes that monitor the clients progress.

Staff at the Housing Commission revealed the depth of the database to the reviewer during the audit period, but believes that the data contained electronically on the program was not reviewed. This data would likely have satisfied many of the concerns issued in the finding.

Also, during the audit period, the Housing Commission FSS Coordinator completed their Master's Degree and left the agency to pursue a career in their

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identified area of study. The transition of the position adversely affected the ability to provide quality information to the reviewer, and it is the contention of the Housing Commission that the turnover of staff during the process created a finding that truly does not exist.

Significant Weaknesses

The report states in conclusion that the Housing Commission lacked sufficient procedures and controls to ensure compliance with HUD regulations in reference to the three findings.

Comment 19

Finding of Fact #17

This statement is not supported in any of the documentation identified in the findings within the report. The reviewer identifies that methodologies and systems that are believed to be insufficient, but never identifies any procedures, policies or management processes that are problematic, deficient or missing.

The Housing Commission has well-established, complex standard operating procedures for all departments and programs administered by the agency. These procedures have been evaluated by HUD on numerous occasions and have been found to have no deficiencies.

There are no instances identified of recommendations to correct a specific policy or procedure.

Comment 2

Conclusion

The Housing Commission complied with every aspect of this audit survey and offered complete cooperation during the process. We believe the seventeen (17) Findings of Fact clearly demonstrate that the OIG findings are unsubstantiated and exaggerated and that no further action is warranted of the Housing Commission.

The Housing Commission has excellent systems and procedures in place, and operates a very successful Housing Choice Voucher program. While we believe that the audit survey provided our agency with valuable insight into the effectiveness of our operation, we certainly realize that there are always avenues to improvement. We remain open to any ideas and suggestions that could improve the quality of our product to our customers, and that would assist us to be better stewards of federal funds and public trust.

OIG Evaluation of Auditee Comments

Comment 1 We performed this audit as part of our fiscal year 2007 audit plan. Our decision to perform the audit survey was based on risk factors such as the results of HUD's voucher management system review, the fact that the Commission received a large amount of HUD funding, and the fact that the program has not been audited in over 10 years. We apologize for any misunderstanding we may have inadvertently communicated during the audit.

Comment 2 The Commission's description of our audit scope and methodology is not accurate. We performed the audit in accordance with generally accepted government auditing standards (GAGAS). The audit team collectively possessed adequate professional proficiency for the tasks required and was properly supervised. Audit conclusions contained in this audit report are supported by relevant and substantial evidence documented in our audit workpapers. In accordance with GAGAS we used the audit survey to identify areas of materiality and sensitivity; identify key aspects and features of the Commission and disclose controls and areas that could be susceptible to error, illegal acts, or abuse.

The results of our survey work were used to narrow the scope of the audit work to be performed, and develop an audit program. The results of the survey indicated that the Commission's internal controls were weak and needed improvement in the areas of housing quality inspections, housing assistance payments, family self-sufficiency activities, and rent reasonableness. We did not identify material weaknesses within the areas of tenant eligibility, income verification, and portability and therefore we did not review these areas during the audit phase of this engagement.

Comment 3 The sample selection method that we used showed a fair representation of the Commission's housing choice voucher housing stock. We performed a statistical sample with a random number selection of units that have been inspected by the Commission and passed inspection within six months from the time the data was requested from the Commission. Additionally, our certified HUD inspector made a professional determination on whether a violation predated the last inspection conducted by the Commission. He used his professional knowledge, tenant interviews, and the Commission's latest inspection reports in determining whether a housing quality standard violation was in existence prior to the last inspection conducted by the Commission. For example, when our inspector tested the ground fault circuit interrupters with his circuit tester, they did not trip. When a ground fault circuit interrupter does not trip and stays on, it is because it was improperly wired. Improper wiring would have occurred when the ground fault circuit interrupter was first installed, thus a preexisting condition.

Comment 4 We reviewed the affidavits the Commission provided to us at the end of the audit and determined that they were insufficient evidence to adjust our conclusions.

The affidavits were a form letter generated by the Commission with a signature block for the tenant to sign and date. The affidavits we received did not address the specific violations that the audit determined were preexisting conditions. Further, we were not given an opportunity to evaluate the methodology the Commission used to obtain the affidavits from its Section 8 tenants.

Comment 5 Regulations at 24 CFR [*Code of Federal Regulations*] 404 (a)(3) require that if a violation is life threatening, the violation must be corrected within 24 hours. Therefore, we notified the Commission of potentially life threatening conditions that existed at the units we inspected for immediate correction.

Comment 6 We are concerned the Commission does not consider malfunctioning stoves and double keyed dead bolts serious problems which need to be quickly corrected. A gas stove burner that is malfunctioning is an immediate hazard to leaks causing explosion, fire, and death. The double keyed dead bolted door violations were at egresses. A double keyed dead bolt is a dead bolt lock that requires a key to enter and exit. The national fire code, Life Safety Code Handbook, ninth edition, 24.2.4.7 states no door in any means of escape shall be locked against egress when the building is occupied. All locking devices that impede or prohibit egress shall be prohibited.

Comment 7 As a more conservative estimate, we reduced the ineligible dollars that we reported in recommendation 1B in the final report to reflect the 30-day grace period the Commission allows for its owners to make repairs.

Comment 8 Based on the Commission's response we changed the wording in the final report to state that it *requested* the independent entity to endorse the Commission's results rather then *required* it to do so. However, the fact remains that since the independent entity's determination of rent reasonableness was not based on its own verification of data to support the rents, HUD has no assurance that the $733,354 in rental payments for the Commission's own program housing units were appropriate.

Comment 9 We agree that since units in each building are of equal value and size that only one unit in each building needs to have rent reasonableness determined annually. The improper rent reasonableness on the two units was the basis for the subsidy paid to all units in the two complexes. Therefore, the rents on all units are questioned and if not supported must be repaid.

Comment 10 We were in fact previously encouraged by the fact that the Commission sent out a memorandum during the audit, dated January 16, 2007, stating that the Howard County Housing Commission will perform an independent market analysis of rent reasonableness for the Commission's own program units without using comparables provided by the Commission. However, the Commission now indicates in its reply that it initiated this action simply to satisfy the OIG and not to gain compliance with HUD requirements. We therefore removed the statement from the report. Given the Commission's reply however, we believe it should be periodically monitored to ensure continued compliance with this requirement.

Comment 11 Responsible officials did in fact inform us during the audit that they certified rent was reasonable without independently reviewing rent reasonableness. They stated they did so because they did not have access to the Commission's database.

Comment 12 Our audit recommendation is in this report and was discussed at the exit conference. We have recommended that the Commission implement procedures and controls to ensure that housing assistance payments contracts are executed only when an independent agency performs an independent rent reasonableness certification of proposed rents of Commission-owned units. The Commission is ultimately responsible for ensuring the integrity of this process and the reasonableness of its rents.

Comment 13 The Commission incorrectly asserts that a Rental Integrity Review performed in 2003 in which HUD reviewed one file of a project-based unit negates our audit findings. We disagree as we performed our audit in accordance with generally accepted government auditing standards with a much broader scope of review. In addition to our broader scope, we reviewed in much greater detail and were able to spend significantly more time than HUD staff is able to spend during its review.

Comment 14 We have updated the report to reflect additional information and documentation provide by the Commission. The report now states that the Commission paid 24 escrow payments of $215,293 to 20 participants of the family self-sufficiency program between February 2004 and December 2006.

Comment 15 We have adjusted the report to reflect the unsupported disbursement made within the last three years. During the audit we requested all participants' contract of participation and individual training plans to determine whether the Commission followed HUD requirements. The documentation and support provided by the Commission was insufficient evidence to ensure the Commission appropriately issued federal funds according to HUD requirements. The Commission is required to maintain documentation for at least three years after the individual or family has completed the program.

Comment 16 We reviewed the Commission's family self-sufficiency activities according to the Code of Federal Regulations and the contract of participation. The Contract is signed by both the participant and the Commission's representative. Federal regulations require that each participant identify via the contract of participation a final goal. The contract states the final goal must include getting and maintaining suitable employment specific to the individual skills, education, job, and training received. The Commission did not abide by the Code of Federal Regulations, the contract of participation, or its own family self-sufficiency action plan which are requirements not guidelines. It cannot be determined that the participants of the

Commission's family self-sufficiency program met federal regulations and the contract of participation since sufficient documentation has not been provided by the Commission. Unless the Commission can provide sufficient documentation to support payments made to participants the Commission inappropriately disbursed federal funds which will need to be reimbursed to HUD.

Comment 17 The Commission received two family self-sufficiency grants totaling $97,505 for fiscal years 2003 and 2004. These grants were to be used for a family self-sufficiency coordinator. The Commission had not received family self-sufficiency grants since 2004. We determined through interviews of family self-sufficiency program staff that there was no proper oversight and supervision.

Comment 18 We were aware of the Commission's family self-sufficiency database and we interviewed the family self-sufficiency staff concerning the computerized data for the program. During our review, the database did not contain sufficient supporting documentation such as the contract of participation, the individual training plans, participant assessments, and the participants' applications.

Comment 19 We determined that there are significant weaknesses within the Commission's housing choice voucher program in the areas of housing quality standard inspections, rent reasonableness procedures, and the family self-sufficiency program. Significant weaknesses exist if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objective.

Appendix C

FEDERAL REQUIREMENTS

Finding 1

HUD regulations at 24 CFR [*Code of Federal Regulations*] 982.152(d) state that HUD may reduce or offset any administrative fee to a public housing authority, in the amount determined by HUD, if the authority fails to perform its administrative responsibilities correctly or adequately under the program, such as not enforcing HUD's housing quality standards.

HUD regulations at 24 CFR [*Code of Federal Regulations*] 982.305(a) state that the public housing authority may not give approval for the family of the assisted tenancy or execute a housing assistance contract until the authority has determined that all the following meet program requirements: the unit is eligible, and the unit has been inspected by the authority and passes HUD's housing quality standards.

HUD regulations at 24 CFR [*Code of Federal Regulations*] 982.401 require that all program housing must meet HUD's housing quality standards performance requirements both at commencement of assisted occupancy and throughout the tenancy.

HUD regulations at 24 CFR [*Code of Federal Regulations*] 982.404 require owners of program units to maintain the units in accordance with HUD's housing quality standards. If the owner fails to maintain the dwelling unit in accordance with HUD's housing quality standards, the authority must take prompt and vigorous action to enforce the owner's obligations. The authority's remedies for such breach of the housing quality standards include termination, suspension, or reduction of housing assistance payments and termination of the housing assistance payments contract. The authority 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 authority and the authority verifies the correction. If a defect is life threatening, the owner must correct the defect within 24 hours. For other defects, the owner must correct them within 30 calendar days.

Finding 2

HUD regulations at 24 CFR [*Code of Federal Regulations*] 982.152(d) state that HUD may reduce or offset any administrative fees to a public housing authority, in the amount determined by HUD, if the public housing authority fails to perform its administrative responsibilities correctly or adequately under the program.

HUD regulations at 24 CFR [*Code of Federal Regulations]* 982.204(b) state that a public housing authority must use a single waiting lists for admission to its program.

HUD regulations at 24 CFR [*Code of Federal Regulations*] 982.305(a) state that the public housing authority may not execute a housing assistance payments contract until the public housing authority has determined that all of the following meet program requirements: (4) rent to owner is reasonable. Subparagraph (c) states that the public housing authority may not pay any housing assistance payments to the owner until the housing assistance payments contract has been executed.

Finding 3

HUD regulations at 24 CFR [*Code of Federal Regulations*] 984.102 state that under the family self-sufficiency program, low-income households are provided opportunities for education, job training, counseling, and other forms of social service assistance so they may obtain the education, employment, and business and social skills necessary to achieve self-sufficiency.

HUD regulations at 24 CFR [*Code of Federal Regulations*] 984.103 state that the contract of participation includes all individual training and service plans entered into between the public housing authority and all members of the household who will participate in the family self-sufficiency program and which plans are attached to the contract of participation as exhibits.

HUD regulations at 24 CFR [*Code of Federal Regulations*] 984.303(f) state that modifications to the contract of participation may be modified in writing with respect to the training and service plans.

United States Code, Title 42, chapter 8, subchapter I, subsection 1437u(a), states that the purpose of the family self-sufficiency program established under this section is to promote the development of local strategies to coordinate use of public housing and assistance under the certificate and voucher programs under section 1437f of this title with public and private resources to enable eligible households to achieve economic and self-sufficiency.

HUD's family self-sufficiency program contract of participation (contract), Withdrawal of Funds from the Family Self-Sufficiency Escrow Account, states that the housing authority may permit the household to withdraw funds from the family self-sufficiency program escrow account before completion of the contract if the household has completed specific interim goals, designated by the housing authority, and needs some of the family self-sufficiency program escrow account funds to complete the contract. The housing authority will pay the head of the household the amount in the household's escrow account when the housing authority determines that the household has completed this contract.

The contract, Loss of Family Self-Sufficiency Account, states that the household will not receive the funds in its family self-sufficiency program escrow account if (3) the household has not met its household responsibilities within the time specified as stated in the contract.

The contract, Housing Authority Responsibilities, states that the Authority will determine whether the household has completed the contract and pay the household the amount in the family self-sufficiency program escrow account if the household has completed the contract and the head of the household has provided written certification that no member of the household is receiving welfare assistance.

The contract, Resources and Supportive Services, states that the Authority will try to provide the resources and supportive services listed in the individual training and services plan. If the resources and services are not available, the Authority will try to substitute other resources and services. However, the Authority has no liability to the household if the resources and services are not provided.

The contract, Individual Training and Service Plans, states that the contract must include an individual training and services plan for the head of the household. The final goal listed on the individual training and service plan of the head of the household must include getting and maintaining suitable employment specific to that individual's skills, education, and job training and the available job opportunities in the area.

The contract states that all household members receiving welfare assistance must become independent of welfare assistance for at least 12 months before the contract expires.

The contract, Changes to the Contract, states that any change(s) to an individual training and service plan must be included as a revision to the individual training and service plan (attachment) to which the change applies. The revision must include the item changed, signatures of the participant and an Authority representative, and the date signed.