



Issue Date

September 24, 2007

Audit Report Number

2007-CH-1014

TO: Steven E. Meiss, Director of Public Housing Hub, 5APH

FROM:  Heath Wolfe, Regional Inspector General for Audit, 5AGA

SUBJECT: The Peoria Housing Authority, Peoria, Illinois, Did Not Effectively Administer Its Section 8 Housing Choice Voucher Program

## **HIGHLIGHTS**

### **What We Audited and Why**

We audited the Peoria Housing Authority's (Authority) Section 8 Housing Choice Voucher program (program). The audit was part of the activities in our fiscal year 2007 annual audit plan. We selected the Authority based upon our analysis of risk factors relating to the housing agencies in Region V's jurisdiction. Our objective was to determine whether the Authority administered its program in accordance with the U.S. Department of Housing and Urban Development's (HUD) requirements. This is the first of two audit reports on the Authority's program.

### **What We Found**

The Authority's program administration regarding housing unit conditions and timeliness of annual housing unit inspections was inadequate. Of the 59 housing units statistically selected for inspection, 58 did not meet HUD's housing quality standards, and 28 had 88 exigent health and safety violations that existed at the time of the Authority's previous inspections. The 28 units had between 1 and 18 preexisting exigent health and safety violations per unit. Based on our statistical sample, we estimate that over the next year, HUD will pay more than \$1 million in housing assistance for units with housing quality standards violations.

The Authority failed to ensure that its housing unit inspections were conducted in a timely manner. Of the 3,062 unit inspections conducted by the Authority from January 1, 2005, through January 31, 2007, 823 (26.8 percent) inspections were not conducted within the required one year of the previous inspections. The number of days late ranged from 1 to 488, and 402 of the late inspections were more than 30 days late.

### **What We Recommend**

We recommend that the Director of HUD's Chicago Office of Public Housing require the Authority to reimburse its program from nonfederal funds for the improper use of nearly \$107,000 in program funds and implement adequate procedures and controls to address the finding cited in this audit report. These procedures and controls should help ensure that more than \$1 million in program funds is spent on housing units that meet HUD's requirements.

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 issued because of the audit.

### **Auditee's Response**

We provided our inspection review results and supporting schedules to the Director of HUD's Chicago Office of Public Housing and the Authority's executive director during the audit. We also provided our discussion draft audit report to the Authority's executive director, its board chairman, and HUD's staff during the audit. We held an exit conference with the Authority's executive director on September 5, 2007.

We asked the Authority's executive director to provide comments on our discussion draft audit report by September 13, 2007. The Authority's executive director provided written comments dated, September 11, 2007. The executive director generally agreed with our finding and recommendations. The complete text of the written comments, along with our evaluation of that response, can be found in appendix B of this report.

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## BACKGROUND AND OBJECTIVE

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The Peoria Housing Authority (Authority) was established by the State Housing Board of Illinois in August 1936 under the laws of the State of Illinois to provide decent, safe, and sanitary housing. The Authority is governed by a five-member board of commissioners (board) appointed by the mayor to five-year staggered terms. The board's responsibilities include overseeing the Authority's operations, as well as the review and approval of its policies. The board appoints the Authority's executive director. The executive director is responsible for coordinating established policy and carrying out the Authority's day-to-day operations.

The Authority administers a Section 8 Housing Choice Voucher program (program) funded by the U.S. Department of Housing and Urban Development (HUD). It provides assistance to low- and moderate-income individuals seeking decent, safe, and sanitary housing by subsidizing rents with owners of existing private housing. As of August 21, 2007, the Authority had 1,942 units under contract with annual housing assistance payments totaling more than \$9.8 million in program funds.

Our objective was to determine whether the Authority administered its program in accordance with HUD's requirements. This included determining whether (1) the Authority's inspections were sufficient to detect housing quality standards violations and provide decent, safe, and sanitary housing to its residents; and (2) the Authority complied with HUD's regulations and its program administrative plan regarding annual housing unit inspections. This is the first of two audit reports on the Authority's program.

## RESULTS OF AUDIT

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### Finding: Controls over Housing Quality Standards Were Inadequate

The Authority did not adequately enforce HUD's housing quality standards. Of the 59 program units statistically selected for inspection, 58 did not meet minimum housing quality standards, and 28 had material violations that existed before the Authority's previous inspections. The violations occurred because the Authority lacked adequate procedures and controls to ensure that housing units met HUD's housing quality standards. It also failed to exercise proper supervision and oversight of its program units to ensure that annual housing quality standards inspections were performed in a timely manner. As a result, more than \$47,000 in program funds was spent on units that were not decent, safe, and sanitary. We estimate that over the next year, the Authority will pay more than \$1 million in housing assistance for units with housing quality standards violations.

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#### HUD's Housing Quality Standards Not Met

From the 433 program units that passed the Authority's inspections between January and March 2007, we statistically selected 59 units for inspection by using the EasySample Statistical Sampling software. The 59 units were inspected to determine whether the Authority ensured that its program units met HUD's housing quality standards. Our appraiser inspected the 59 units between May 15 and June 1, 2007.

Of the 59 units inspected, 58 (98 percent) had a total of 846 housing quality standards violations. In addition, 28 units were considered to be in material noncompliance since they had health and safety violations that predated the Authority's previous inspections. The following table categorizes the 846 housing quality standards violations in the 58 units.

Category of violations	Number of violations	Number of units
Security	135	44
Window	75	40
Stairs/railings/porches	69	34
Lead-based paint	65	31
Electricity	56	27
Exterior surfaces	43	27
Range/refrigerator	41	27
Other hazards	36	23
Garbage/debris/refuse disposal	34	24
Roof/gutters	34	25
Walls	31	22
Interior stairs/commons halls	27	16
Tub/shower	25	21
Floors	23	19
Toilet/wash basin	23	18
Ceiling	22	15
Water heater	21	18
Heating equipment	20	18
Ventilation	20	18
Smoke/carbon monoxide detectors	13	7
Plumbing/sewer/water supply	9	8
Food storage/preparation	8	6
Sinks	6	6
Foundation	4	3
Chimney	3	3
Evidence of infestation	3	3
<b>Total</b>	<b>846</b>	

We provided our inspection results to the Director of HUD's Chicago Office of Public Housing and the Authority's executive director on July 23, 2007.

### Security Violations

One hundred thirty-five security violations were present in 44 of the Authority's program units inspected. The following items are examples of security violations listed in the table: damaged door locks, broken door knobs, and split or damaged doors. The following pictures are examples of the security-related violations.

Unit #30: Missing window pane on rear exterior door. Children under the age of six reside in this unit.



Unit #39: Broken door knob on front exterior door. Children under the age of six reside in this unit.



## Window Violations

Seventy-five window violations were present in 40 of the Authority's program units inspected. The following items are examples of window violations listed in the table: windows that do not open or stay up properly, cracked or broken panes, torn screens, and blocked egress. The following pictures are examples of the window-related violations identified.

Unit #18: Broken glass pane on bathroom window. Children between the ages of 6 and 18 reside in this unit.



Unit # 52: Broken glass pane on bedroom window. Children between the ages of 6 and 18 reside in this unit.



### Stair, Railing, and Porch Violations

Sixty-nine stair, railing, and porch violations were present in 34 of the Authority's program units inspected. The following items are examples of stair, railing, and porch violations listed in the table: loose, broken, or missing handrails or railings; damaged stairs; and wood rot. The following pictures are examples of the stair, railing, and porch-related violations.



Unit #9: Porch railing loose/broken.  
Children under the age of six reside in this unit.



Unit #5: Cracked/broken front stair. Children between the ages of 6 and 18 reside in this unit.



### **Annual Inspections Not Performed in a Timely Manner**

The Authority did not always perform its annual inspections within one year. Of the 3,062 units inspected by the Authority from January 1, 2005, through January 31, 2007, 823 (26.8 percent) of the inspections were not conducted in accordance with the annual requirement. Of the 823 late annual inspections, 402 were more than 30 days late. Of the 402 inspections that were more than 30 days late, 55 were more than six months late, nine of those were more than one year overdue. The Authority received \$52,421 in program administrative fees for the 402 units that were more than 30 days past due for housing quality standards inspections.

The Authority's program director said the reason for the late annual inspections was that the Authority's computer system did not always generate inspection notifications. As of July 2007, the Authority was working to determine the cause of the system issues.

If the Authority implements procedures and controls to ensure that program units are inspected at least annually, we estimate that HUD will pay more than \$25,000 in administrative fees over the next year for program units inspected to ensure compliance with HUD's housing quality standards. Our methodology for this estimate is explained in the Scope and Methodology section of this audit report. The procedures and controls should include but not be limited to developing reporting procedures to ensure that the Authority's management can track and monitor when annual inspections are due and completed.

### **Adequate Procedures and Controls Lacking**

The Authority lacked adequate procedures and controls to ensure that program units met HUD's requirements. It also failed to exercise proper supervision and oversight of its program units and housing inspections. When we observed the Authority's inspection process, one of the inspectors did not conduct accurate and complete inspections. Specifically, the Authority's inspector did not inspect items such as smoke detectors, locks, and ovens to determine whether they were working properly to avoid exposing the household to a potential risk. Therefore, the Authority did not determine during its inspections whether program units complied with HUD's housing quality standards.

In addition, the Authority did not perform its required supervisory quality control inspections in accordance with its program administrative plan. According to the Authority's program administrative plan, at least 5 percent of all units under contract annually will have a supervisory quality control inspection. For fiscal years 2005 and 2006, the Authority conducted 32 and 48 quality control inspections, respectively. However, as of December 2005 and 2006, there were 1,536 and 1,546 units under contract; therefore, the Authority should have conducted 77 (5 percent) quality control inspections each fiscal year to comply with its administrative plan. As a result, the Authority did not verify that its inspectors conducted accurate and complete inspections and ensure that there was consistency among inspectors in the application of HUD's housing quality standards. The Authority's executive director stated that the Authority was unable to perform quality control inspections on 5 percent of its program units based on existing staff levels.

### **Conclusion**

The Authority's households were subjected to health and safety-related violations and the Authority did not properly use its program funds when it failed to ensure that units complied with HUD's housing quality standards and perform timely

annual inspections of its program units. 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 Authority disbursed \$47,295 in program housing assistance payments for the 28 units that materially failed to meet HUD's housing quality standards and received \$6,729 in program administrative fees. In addition, the Authority received \$52,421 in program administrative fees for the 402 units that were more than 30 days past due for housing quality standards inspections.

If the Authority implements adequate procedures and controls over its unit inspections to ensure compliance with HUD's housing quality standards, we estimate that more than \$1 million in future housing assistance payments will be spent for units that are decent, safe, and sanitary over the next year. Our methodology for this estimate is explained in the Scope and Methodology section of this audit report.

## Recommendations

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

- 1A. Certify, along with the owners of the 58 program units cited in this finding, that the applicable housing quality standards violations were repaired.
- 1B. Reimburse its program \$54,024 from nonfederal funds (\$47,295 for housing assistance payments and \$6,729 in associated administrative fees) for the 28 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 \$1,065,312 in program funds from being spent over the next year on units that are in material noncompliance with the standards.
- 1D. Ensure that all inspectors are properly trained and are familiar with the housing quality standards and local codes and can apply them appropriately.
- 1E. Ensure that it performs its required supervisory quality control inspections in accordance with the Authority's program administrative plan to verify that its inspectors conduct accurate and complete inspections, and consistently apply HUD's housing quality standards.
- 1F. Reimburse its program \$52,421 from nonfederal funds in associated administrative fees for the 402 units that were more than 30 days late in receiving their annual inspections.

- 1G. Implement adequate procedures and controls to ensure that program units are inspected at least annually in accordance with HUD's requirements to prevent \$25,164 in administrative fees from being received over the next year.

## SCOPE AND METHODOLOGY

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To accomplish our objective, we reviewed

- Applicable laws, regulations, the Authority's 2000 program administrative plan, HUD's program requirements at 24 CFR [*Code of Federal Regulations*] Parts 5 and 982, and HUD's Housing Choice Voucher Guidebook 7420.10.
- The Authority's accounting records; annual audited financial statements for 2003, 2004, 2005, and 2006; bank statements; household files; policies and procedures; board meeting minutes for January 2005 through January 2007; organizational chart; and program annual contributions contract with HUD.
- HUD's files for the Authority.

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

We statistically selected 59 of the Authority's program units to inspect using EasySample Statistical Sampling software from the 433 units that passed inspection by the Authority from January through March 2007. The 59 units were selected to determine whether the Authority's 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 28 of 59 units (47.5 percent) materially failed to meet HUD's housing quality standards. Materially failed units were those units with emergency health and safety violations that predated the Authority's previous inspections.

The Authority's January through March 2007 housing assistance disbursements listing showed that the average monthly housing assistance payment was \$548. Projecting our sampling results of the 28 units that materially failed to meet HUD's housing quality standards to the population indicates that 205 units or 47.46 percent of the population contains the attributes tested (would materially fail to meet HUD's housing quality standards). The sampling error is plus or minus 9.94 percent. In other words, we are 90 percent confident that the frequency of occurrence of the attributes tested lies between 37.52 and 57.38 percent of the population. This equates to an occurrence of between 162 and 248 units of the 433 units in the population.

- The lower limit is 37.52 percent times 433 units = 162 units that materially failed to meet HUD's housing quality standards.
- The point estimate is 47.46 percent times 433 units = 205 units that materially failed to meet HUD's housing quality standards.
- The upper limit is 57.38 percent times 433 units = 248 units that materially failed to meet HUD's housing quality standards.

Using the lower limit of the estimate of the number of units and the average housing assistance payment, we estimated that the Authority will annually spend \$1,065,312 (162 units times \$548

average payment times 12) for units that materially fail to meet HUD's housing quality standards. In addition, the Authority received average monthly administrative fees of \$2,097 for units which were not inspected annually in accordance with HUD's requirements. Using the average monthly administrative fees, we estimate that the Authority will receive \$25,164 in administrative fees (\$2,097 times 12) for units that have not been inspected annually to ensure they meet HUD's housing quality standards.

These estimates are presented solely to demonstrate the annual amount of program funds and administrative fees that will be correctly paid over the next year on decent, safe, and sanitary housing if the Authority implements our recommendation. While these benefits would recur indefinitely, we were conservative in our approach and only included the initial year in our estimate.

We performed our on-site audit work between March and July 2007 at the Authority's offices located at 100 South Richard Pryor Place, Peoria, Illinois. The audit covered the period January 1, 2005, through January 31, 2007, but was expanded as determined necessary.

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



# INTERNAL CONTROLS

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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.

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## 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.

A significant weakness exists if internal controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

## Significant Weakness

Based on our review, we believe the following item is a significant weakness:

- The Authority lacked adequate procedures and controls to ensure compliance with HUD's requirements and/or its program administrative plan regarding unit inspections (see finding).



## APPENDIXES

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### Appendix A

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

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Recommendation number	Ineligible 1/	Funds to be put to better use 2/
1B	\$54,024	
1C		\$1,065,312
1F	<u>\$52,421</u>	
IG		<u>\$25,164</u>
Totals	<u>\$106,445</u>	<u>\$1,090,476</u>


- 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. 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 Authority implements our recommendations, it will cease to incur program costs for units that are not decent, safe, and sanitary and not inspected annually and, instead, will expend those funds in accordance with HUD's requirements. Once the Authority 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



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Peoria, Illinois 61605-3905  
Administrative Offices: (309) 676-8736  
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September 11, 2007

Ms. Nikita Irons  
Assistant Regional Inspector General for Audit  
U.S. Department Housing and Urban Development  
Office of Inspector General  
477 Michigan Avenue, Room 1780  
Detroit, MI 48226-2592

**Re: Section 8 Corrective Action Plan**

Dear Ms. Irons,

In summary, the majority of the audit findings for the Office of Inspector General (OIG) Section 8 Audit for Housing Quality Standards have been addressed and corrected, with the exception of the audit finding relating to the reimbursement of monies with nonfederal funds. Listed below are the corrective action plans, which indicate how each condition has been addressed.

**Objective:** To implement procedures and controls to ensure that Housing Quality Standards (HQS) inspections are being performed and enforced in accordance to the Housing and Urban Development Rules and Regulations and the Peoria Housing Authority Section 8 Administration Plan.

**Finding – The Housing Authority controls over Housing Quality Standards need improvement.**

**Condition:** **59 unit inspections performed by the OIG appraiser, 58 units did not meet minimum housing quality standards. There were a total of 846 violations discovered in the 58 units that failed. Of the 58 units that failed, 28 materially failed because they had preexisting exigent health and safety violations. As a result, the Authority paid housing assistance payments totaling \$48,335 for the 28 units that materially failed housing quality standards.**

**Management Response:** **Agree with comment.**

**Comment 1**

• Page 2	September 12, 2007
The Administration is in agreement that the units previously passed by the Housing Authority did fail the inspection performed by the OIG. However, the Administration respectfully disputes materially failed items due to preexisting exigent health and safety violations, such as:	
<ul style="list-style-type: none"><li>• A broken window</li><li>• Debris by a water heater</li><li>• A laundry room closet door off track</li><li>• A kitchen cabinet drawer broken</li><li>• A cracked bedroom door</li><li>• A paint can on a basement step</li><li>• A torn piece of carpet</li><li>• A leaking water heater</li><li>• A loose handrail</li><li>• Broken glass in the yard</li><li>• A missing gutter</li></ul>	
<b>Recommendation - A.</b>	<b>Certify, along with the owners of the Section 8 Program Units cited in the finding, that the applicable housing quality standards violations have been repaired.</b>
<b>Action Plan.</b>	All of the 58 inspections have been addressed in accordance with Peoria Housing Authority policy.  A) All landlords and/or participants were mailed repair notices immediately upon the completion of the OIG inspections. B) Forty-six (46) units were brought into compliance in accordance to the Section 8 Program Housing Quality Standards. C) Three (3) landlords requested to have property removed from the Section 8 Program due to financial hardship caused by the cost of the repairs. D) Two (2) participants were terminated from the Section 8 Program due to not making repairs and non-compliance. E) Seven (7) landlord properties went into second fail and tenants were issued a voucher to move.
<b>Recommendation – B.</b>	<b>Reimburse its program \$55,186 from nonfederal funds (\$48,335 for housing assistance payments and \$6,851 in associated administrative fees) for the 28 units that materially failed to meet HUD's housing quality standards</b>
<b>Management Response:</b>	<b>Agree</b>  As a result of monies being paid in the amount of \$55,186 for units that materially failed housing quality standards, the Housing Authority

will request to enter into a repayment agreement with a time line and a monthly amount that would be agreeable to both the U. S. Housing and Urban Development and Peoria Housing Authority that would not place a financial hardship upon the Agency.

**Condition:** **The Housing Authority is not conducting quality control inspections on at least five (5) percent of the annual units under contract in accordance with its Administrative Plan.**

**Management Response:** **Agree with comment.**

The Housing Authority relied on its computer software system to determine which units meet the requirement for a quality control inspection. The software system was programmed to target three (3) percent of annual inspections and two (2) percent of initial inspections that would have met the five (5) percent requirements of units under contract having a quality control inspection. It has been determined that the process is flawed due to end of participation of assistance and final failed units being used in the sample pool. If a participant is in a termination status and a unit is in final fail, the unit is no longer on the Section 8 Rental Assistance Program and should not be used in the sample pool. Additional units should have been pulled for quality control purposes.

**Recommendation – C.** **Implement adequate procedures and controls to ensure all units meet HUD’s housing quality standards to prevent \$1,065,312 in program funds from being spent over the next year on units that are in material noncompliance with the standards.**

**Action Plan:** The Housing Authority plans to increase the number of quality control inspections by creating a Quality Control Specialist position that will focus primarily on quality control and Section Eight Management Assessment Program (SEMAP) to ensure that rules/regulations and HUD’s Housing Quality Standards are being adhered to and enforced.

The Housing Authority has changed the manner in which units are selected for a quality control inspection. The Housing Authority previously used our computer software to select inspections that qualified for a quality control inspection. The inspectors also had access to the inspections that were selected for a quality control inspection, allowing the sample pool to be tainted. Therefore, the Housing Authority has changed the process in which Inspections will be randomly selected on a monthly basis. All quality control inspections will be manually selected to ensure that inspections are being completed in accordance to the Housing Quality Standards and local city codes.

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	The criteria for the sample is to be as follows:
	<ol style="list-style-type: none"><li>1. The Inspector</li><li>2. The Owner</li><li>3. The Type of Inspection</li><li>4. The Structure Type</li></ol>
	The sample will increase incrementally based on the number of failed units or problems found in the original sample.
<b>Recommendation – D.</b>	<b>Ensure that all inspectors are properly trained and are familiar with the housing quality standards and local codes and apply them appropriately.</b>
<b>Management Response:</b>	<b>Agree</b>
<b>Action Plan:</b>	All Section 8 Housing Quality Standards (HQS) Inspectors are trained and have been certified to perform HQS inspection. It is the policy of the Housing Authority that the certifications are updated every 5 years.
	The Administration will contact a representative from the City of Peoria Code Enforcement Division to seek training and update the Peoria Housing Authority inspectors on the local city codes.
<b>Recommendation – E.</b>	<b>Implement procedures and controls to ensure that the required quality control inspections are being conducted in accordance with the Authority's administrative plan.</b>
<b>Management Response:</b>	<b>Agree</b>
	This recommendation has been addressed in recommendation C.
<b>Action Plan:</b>	The Housing Authority is in the process of hiring for the position of Quality Control Specialist to ensure that policy/procedures, rules/regulations and HUD's Housing Quality Standards are being adhered to and enforced.
<b>Condition:</b>	<b>The Housing Authority did not always perform its annual program unit inspections within one year. From January 1, 2005 through January 31, 2007, the Authority conducted 3,062 inspections. Of the 3,062 inspections, 823 were late. Of the 823 late inspections, 402 (49 percent) were more than 30 days late. The Authority received \$52,421 in program administrative fees for 402 units that were late in receiving annual inspections.</b>

**Management Response:** Agree

**Recommendation – F.** Reimburse its program \$52,421 from nonfederal funds in associated administrative fees for the 402 units that were more than 30 days late in receiving their annual inspections.

**Management Response:** Agree with comment

During the above mentioned time period, the Housing Authority was in the process of changing the method as to how annual inspections were being performed. Originally, the Housing Authority conducted annual inspections according to the lease-up date of the participant. When the participant had a unit-to-unit move, the annual inspection date changed with the new unit. After the Section 8 Supervisor attended Section 8 Management training, the Administration was made aware that the inspection date should reflect the original date as to when a participant entered the Section 8 Program. During the process of revamping the method in which we were conducting inspections, to coincide with the original date a participant entered the Section 8 Program, some participants did not receive an inspection according to the previous year, therefore causing some inspections to be late and/or some participants received two (2) annual inspections in a year to coordinate their inspections with the original date that they entered the Section 8 Program.

Effective August 31, 2007, all Section 8 annual inspections are current.

As a result of monies being paid in the amount of \$52,421 for the 402 units that were late in receiving annual inspections, the Housing Authority will request to enter into a repayment agreement with a time line and a monthly amount that would be agreeable to both the Housing and Urban Development and Housing Authority that would not place a financial hardship upon the Agency.

**Recommendation – G.** Implement procedures and controls to ensure that Section 8 units are inspected at least annually to meet HUD's housing quality standards. The procedures and controls should include but not be limited to developing reporting procedures to ensure that management can track and monitor when annual inspections are due and when they are completed.

**Ref to OIG Evaluation**

**Auditee Comments**

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**Management Response: Agree with comment**

A new policy and procedure will be implemented to track the upcoming annual inspections and its completion date.

**Action Plan:**

A report was developed in August 2007 to track the last annual inspection performed to determine the due date for the next annual inspection. The report will be submitted to the Section 8 Director from each inspector indicating the previous annual inspection date and the scheduled completion date for the current year.

HQS Inspectors will also use the Upcoming Annual Re-examinations Report to ensure that all participants on the Section 8 program have had an annual inspection to coincide with the next annual reexamination.

The Section 8 Director will closely monitor the scheduled inspections and subsequent completion for adherence to required time frames.

In closing, the Housing Authority will address all of the Section 8 deficiencies in an effort to improve the efficiency and integrity of the program.

Respectfully submitted,

**PEORIA HOUSING AUTHORITY**

In the absence of Brenda Coates, Ruth Simpkins, Deputy Executive Director

*Ruth Simpkins in the absence of Brenda Coates*

Brenda Coates  
Executive Director

### **OIG's Evaluation of Auditee Comments**

**Comment 1** The Authority did not provide any documentation with its written comments to support that the violations were not preexisting health and safety violations. Therefore, we did not remove them from this audit report.



## Appendix C

### HUD'S REGULATIONS AND THE AUTHORITY'S PROGRAM ADMINISTRATIVE PLAN

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

HUD's 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 in 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.

HUD's regulations at 24 CFR [*Code of Federal Regulations*] 982.405(a) require public housing authorities to inspect the unit leased to a 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's regulations at 24 CFR [*Code of Federal Regulations*] 982.153 state that the public housing authority must comply with the consolidated annual contributions contract, the application, HUD regulations and other requirements, and its program administrative plan.

Chapter 10, section G, of the Authority's program administrative plan states that quality control inspections will be performed by the director/supervisor on at least 5 percent of the units of each inspector. The purpose of quality control inspections is to ensure that each inspector is conducting accurate and complete inspections and that there is consistency among inspectors in application of the housing quality standards.