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Audit Report Number 2009-PH-1003

TO: James D. Cassidy, Director, Office of Public Housing, Pittsburgh Field Office,
3EPH

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

SUBJECT: The Housing Authority of the City of Pittsburgh, Pennsylvania, Did Not Ensure
That Its Leased Housing Units Met Housing Quality Standards under Its
Moving to Work Program

HIGHLIGHTS

What We Audited and Why

We audited the Housing Authority of the City of Pittsburgh's (Authority) administration of its leased housing under its Moving to Work Demonstration (Moving to Work) program as part of our fiscal year 2008 audit plan. This is our second audit report issued on the Authority's program. The audit objective addressed in this report was to determine whether the Authority ensured that its leased housing units met the U.S. Department of Housing and Urban Development's (HUD) housing quality standards.

What We Found

The Authority failed to ensure that its leased program units met housing quality standards. Of 66 program units statistically selected for inspection, 62 did not meet HUD's housing quality standards, of which 53 were in material noncompliance with housing quality standards. The Authority spent \$100,362 in program and administrative funds for these 53 units. We estimated that over the next year if the Authority does not implement adequate procedures and controls to ensure that its program units meet housing quality standards, HUD will pay more

than \$9.3 million in housing assistance on units that materially fail to meet HUD's housing quality standards.

What We Recommend

We recommend that HUD require the Authority to ensure that housing units inspected during the audit are repaired to meet HUD's housing quality standards, reimburse its program for the improper use of \$100,362 in program funds for units that materially failed to meet HUD's housing quality standards, and implement adequate procedures and controls to ensure that in the future, program units meet housing quality standards to prevent an estimated \$9.3 million from being spent annually on units that materially fail to meet HUD's housing quality standards.

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 discussed the report with the Authority during the audit and at an exit conference on November 17, 2008. The Authority provided written comments to our draft report on November 26, 2008. The Authority disagreed with the conclusions in the report. The complete text of the Authority'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 Housing Authority of the City of Pittsburgh (Authority) was established as a public corporation in 1937 under the Housing Authority Law of the Commonwealth of Pennsylvania to provide decent, safe, and sanitary housing in the most efficient and economical manner. A seven-member board of commissioners governs the Authority. The mayor of the City of Pittsburgh appoints the members of the board. The board appoints an executive director to administer the affairs of the Authority. The current executive director is A. Fulton Meachem, Jr. He assumed this position in August 2006. The Authority's main administrative office is located at 200 Ross Street, Pittsburgh, Pennsylvania.

In 1996, Congress authorized the Moving to Work Demonstration (Moving to Work) program as a U.S. Department of Housing and Urban Development (HUD) demonstration program. Congress exempted the participants from many of the Housing Act of 1937 and associated regulations as outlined in the individual Moving to Work agreements that HUD established with the program's participants. In October 1998, the language in the Departments of Veterans Affairs and Housing and Urban Development and Independent Agencies Appropriations Act of 1999 (Public Law 105-276, 112 Stat. 2461) specifically named and authorized the Authority to join the demonstration program. In November 2000, HUD signed a five-year Moving to Work agreement with the Authority. In April 2005, HUD agreed to extend the term of the Authority's Moving to Work agreement for one year. In December 2006, HUD agreed to extend for three years the term of the Authority's Moving to Work agreement. The expiration date of the Authority's current agreement is December 31, 2009.

Under the Section 8 Housing Choice Voucher program, the Authority was authorized to provide leased housing assistance payments to more than 7,000 eligible families. HUD authorized the Authority the following financial assistance for housing choice vouchers:

<u>Authority fiscal year</u>	<u>Annual budget authority</u>
2007	\$42,162,349
2008	\$42,474,790
Total	\$84,637,139

HUD regulations at 24 CFR [*Code of Federal Regulations*] 982.305(a) state that a public housing authority may not execute a housing assistance contract until it has determined that the unit has been inspected and meets HUD's housing quality standards.

HUD regulations at 24 CFR 982.405(a) require public housing authorities to perform unit inspections before the initial move-in and at least annually. The authority must inspect the unit leased to 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 regulations at 24 CFR 982.453(6)(b) give public housing agencies rights and remedies against the owner under the housing assistance payments contract, which include recovery of

overpayments, abatement or other reduction of housing assistance payments, termination of housing assistance payments, and termination of the housing assistance payments contract.

Our audit objective was to determine whether the Authority ensured that its leased housing units met HUD's housing quality standards.

RESULTS OF AUDIT

Finding: Controls over Housing Quality Standards Were Inadequate

The Authority did not adequately enforce HUD's housing quality standards. Of 66 housing units selected for inspection, 62 units did not meet HUD's housing quality standards, and 53 units materially failed to meet housing quality standards. The Authority's inspectors did not report 588 violations, which existed at the units when they performed their inspections. The Authority did not report these violations because it did not implement adequate procedures and controls to ensure that its program units met HUD's housing quality standards. As a result, the Authority spent \$100,362 in program and administrative funds for 53 units that materially failed to meet HUD's housing quality standards. Unless the Authority implements controls to ensure that program units meet housing quality standards, it will pay an estimated \$9.3 million in housing assistance for units that materially fail to meet housing quality standards over the next year.

Housing Units Did Not Meet HUD's Housing Quality Standards

We statistically selected 66 units from unit inspections passed by the Authority's inspectors during the period September 4, 2007, to February 29, 2008. The 66 units were selected to determine whether the Authority ensured that the units in its program met housing quality standards. We inspected the selected units between April 15 and April 25, 2008.

Of the 66 units inspected, 62 (94 percent) had 989 housing quality standards violations. Additionally, 53 of the 66 units (80 percent) were considered to be in material noncompliance since they had numerous violations that predated the Authority's last inspection and were not identified by the Authority's inspectors creating unsafe living conditions. Of the 62 units with housing quality standards violations, 12 units had violations that were noted on the Authority's previous inspection report, and the Authority later passed the units. However, during our inspection, it was determined that the violations had not been corrected. The 53 units had 607 violations (including 19 violations identified by the Authority but not corrected) that existed before the Authority's last inspection report. The Authority's inspectors did not identify or did not report 588 violations that existed at the time of their most recent inspections. HUD regulations at 24 CFR 982.401 require that all program housing meet HUD's housing quality standards at the beginning of the assisted occupancy and throughout the tenancy. The following table categorizes the 989 housing quality standards violations in the 62 units that failed the housing quality standards inspections.

Type of violation	Number of violations	Number of units	Percentage of units
Structure and materials	378	58	88%
Illumination and electricity	286	54	82%
Space and security	106	37	56%
Site and neighborhood	40	21	32%
Lead-based paint	32	12	18%
Food preparation and refuse disposal	30	24	36%
Smoke detectors	29	21	32%
Thermal environment	27	21	32%
Sanitary condition	22	14	21%
Sanitary facilities	18	16	24%
Interior air quality	9	9	14%
Access	8	4	6%
Water supply	4	4	6%
Total	989		

We provided our inspection results to the Director of HUD’s Office of Public Housing, Pittsburgh field office, and to the Authority during the audit.

Housing Quality Standards Violations Were Identified

The following pictures illustrate some of the violations we noted while conducting housing quality standards inspections at the Authority’s leased housing units.



Inspection #36: A handrail needs to be installed on the right-hand side of the steps or

moved to the right-hand side. The storm door swings outside to the right from inside the unit. This violation was not identified during the Authority's November 13, 2007, inspection.



Inspection #8: The hot water heater flue is rusted and needs to be replaced. This violation was not identified during the Authority's October 10, 2007, inspection.



Inspection #10: There are concrete blocks and an abandoned automobile at the rear of the dwelling. This violation was not identified during the Authority's February 20, 2008, inspection.



Inspection #8: The step from the street to the walk, as well as the sidewalk, needs to be repaired. This violation was not identified during the Authority's October 10, 2007, inspection.



Inspection #6: A handrail is missing on the right-hand side of the basement stairs. This violation was not identified during the Authority's November 14, 2007, inspection.



Inspection #38: The drain tube is missing from the pressure relief valve. This violation was not identified during the Authority's November 19, 2007, inspection.



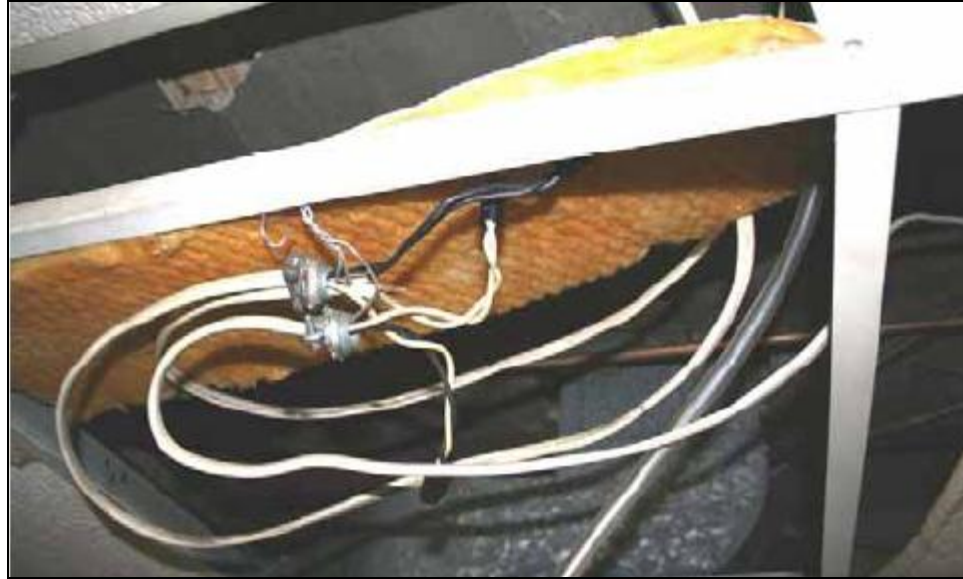
Inspection #42: The concrete steps are chipped and broken. The steps need resurfacing and a handrail. This violation was not identified during the Authority's October 31, 2007, inspection.



Inspection #26: The landing at the exit from the rear door is uneven. This violation was not identified during the Authority's September 27, 2007, inspection.



Inspection #11: Knockout plugs are missing from the breaker box. This violation was not identified during the Authority's November 19, 2007, inspection.



Inspection #53: There are exposed wires in the basement. The wires need to be secured in a junction box or disconnected at the breaker box and removed. This violation was not identified during the Authority's January 3, 2008, inspection.

The Authority Did Not Implement Procedures and Controls to Ensure Compliance with HUD's Housing Quality Standards

Although HUD regulations and the Authority's administrative plan required the Authority to ensure that its program units met housing quality standards, it failed to do so. The Authority did not report a number of housing quality standards violations because it did not implement adequate procedures and controls to ensure that it complied with HUD regulations and its administrative plan. HUD regulations at 24 CFR 982.401 define HUD's housing quality standards. Chapter 8 of the Authority's administrative plan requires the Authority to inspect its leased housing units based upon HUD's housing quality standards and/or equivalent local standards approved by HUD. However, the administrative plan and inspection procedures provided by the Authority primarily listed references to the regulations rather than detailed instructions for staff to follow when determining the nature and extent of violations and deficiencies. The Authority relied on the inspectors' knowledge of housing standards and experience in conducting the detailed steps necessary for adequate inspections rather than providing them with inspection procedures. This omission resulted in incomplete and inconsistent inspection results. For example, the inspectors were not aware that items such as inoperable ground-fault circuit interrupter outlets and missing electrical box knockout plugs were housing quality standards violations.

Further, the Authority did not implement an adequate quality control inspection program. HUD regulations at 24 CFR 985.3 require public housing authorities to conduct quality control inspections on a sample of units under contract during the authority's fiscal year. The purpose of quality control inspections is to ensure that each inspector performs complete and accurate inspections. More importantly, quality control inspections are performed to ensure that there is consistency among the authority's inspections regarding the application of HUD's housing quality standards. Although the Authority provided examples of quality control reviews that it performed, it did not provide documentation to demonstrate that it used the inspection results to give inspectors feedback on their performance. The Authority needs to develop and implement procedures and controls to ensure that its leased housing units meet HUD's housing quality standards. In this regard, the Authority informed us that it is in the process of developing and implementing additional procedures and controls to ensure that its leased housing units meet HUD's housing quality standards. The Authority hired a consultant in March 2008 to perform a minimum of 2,000 inspections and quality control inspections and to develop and implement a quality control program that considers and incorporates our recommendations and exceeds the minimum standards required by HUD for all inspections conducted on a monthly basis.

Conclusion

The Authority's program participants were subjected to numerous housing quality standards violations which created unsafe living conditions, and the Authority did not properly use its program funds when it failed to ensure that units met HUD's housing quality standards as required. In accordance with HUD regulations at 24 CFR 982.152(d), HUD is permitted to reduce or offset any program administrative fees paid to a public housing authority if it fails to perform its administrative responsibilities correctly or adequately, such as not enforcing HUD's housing quality standards. The Authority disbursed \$93,105 in housing assistance payments to owners for the 53 units that materially failed to meet HUD's housing quality standards and received \$7,257 in program administrative fees for these units.

If the Authority implements the recommendations in this report to ensure compliance with HUD's housing quality standards, we estimate that \$9.3 million in future housing assistance payments will be spent on units that are decent, safe, and sanitary. Our methodology for this estimate is explained in the Scope and Methodology section of this report.

Recommendations

We recommend that the Director of HUD's Office of Public Housing, Pittsburgh field office, direct the Authority to

- 1A. Certify, along with the owners of the 62 units cited in this finding, that the applicable housing quality standards violations have been corrected.
- 1B. Reimburse its program \$100,362 from nonfederal funds (\$93,105 for housing assistance payments and \$7,257 in associated administrative fees) for the 53 units that materially failed to meet HUD's housing quality standards.
- 1C. Develop and implement procedures and controls to ensure that program units meet housing quality standards, thereby ensuring that \$9,304,880 in program funds is expended only on units that are decent, safe, and sanitary.
- 1D. Develop and implement controls to ensure that supervisory quality control inspections are used to provide feedback and training to inspectors under the quality control program.

SCOPE AND METHODOLOGY

To accomplish our objective, we reviewed

- Applicable laws; regulations; the Authority's administrative plan; and HUD's program requirements at 24 CFR Part 982, HUD's Housing Choice Voucher Guidebook 7420.10G, and HUD's Housing Inspection Manual.
- The Authority's inspection reports, computerized databases including housing quality standards inspection data and housing assistance payment data, board meeting minutes, organizational chart, correspondence, and Moving to Work agreement and amendments.
- HUD's monitoring reports for the Authority.

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

To achieve our audit objective, we relied in part on computer-processed data in the Authority'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 66 of the Authority's leased housing units to inspect from a universe of 2,150 units that passed the Authority's housing quality standards inspections between September 4, 2007, and February 29, 2008. We selected 66 units to determine whether the Authority's program units met housing quality standards. The 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 53 of 66 units (80 percent) materially failed to meet HUD's housing quality standards. We determined that the 53 units were in material noncompliance because they had 607 violations that existed before the Authority's last inspection report creating unsafe living conditions. All units were ranked, and we used auditors' judgment to determine the material cutoff line.

Based upon the sample size of 66 from a total population of 2,150 units, an estimate of 80 percent (53 units) of the sample population materially failed housing quality standards inspections. The sampling error is plus or minus 7.93 percent. There is a 90 percent confidence that the frequency of occurrence of program units materially failing housing quality standards inspections lays between 72 and 88 percent of the population. This equates to an occurrence of between 1,556 and 1,896 units of the 2,150 units in the population. We used the most conservative number, which is the lower limit or 1,556 units.

We analyzed the applicable Authority databases and estimated that the annual housing assistance payment per recipient in our sample universe was \$5,980. Using the lower limit of the estimate of the number of units and the estimated annual housing assistance payment, we estimate that the Authority will spend \$9,304,880 (1,556 units times \$5,980 - the estimated average annual

housing assistance payment) annually for units that are in material noncompliance with HUD's housing quality standards. This estimate is presented solely to demonstrate the annual amount of program funds that could be put to better use on decent, safe, and sanitary housing if the Authority implements our recommendations. While these benefits would recur indefinitely, we were conservative in our approach and only included the initial year in our estimate.

We reviewed the Authority's process for abating rents. Using documentation supporting the series of inspections related to the sample of 66 housing units addressed in our housing quality standards inspections and an additional 25 randomly selected units from the Authority's abatement file, we identified only minor issues relating to the Authority's process for abating rents, and we reported them to the Authority in a separate letter.

We performed our on-site audit work from February through April 2008 at the Authority's main administrative office located at 200 Ross Street, Pittsburgh, Pennsylvania. The audit covered the period February 1, 2007, through February 29, 2008, but was expanded when necessary to include other periods.

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

INTERNAL CONTROLS

Internal control is an integral component of an organization's management that provides reasonable assurance that the following controls are achieved:

- Program operations,
- Relevance and reliability of information,
- Compliance with applicable laws and regulations, and
- Safeguarding of assets and resources.

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

Relevant Internal Controls

We determined 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.

We obtained an understanding of the relevant internal controls identified above by reviewing the Authority's administrative plan and interviewing responsible Authority employees.

We assessed the relevant controls identified above.

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

Significant Weakness

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

- The Authority did not implement detailed procedures for performing inspections and using quality control inspections to improve its inspection program to ensure that its leased housing units met HUD's minimum housing quality standards.

APPENDIXES

Appendix A

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

Recommendation number	Ineligible 1/	Funds to be put to better use 2/
1B	\$100,362	
1C		\$9,304,880

- 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, instead, will expend those funds for units that meet HUD's standards. 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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November 26, 2008

Via Email and First Class Mail

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Re: OIG Audit of the Housing Authority of the City of Pittsburgh

Dear Mr. Buck:

Enclosed is the response of the Housing Authority of the City of Pittsburgh ("HACP") to the revised discussion draft audit report, which is dated November 20, 2008 and was received by us on November 24, 2008, regarding Housing Quality Standard ("HQS") inspections for HACP's Section 8 Housing Choice Voucher ("HCV") Program. We appreciated the opportunity to discuss the draft report with you at the exit conference on November 17, 2008, and we thank you for the minor revisions that you made to the draft audit report based on these discussions and documentation that we provided.

As we discussed at the exit conference, and as further detailed in our response, we disagree with the methodology and approach in the audit report. First and foremost, we strongly disagree that HCV participants are living in unhealthy and unsafe properties. As you clarified in our exit conference, the issues you cited in the report were by and large not 24 hour HQS health and safety violations, but rather were felt by the auditors to be problematic. Also, as you know, under the HCV program, eligible low-income families choose and lease *privately*-owned and maintained rental housing. Housing authorities are responsible for inspecting the properties, not for ensuring that there are no maintenance issues on any given day. Moreover, it is important to note that this audit covers a period during which a new HACP administration was just beginning to implement new processes and improve existing processes and the conclusions do not take that into account.

Overall, we do not believe that the audit report adequately reflects the quality of our inspection program, for a number of reasons. As we have already communicated to you both

Comment 1

Comment 2

at the exit conference and in a follow-up e-mail, one of our biggest concerns is that the auditors changed the scope of the audit after we had already agreed that it would be limited to a review of inspections performed within ninety (90) days. Instead, without informing HACP of the changed scope, the auditors reviewed HQS inspections that on average were almost five months old. This seriously undermines the audit's conclusions as it is a large methodological flaw.

Notwithstanding our disagreement with your conclusions, we can confirm that for each of the 62 units that were cited during the audit, either the reported HQS violations have been corrected, or the unit has been issued a "final fail" inspection and the HAP payments have been abated, or the HCV tenant has moved. Also, we have implemented additional inspector training, landlord orientation, and quality control procedures to further enhance the quality and rigorosity of our inspection process.

Please feel free to contact me should you have any additional questions or if I can be of additional assistance.

Best regards,



A. Fulton Meachem, Jr.
Executive Director

**THE HOUSING AUTHORITY OF THE CITY OF PITTSBURGH'S RESPONSE TO
NOVEMBER 20, 2008 REVISED DRAFT OIG AUDIT REPORT**

The OIG's draft audit report regarding the Housing Authority of the City of Pittsburgh ("HACP's") Housing Quality Standards ("HQS") inspection program does not accurately reflect the condition of the housing or the quality of HACP's inspection program. As described in more detail below, the OIG reviewed inspections that were over ninety days old; misapplied the HQS standards; and imposed a subjective "pre-existing health and safety materiality" standard, all of which seriously undermine the conclusions of the audit report.

Incorporated in this response and attached hereto is the report of McCright & Associates ("McCright Report"), which supports HACP's conclusions. McCright is a nationally-recognized third party inspection firm with expertise in HUD's HCV program. McCright reviewed all 66 OIG inspection reports and concluded: "The time between inspections, the citation of non-HQS inspection standards, and numerous inconsistencies *all undermine the report's conclusions.*" (Emphasis added.)

Comment 1

I. The OIG's Conclusions regarding the Quality of HACP's HQS Inspections Are Not Valid

Under the HCV program, eligible low-income families choose and lease *privately*-owned rental housing. Maintaining the properties is the responsibility of the owners, not that of the housing authority.¹ It is the housing authority's responsibility to inspect each unit once a year, not to ensure that there are no maintenance issues on any given day. HACP has consistently satisfied this inspection requirement, and it is therefore inaccurate for the OIG to conclude that HACP did not adequately enforce HUD's HQS standards simply because HQS deficiencies were found in some of the units when they were inspected by the OIG. The audit's methodology and misapplication of standards seriously undermine the report's conclusions regarding the quality of HACP's inspection program.

¹ This was specifically recognized by HUD's Deputy Assistant Secretary for Public Housing and Voucher Programs in his response to an internal audit of HUD's controls over the physical condition of the HCV housing stock. This response states, "PHAs administering the voucher program do not own the units and are not responsible for the routine maintenance of the voucher units, and monitoring of tenant damages. It is therefore unfair to hold PHAs solely responsible for the quality of the units on a daily basis, between PHA inspections." (2008-AT-0003, Page 18.)

Comment 2

A. The OIG's Flawed Audit Methodology Undermines the Report's Conclusions

1. Despite a Prior Commitment, the OIG's Auditor Reviewed HQS Inspections That Were Over 90 Days Old

The OIG conducted inspections on units that HACP's inspectors had inspected, on average, nearly five months before. Because of this lag time, it is unreasonable for the OIG to draw any conclusions regarding whether HQS violations existed at the time of the HACP inspection or instead had arisen between the time of that inspection and the OIG audit inspection. It is simply not possible for the OIG to determine with any accuracy many months later that a given unit did not meet HCV standards at the time it was inspected. As requested at the outset of the audit, a more reliable and valid audit methodology would be to accompany inspectors on annual inspections, not to review units long after the inspection took place. To the extent that the OIG was committed to after-the-fact reviews of the inspections, such reviews should have taken place much closer to the inspection dates to have credibility.

At the entrance conference for this audit, the OIG acknowledged this and stated that they would not review any inspections outside of a ninety day window. When HACP received the draft audit report, it was clear that most of the inspections that were reviewed were far outside of the 90 day period. HACP raised this issue at the exit conference, and the OIG conceded that they had made a change in protocol from that originally agreed to by the parties, and they acknowledged that HACP had not been advised that the change had been made. The fact that the OIG agreed to the 90-day timeframe but then changed their methodology is further evidence of the arbitrariness of the OIG's conclusions.

The McCright report also concludes: "The average time between inspections for all inspections is 143.9 days, nearly five months. The auditors conducted eight inspections more than seven months after the preceding inspection. Based upon our professional experience, we believe that this lag time *greatly diminishes the validity* of the auditors' findings for all but the eleven inspections conducted within 90 days." (Emphasis added.)² Because of the tremendous time lag, no valid conclusions can be drawn for the vast majority of the inspections conducted by the OIG.

2. Review of Only Passed Inspections

The purpose of the audit was to review HACP's inspection process in totality. Yet, the audit only reviewed HQS inspections that HACP's inspectors had passed and none that they had failed. By looking only at the passed inspections, the OIG saw only half of the picture. The OIG's basic conclusion is that HACP passed many inspections that (according to the OIG) should have been failed. But HACP also failed a large number of inspections during that time frame that the OIG chose not to review. If the OIG had reviewed those failed inspections, it would have been evident that they had been properly failed. Therefore, HACP's inspection

² The OIG auditor inspection reports, on which the McCright Report is based, indicate that eleven inspections were within the 90-day time period. HUD's analysis reflects that only nine inspections were within this time period. The reason for this discrepancy is unclear.

Comment 3

process is working much better than the audit report makes it appear. This skewed perspective resulting from a review of only passed inspections further undermines the report's credibility.

Comment 4

II. The OIG Seeks to Hold HACP to Standards That Are Inconsistent with HUD Requirements

A. Misapplication of HQS Criteria

The HQS standards that are to be applied in inspections of HCV units are contained in Chapter 10 of the Housing Choice Voucher Handbook, 24 CFR § 982.401, and HACP's Administrative Plan. As the enclosed report from McCright explains in more detail, the OIG inspector employed criteria in his inspections that were more stringent than the applicable HQS criteria.

Comment 5

Moreover, he applied criteria inconsistently. For example, the auditor cited missing light globes in the inspection reports sometimes as fails and sometimes as passes. The McCright Report, which was based upon the inspection reports, correctly states that missing light globes are not HQS deficiencies. Based upon the conclusions contained in the OIG report and the spreadsheets that we were provided several days after the exit conference, the OIG apparently did not consider any of the missing globes as failing items in their final analysis. We are continuing to seek clarification from the OIG as to whether there were any other differences between their inspection reports and the spreadsheets they used for their analysis and reserve the right to supplement this response if we obtain additional information.

As noted by McCright, misapplication of HQS criteria is very problematic generally. Property owners will be reluctant to participate in a program with unknown, fluctuating standards that exceed Federal requirements. Moreover, the audit report does not take into account that a housing authority's HQS inspectors are entitled to use their judgment in applying the HQS criteria, as stated in the HCV Guidebook. (Page 10-2.)

B. Subjective "Materiality" Standard

The draft audit report utilizes a two-pronged standard for determining whether purported HQS violations were "material" such that HACP should be penalized for having made HAP payments to the owners of the units. This standard appears to be whether the units a) had "Health and Safety" violations that b) existed at the time of HACP's HQS inspection but had not been reported. Both parts of this standard are flawed.³

³ The audit finding outline stated that there were 57 units with material violations. The draft audit report concludes that there were only 53 such units. While we appreciate that the OIG reconsidered its conclusions with respect to four units, this change highlights the arbitrariness of the OIG's determination that a particular violation was material. The four units that were reclassified from having material to non-material deficiencies seem to contain what the OIG considers to be pre-existing health and safety violations, so, based on their definition of

(continued...)

Comment 6

1. Health & Safety

The OIG inspector classified certain purported HQS violations as “Health and Safety.” However, the only valid classification under HQS is for “24-Hour Health and Safety” violations. There is no separate category of non-24-hour health and safety violations under HQS, so there are no established criteria for determining whether such a violation exists. The OIG’s findings appear to have been based upon the OIG inspector’s subjective determination that something was unhealthy or unsafe. This is improper and should not be a basis for a conclusion that violations were material. The McCright report agrees, stating: “There is no such term defined within the guidelines of HCV inspections. This term is subjective and *should be discarded as an assessment criterion* for the HACP HCV inspection program.” (Emphasis added.) If health and safety is to be used as a criterion for materiality, the only violations that should be included are those that are properly considered 24-hour health and safety violations under the HQS standards.

The first sentence of the OIG draft audit report’s conclusion states, “The Authority’s program participants were subjected to health and safety related violations” (Page 13.) For the above reasons, we strongly object to such a sentence being included in the report. Moreover, this conclusion is also not credible due to the fact that the vast majority of the inspections were reviewed more than 90 days after the initial inspection date.

2. Pre-Existing Violations

Comment 7

The second part to the materiality standard - whether the violation existed at the time of the original HACP HQS inspection - is also problematic. First, as discussed above, it is not reasonable to draw the conclusion that something was pre-existing for any inspection older than 90 days. As stated in the McCright report, “[T]he auditors did not properly consider as a mitigating factor the effect of time on their determination as to whether a deficiency existed at the time of the preceding inspection. The *substantial amount of time* between the original inspection and the audit inspection *allows many deficiencies to develop.*” (Emphasis added.)

Second, the audit report’s conclusions that violations were pre-existing are not supported. We asked the auditors for all backup that they had to support these conclusions, and all we received were general statements that the inspector relied on prior inspection reports, their professional judgment and experience, and comments provided by individuals (including tenants) present during the OIG’s inspection. Lacking more specific information about what was relied upon, we question the reliability of tenants’ comments, as it would not be in their best interest to admit that a violation had been caused by their own negligence or neglect. This general information is not sufficient evidence or documentation for the pre-existing conditions as required by the Government Auditing Standards. Moreover, the McCright report disagrees with many of the determinations that violations were pre-existing, for example: loose handrails, drafty door - weather stripping, dryer vent not connected, cracked outlet covers, and missing toilet seats. If additional evidence and documentation for the supposedly pre-existing conditions

(...continued)

“material,” they would be material. The report states that “auditors’ judgment” was used to determine the materiality cut off line.

cannot be provided, the draft audit report should be revised to remove all findings that deficiencies were pre-existing for all inspections over 90 days old, as such conclusions are unreliable.

Comment 8

III. The Draft Audit Report's Statements regarding HACP's Quality Control Inspection Program Are Inaccurate

HACP's quality control inspection program is in full compliance with HUD regulations, which require housing authorities to conduct quality control inspections on a sample of units each year. The report's statement that HACP did not implement an adequate quality control inspection program is simply not accurate. HACP provided the OIG with examples of quality control inspection reports and made all of the inspection reports available for review, but the OIG did not avail itself of this opportunity. The audit report states that HACP did not provide the OIG with documentation to demonstrate that it used the inspection results to give inspectors feedback on their performance. HACP does use the inspections as a training device for inspectors and explained this to the OIG. Moreover, there is no requirement that such matters be documented.

Comment 9

IV. The OIG's Conclusions about Funds Called into Question Are Unsupported

The draft audit report concludes that \$100,362 in HAP and administrative funds were paid for units that materially failed HQS and also that over the next year, HACP would pay an estimated \$9.3 million in HAP payments for such units. Both conclusions are unsupported.

The OIG's review of inspections over 90-days old significantly increased the amount of funds called into question. Because the draft audit report seeks to have HACP refund HAP funds paid between the date of the HQS inspection and the date of the OIG audit inspection, the longer that period of time is, the more money there is at issue. HACP therefore disagrees with the OIG's \$100,362 number.

The draft audit report's extrapolation is also unsupported. It is a basic statistical principle that if there are problems in the data from which you are attempting to extrapolate results, any extrapolation will not be valid. As discussed above, there are *numerous* problems with the data, the most serious of which is the change in the scope to include the review of inspections over 90 days old. Because of these issues, there should be no extrapolation. Fundamental fairness dictates that such a punitive assessment not be made.

Comment 10

V. HACP Has Implemented Additional Procedures and Controls to Further Ensure that HCV Units Meet HQS Standards

Although HACP disagrees with the findings of the draft audit report, we are always interested in improving our procedures. As the OIG is aware, HACP administration experienced turnover in late 2006 and early 2007. The new administration was not fully in place until 2007, at which time they assessed the status of the HCV program and began to implement new processes and improve existing processes, including quality control inspections. The OIG was therefore to a large extent auditing the processes of the prior administration.

Since the time of the audit inspections in April 2008, we have implemented additional procedures and controls to further ensure that HCV units meet HQS standards on the date they are inspected by our inspectors. Some of these were already in the process of being implemented prior to the audit and have been enhanced based upon the results of the audit. For example, as noted above, we have hired a compliance consultant to assist with developing and implementing additional procedures. One area of focus is training of inspectors. All of our inspectors have been HQS certified. We are also holding landlord briefings to advise the landlords about the HQS standards, the requirements of the lease, and the HAP contract and other aspects of the HACP-landlord relationship. We and our consultant have been working with our inspectors to enhance their understanding of the HQS standards. Also, as the draft audit report recognizes, we are implementing additional quality control procedures for our HCV inspection program, including the use of a third party inspector, the use of a scheduler for the HQS inspections, and an increase in the number of quality control inspections from 2% of annual inspections to 10% of annual inspections.

Recommendations

HACP's response to the OIG's Recommendations is as follows:

1A - HACP certifies that the applicable housing quality standards violations have been corrected at each of the 62 units cited by the OIG, or the HAP payments have been abated for the unit, or the HCV program participant has moved from the unit.

1B - For the reasons discussed above, no reimbursement is appropriate or necessary here.

1C - Although HACP is already in compliance with HUD requirements, HACP has implemented additional procedures and controls to further ensure that HCV units meet HQS standards on the date they are inspected by HACP inspectors.

1D - Although HACP is already in compliance with HUD requirements, HACP with the assistance of a consultant has implemented an improved quality control inspection program that includes additional controls for monitoring and ensuring consistent, continued compliance.

Comment 9

Comment 11

Comment 11

McCRIGHT ASSOCIATES

November 13, 2008

Housing Authority of the City of Pittsburgh
Attn: Caster Binion, Chief Operating Officer
200 Ross Street
Pittsburgh, PA 15219

Dear Sirs:


In response to your request, McCright and Associates, LLC thoroughly reviewed the findings of the HUD Inspectors General's audit inspections conducted at 66 units in the Housing Authority of the City of Pittsburgh's Housing Choice Voucher Program. The IG conducted these audit inspections between April 15 and 25, 2008. McCright and Associates, LLC compiled a report and series of data sets that state and support our interpretation of the information collected during those inspections.

The following items constitute this report and are attached:

- o Summary Narrative
- o Inspection Detail Report

If there are any questions concerning this report or any of the supporting documentation, please do not hesitate to contact me.

Sincerely,


Patrick J. McFadden
Manager of Operations
McCright and Associates, LLC

P.O. Box 6038 • Chattanooga, TN 37401 • (423) 267-1300 • Fax (423) 265-6222

Summary Narrative of Review Findings

I. Scope of Engagement

The Housing Authority of the City of Pittsburgh ("HACP") contracted McCright & Associates, LLC to review the 66 audit inspections conducted by the HUD Inspector General between April 15 and 25, 2008. The sources used in that review include:

- Housing Quality Standards (HQS) as defined by:
 - 24 CFR §982.401
 - Housing Choice Voucher Program Guidebook (HUD 7420.10G April 2001)
 - HACP Section 8 Program Administrative Plan (Revised October 31, 2004)
- The 66 form HUD-52580's generated by these audit inspections
- The pictures the inspectors took during these inspections
- The Finding Outline Worksheet composed by the auditors
- The OIG Inspection Audit Backup Worksheet composed by the auditors
- The Draft Audit Report dated October 30, 2008

II. Firm Credentials

McCright & Associates is nationally recognized in the field of UPCS/HQS Inspections. The principals are HUD Certified for SEMAP Troubled Agency Turnaround; have headed the turnaround efforts in agencies designated as "troubled"; regularly train and certify agency staff on UPCS and HQS inspection protocols and PHAS scores improvement strategies; and are often invited to speak at PHADA, NAHRO, CLPHA conferences. McCright professionals have over a century of combined experience performing HQS Inspection services and training, Rent Reasonableness and Comparability studies, UPCS Inspection services and training, PHA consulting, policy and procedure formulation and implementation, and strategic planning. McCright has performed over 750,000 HQS inspections and currently conducts over 75,000 HQS inspections per year for housing authorities whose Housing Choice Voucher Programs range in size from 300 to over 30,000 vouchers.

III. Findings

As discussed in the attached chart, we disagree with the OIG's methodology and findings in several important ways. First, they conducted the audit inspections several months after the HACP inspectors conducted the baseline inspection. Second, the auditors created their own definition of "material health and safety violations", which is terminology not used in HQS literature. Third, the auditors applied an inspection criterion that exceeds HQS. Fourth, the auditors applied HQS inconsistently and, as a result, categorized identical situations differently on their inspections. Fifth, the auditors did not adjust their findings to compensate for the great length of time that had passed between the inspections. Below, is a general discussion of these concerns and an inspection-by-inspection list of the specifics. Of the 53 that failed "materially" according to the OIG, we disagree substantially with the results for 21 of these findings.

Comment 2

The HUD Inspector General conducted audit inspections between 14 and 224 days after the preceding inspection. **Only eleven of these audit inspections (17%) occurred within 90 days of the preceding inspection**, a reasonable time to conduct such an inspection. The average time between inspections for all inspections is 143.9 days, nearly five months. The auditors conducted eight inspections more than seven months after the preceding inspection. Based upon our professional experience, we believe that this time lag greatly diminishes the validity of the auditors' findings for all but the eleven inspections conducted within 90 days.

Comment 6

In the Finding Outline Worksheet, the auditors base their recommendations on a non- HQS category of non-emergency "material health and safety violations." There is no such term defined within the guidelines of HCV inspections. This term is subjective and should be discarded as an assessment criterion for the HACP HCV inspection program.

Comment 12

The auditor applied criteria that exceed HQS. For example, the auditors classified the failure of one or more but not all stove burners to ignite as a 24-hour emergency health and safety violation. A more reasonable interpretation of this deficiency is a routine failure. A stove with at least one functioning burner allows proper food preparation. Further, either a bare minimum of common sense or the appliance's safety systems would prevent a non-ignited gas release of a magnitude that presents a substantial safety hazard.

Comment 13

In addition, several inspection reports cited items that, by our interpretation, are not HQS violations. Misapplication of HQS is very problematic for local PHA's. Property owners will be reluctant to participate in a program that holds their properties to a standard they perceive as extraordinarily high or arbitrary. Removing these properties from the available housing stock particularly affects families with children because the properties on the HCV program that house families are very often older single-family homes. Losing these properties greatly reduces the PHA's ability to house some of its most vulnerable participants.

Comment 14

The following list includes some of the specific violations cited in the audit inspections that we consider outside the reasonable interpretation of HQS.

- o Open electrical ground
HQS does not require electrical systems to meet current new-construction electrical code, specifically the receptacle grounding requirements. If HQS enacted this electrical

standard, a significant percentage of properties currently in the HCV program nationwide would immediately become ineligible, particularly single-family houses.

Comment 15

- Handrails required on steps with 3 or fewer risers
- Handrails required on both sides of stairs with < 30" drop to grade
- Non-continuous handrails
Chapter 10 of the HCV Guidebook states, "Handrails are required when four or more steps (risers) are present, and protective railings are required when porches, balconies and stoops are thirty inches off the ground." There is no stated or practical requirement for a handrail to be continuous.

Comment 16

- Slightly torn refrigerator seals that do not affect operation
Chapter 10 of the HCV Guidebook states that refrigerators must be "capable of maintaining a temperature low enough to keep food from spoiling." Slightly torn refrigerator seals that pose no hazard and do not prevent the refrigerator performing acceptably do not fall outside the bounds of HQS.

Comment 17

- Cabinets without knobs or pulls
- Missing towel bars
- Missing toilet paper holders
- Missing closet doors
There are no references to any of these requirements in any HQS literature. Many cabinetry systems are specifically built to operate without knobs and pulls.
- Torn padding on toilet seats
- Painted outlet faces
Torn padding on toilet seats and painted electrical outlet faces (that do not prevent use of the receptacle) do not present hazards that "may endanger the occupants."

Comment 18

- Leaking thermal pane window seals
Chapter 10 of the HCV Guidebook states "Each room must have adequate natural or artificial illumination to permit normal indoor activities..." and "The windows must adequately protect the unit's interior from the weather." Window obscuration is not addressed and unless such a situation becomes extreme (much more so than evidenced by these inspections) the window continues to allow the appropriate illumination. In addition, thermal pane windows with leaking seals are as weather tight as windows with intact seals.

Comment 19

- Cracked but level basement slab
- Uneven basement slab
The pictures of these deficiencies do not indicate an HQS violation because they do not show a structural deficiency or create a trip/fall hazard. The uneven section of the basement slab is rounded and not in a location of significant traffic. The cracked area was cracked in place and does not appear loose or have any sharp edges that present a trip hazard.

Comment 5

The auditors inconsistently applied HQS criteria. For example, the auditor cited missing light globes as "Fail" deficiencies during some inspections while citing the identical situation as a "Pass with Comment" during other inspections. In addition, the auditor classified a non-igniting stove burner as a routine deficiency in one inspection [REDACTED] but as a 24-hour emergency health and safety violation in many others.

Comment 2

Finally, the auditors did not properly consider as a mitigating factor the effect of time on their determination as to whether a deficiency existed at the time of the preceding inspection. The substantial amount of time between the original inspection and the audit inspection allows many deficiencies to develop. Several deficiencies cited in the audit inspections as preexisting could quite reasonably have occurred in the interim between the original inspection and the audit inspection, especially given the months that passed between the two inspections. This is especially true in older properties and units with older systems as they often require more maintenance and have a tendency to fail more often. Some of the deficiencies that fall into this category include:

- o Missing/damaged weather stripping
- o Missing/inoperable smoke detectors
- o Disconnected clothes dryer vents
- o Missing stove drip pans
- o Broken glass
- o Missing toilet seats
- o Missing outlet and switch covers
- o Water stained ceilings and walls
- o Damaged light fixtures

In summary, several factors revealed by an in-depth review of the audit inspection results significantly affect the inspectors' assessment presented in the Draft Audit Report. The time between inspections, the citation of non-HQS inspection standards, and numerous inconsistencies all undermine the report's conclusions.

***Please refer to comments 14 through 19**

W/P Reference	Property Address	Date of First Inspection	Date of GC Inspection	Days Between Inspections	Disputed 24 Hour EMS Deficiencies	Disputed HCS Deficiencies **	Deficiencies Disputed as not Prescribable
G15-04	[REDACTED]	4/10/2008	4/24/2008	14		1.3 & 4.3 Open Ground	
G15-05	[REDACTED]	3/18/2008	4/22/2008	31		1.1, 2.3, & 4.3 Open Ground	
G15-43	[REDACTED]	2/29/2008	4/23/2008	51		2.1 Cabinet Knobs Missing 3.7 Towel Bar Missing 3.8 Towel Bar Missing 3.9 Towel Bar Missing (No Photo Provided)	
G15-10	[REDACTED]	2/20/2008	4/21/2008	61	3.10 LR burner does not ignite	1.3, 2.3, & 4.3 Open Ground	
G15-09	[REDACTED]	2/15/2008	4/18/2008	63		6.2 Sleep Steps	
G15-37	[REDACTED]	2/17/2008	4/15/2008	63		1.3, 2.3, & 4.3 Open Ground	
G15-39	[REDACTED]	2/12/2008	4/16/2008	64		6.2 Additional handrail required	
G15-62	[REDACTED]	2/15/2008	4/21/2008	66		1.3, 2.3, & 4.3 Open Ground	No prescribable deficiencies identified
G15-29	[REDACTED]	1/29/2008	4/19/2008	77		6.2 Handrail required on both sides of stairs	6.2 Handrail required on both sides of stairs
G15-59	[REDACTED]	1/20/2008	4/19/2008	79		1.3 Open Ground	
G15-02	[REDACTED]	1/30/2008	4/22/2008	85		2.1 Knob missing cabinet door	
G15-14	[REDACTED]	1/24/2008	4/24/2008	91	2.10 RR burner does not ignite. Report does not indicate how many stove burners are operational.	4.3 Open Ground	5.4.4 Basement handrail not secure
G15-12	[REDACTED]	1/18/2008	4/23/2008	95		1.3 Open Ground	
G15-55	[REDACTED]	1/15/2008	4/25/2008	101		4.3 Open Ground	
G15-19	[REDACTED]	1/17/2008	4/22/2008	102		4.3 Open Ground	
G15-16	[REDACTED]	1/29/2008	4/24/2008	106		4.3 Open Ground	
G15-53	[REDACTED]	1/30/2008	4/21/2008	109		5.3.1 Smoke detector not working in Basement	
G15-01	[REDACTED]	12/27/2007	4/22/2008	117		2.2 & 4.2 Globe Missing (Not a Fall Deficiency on other inspections)	
G15-47	[REDACTED]	12/27/2007	4/23/2008	116		2.2 & 4.2 Globe Missing (Not a Fall Deficiency on other inspections) (also wall cap serves as handrail)	
G15-05	[REDACTED]	12/21/2007	4/19/2008	118		4.7 Globe missing (Not a Fall deficiency on other inspections)	2.10 Stove Burner Missing 4.3 & 4.7 Missing 4.4.1 Dirty Door
G15-07	[REDACTED]	12/19/2007	4/18/2008	119		4.7 Clean Door Missing	4.3 Cover Missing Wall Light and ceiling light 5.4-5 Connected Duct Vent
G15-31	[REDACTED]	12/19/2007	4/18/2008	121		1.3 & 4.3 Open Ground	

*Please refer to comments 14 through 19

WIP Reference	Proposed Address	Date of Fact Inspection	Date of 16 OC Inspection	Date Repeater Inspections	Disputed 24 Hour EHS Deficiencies	Disputed NGS Deficiencies	Deficiencies Disputed as not Preexisting
G18-45	[REDACTED]	12/17/2007	4/16/2008	121			
G18-43	[REDACTED]	12/16/2007	4/24/2008	128			
G18-34	[REDACTED]	12/16/2007	4/24/2008	125			4.4 Dirty Door Weather-strip
G18-46	[REDACTED]	12/17/2007	4/23/2008	128		1.3 & 4.3 Open Ground 2.11 Refrigerator Seal Torn - Severity does not warrant Fall 4.5 Thermal Pane Seal Leaking 6.2 Handrail needed Rear Steps (3 risers) 6.2 Handrail required on Side Steps (Only 3 risers) 5.4-1 Handrail to Basement must be continuous 2.3 & 4.3 Open Ground 8.2-1 & 8.2-2 Handrail required on both sides	1.6 Water Stain 4.3 Outlet does not work
G18-16	[REDACTED]	12/12/2007	4/21/2008	131			
G18-61	[REDACTED]	12/4/2007	4/17/2008	135			
G18-24	[REDACTED]	12/4/2007	4/18/2008	136			1.4 Dirty Door needs weather-stripping 2.4-1 Dead bolt does not work
G18-41	[REDACTED]	11/21/2007	4/16/2008	147			4.3 Switch broken
G18-38	[REDACTED]	11/19/2007	4/15/2008	148			
G18-42	[REDACTED]	11/21/2007	4/17/2008	146			
G18-45	[REDACTED]	11/21/2007	4/17/2008	146			
G18-45	[REDACTED]	11/21/2007	4/17/2008	146			
G18-24	[REDACTED]	11/21/2007	4/23/2008	154			
G18-51	[REDACTED]	11/22/2007	4/22/2008	154			
G18-11	[REDACTED]	11/19/2007	4/24/2008	157			
G18-38	[REDACTED]	11/13/2007	4/18/2008	157			
G18-32	[REDACTED]	11/16/2007	4/24/2008	160			
G18-35	[REDACTED]	11/16/2007	4/24/2008	160			

*Please refer to comments 14 through 19

WIP Reference	Property Address	Date of Field Inspection	Date of ISOC Inspection	Days Between Inspections	Disputed 24 Hour, EHS, Deficiencies	Disputed HOS Deficiencies	Deficiencies Disputed as not Disputed
G16-35	[REDACTED]	11/14/2007	4/23/2008	181			Deficiencies Disputed as not Disputed
G16-39	[REDACTED]	4/24/2008	4/24/2008	181			No preexisting deficiencies identified
G16-34	[REDACTED]	8/26/2007	4/18/2008	183			
G16-33	[REDACTED]	11/16/2007	4/17/2008	180			
G16-42	[REDACTED]	10/11/2007	4/18/2008	170			
G16-27	[REDACTED]	10/27/2007	4/19/2008	172			
G16-28	[REDACTED]	10/26/2007	4/17/2008	174			
G16-44	[REDACTED]	10/18/2007	4/18/2008	185			
G16-18	[REDACTED]	10/17/2007	4/21/2008	187	2.10 Left Burners do not work	1.3, 2.3, & 4.3 Open Ground (Reps) 3.10-3 Handrail required for Steps (3) 1.4 Hydraulic cover missing 2.4.3 Threshold without slipping form 2.4.4 Threshold without slipping form 2.4.5 Threshold without slipping form 2.4.6 & 8.7 Drift Door, needs weatherstripping 2.10 Drift pans missing under burners	
G16-09	[REDACTED]	10/19/2007	4/19/2008	188			
G16-22	[REDACTED]	10/11/2007	4/19/2008	188			
G16-40	[REDACTED]	10/10/2007	4/15/2008	188			
G16-21	[REDACTED]	10/19/2007	4/21/2008	182			
G16-43	[REDACTED]	9/26/2007	4/15/2008	200			
G16-26	[REDACTED]	9/27/2007	4/15/2008	201			
G16-33	[REDACTED]	9/27/2007	4/17/2008	203			
G16-20	[REDACTED]	10/12/2007	4/22/2008	204			
G16-36	[REDACTED]	6/29/2007	4/16/2008	209			
G16-38	[REDACTED]	6/14/2007	4/16/2008	215			
G16-08	[REDACTED]	9/21/2007	4/29/2008	215			

*Please refer to comments 14 through 19

W/P Reference	Property Address	Date of First Inspection	Date of GC Inspection	Days Between Inspections	Disputed 24 Hour EHS Deficiencies	Disputed HOS Deficiencies	Disputed as not Preexisting
G18-30	[REDACTED]	9/17/2007	4/21/2008	217	2.3 & 4.3 Open Ground 4.3 Pileg Filled	2.4 Dirty Weather-strip 4.5 Glass Broken 4.6 Stair 4.7 Stair 5.3 Corridor Light Cover	
G18-25	[REDACTED]	9/18/2007	4/25/2008	220		3.3 & 4.3 Open Ground	
G18-23	[REDACTED]	9/14/2007	4/22/2008	221	5.4-1 Cracked Concrete in Basement 4.3 Pileg Filled 4.4 No Door	2.7 Cracked Concrete in Basement 4.4 Dirty Door needs weather-stripping 4.3 Dirty Window on car	
G18-17	[REDACTED]	9/10/2007	4/21/2008	224	6.2 Railing on exterior walk required only if (drop > 30"		6.4 Basement hatch rotten 6.6 2nd step basement weak, not stable
G18-49	[REDACTED]	9/4/2007	4/17/2008	226			
		Average		143.9			

OIG Evaluation of Auditee Comments

- Comment 1** HUD regulations at 24 CFR 982.401 require that all program housing meet HUD's housing quality standards at the beginning of the assisted occupancy and throughout the tenancy. Our sampling results determined that 53 of 66 units (80 percent) materially failed to meet HUD's housing quality standards. We determined that the 53 units were in material noncompliance because they had 607 violations that existed before the Authority's last inspection report and created unsafe living conditions. All units were ranked, and we used auditors' judgment to determine the material cutoff line. We used our professional knowledge, tenant interviews, and the Authority's latest inspection reports in conservatively determining whether a housing quality standards violation existed prior to the last passed inspection conducted by the Authority or if it was noted on the last passed inspection conducted by the Authority and was not corrected.
- Comment 2** We did not agree to the Authority's requests to limit our scope and methodology as the Authority has stated in its response to our audit report. As we explained to the Authority and its outside attorneys, doing so would have unnecessarily restricted our review to a much smaller number of passed inspections (about 900 passed inspections or only 13 percent of assisted units). In order to more fully and objectively evaluate the Authority's inspection program we selected a random sample from a six-month period or approximately 30 percent (2,150 passed inspections of about 7,000 assisted units) of units participating in the leased housing program. We were conservative in our approach and used our professional knowledge, tenant interviews, and the Authority's latest inspection reports in determining whether a housing quality standards violation existed prior to the last passed inspection conducted by the Authority or if it was on the last passed inspection conducted by the Authority and was not corrected. For example, violations such as corroded metal pipes, crumbling concrete steps, extensive wood rot, extensive peeling paint and advanced mildew take months to develop and were often determined to have existed at the time of the last inspection. The photographs shown on pages 7 through 12 of this audit report illustrate examples of some of these deficiencies. As stated in the scope and methodology section of this audit report, we performed our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit objective.
- Comment 3** We selected our sample from those units that passed inspections to be able to project, from those units that were found to be acceptable to the Authority's inspectors, how many units it incorrectly passed. We did this because when the Authority passes poor units the tenants are negatively impacted. There is no negative impact on the tenants if the Authority properly fails units that should in fact fail. We commend the Authority for failing the units it did, but if all units are

not adequately inspected, the overall program is not adequate and we are required to report this deficiency.

Comment 4 We applaud the Authority for hiring a consultant to reexamine these violations and ultimately for taking corrective action as reported in the executive director's cover letter. We are perplexed by many of the cited conclusions of its consultant however, because the consultant's own inspection results provided further compelling evidence to corroborate much of our audit conclusions. After we conducted our inspections, the Authority had its consultant review all of our results and inspect 64 of the same 66 units we had previously inspected. The consultant's inspection results showed that 59 units, or 92 percent, failed showing little discrepancy between the contractor's and our strict interpretation of the housing quality standards. We may not have agreed in all interpretations but we had roughly the same results.

Comment 5 Our report results reflect consistent application of the criteria. Where differences may occur on the individual inspection sheets, our final results are consistent. In some instances circumstances dictated increasing a routine failure to a 24-hour violation.

Comment 6 We did not assert that all of the violations identified were required to be corrected in 24 hours. However, the severity and frequency of 607 violations at 53 units in our judgment could adversely affect the safety of the tenants. It is also important to note that 40 of these 53 units did in fact have at least one violation that posed an *immediate* threat to the health and safety of the tenants. We immediately notified the Authority about each of these 24-hour health and safety issues so that it could ensure that they were corrected.

Comment 7 We were conservative in our approach and used our professional knowledge, tenant interviews, and the Authority's latest inspection reports in determining whether a housing quality standards violation existed prior to the last passed inspection conducted by the Authority or if it was on the last passed inspection conducted by the Authority and was not corrected. For example, violations such as corroded metal pipes, crumbling concrete steps, extensive wood rot, extensive peeling paint and advanced mildew take months to develop and were often determined to have existed at the time of the last inspection. We were very conservative in our approach and we believe that the evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit objective. To support our conclusions, we provided copies of all our inspection reports and the related photographs to the Authority during the audit.

Comment 8 The Authority's quality control procedures state that within weeks of quality control inspection the housing inspector supervisor is to meet with each inspector to discuss any discrepancies between the original inspection and the quality control inspection. Documented notes of this meeting are to be added to the inspector's quality control file. The Authority could not provide any evidence

that it followed these procedures. The Authority provided five quality control inspection reports on November 14, 2008, after we issued the draft audit report. However, this did not provide reasonable assurance that the inspectors were receiving appropriate feedback and training according to the Authority's developed procedures.

- Comment 9** We chose not to request repayment of housing assistance payments and administrative fees on every unit where the Authority missed a housing quality standards violation. Instead, we took a more conservative approach and used our judgment to require repayment on those units with preexisting deficiencies significant enough that we determined they could cause harm to the tenants. As explained above, our sample was in accordance with generally accepted government auditing standards.
- Comment 10** We are encouraged by the Authority's statement that it is always interested in improving its procedures. We attempted to obtain further details on any recent improvements it had made and were able to report that the Authority hired a consultant in March 2008 to perform a minimum of 2,000 inspections and quality control inspections and to develop and implement a quality control program that considers and incorporates our recommendations and exceeds the minimum standards required by HUD for all inspections conducted on a monthly basis. Additionally, we learned that after the audit, citing safety concerns, the Authority removed 374 properties from its approved Section 8 housing list. We also learned it planned to take other steps to improve its program such as mandatory meetings to educate landlords about safety requirements, new education and training for its staff and inspectors, and the creation of a reporting hotline for residents with problems with their homes. We applaud the Authority for these efforts.
- Comment 11** Although we are encouraged by the fact that the Authority asserts that it has taken corrective action on this recommendation we disagree that the Authority was already in compliance with HUD requirements.
- Comment 12** We disagree with the consultant's assertion that a malfunctioning stove burner is a routine failure. HUD's Housing Choice Voucher Guidebook 7420.10G, states that the oven must heat and all burners on the stove or range must work. If a tenant turns on a burner and it doesn't ignite properly escaping gas could cause an explosion and fire and possible injury or death to the tenants. We reported these items as exigent 24-hour violations to the Authority for immediate correction. We are concerned however, that the Authority is apparently accepting this improper guidance from its consultant on this serious violation.
- Comment 13** There is no evidence to suggest that we have been inconsistent or exceeded housing quality standards or that the process improvements recommended as a result of our audits will in any way reduce program participation as implied by the Authority. Rather these process improvements simply help ensure program participants live in decent, safe, and sanitary housing.

- Comment 14** We disagree with the consultant's assertion that an opened ground outlet is not a violation of HUD's housing quality standards. The regulations at 24 CFR 982.401(f)(2), when referring to outlets in both sections (ii) and (iii), specifically state that outlets must be in proper operating condition. Further, section 10.3 of HUD's Housing Choice Voucher Program Guidebook 7420.10G, discusses acceptability criteria for each of 13 housing quality standards performance requirements. The acceptability criteria for illumination and electricity performance requirements states in part that the public housing agency must be satisfied that the electrical system is free of hazardous conditions, including improper insulation or grounding of any component of the system. If outlets are not functioning as designed they are a potential hazard. For example, tenants would have a false sense of security when using electrical appliances by a sink if a ground circuit fault interrupter (GFCI) outlet was installed but not working. The GFCI is designed to protect people from severe or fatal electric shocks.
- Comment 15** In the units we cited, health and safety hazards existed because there were four steps; the elevation was more than 30 inches, and the handrails were either missing, very loose, or were not the correct heights presenting a safety risk, especially to small children living in the units.
- Comment 16** We disagree with the consultant's assertion. When we determined that a specific refrigerator door seal was *substantially* cracked and deteriorated, we reasonably concluded the refrigerator was unable to maintain the proper interior temperature. HUD's Housing Choice Voucher Guidebook 7420.10G, section 10.3, states that the refrigerator must be of adequate size for the family and capable of maintaining a temperature low enough to keep food from spoiling. The guidebook includes an example for clarification which states the refrigerator must be able to maintain temperature above 32° F, but generally below 40° F to keep food from spoiling. The guidebook further states that proper temperatures are difficult to maintain if door seals are removed or broken.
- Comment 17** The regulations at 24 CFR 982.401(f)(2) state that ceilings, walls, and floors must not have any serious defects such as severe bulging or leaning, large holes, loose surface materials, severe buckling, missing parts, or other serious damage. We reported these violations only in a limited number of instances and when they were serious enough to warrant it. For example, the cabinets without knobs or pulls that we found were not designed to operate without knobs or pulls and were missing key parts needed to function properly. Additionally, we found damage where towel bars, closet doors, and toilet paper holders were previously installed and a defective toilet seat that created potential safety hazards. The painted outlets were not working properly.
- Comment 18** We disagree with the consultant's assertion. According to HUD's Housing Choice Voucher Guidebook 7420.10G, windows and doors must adequately protect the unit's interior from weather. We determined that the windows and doors we reported as violations did not adequately protect the tenant from the weather.

Comment 19 We disagree with the consultant's assertion. According to HUD's Housing Choice Voucher Guidebook 7420.10G, the condition and equipment of interior and exterior stairs, halls, porches, and walkways must not present the danger of tripping and falling. Together with our certified HUD inspector, we determined that the cracked and uneven basement slab we observed was a tripping hazard for the tenant.