



**The Memphis Housing Authority
Memphis, TN**

**Housing Choice Voucher Program
Housing Quality Standards**



Issue Date: September 30, 2014

Audit Report Number: 2014-AT-1014

TO: Marcia E. Lewis, Director of Public Housing, Memphis, TN, 4KPH

//signed//

FROM: Nikita N. Irons, Regional Inspector General for Audit, Atlanta Region, 4AGA

SUBJECT: The Memphis Housing Authority, Memphis, TN, Did Not Always Ensure That Its Housing Choice Voucher Program Units Met HUD's Housing Quality Standards

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the Memphis Housing Authority's Housing Choice Voucher program.

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

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call 404-331-3369.



September 30, 2014

The Memphis Housing Authority, Memphis, TN, Did Not Always Ensure That Its Housing Choice Voucher Program Units Met HUD's Housing Quality Standards

Highlights

Audit Report 2014-AT-1014

What We Audited and Why

We audited the Memphis, TN, Housing Authority's Housing Choice Voucher program as part of the activities in our fiscal year 2014 audit plan. We selected the Authority because it had a large program, receiving about \$40 million in yearly funding, and was part of the OIG's annual audit plan. Our objective was to determine whether the Authority's inspection process adequately ensured that its units were in material compliance with housing quality standards.

What We Recommend

We recommend that HUD require the Authority to (1) reimburse its program \$68,158 (\$61,949 for housing assistance payments and \$6,209 for administrative fees) from non-Federal funds for the 58 units that materially failed to meet HUD's housing quality standards and (2) improve its quality control inspection program to help ensure that program units meet housing quality standards. These measures will better ensure that \$34 million in program funds will be expended for units that are decent, safe, and sanitary.

What We Found

The Authority's inspections were not adequate for enforcing HUD's housing quality standards. Of 90 program units statistically selected for inspection, 77 failed to comply with HUD's minimum housing quality standards, and 58 were in material noncompliance with the standards. For the 58 units in material noncompliance, the Authority's inspectors failed to observe or report 443 violations that existed when they conducted their last inspections. The excessive violations occurred because the Authority's quality control inspection program did not effectively detect that its inspectors lacked sufficient knowledge of HUD's housing quality standards and missed opportunities to improve inspector performance. As a result, some tenants lived in inadequately maintained units, and the Authority disbursed \$61,949 in housing assistance payments and received \$6,209 in administrative fees for the 58 units in material noncompliance with the standards. Unless the Authority improves its inspection program and ensures that all of its units materially meet minimum housing quality standards, we estimate that over the next year, HUD will pay about \$34 million in housing assistance for units in material noncompliance with the standards.

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BACKGROUND AND OBJECTIVES

The United States Housing Act of 1937 established the Federal framework for Government-owned housing and was amended by the Quality Housing and Work Responsibility Act of 1998. The Memphis, TN, Housing Authority was established in 1935 by the Tennessee General Assembly under Chapter 595 of the Private Acts of 1935. The Authority's mission is to drive community revitalization through a seamless system of supportive services, affordable housing, and new business development. The U.S. Department of Housing and Urban Development (HUD) provides funding for rental subsidies for those tenants eligible for the Section 8 Housing Choice Voucher program.

The Authority is governed by a seven-member board of commissioners. Board members are appointed by the mayor and confirmed by city council. The executive director is appointed by the board and has the responsibility of carrying out board's policies and the Authority's day-to-day operations.

In October 2000, the Authority contracted with Quadel Consulting Corporation to administer all aspects of its Section 8 Housing Choice Voucher program. The current contract runs through June 30, 2015. Although the Authority contracted out the administration of its program, it remained responsible for the implementation and overall performance of the program.

The Authority administers about 6,800 housing choice vouchers. It received more than \$203.6 million in program funding for fiscal years 2009 through 2013.

Fiscal year	Program funding
2009	\$29,517,611
2010	\$41,253,704
2011	\$46,659,044
2012	\$43,759,947
2013	\$42,462,932
Total	\$203,653,238

Our audit objective was to determine whether the Authority's inspection process adequately ensured that its units were in material compliance with housing quality standards.

RESULTS OF AUDIT

Finding: The Authority Did Not Always Ensure That Its Housing Choice Voucher Program Units Met HUD's Housing Quality Standards

The Authority's inspections were not adequate for enforcing HUD's housing quality standards. Of 90 program units statistically selected for inspection, 77 failed to comply with HUD's minimum housing quality standards, and 58 were in material noncompliance with the standards. For the 58 units in material noncompliance, the Authority's inspectors failed to observe or report 443 violations that existed when they conducted their last inspections. The excessive violations occurred because the Authority's quality control inspection program did not effectively detect that its inspectors lacked sufficient knowledge of HUD's housing quality standards and missed opportunities to improve inspector performance. As a result, some tenants lived in inadequately maintained units, and the Authority disbursed \$61,949 in housing assistance payments and received \$6,209 in administrative fees for the 58 units in material noncompliance with the standards. Unless the Authority improves its inspection program and ensures that all of its units materially meet minimum housing quality standards, we estimate that over the next year, HUD will pay about \$34 million in housing assistance for units in material noncompliance with the standards.

Housing Units Did Not Meet HUD's Housing Quality Standards

We statistically selected 90 units from a universe of 1,928 program units that had passed an Authority housing quality inspection between January 1 and March 31, 2014. The 90 units were selected to determine whether the Authority ensured that its program units met minimum housing quality standards. We inspected the units from April 29 to May 21, 2014. The Authority's supervisory inspector accompanied us during our inspections and was made aware of the results of each inspection.

Of the 90 program units inspected, 77 (about 85 percent) failed to meet minimum housing quality standards (550 individual fail items). Additionally, 58 of the 90 units (about 64 percent) were in material noncompliance with housing quality standards. We considered these units to be in material noncompliance because they had at least five health and safety violations or at least one 24-hour violation that predated the Authority's last inspection and resulted in unsafe living conditions. The 58 units had a total of 494 individual fail items, and 443 of those predated the Authority's last inspection.

HUD regulations at 24 CFR (Code of Federal Regulations) 982.401(a)(3) require that all program housing meet housing quality standards performance

requirements both at commencement of assistance and throughout the assisted tenancy. In accordance with regulations at 24 CFR 982.152(d), HUD is permitted to reduce or offset program administrative fees paid to a public housing authority if it fails to correctly or adequately perform administrative responsibilities such as enforcing housing quality standards. The Authority disbursed \$61,949 in housing assistance payments and received \$6,209 in program administrative fees for the 58 units that materially failed to meet HUD’s housing quality standards. Based on the results of the statistical sample of 90 units, we estimate that over the next year, HUD will pay about \$34 million in housing assistance for units in material noncompliance with the standards unless the Authority takes action to improve its inspection process.¹

The following table categorizes the 494 housing quality standards violations in the 58 units that materially failed our housing quality standards inspections.

Type of deficiency	Number of violations	Number of units	Percentage of units ²
Exterior, foundation, and site conditions	103	42	47%
Doors and door locks	71	39	43%
Windows and window locks	65	29	32%
Baths, sinks, showers, toilets, and vents	55	34	38%
Electrical	44	25	28%
Kitchen sinks, cabinets, stoves, countertops, and refrigerators	33	24	27%
Water heaters	30	24	27%
Other	24	18	20%
Interior debris and unsafe storage	19	18	20%
Stairs, rails, and porches	17	15	17%
Ceilings and walls	13	11	12%
Floors	11	10	11%
Smoke detectors	9	8	9%
Total	494		

In addition, 64 of the 90 units (71 percent) had life-threatening health and safety violations, which HUD requires to be corrected within 24 hours. Examples of such health and safety violations included unsecured electrical panel covers,

¹ The sampling methodology and calculations are shown in the Scope and Methodology section of this report.

² Percentage of units with cited housing quality standards fail items for the 90 statistically sample units inspected.

improperly wired ground fault circuit interrupters, exposed electrical wiring, and completely blocked emergency egress.

Throughout the inspection process, we kept the Authority staff aware of the life-threatening health and safety violations. Regulations at 24 CFR 982.404 require that owners correct life-threatening defects within no more than 24 hours.

The 58 units that materially failed our housing quality standards inspections had 202 24-hour violations that are categorized in the table below.

Type of deficiency	Number of 24-hour violations	Number of units	Percentage of units
Security – windows and doors	50	32	55%
Fire exits – blocked egress	45	24	41%
Electrical	42	26	45%
Other interior hazards – fire hazard	33	23	40%
Other hazards	23	19	33%
Smoke detectors	9	8	14%
Total	202		

Types of Deficiencies

The following photographs illustrate some of the violations noted during housing quality standards inspections of the 58 units that materially failed to meet HUD’s housing quality standards.

Exterior, Foundations, and Site Conditions

103 violations were found in the 58 units that materially failed HQS. The following items are examples of this type of violation: deteriorated or rotted fascia and siding, missing handrails on exterior steps, and long-term deferred yard maintenance. The following pictures illustrate some examples.



The picture above shows rotted fascia and soffit.



The picture above shows rotted and deteriorated fascia.



The picture above shows an unsecured and damaged crawl space door.



The picture above shows a missing exterior handrail on exterior steps.

Doors and Door Locks

71 violations were found in the 58 units that materially failed HQS. The following items are examples of door and door lock violations: keyed dead-bolt locks on exterior doors, inadequately installed exterior doors, using interior type doors for exterior door use, and damaged door frames. The following pictures show some examples.



The picture above shows an exterior storm door frame pulling away from the exterior of the unit.



The picture above shows an entry door frame severely damaged, not allowing for adequate unit security.



The picture above shows a keyed dead-bolt lock on an exterior door. If the tenant cannot find the key, egress is blocked in case of emergency, such as fire.

Windows and Window Locks

65 violations were found in the 58 units that materially failed HQS. The following items are examples of window and window lock violations: missing or broken window locks, keyed window bars, broken windows, and deteriorated or rotted window frames. The following pictures show examples of window- and window lock-related violations.



The picture above shows a bedroom window screwed shut, blocking egress from room in the event of emergency, such as fire.



The picture above shows iron bars on the bedroom window, which is locked with a keyed padlock, potentially blocking egress in case of emergency, including fire.



The picture above shows a broken first floor window lock (missing piece of lock on window frame).

Bathrooms

55 violations were found in the 58 units that materially failed HQS. The following items are examples of bathroom violations listed in the table: cracked or peeling finish on tubs and sink, leaking faucets, inadequately installed faucets, and excess mold or mildew buildup. The following pictures show examples of bathroom-related violations.



The picture above shows a severely deteriorated bathroom window frame, including peeling paint and mold and mildew buildup.



The picture above shows a damaged and rusted tub drain with peeling and chipped tub finish

Electrical

44 violations were found in the 58 units that materially failed HQS. The following items are examples of electrical violations listed in the table: inadequately installed electrical outlets, exposed wiring, inoperable ground fault outlets, and missing cover plates. The following pictures show examples of electrical-related violations.



The picture above shows an incorrectly installed high-voltage outlet, which is hanging from its electrical wiring.



The picture above shows exposed wiring on an inappropriately installed electrical outlet.



The picture above shows an incorrectly wired ground fault circuit interrupter.

The Authority Needs To Improve Its Inspection Process

The Authority's Quality Control Inspection Program was Ineffective

Although the Authority was performing its supervisory quality control inspections as required by the regulations and HUD's housing choice voucher program guidebook, the results of our audit indicate that the Authority's quality control inspection program was ineffective in improving inspector performance.³

³ HUD regulations at 24 CFR 982.405(b) require public housing agencies to perform supervisory quality control inspections, and chapter 10 of HUD's housing choice voucher program guidebook details the methodology for selecting program units for supervisory quality control inspection.

Some units that failed our inspections due to material violations had been passed by Authority inspectors. Many of the violations that caused these units to fail existed at the time of the Authority's inspection. Examples include exposed wiring, unsecured entry doors, missing window locks, missing or improperly installed water heater discharge lines, and unacceptable locking mechanisms on doors and windows. Of the 550 total fail items for the 90 units inspected, 486 (88 percent) existed at the time of the Authority's last inspection. Several of these preexisting fail items are shown in the photographs above.

The Authority should use the quality control inspections to provide feedback on each inspector's work to determine whether it needs to address individual performance or general housing quality standards training needs. Strengthening its quality control program to ensure that its inspection staff is aware of all HUD requirements with respect to the conditions that represent housing quality standards violations should effectively improve inspector performance and better ensure that its units meet housing quality standards.

The Authority Had Taken Action

Because of our audit, the Authority reported that it had taken or planned to take several actions to improve its housing quality standards inspection program to better ensure that its units are in material compliance with housing quality standards. The Authority reported that it

- Sent a notice to all tenants and owners explaining what the Authority considers life-threatening violations,
- Passed a board resolution officially expanding the list of life-threatening violations that fail units during housing quality standards inspections,
- Changed the makeup of its inspection staff from three full-time and two part-time inspectors to five full-time and one part-time inspectors,
- Sent its inspection staff members to both a housing quality standards inspection refresher course and an advanced course to ensure that they were up to date on all HUD requirements,
- Began discussions with the City of Memphis' code enforcement department to conduct "windshield" surveys of housing choice voucher-assisted properties,
- Planned to instruct the Authority's compliance department to begin performing random quality housing quality control inspections to further ensure compliance, and
- Conducted housing quality standards workshops for both program participants and owners.

Conclusion

The Authority's failure to ensure that its program units met housing quality standards subjected some program participants to conditions that presented undesirable or unsafe living conditions. HUD prohibits housing assistance payments for units that are not decent, safe, and sanitary. Unless the Authority continues to improve its inspection program and ensures that all of its units materially meet minimum housing quality standards, we estimate that over the next year, HUD will pay about \$34 million in housing assistance for units in material noncompliance with the standards.

Recommendations

We recommend that the Director, Office of Public Housing, Memphis, TN, require the Authority to

- 1A. Reimburse the program \$68,158 from non-Federal funds (\$61,949 for housing assistance payments and \$6,209 for administrative fees) for the 58 units that materially failed to meet HUD's housing quality standards.
- 1B. Certify that all health and safety violations cited for the 77 units failing housing quality standards inspections were corrected within 24 hours, and that all other violations were corrected within 30 days.
- 1C. Improve its quality control inspection program to allow for the performance of complete and adequate inspections to ensure that program units meet housing quality standards, thereby ensuring that \$34,024,752 in program funds is expended for units that are decent, safe, and sanitary.
- 1D. Implement policies and procedures to provide new inspection staff training on HUD's HQS requirements, and periodically provide ongoing training to all inspectors to ensure that they are up to date on all HUD requirements. In addition, the Authority should use the results of the audit to supplement the inspectors' training to help ensure that its units meet HUD's housing quality standards.

SCOPE AND METHODOLOGY

Our audit objective was to determine whether the Authority's Housing Choice Voucher program's inspection process adequately ensured that its units were in material compliance with housing quality standards. We performed our fieldwork from January to May 2014 at the Authority's office at 700 Adams Avenue, Memphis, TN.

To accomplish our objective, we

- Reviewed Authority housing quality standards inspection reports, housing assistance payment registers, and tenant files and data and HUD documents related to the Authority's program, including program criteria (Federal regulations, HUD handbooks, and guidebooks and notices);
- Interviewed HUD and Authority staff; and
- Reviewed Authority board minutes, financial records relevant to the program, Section 8 Management Assessment Program reports, and independent public accountant reports for fiscal years 2011 and 2012.

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

We inspected a statistical sample of 90 program units. The units were selected from a universe of 1,928 units that passed the Authority's inspections from January 1 through March 31, 2014. We selected recently completed inspections to determine whether the Authority's inspection staff adequately inspected and correctly passed program units.

Based on the statistical sample of 90, we found that an average of 64.24 percent of our weighted sample of Section 8 units had material failures. Deducting for a statistical margin of error, we can say, with a one-sided confidence interval of 95 percent, that 56.03 percent of the units had material failures. Extrapolating this amount to the monthly count of 6,800 occupied program rental units yields at least 3,809 units that would have material failures, despite being passed by Authority inspectors.

Based on the statistical sample of 90 units, we found that a weighted average of \$474.32 per unit went to substandard housing. Deducting for a statistical margin of error, we can say, with a one-sided confidence interval of 95 percent, that the average amount per unit was \$416.97. Extrapolating this amount to 6,800 units over 12 months yields at least \$34 million in housing assistance paid on substandard housing (funds to be put to better use) that passed a housing quality standards inspection.

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

INTERNAL CONTROLS

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

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

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

Relevant Internal Controls

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

- Effectiveness and efficiency of operations – Policies and procedures that have been implemented to reasonably ensure that procurement, expenditure, and financial reporting activities are conducted in accordance with applicable laws and regulations.
- Compliance with applicable laws and regulations – Policies and procedures that have been implemented to reasonably ensure that payments to vendors and procurement activities comply with applicable laws and regulations.
- Safeguarding of 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

Significant Deficiency

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

- The Authority's quality control inspection program was ineffective in improving the inspectors' performance. (finding).

APPENDIXES

Appendix A

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

<u>Recommendation number</u>	<u>Ineligible 1/</u>	<u>Funds to be put to better use 2/</u>
1A		
1B	\$68,158	\$34,024,752

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.
- 2/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, if the Authority implements our recommendations, it will stop incurring program costs for units that are not decent, safe, and sanitary and, instead, will expend those funds for units that meet HUD's standards, thereby putting more than \$34 million in program funds to better use. Once the Authority successfully improves its inspection program 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


THE CITY OF MEMPHIS
DIVISION OF HOUSING & COMMUNITY DEVELOPMENT & MEMPHIS HOUSING AUTHORITY



A C WHARTON, JR., MAYOR
CITY OF MEMPHIS

GEORGE LITTLE
C/O

ROBERT LIPSCOMB
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September 15, 2014

Via Email & U.S. Mail

Ms. Nikita Irons
Regional Inspector General for Audit
Office of Audit (Region 4)
75 Spring Street S.W.
Room 330
Atlanta, GA 30303

RE: Memphis Housing Authority's Response to the OIG's
Discussion Draft Audit Report

Dear Ms. Irons:

Memphis Housing Authority respectfully provides the following in response to the OIG's Discussion Draft Audit Report.

INTRODUCTION

This letter constitutes the response of the Memphis Housing Authority (MHA) to the U.S. Department of Housing and Urban Development's (HUD) Office of Inspector General's (OIG) discussion draft audit report (Draft Audit) regarding MHA's Housing Quality Standard (HQS) inspections for the Housing Choice Voucher (HCV) program. In addition to its review of the inspection protocol, OIG also conducted a separate survey review of MHA's HCV operations.

~City of Memphis - City of Choice~

Comment 1

MHA was pleased with the OIG's determination that the administration of the HCV program did not warrant further OIG auditing. MHA's commitment to sound administration of the HCV program was profoundly exemplified in that outcome.

MHA received the Draft Audit on August 26, 2014, three months after the May 21, 2014 close out discussion with the OIG. While we appreciated the opportunity to discuss the Draft Audit with you at the exit conference on September 4, 2014, and the opportunity to prepare a response, and in accordance with the OIG's guidelines, we are concerned that the OIG has given MHA only seven (7) business days to comment on and respond to a report, which is not sufficient to provide the most accurate, thorough and comprehensive response to the details of the report.

Nonetheless, we are very committed to ensuring quality administration in the HQS portion of our program, which was and remains well-run. Following the completion of OIG's work, and prior to receiving the Draft Audit, MHA also took immediate and decisive actions to further strengthen our HQS inspections processes.

HCV participants' health and safety are of paramount importance to MHA. MHA completes HQS inspections initially and at least annually as required by HUD on all privately-owned and owner-maintained rental housing where low-income HCV participant families chose to rent and live. In addition, MHA's quality control inspection program consistently and markedly exceeds HUD's requirements. Through fiscal year 2014, despite severe underfunding of the HCV program, MHA conducted quality control inspections on about 8 percent of HCV units whereas HUD's Section Eight Management Assessment

Program measurement would have only required about 1 percent. We take seriously the tenants' and owners' responsibilities to repair, maintain and not damage their units, which they agree to do per the Housing Assistance Payments contract signed by owners and the Voucher (Obligations of the Family) signed by tenants.

Overall, we do not believe that the Draft Audit accurately reflects the quality of our inspection program, the overall quality of the units in the HCV program in Memphis, or our commitment to being a good steward of the funding entrusted to us. This disparity is due to OIG's use of somewhat different standards in conducting its inspection of HCV units. We can confirm that for each of the units cited during the Draft Audit, the reported HQS deficiencies have been corrected, or the HAP payments have been abated, or appropriate action has been taken with the HCV tenant.

Please see the following pages for a more specific response on each of the findings in the Draft Audit. Consistent with OIG requirements, we expect and hope that this introductory page, the complete response to findings, and all exhibits and attachments to the response will be published with the final audit report.

RESPONSE TO FINDING

MHA respectfully disagrees with the finding in the Draft Audit. The Draft Audit does not accurately reflect the condition of MHA's HCV housing portfolio or the quality of MHA's inspection program. Below, we have provided information regarding the efficiency and adequacy of our on-going

Comment 2

inspections program, HQS quality control program, and MHA's overall performance, since the Draft Audit makes no mention of this information. Further, we detail our concerns with the OIG's inspector's results including the application of criteria inconsistent with HUD's HQS requirements, the supposition that many conditions existed at prior MHA inspection, and the arbitrary materiality standard applied.

Despite substantial reductions in federal funding for our HCV program, MHA has developed and maintained strong HQS processes that hold tenants and owners accountable for maintaining the quality, health and safety of their units. Moreover, in an effort to address chronic homelessness in the city, MHA continues its commitment to serve more families, particularly low-income and Special Needs individuals and families despite substantial funding reductions. This conscious effort was made to serve very low income families and people with Special Needs and it was done, in spite of the limited resources on hand at the Agency. At no time was the goal of providing quality housing to the citizens of Memphis not stressed by the leadership of MHA. In CY2013, HUD only provided the HCV program 69.5 percent of the administrative funding that HUD published and believed to be necessary to fairly compensate HCV program administrators to operate the program. Even so, MHA significantly expanded its quality control efforts to include inspector field observations (not required by HUD) and increased numbers of randomly selected supervisory quality control inspections that covered a cross section of neighborhoods, inspectors and unit types.



Year after year, MHA consistently inspects units prior to commencement of assistance and annually as reported in HUD’s PIH Information Center (PIC).

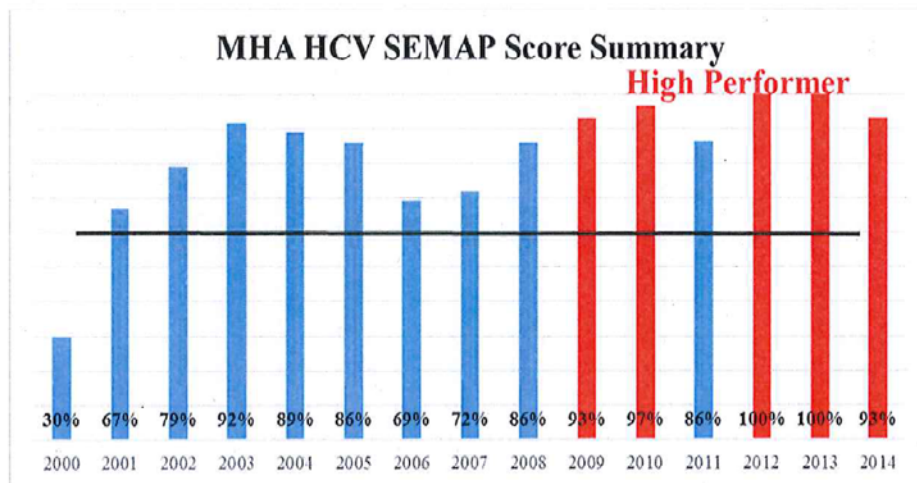
% of Units / Fiscal Year	2011	2012	2013	2014
Passed Inspection Prior to Assistance	99.9%	99.7%	100%	100%
Inspected Annually	99.7%	99.9%	100%	100%

Finally, MHA enforces tenant and owner responsibility for maintaining their units to HQS by either withholding housing assistance payments or moving to terminate assistance. In fiscal year 2014, over 1,100 abatements were placed on HAP payments to owners for failure to make timely repairs and 91 informal hearings were held for tenants who failed to comply with program inspection requirements.

MHA is proud of its Section Eight Management Assessment Program (SEMAP) performance, where we have been a high performing agency three consecutive years and five of the last

Comment 3

six years. This progression is significant, as MHA was classified as “Severely Troubled” in 1999, as well as threatened with a HUD takeover of the Program. HUD also mandated that the HCV Program be outsourced. Subsequently, MHA outsourced the Program and selected Quadel as the contractor. Each year after a low score of 30% in 2000 the actions taken by MHA and Quadel have resulted in improved scores and MHA being designated a “High Performer” in 2009, 2010, 2012, 2013 and 2014. SEMAP measures MHA in fourteen different performance areas.



HQS Quality Control	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Max Points	0	5	0	5	5	5	5	5	5	5	5	5	5	5	5

We appreciate the local HUD field office's continued support in every facet of MHA's operations. Together with the HUD field office, we strive to diligently monitor the agency's performance and have fostered a constructive and strong working relationship. In fact, just a few short years ago, MHA was called upon by HUD to expand our exemplary services, as a "High Performer" throughout Shelby County by absorbing Shelby County Housing Authority's (SCHA) HCV program into our own while ensuring uninterrupted service to former SCHA HCV participant families (SCHA's HCV program was designated "troubled" by the US Department of HUD). MHA accepted this call to act recognizing the serious need for decent, safe and sanitary housing throughout the county.

Comment 4

Since Conclusion Of The OIG Audit, MHA Has Further Strengthened Its HQS Processes.

All of the actions previously described demonstrate MHA's ongoing efforts to ensure HCV-assisted units meet HQS.¹ Despite our disagreement with many of the OIG inspector's findings, MHA responded immediately to verbal comments from the OIG's inspector since the OIG refused to provide a written inspection report; acted to strengthen its HQS inspections processes, and take steps to provide more clarity for tenants and owners to ensure their units are safe, decent and sanitary. We very much appreciated OIG's recognition in the Draft Audit of some of these actions. To date, MHA has:

- For conditions considered to be life-threatening:

¹ "HQS" is explained as the "minimum standards geared toward health and safety." HUD Housing Quality Standards Inspection and HQS Training PowerPoint presentation

- In the Administrative Plan, broadened the conditions that will be considered to be life-threatening pursuant to feedback from OIG. As discussed below, HUD delegates this determination to housing authorities.
- Notified tenants and owners of what constitutes life-threatening conditions under the revised Administrative Plan
- Increased communication with tenants and owners regarding HQS requirements, including providing workshops, letters and program updates to both landlord and tenants.
- Made internal enhancements including:
 - MHA's HCV contractor hired The Inspections Group (TIG), an independent firm with expertise in HQS inspections, to
 - Provide additional HQS training and technical assistance
 - Analyze the OIG's inspection results
 - Hired an additional inspector
 - Executed a memorandum of understanding with the City of Memphis to conduct windshield surveys of HCV-assisted properties.
 - In the process of developing a system to assess risk factors for each property that will dictate inspection protocol and follow-up.

- Engaged other government entities (Shelby County – Northaven and Bartlett) to conduct windshield surveys of HCV-assisted properties
- Increased compliance efforts to include additional random quality control inspections by an independent firm on at least 10% of HCV assisted units.
- Sent a letter to the HCV Landlords or Agents that stressed the commitment of MHA to provide quality housing to program participants by providing quarterly information sessions for property owners or agents, as well as incentives for them to maintain quality affordable units.

As evidence of the results of MHA's actions, we offer the following data:

- The number of abatements placed on HAP payments to owners for failure to make timely repairs and maintain their units in accordance with HQS is three times higher in the past six months than it was in the prior six months largely due to the expanded list of life-threatening conditions in MHA's administrative plan.
- Since the OIG's departure, the HCV department continued aggressive quality control conducting over 200 QC inspections and reinspections, to instruct and reinforce comprehension and application of MHA's expanded life-threatening conditions. The number of QC inspections

conducted following the OIG Audit exceeds the HUD minimum requirement for SEMAP. SEMAP requires approximately 56 QC inspections for a program the size of MHA (7000 units).

With these assertive actions, we are acting on our pledge to Memphis and its citizens, and we look forward to continuing to work with appropriate officials to address concerns.

MHA disagrees with the OIG's assertion that MHA's inspectors "failed to observe or report 443 violations that existed when they conducted their last inspections." In particular, we disagree with the determination made with respect to which conditions existed at the time MHA last inspected the unit. HCV units are occupied and lived-in by families who make choices outside of MHA's control. Screwing a window shut, placing a padlock on window bars, removing a dryer causing the electrical connection to be pulled out from the wall, or failing to replace a smoke detector battery, are all examples of actions that could have easily occurred following MHA's inspection.

Comment 5

TIG, an industry HQS expert, was retained to independently analyze the OIG's reported results notes the following:

"The [OIG] Report also states that 443 items existed at the time of the last inspection. No evidence is provided in the report to support that assertion. In fact a review of the pictures provided in the report support a contrary possibility."

Comment 6

"The door jamb pictured in the report may easily be the result of domestic violence or a recent break-in. Tenants often try "make shift" repairs and do not

report this kind of damage for fear of repair costs or loss of deposit.”

Comment 7

“The 220 volt dryer or range receptacle could have been knocked off of the conduit recently. It may well have been in place at the time of the last inspection. We acknowledge the coupling was not up to code but must also point out that an HQS inspection is not a code inspection.”

Comment 8

“The missing cover on the receptacle in the furnace closet is also instructive. We can observe from the picture that there is some dirt and a small amount of debris surrounding the receptacle box yet the interior of the box appears to be clean and the receptacle itself appears to be new. No doubt the missing cover is an HQS defect but the evidence suggests that this may be the result of a recent repair.”

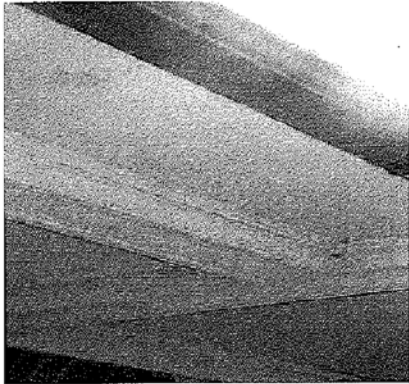
“These are just a few examples based on the evidence provided that cast doubt about the OIG assertions.”

In short, the independent experts confirm that OIG provided no support for its assertions that certain conditions were pre-existing at the time that MHA last inspected a unit. A full copy of the TIG Report is included at the end of this response.

Comment 9

MHA notes as yet another example, that the pictures of the soffits in the OIG report, though cosmetically unappealing, are not necessarily HQS deficiencies if the unit is dry (rain is not getting inside) and there is no evidence of infestation. Neither of those conditions was reported by the OIG for those units. The photo below from an actual MHA-assisted HCV unit is

representative of MHA's HCV portfolio. HUD's Housing Inspection Manual² 6.3 Condition of Roofs and Gutters states "Deterioration that does not affect the interior of the unit should pass..."



Actual HQS compliant soffit and gutter which is representative of typical MHA HCV-assisted units.

Comment 10

HUD HQS regulations at 24 CFR 982.404(a) (1) provide that owners have an obligation to "maintain the unit in accordance with HQS." 24 CFR 982.401(a) (3) indicates that "all program housing meet housing quality standards performance requirements both at commencement of assistance and throughout the assisted tenancy." Although the obligations to maintain housing at HQS is the owner's, HUD regulations at 24 CFR 982.405 require MHA to confirm such compliance at specific points in time, namely, prior to initial leasing, annually, at other special times as needed, and during quality control inspections. As of June 25, 2014, in acknowledgement that HCV program administration has been severely underfunded for several consecutive years, and at the direction of Congress, HUD published in the Federal Register³ that PHAs may now

² HUD Housing Inspection Manual, Section 8 Existing Housing Program

³ 79 Federal Register 39540.

conduct biennial HQS inspections. HUD does not require MHA to confirm the compliance of units participating in our IICV program at times other than as describe in this paragraph. As a former HUD Deputy Assistant Secretary for Public Housing and Voucher Program stated, “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.”⁴ All units participating in MHA’s HCV program meet HQS during initial, annual, special, and quality control inspections process, or MHA takes appropriate actions against owners or tenants whose units are not in compliance. The OIG inspector, by inspecting units up to 90 days after an MHA inspection, seeks to apply an even more rigorous standard, one that is well in excess of HUD’s requirements and which MHA cannot possibly meet absent daily inspections of all HCV units in its portfolio.

Comment 9

Comment 11

MHA is concerned about the inconsistencies between the OIG’s reported deficiencies with HUD’s housing quality standards. First, HUD does not define life threatening defects that need to be corrected within 24 hours in regulation, guidance or handbook, but rather defers to housing authorities to define these in their administrative plans so that such standards reflect local conditions. MHA’s Administrative Plan has been and currently is compliant with HUD’s requirement and does delineate conditions considered to be life threatening. Rather than using MHA’s then-existing definition of life-threatening deficiencies

⁴ HUD’s Deputy Assistant Secretary for Public Housing and Voucher Program response to an internal audit of HUD’s controls over the physical condition of the HCV housing stock. (2008-AT-0003, Page 18)

to be corrected in 24 hours, the OIG substituted its own standards. Although based on OIG feedback MHA subsequently expanded its description of life-threatening conditions, it was inconsistent with HUD requirements for the OIG inspector to allege that conditions were life-threatening that MHA's then-current policy did not define as such.



This photo is an example of an actual HCV unit door lock that meets MHA's broadened Administrative Plan criteria adopted subsequent to the OIG review.

The TIG Report provided the following regarding the OIG's reported 24-hour violations:

The report ... state[s] that there were 202 24-hour emergency items cited. The simple fact is that the relevant regulations and policies do not define items or defects as a 24 hour repair. On closer review many of these items [cited by the OIG] aren't even HQS items. Examples of this are blocked egress to double key dead bolts, furniture in front of functional windows, security bars.

The OIG also applied standards other than HQS as noted below:

1. "Other Interior Hazards" was cited frequently by the OIG and seemed to be used whenever something did not fit with

Comment 9

any of the HQS standards or guidance. As noted by TIG when they see inspectors overuse this, “It is an indication that the inspector either doesn’t understand the standards and related regulations or that the inspector insists on over interpreting or interjecting his own standards. We acknowledge that inspector judgment is required but if a hazard or defect exists under the definitions and guidance it can usually be assigned to an appropriate place in the checklist. Overuse of this area leads to inspector inconsistency and participant frustration.”

Following are two examples:

- Hot water heater violations included OIG comments that stated the violation was “standard in the plumbing housing industry”. MHA has not adopted standards beyond HQS and should not be held to other standards.
 - OIG comments about a main entry hollow door not being “an acceptable standard in the housing industry, designed for interior use only and not HUD approved. Acceptable exterior door must be solid, secure, fire rated and fire retardant.” HQS Section 1.4 does not mention the type of door that must be used, only that the door have a working lock and is secure in the frame. Local fire codes also do not mention that an exterior door to residential units be fire retardant or fire rated.
2. Neither HUD guidance nor regulation prescribe what kind of locks are allowable on exterior door. Nevertheless,

certain types of locks were cited as violations. Under “tenant preference”, the guidebook states “The family is also responsible for deciding the acceptability of the type of door and window locks.”⁵ If OIG had used the correct standard in this area, then the number of OIG’s findings regarding egress from units would be reduced.

3. Though cited as a violation, “deferred yard maintenance” is not a performance requirement in HQS.

Comment 12

During the exit conference, the OIG verbally stated that they chose five fail items as their standard to apply a material failure. We were unable, in any HUD guidance, to find support for a “materiality” standard in general or for the specific threshold that OIG invented to determine materiality. HUD simply has no such standard of materiality in the HCV program, thus it was inconsistent with HUD requirements for OIG to apply one to MHA. The arbitrariness materiality assertion creates and can lead to doubt about what standards the housing authority was held to throughout the review.

The TIG report states: “We acknowledge that some items cited were in fact HQS defects but the evidence proves that a large majority of them are not HQS at all. The evidence provided in this report and attached supporting documents indicates that the OIG Draft Report is deeply flawed.” MHA is very concerned that if inspections are conducted to a higher standard than HQS, the results do not present a true reflection of the overall condition of the units on the program or the fact that MHA has and continues with comply with HQS standards and applicable HUD requirements.

⁵ Housing Choice Voucher Program Guidebook, Chapter 10

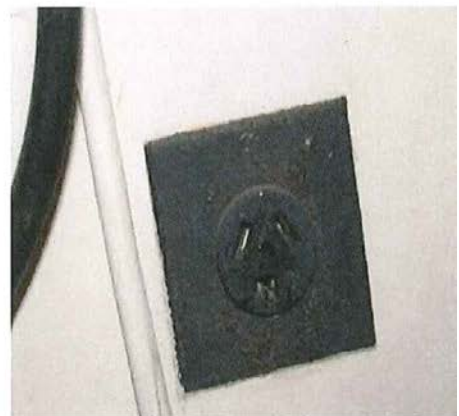
Comment 13

Finally, with regard to the dollars the OIG said could be put to better use and the amounts due to HUD, MHA believes these amounts were significantly overstated. Given that the deficiencies alleged by the OIG were inflated, we conclude that the calculations are also inflated and should be reduced to reflect only HQS deficiencies. Additionally, though we communicated to the OIG that HUD severely prorated administrative fees during the period of time in which the OIG inspections were conducted, the OIG used HUD's published administrative fee rates in their calculation without applying a corresponding proration. It is simply illogical for OIG to further penalize MHA by seeking recoupments of funds MHA never received.

Comment 14



Typical HCV unit electric panel



Typical HCV unit dryer plug



Typical stairs with railing.

Typical soffit and maintained
vegetation.

The above photos from actual MHA IICV-assisted units are representative of MHA's portfolio of HQS compliant units.

A full copy of the TIG report cited in this response, including TIG's qualifications, is included starting on the next page, with MHA's specific response to each OIG recommendation following the TIG report.



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RE: OIG Report – Memphis Housing Authority Draft Audit Report _ Memphis
(SECURED)

To MHA HCV Department:

The Inspections Group was retained to provide technical assistance and independent, objective analysis of a recent Housing Quality Standards audit of the Memphis Housing Authority's Housing Choice Voucher program conducted by the Office of Inspector General (OIG). Upon review of field notes from the HCV department's inspections supervisor who accompanied the OIG inspector, and a limited review of the OIG's inspections summaries, we offer the following:

Summary:

We must assert that excessive violations were cited by the OIG inspector because he did not follow standards as set for in CFR 24 982.401, Housing Quality Standards listed in Chapter 10 of HUD Guide Book 7420, HUD Inspection Form 52580a, HUD Manual for Inspection Existing Section 8 Housing or the Memphis Housing Authority Section 8 Administrative Plan.

The OIG provided only summaries of their results rather than providing a list of all defects stating that items were discussed with MHA's HQS certified representative who accompanied the OIG Inspector. This presents us with two problems.

The first is that MHA's representative was specifically instructed not to be argumentative or to impede the inspection in any way. It was and remains MHA's desire to cooperate fully with the OIG. This prevented MHA from gathering sufficient information for rebuttal. It also prevents MHA from determining what the Inspector cited but did not identify to our representative.

The second is that though the OIG Inspector may have discussed various issues, MHA has no way of knowing what the OIG Inspector actually cited or why. While our

Comment 15

Comment 16



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representative was diligent in attempting to record cited defects, especially those identified as 24 hour emergency repair items, it is difficult to determine which units were deemed to have materially failed and why.

Comment 16

Analysis

Our analysis, based on the notes of MHA's representative, shows that there are 426 defects cited which are not HQS as defined by the guiding regulations and documents cited above. These included but are not limited to trees over hang but not touching a roof, tenant items stored in an attic, patio door locks which didn't function properly but lock bars were provided and working, hollow core entry doors and superficial porcelain wear on bathroom fixtures. (See comparison)

These items taken together often made up a sufficient number for a unit to be deemed materially non-compliant when in fact these are not HQS items at all.

Comment 11

The OIG draft report goes on to state that there were 202 24 hour emergency items cited. The simple fact is that the relevant regulations and policies do not define items or defects as a 24 hour repair. On closer review many of these items aren't even HQS items. Examples of this are blocked egress due to double key dead bolts, furniture in front of functional windows and security bars. These items should be corrected in the OIG report and a correction made to any calculations.

The Report also states that 443 items existed at the time of the last inspection. No evidence is provided in the report to support that assertion. In fact a review of the pictures provided in the report support a contrary possibility.

Comment 9

The door jamb pictured in the report may easily be the result of domestic violence or a recent break-in. Tenants often try "make shift" repairs and do not report this kind of damage for fear of repair costs or loss of deposit.

The 220 volt dryer or range receptacle could have been knocked off of the conduit recently. It may well have been in place at the time of the last inspection. We acknowledge the coupling was not up to code but we must also point out that an HQS inspection is not a code inspection.

2



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The missing cover on the receptacle in the furnace closet is also instructive. We can observe from the picture that there is some dirt and a small amount of debris surrounding the receptacle box yet the interior of the box appears to be clean and the receptacle itself appears to be new. No doubt the missing cover is an HQS defect but the evidence suggests that this may be the result of a recent repair.

These are just a few examples based on the evidence provided that provide doubt about the OIG assertions. Given that, as previously stated, we have identified 426 cited defects that are not HQS, it is difficult to imagine how there could possibly be 443 previously existing defects.

Conclusion

We acknowledge that some items cited were in fact HQS defects but the evidence proves that a large majority of them are not HQS at all. The evidence provided in this report and attached supporting documents indicates that the OIG Draft Report is deeply flawed.

We recommend that MHA request the OIG's results to be fully reviewed by an OIG Supervisor and defects cited be evaluated using standards set forth by the U.S. Congress, The Department of Housing and Urban Development, the Memphis Housing Authority Section 8 Administrative Plan and the guiding clarifications and documents. Those are the documents and policies by which all Housing Authorities and Inspectors operate.

Respectfully Submitted,
C. Buck
Senior Vice President, HQS and Special Projects
The Inspection Group, Inc.



Clarence Buck *Vice President*

Buck began his career in construction as an apprentice cabinet maker at the age of 14. Working from that base he continued training in the building trades becoming a Journeyman Carpenter, Plumber and Electrician. In 1998 he left the trades to become an Inspector. Since that time he has performed or supervised over 350,000 UPCS, HQS and BOCA Code Inspections. In addition to corporate responsibilities, Buck's chief area of interest has been the development of systems and methods to increase the efficiency and accuracy of the inspection process in Public and Assisted Housing.

Project Experience

Miami-Dade Housing Choice Voucher Program –
HQS Project Design and Team Leader

Chicago Housing Authority – *UPCS Inspections*

Housing Authority of Cook County – *HQS Special Project Team Leader and Inspections*

Indianapolis Housing Authority – *HQS Special Project Design and Team Leader*

Dayton Metropolitan Housing Authority – *HQS Special Project Design and Team Leader*

Newark Housing Authority - *UPCS Inspections*

Detroit Housing Commission - *UPCS Inspections, Energy Audits, REAC Consulting*

Saginaw Housing Commission - *UPCS Inspections,*

East St. Louis Housing Authority - *UPCS Inspections, REAC Consulting*

Wallick-Hendy Properties - *REAC Consulting and HQS Training*

Memphis Housing Authority – *HQS Training and Consulting*

San Antonio Housing Authority – *HQS Training and Consulting*

Premier Property Management - *UPCS Inspections, REAC Consulting*

Lorain Metropolitan Housing Authority – *UPCS Inspections*

... Hundreds of Others

Education

Trade training in construction technology, building codes and skills.

Certifications and Training

REAC Certification

UPCS Class and Field Training

HQS Class and Field Training NAHRO, Quadel Consultants, Inc.

Advanced HQS Class – Nan McKay

BOCA, ICBO, SBCCI Certifications: Structure, Plumbing, Electrical, Mechanical

Lead Abatement Inspector Course – *The University of Findlay*

Energy Audit Field Training

Physical/Capital Needs Assessment Field Training

Six Sigma Green Belt Training

Professional Organization Memberships

NAHRO – National Association of Housing and Redevelopment Officials

NCSHA – National Council of State Housing Agencies

NAHMA – National Affordable Housing Management Association

PHADA – Public Housing Authorities Directors Association

NFPA – National Fire Protection Agency

MHA RESPONSE TO OIG RECOMMENDATIONS

OIG Recommendation 1A. Reimburse the program \$68,158 from non-Federal funds (\$61,949 for housing assistance payments and \$6,209 for administrative fees) for the 58 units that materially failed to meet HUD’s housing quality standards.

Comment 9

MHA Response 1A. The HAP amounts calculated by the OIG are overstated because OIG’s alleged findings do not reflect standards set forth by the Department of Housing and Urban Development, the Memphis Housing Authority Administrative Plan and the guiding clarifications and documents. We respectfully request that any calculations be based on only those standards that are applicable to MHA’s HCV program, which would result in a much lower amount. Further, the administrative fee calculations are overstated for the same reasons and also because the OIG failed to consider that administrative fees earned by the housing authority were severely prorated. While we do not believe any of MHA’s very limited administrative fees should be reimbursed, if any reimbursement is necessary, it should reflect similar proration and fee amounts actually received.

Comment 14

OIG Recommendation 1B. Certify that all health and safety violations cited for the 77 units failing housing quality standards inspections were corrected within 24 hours, and that all other violations were corrected within 30 days.

Comment 9
Comment 17

MHA Response 1B. Though MHA disagrees that many of the OIG’s health and safety citations were inconsistent with HUD requirements, MHA certifies that all of the OIG’s cited violations were corrected within 24 hours and that all other

violations were corrected within 30 days, and/or HAP was abated for owners' failure to correct and/or tenants were issued a voucher to move, and/or action was taken to terminate the tenant's assistance.

OIG Recommendation 1C. Improve its quality control inspection program to allow for the performance of complete and adequate inspections to ensure that program units meet housing quality standards.

Comment 18

MHA Response 1C. As MHA conveyed previously, we believe that the OIG overstated its calculations of program funds in light of inconsistency with housing quality standards. Nevertheless, MHA has taken the opportunity of the experience with the OIG to improve its quality control inspection program as follows:

- Staff responsible for conducting quality control inspections accompanied the OIG inspector to observe the OIG's point of view for future reference.
- MHA is implementing additional quality control through its compliance department and by utilizing city and county code enforcement windshield observations to inform of potential issues.

OIG Recommendation 1D. Implement policies and procedures to provide new inspections staff training on HUD's HQS requirements, and periodically provide ongoing training to all inspectors to ensure that they are up to date on all HUD requirements. In addition, the Authority should use the results of the audit to supplement the inspector's training to help ensure that its units meet HUD's housing quality standards.

Comment 18

MHA Response 1D. MHA's training for new inspections staff has and continues to include the following:

- Thorough review of all HUD HQS guidance and materials including 24 CFR 982.401, HUD's Housing Inspection Manual, HUD's Housing Choice Voucher Program Guidebook and other relevant information (e.g. PIH notices and applicable provisions of MHA's Administrative Plan, etc.).
- On-the-job shadowing with experienced inspectors and supervisory field observations
- Formal HQS training by independent industry experts
- Quality control monitoring and performance improvement feedback

MHA has reviewed the OIG's feedback with all inspections staff.

With these assertive actions, we are acting on our pledge to Memphis and its citizens, and we look forward to continuing to work with appropriate officials to address concerns. Again, we are proud of our record of service to this community and we will continue to provide the quality housing that responds to the needs of Memphis and its people.

CONCLUSION

In summary, over the past decade, MHA has made tremendous and positive progress to bring our HCV program to a level of performance recognized by HUD. Overall, the 7,000 units that house HCV participant families provide for one of their most basic needs—decent, safe and sanitary shelter—and are compliant with HQS while meeting an incredible demand in our community. We take our mission seriously, which is shown by our continued commitment to provide decent, safe and sanitary housing. MHA continues to extend its commitment to complying with HUD requirements despite the increased challenges brought about by insufficient funding of its programs. Again, we are proud of our record of service to this community and we will continue to provide the quality housing that responds to the needs of Memphis and its people.



Example of a typical HCV unit.

Sincerely,

Robert Lipscomb
Executive Director

OIG Evaluation of Auditee Comments

Comment 1 The Authority's comments state that we gave them only 7 business days to comment on and respond to the draft report, which was not sufficient time. In our August 26, 2014 letter transmitting the draft report, we asked the Authority to provide written comments by September 10, 2014. However, the Authority asked for extra time during the exit conference and was granted a deadline extension until September 15, 2014. The Authority had 21 days to provide comments; therefore, we believe that we provided sufficient time for the Authority to respond to the draft report.

Comment 2 The Authority's comments state that it provided information regarding the efficiency and adequacy of its on-going inspections program, HQS quality control program, and the Authority's overall performance, since the draft audit makes no mention of this information.

OIG's report gives the Authority credit for performing quality control inspections as required by the regulations. However, although the Authority performed the required number of quality control inspections, we questioned the quality of those inspections and whether the Authority used the results to improve inspector performance. Improving inspector performance and housing quality is the reason behind HUD's requirement for quality control inspections. In our opinion, the Authority's quality control inspection process needs to be strengthened (Recommendation 1C) as an overall part of the Authority's efforts to provide program participants with decent, safe, and sanitary housing.

Comment 3 The Authority's comments state that it has been a high performing agency three consecutive years and five of the last six years.

The Section Eight Management Assessment Program (SEMAP) is a self-certifying performance program that does not address the quality of the Authority's inspections or the overall quality of the program's housing stock. Although a high performing SEMAP score may indicate positive performance for the factors it assesses, it does not indicate support for the Authority's assertion that its inspection program and individual inspections are adequate.

Comment 4 The Authority's comments state that since the conclusion of the OIG Audit, it has further strengthened its HQS processes.

OIG's report acknowledges the actions taken by the Authority to improve its overall inspection program. We believe those actions are a positive start in addressing the significant deficiencies outlined in the report and commend the Authority for taking action. The Authority's statement that we refused to provide a written inspection report during the audit is not accurate; the completed inspection reports were not available during the audit field work. We provided both the summary section of each inspection report and a criteria key outlining

what criteria was used by the HUD OIG inspector during the inspections. We also provided the staff an explanation of how to locate the criteria used for each fail item cited in the summaries. The inspection summaries included the HQS inspection item number (specifying what area was inspected, bedroom, bathroom, exterior, etc.) and a description of the fail item noted. We believe this is adequate information to determine what items failed and why. In addition, the Authority's supervisory inspector was present at every inspection performed. During or immediately following the inspections, the supervisory inspector asked questions regarding our inspection results, took his own photographs of the fail items cited, and discussed the inspection deficiencies, including the 24-hour violations.

Comment 5 The Authority contends that, due to the passage of time, some of the conditions noted may not have been present at the time the Authority last inspected the units. We reviewed the Authority's latest inspection reports and professional knowledge and experience was used to determine whether a housing quality standard violation existed at the time of the Authority's last inspection. As a practice when conducting housing quality standard inspections, we are very conservative in our determination of preexisting conditions. As discussed at the exit conference, some fail conditions that were originally designated as preexisting during the OIG HQS inspections were treated as current fail items for reporting purposes (i.e., furniture blocking egress of bedroom windows, and missing smoke detector batteries).

Comment 6 The Authority's comments state that the door jamb pictured in the report may easily be the result of domestic violence or a recent break-in. Tenants often try "make shift" repairs and do not report this kind of damage for fear of repair costs or loss of deposit.

We removed the photograph of the entry door jamb cited by the Authority in the comments and as discussed at the exit conference. We removed the photograph based on the Authority's contention that the tenant stated that the damage occurred after the Authority's latest inspection. This type of deficiency occurred in multiple units where, based upon our inspections, we had no indications that the damage occurred after the Authority's most recent inspection. We replaced the original photograph with a photograph of a similar condition at a different unit.

Comment 7 The Authority's comments state that, "The 220 volt dryer or range receptacle could have been knocked off of the conduit recently. It may well have been in place at the time of the last inspection. We acknowledge the coupling was not up to code but must also point out that an HQS inspection is not a code inspection."

Although the Authority states that the coupling was not up to code and states that an HQS inspection is not a code inspection, it completely ignores the fact that the receptacle is hanging from its wires and is not securely attached as required. Rather than trying to inspect via photographs, we relied on the experience of actually being present during the inspection to make a determination as to whether

the violations noted were more than likely present at the time of the Authority's latest inspection. We found no evidence to suggest that the fail items occurred since the Authority's latest inspection.

Comment 8 The Authority's comments state that, "One can observe from the picture that there is some dirt and a small amount of debris surrounding the receptacle box yet the interior of the box appears to be clean and the receptacle itself appears to be new. No doubt the missing cover is an HQS defect but the evidence suggests that this may be the result of a recent repair."

As stated above, rather than trying to inspect via photographs, we relied on the experience of actually being present during the inspection to make a determination as to whether the violations noted were more than likely present at the time of the Authority's latest inspection. We also do not agree that the interior of the receptacle box appears clean. One can see as much dust inside the receptacle box as can be seen on the floor, and there are no obvious signs of a recent repair.

Comment 9 The Authority is concerned about what it terms "inconsistencies between the OIG's reported deficiencies with HUD's housing quality standards." The regulations can't address all possible situations where unit deficiencies exist; hence, the regulations include categories such as "Other Interior Hazards". As is our practice, we endeavor to err on the side of tenant safety and the unit meeting decent and sanitary conditions when performing inspections.

Water Heaters

The Authority's comments state that, "Hot water heater violations included OIG comments that stated the violation was "standard in the plumbing housing industry". MHA has not adopted standards beyond HQS and should not be held to other standards." However, the Authority gives no specific examples of why OIG's determination of water heater violations was invalid.

The criteria used included the following found in the HCV program guidebook page 10-11. The acceptability criteria in the section titled "Water Supply" reads in part, "Water-heating equipment must be installed safely and must not present safety hazards to families. Fuel burning equipment must have proper clearance from combustible materials and be properly vented." The water heaters in question did not meet the acceptability criteria. Examples include missing pressure relief discharge lines, the lines being reduced from ¾' to ½' increasing the possibility of rupture and seriously injuring tenants with scalding water or steam. In addition, there were instances of combustible materials located near gas water heaters, and improperly installed or completely missing gas water heater venting.

Entry Doors

The Authority's comments state that, "OIG comments that a main entry hollow door is not "an acceptable standard in the housing industry, is designed for interior use only and not HUD approved, or that an acceptable exterior door must be solid, secure, fire rated and fire retardant." HQS Section 1.4 does not mention the type of door that must be used, only that the door have a working lock and is secure in the frame. Local fire codes also do not mention that an exterior door to residential units be fire retardant or fire rated."

The criteria used also included the following found in the HCV program guidebook page 10-6. The performance requirement under the section "Space and Security" reads, "The dwelling unit must provide adequate space and security for the family." We believe using hollow wooden interior doors as exterior entry doors does not allow for adequate security. These doors are easily broken and pulled from their frames. The Authority states that participants' health and safety are of paramount importance, yet the Authority appears to be arguing that the use of insecure hollow wooden interior doors in place of secure exterior entry doors is acceptable.

Door and Window Locks

The Authority's comments state that, "Neither HUD guidance nor regulation prescribe what kind of locks are allowable on exterior doors. Nevertheless, certain types of locks were cited as violations. Under "tenant preference", the guidebook states "The family is also responsible for deciding the acceptability of the type of door and window locks." If OIG had used the correct standard in this area, then the number of OIG's findings regarding egress from units would be reduced."

The housing inspection manual reads in part, "The goal of the Section 8 Existing Housing Program is to provide decent, safe, and sanitary housing." (page 2); "Some criteria focus on health and safety concerns and require the PHA to determine unit acceptability regardless of the tenant's possible willingness to accept any deficient condition." (page 5); and, "The inspector is required to exercise good judgment in difficult situations." (page 9) In the case of the keyed locks and keyed window bars, there is a danger of the tenants, especially children and the elderly, being trapped in the unit during a fire if the key(s) can't be located. The Authority's acceptance of such locks exposes the tenants to unnecessary health and safety hazards and the Authority to potential litigation.

Deferred Yard Maintenance

The Authority's comments state that, "Though cited as a violation, "deferred yard maintenance" is not a performance requirement in HQS."

Criteria used for the fail items cited can be found in HUD's HCV program guidebook under "Site and Neighborhood". The performance requirement reads, "The site and neighborhood must be reasonably free from disturbing noises and

reverberations or other dangers to the health, safety, and general welfare of the occupants.”, and the acceptability criteria reads, “The site and neighborhood may not be subject to serious adverse natural or manmade environmental conditions, such as dangerous walks or steps, instability, flooding, poor drainage, septic tank back-ups or sewer hazards, mudslides, abnormal air pollution, smoke or dust, excessive noise, vibration, or vehicular traffic, excessive accumulations of trash, vermin, or rodent infestation, or fire hazards. (page 10-13). Further, HQS item 8.4 asks, “Is the unit free from heavy accumulation of garbage or debris inside and outside?”, and defines heavy accumulation as “large piles of trash and garbage, discarded furniture, and other debris (not temporarily stored awaiting removal that might harbor rodents”, and HQS item 8.10 asks, “Are the site and immediate neighborhood free from conditions which would seriously and continuously endanger the health or safety of the residents?” (HUD Form 52580-A) We believe the fail conditions cited fall within this criteria.

Soffits

The Authority’s comments state that, “The pictures of the soffits in the OIG report, though cosmetically unappealing, are not necessarily HQS deficiencies if the unit is dry (rain is not getting inside) and there is no evidence of infestation. Neither of those conditions was reported by the OIG for those units. HUD’s Housing Inspection Manual 6.3 Condition of Roofs and Gutters states “Deterioration that does not affect the interior of the unit should pass...”

HQS item 6.3 covers the soffits, and the description reads in part, “Unsound and hazardous” means: The roof has serious defects such as serious buckling or sagging, indicating the potential of structural collapse; large holes or other defects that would result in significant air or water infiltration.”, and “The gutters, downspouts and soffits (area under the eaves) shows serious decay and have allowed the entry of significant air or water into the interior of the structure.” In this case, the serious decay of the soffits represents long term deferred maintenance which has allowed entry of significant air, and from the obvious bulging of the soffit, most likely water, into the interior of the structure. The infiltration of excess moisture increases the probability of the buildup of mold and mildew. This type of air and water intrusion is not always visible since it would most likely begin in the attic and attic insulation.

Comment 10 The Authority’s comments state that, “Although the obligations to maintain housing at HQS is the owner’s, HUD regulations at 24 CFR 982.405 require MHA to confirm such compliance at specific points in time, namely, prior to initial leasing, annually, at other special times as needed, and during quality control inspections.” The Authority appears to imply that it’s needs only to ensure that units are in compliance with HQS during required inspections. However, they also cite the regulations at 24 CFR 982.401(a)(3) which require that “all program housing must meet the HQS performance requirements both at commencement of assisted occupancy, and throughout the assisted tenancy.” The Authority appears to have a misunderstanding of their ongoing responsibility to ensure that its HCVP units are in compliance with HQS while the unit is

occupied. The inspection process is the way in which the Authority achieves keeping its units in compliance at all times. This responsibility exists despite the inability of inspectors to be there every day.

The Authority further asserts that by inspecting units that were inspected within the last 90 days, HUD OIG is attempting to apply a more rigorous HQS standard. However, because all units must be in compliance with HQS throughout assisted tenancy, the 90 day window is irrelevant. In fact, if the Authority's inspection program was effective in ensuring that its units were in compliance with the HQS requirements cited above, one would expect the results of the OIG re-inspections to be the best possible representation not only the Authority's housing stock, but of the Authority's inspector's performance (and by extension, the Authority's inspection program), given the relatively minimal passage of time. See also comment 5.

- Comment 11** The Authority disagreed with many of the 24-hour life threatening health and safety violations we identified. It stated that HUD guidance does not specifically define emergency fail items, and many of the OIG-identified 24-hour violations are not defined in the Authority's administrative plan. We agree that the HUD guidance does not specifically identify all life threatening health and safety violations; however, the examples the Authority cited, double keyed locks and burglar bars on windows, can trap family members within their home in case of an emergency such as a fire. As recommended in this report, improved policies, procedures and inspector training will help the Authority's inspectors identify such conditions and provide a safer environment for program participants.
- Comment 12** The Authority's comments state that we used an arbitrary definition of five fail items to categorize a housing unit as being in material noncompliance. Our determination of materiality was not arbitrary as we only considered units to be in material noncompliance when they had at least five health and safety violations or at least one 24-hour violation that predated the Authority's last inspection and resulted in unsafe living conditions.
- Comment 13** The Authority's comments state that the amount of funds to be put to better use and the amounts due to HUD cited in the report are significantly overstated. Based on the conservative manner in which we identified units considered to be in material noncompliance, we believe the figure to be reasonable, if not understated.
- Comment 14** The Authority's comments state that the housing assistance payment amounts (Recommendation 1A) calculated by the OIG are overstated because our findings do not reflect standards set forth by HUD, the Memphis Housing Authority Administrative Plan, and the guiding clarifications and documents. We do not agree (See Comment 9). Authority officials also assert that the administrative fee figure used to calculate a portion of ineligible costs was not accurate. During the audit, we requested the administrative fees paid per unit per month for 2014, and

the Authority was unable to provide that information. The Authority had the opportunity to provide the information at the exit conference and in its official response but did not. As a result, we were forced to use the 2013 reconciled figure for administrative fees paid per unit per month. If the Authority can provide HUD with the actual administrative fees paid on behalf of units that were found to be in material noncompliance with HQS, that figure can be recalculated and the amount paid back with nonfederal funds adjusted accordingly. However, when the administrative fee reconciliation for 2014 is performed, if the amount paid per unit per month is found to be higher, HUD should require those unearned administrative fees to be repaid.

Comment 15 The Inspection Group, Inc. (TIG) acknowledges that its analysis is based only upon a review of field notes from the HCV department's inspections supervisor who accompanied the OIG inspector and a limited review of the OIG's inspections summaries. Although TIG's analysis was limited as stated above, and we didn't have a copy of the Authority's notes (and none were provided in their comments to the draft audit report), we attempted to respond to specific comments and concerns (see comment 9). Since no notes were provided, we were unable to respond to the more general comments and concerns found in the report.

Comment 16 TIG's report asserts that HUD OIG overstated the fail items because it did not follow applicable criteria. We disagree. We provided the Authority citations to the criteria used during our inspections (HQS requirements, housing inspection manual requirements, housing choice voucher program handbook requirements, etc.).

The report asserts that HUD OIG only supplied the Authority with the inspection summaries rather than a list of all defects. Each inspection summary included a list of the all fail items cited by HQS item number and a description of the fail item. The supervisory inspector accompanied us on all inspections and the results were discussed both during and after the performance of the inspections. In addition, the Authority's supervisory inspector took his own pictures of the fail items cited.

The report contends that the Authority instructed the supervisory inspector not to be argumentative, and concluded that this prevented him from obtaining sufficient information for rebuttal or being able to identify what we cited as fail items. As discussed above, this was not the case.

The report asserts that there is no way to determine what the HUD OIG inspector cited and why, and which units were in material noncompliance. As discussed above, we provided a summary of all inspection results which included an HQS item number, a description of the failure and we also provided citations of the criteria used to determine that the item was a failure. In addition, we also defined what constituted a material failure of HQS in the report.

Comment 17 The Authority's comments state that it corrected all of the OIG-identified health and safety violations within 24 hours and all other violations within 30 days. We commend the Authority for taking actions to improve its program. During the audit resolution process, the Authority can provide HUD the documentation showing the corrected violations and the measures it has taken to improve the quality of its inspections and program.

Comment 18 The Authority's comments state that it has taken steps to improve the quality of its inspections and the quality control program. We commend the Authority on its efforts, and HUD will work with the Authority to ensure that these actions are adequate to address the report's recommendations.