



# New York City Department of Housing Preservation and Development, New York, NY

## Housing Choice Voucher Program



**To:** Luigi D'Ancona, Director, Office of Public and Indian Housing, New York Regional Office, 2APH

**//SIGNED//**

**From:** Kimberly S. Dahl, Regional Inspector General for Audit, 2AGA

**Subject:** New York City Department of Housing Preservation and Development, New York, NY, Did Not Always Ensure That Units Met Housing Quality Standards but Generally Abated Payments When Required

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the New York City Department of Housing Preservation and Development'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 website. Accordingly, this report will be posted at <https://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 212-264-4174.



**Audit Report Number: 2019-NY-1003**

**Date: August 2, 2019**

**New York City Department of Housing Preservation and Development, New York, NY, Did Not Always Ensure That Units Met Housing Quality Standards but Generally Abated Payments When Required**

## Highlights

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### What We Audited and Why

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We audited the New York City Department of Housing Preservation and Development's (HPD) Housing Choice Voucher Program. We selected HPD for review based on its size and because we had not conducted an audit of its Housing Choice Voucher Program. The objective of the audit was to determine whether HPD ensured that its program units met HUD's housing quality standards and whether it abated housing assistance payments when required.

### What We Found

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HPD did not always ensure that its program units met housing quality standards and its quality control inspections met sample requirements, but it generally abated housing assistance payments when required. Of the 58 sample units inspected, 52 units had housing quality standards violations. While each of the 52 units had at least 1 violation, only 6 of the units materially failed to meet HUD's standards. In addition, although HPD generally abated the correct amount of payments, we identified several areas in which it could improve its controls. These conditions occurred because HPD did not always thoroughly conduct inspections and used an inspection order form that did not identify the key aspects of housing quality standards performance; included non-program units in its quality control sample and conducted quality control inspections concurrently with unit inspections; and did not have adequate controls over abatements and inspection documentation. As a result, HPD disbursed \$26,044 in housing assistance payments and received approximately \$2,259 in administrative fees for units that materially failed to meet HUD's housing quality standards. Further, HUD did not have assurance that HPD's quality control process was fully effective and that it consistently carried out the abatement process, including maintaining records that were accurate and complete. By improving its inspection process, HPD could better ensure that \$760,363 in future program funds is spent on units that meet HUD's housing quality standards.

### What We Recommend

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We recommend that HUD require HPD to (1) certify, along with the owners of the 52 units cited in the finding, that the applicable housing quality standards violations have been corrected; (2) reimburse its program from non-Federal funds \$28,303 for the 6 units that materially failed to meet standards; (3) improve controls over its inspection process to ensure that units meet housing quality standards and that the results are used to enhance the effectiveness of its inspections; and (4) improve controls over its quality control sampling process and its abatement process.

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# Background and Objective

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The New York City Department of Housing Preservation and Development (HPD) was established in 1978 to promote the quality and affordability of the City's housing and strengthen the diversity of its many neighborhoods. It is the largest municipal housing preservation and development agency in the Nation and administers several rental subsidy programs. HPD serves more than 39,000 households in all five boroughs, and its Section 8 Housing Choice Voucher Program assists approximately 36,460 units. HPD is led by a commissioner, who is appointed by and reports directly to the mayor, as well as several deputy commissioners who report to the commissioner.

The U.S. Department of Housing and Urban Development (HUD) Office of Public and Indian Housing ensures safe, decent, and affordable housing through several programs, including the Housing Choice Voucher Program. HPD falls under HUD's New York Regional Office of Public and Indian Housing. HUD authorized the following financial assistance for HPD's housing choice vouchers for fiscal years 2017 and 2018.

Fiscal year	Authorized	Disbursed
2017	\$401,841,367	\$401,841,367
2018	431,052,633	429,025,231
<b>Total</b>	<b>832,894,000</b>	<b>830,866,598</b>

HUD regulations at 24 CFR (Code of Federal Regulations) 982.405(a) require public housing agencies to perform unit inspections before the initial move-in and at least biennially. HPD must inspect the unit leased to the family before the term of the lease, at least biennially during assisted occupancy, and at other times as needed to determine whether the unit meets housing quality standards. HUD regulations at 24 CFR 982.404(a) require HPD to ensure that housing units and premises are maintained in accordance with HUD's housing quality standards, and if not, HPD is required to abate housing assistance payments to the owners until the requirements are met as required by regulations at 24 CFR 982.453 and 985.3(f).

Our audit objective was to determine whether HPD ensured that its program units met HUD's housing quality standards and whether it abated housing assistance payments when required.

# Results of Audit

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## **Finding: HPD Did Not Always Ensure That Units Met HUD's Housing Quality Standards but Generally Abated Payments When Required**

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HPD did not always ensure that its program units met housing quality standards and its quality control inspections met sample requirements, but it generally abated housing assistance payments when required. Of the 58 sample units inspected, 52 units had housing quality standards violations. While each of the 52 units had at least 1 violation, only 6 of the units materially failed to meet HUD's standards. In addition, although HPD generally abated the correct amount of payments, we identified several areas in which it could improve its controls. These conditions occurred because HPD's inspectors did not always thoroughly conduct inspections and used an inspection order form that did not identify the key aspects of housing quality standards performance, included non-program units in its quality control sample, and conducted quality control inspections concurrently with unit inspections, and it did not have adequate controls over abatements and inspection documentation. As a result, HPD disbursed \$26,044 in housing assistance payments and received approximately \$2,259 in administrative fees for units that materially failed to meet HUD's housing quality standards. Further, HUD did not have assurance that HPD's quality control process was fully effective and that it consistently carried out the abatement process, including maintaining records that were accurate and complete. By improving its inspection process, HPD could better ensure that \$760,363 in future program funds is spent on units that meet HUD's housing quality standards.

### **Program Units Did Not Always Meet Housing Quality Standards**

We statistically selected 60 units from a universe of 1,995 program units<sup>1</sup> that passed an HPD-administered housing quality standards inspection between July and August of 2018. The units were selected to determine whether HPD ensured that the units in its Housing Choice Voucher Program met housing quality standards. We inspected 58 of the 60 units<sup>2</sup> from November 5 to November 30, 2018.

From the 58 units inspected, 52 units had housing quality standards violations. While each of the 52 units had at least 1 violation at the time of our inspection, 19 of the 52 units had no or only 1 violation that predated HPD's last inspection, and only 6 of the 52 units were considered to be in material noncompliance with the standards. We considered the 6 units to be in material

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<sup>1</sup> The universe consisted of units assisted with regular or enhanced vouchers that passed initial vacant move-in or biennial housing quality standards inspections during July and August 2018 and received housing assistance payments during the audit period, September 2017 through August 2018.

<sup>2</sup> The two remaining units were not inspected because the program participants were not home at the time of our scheduled inspections.

noncompliance<sup>3</sup> based on the risk of danger or injury to the program participants and violations that predated HPD's last inspection. Further, 12 of the 52 units had health and safety violations that needed to be corrected within 24 hours, including 2 of the 6 materially noncompliant units. The 24-hour violations included an inoperable smoke and carbon monoxide detector and a unit that did not have a carbon monoxide detector as required by the New York City Housing Maintenance Code.

HUD regulations at 24 CFR 982.401 required that all program housing meet housing quality standards performance requirements, both at the beginning of the assisted occupancy and throughout the assisted tenancy. The regulations categorize housing quality standards performance and acceptability criteria into 13 key aspects. These key aspects are used to identify a variety of violations, such as electrical problems, fire hazards, heating and cooling violations, tripping hazards, whether the program participant has adequate access to the home, whether there is a safe space to prepare food, and pest and vermin infestation. The following table categorizes the 91 housing quality standards violations in the 6 units that materially failed our inspection. The violations related to 9 of the 13 key aspects. The six units did not have violations related to the remaining four key aspects.<sup>4</sup> Of the 91 housing quality standards violations, we concluded that 56 violations predated HPD's last inspection report.

Seq. no.	Key aspect <sup>5</sup>	Number of violations	Number of units
1	Structure and materials	50	6
2	Illumination and electricity	10	5
3	Food preparation and refuse disposal	8	3
4	Space and security	6	4
5	Sanitary facilities	6	4
6	Sanitary condition	4	3
7	Access	3	3
8	Interior air quality	2	1
9	Smoke detectors	2	2
	<b>Total</b>	<b>91</b>	

During the audit, we provided our inspection results to HPD and the Director of HUD's New York Office of Public Housing.

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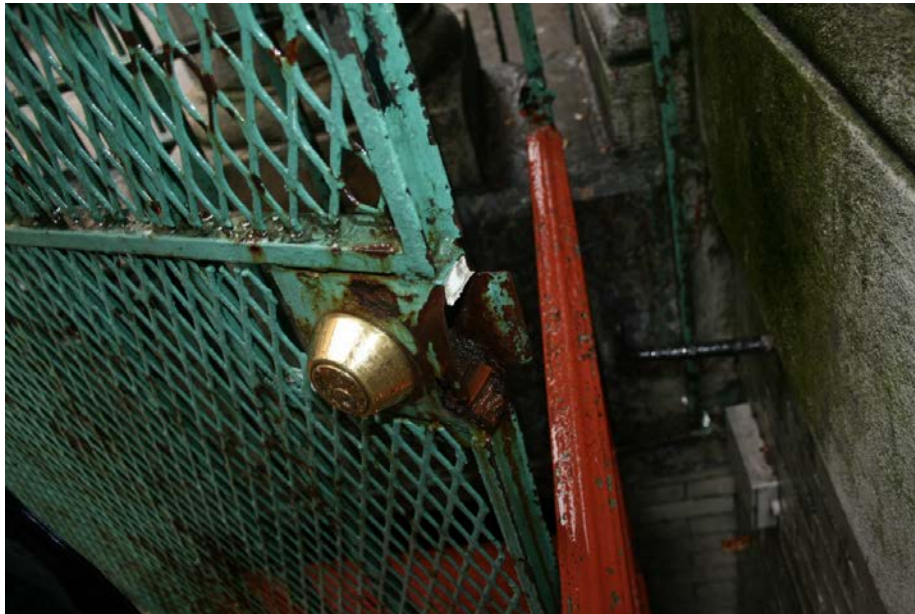
<sup>3</sup> See Scope and Methodology section for further details on the method used to determine material noncompliance.

<sup>4</sup> The remaining four key aspects included (1) thermal environment, (2) water supply, (3) lead-based paint, and (4) site and neighborhood.

<sup>5</sup> The nine key aspects covered by the violations found in the six materially failed units are listed in descending order according to the number of violations identified.



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



Inspection 1: The lockset on the fire escape door was broken and nonfunctioning. This condition posed a space and security threat. HPD did not identify this violation during its July 2018 inspection.

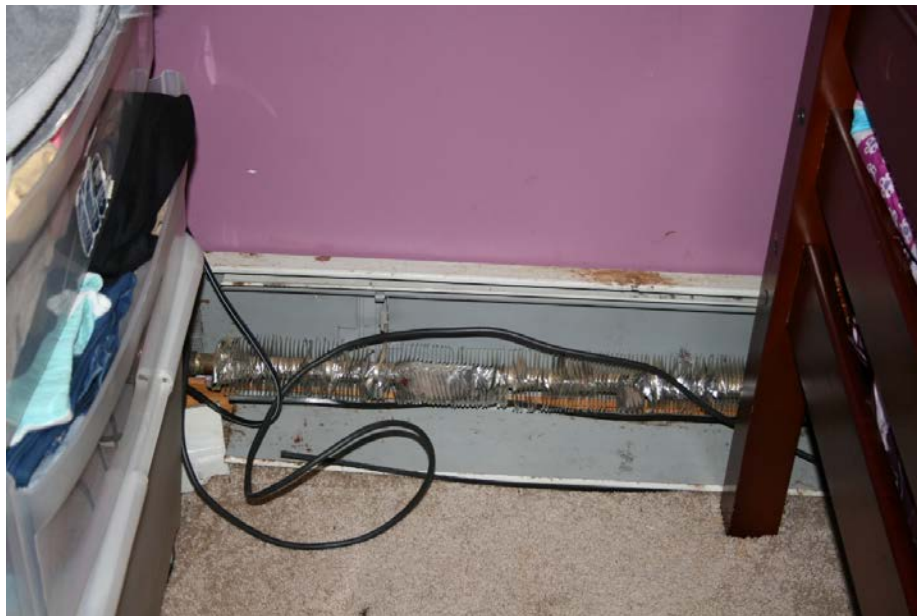


Inspection 2: The ground-fault circuit interrupter in the bathroom did not trip because of paint that had hardened around the test and reset buttons. This condition posed a potential electrical shock hazard that could be fatal if the program participant were to use electrical power near water. HPD did not identify this violation during its July 2018 inspection.





Inspection 3: Windows throughout the unit were drafty, and several were unable to properly open and close. HPD did not identify this violation during its July 2018 inspection.



Inspection 4: A missing radiator cover posed a cutting hazard from exposed sharp fins. HPD did not identify this violation during its July 2018 inspection.



Inspection 5: Mildew on the kitchen wall posed an interior air quality health and safety threat. HPD did not identify this violation during its August 2018 inspection.



Inspection 6: Cracked vinyl floor tiles in the kitchen posed a potential tripping hazard. HPD did not identify this violation during its August 2018 inspection.

The conditions identified in the pictures above and the other violations identified in the units inspected occurred because HPD's inspectors did not always thoroughly conduct inspections and used an inspection order form that did not identify the 13 key aspects of housing quality standards performance. In some cases, the inspectors failed to identify the violations we identified, such as inoperable smoke detectors, drafty windows that did not properly open or close, cracked floor tiles, and blocked fire exits, even though these violations predated HPD's last inspection. Additionally, HPD conducted one common area inspection of a multifamily building in a 30-day period to maximize efficiency and assigned the results to each subsidized unit inspected for housing quality standards in that period.

Regulations at 24 CFR 982.158(a) required HPD to maintain complete and accurate records for the program in accordance with HUD requirements and in the form required by HUD. Section 10.6 of HUD's Housing Choice Voucher Guidebook 7420.10G specifies that in order to meet all housing quality standards requirements, inspections must be recorded using form HUD-52580-A or form HUD-52580. As explained in HUD's Housing Inspection Manual, HUD's checklist was developed to enforce consistency in operational application of housing quality standards among public housing agencies and among inspectors at each agency. Rather than use one of the HUD forms, HPD inspectors use an internal form while performing inspections in the field and later enter the inspection information into HPD's system, which can be used to create HUD-52580s. However, HPD's form did not identify the 13 key aspects and HPD's inspectors may have missed failures because they did not use one of the HUD forms.

As a result of the conditions mentioned, HPD disbursed \$26,044 in housing assistance payments and received approximately \$2,259 in administrative fees for 6 units that materially failed to meet HUD's housing quality standards, subjecting program participants to unsafe living conditions during their tenancy.

### **HPD's Quality Control Program Did Not Meet Sample Requirements**

To help determine whether HPD had procedures in place to ensure that units met housing quality standards, we reviewed data related to 289 quality control inspections conducted by HPD during its fiscal year covering July 2017 through June 2018. While the sample represented a cross section of neighborhoods and the work of various inspectors, HPD did not (1) meet HUD's minimum sample size requirements<sup>6</sup> and (2) draw its sample from completed inspections performed within the last 3 months. Based on the total units covered under housing assistance payments contracts for its fiscal year, HPD's minimum sample size was 205 Housing Choice Voucher Program units; however, HPD conducted only 175 quality control inspections. The remaining 114 inspections were for non-Housing Choice Voucher Program units or units in which the program type was not identified. Additionally, rather than sample from inspections that were completed in the previous 3 months as required by regulations at 24 CFR 985.3(e), HPD conducted its quality control inspections concurrently with its biennial housing quality standards inspections.

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<sup>6</sup> Regulations at 24 CFR 985.2 specify that the minimum size of the public housing agency's quality control sample for a universe of more than 2,000 units is 30 plus 1 for each 200 (or part of 200) over 2,000.

HPD agreed that it did not meet the minimum sample size for quality control inspections because it mistakenly included non-Housing Choice Voucher Program units. Further, it believed that concurrent quality control inspections were allowable because they minimized the burden on the program participants. As a result of these conditions, HUD did not have assurance that HPD's housing quality standards quality control inspection process was fully effective, provided adequate feedback that could be used to strengthen the inspection process, and facilitated ongoing monitoring of compliance with housing quality standards.

### **HPD Could Improve Controls Over Abatements and Related Documentation**

We reviewed a sample of 16 of 1,531 units for which HPD had abated housing assistance payments between September 2017 and October 2018 due to housing quality standards violations that had not been corrected. While HPD generally abated the correct amount, we identified several areas in which HPD could strengthen its controls over abatements. For example,

- HPD did not consistently start abatements on the first of the month following the correction period as required by section 8.15 of its administrative plan and section 10.6 of HUD's Housing Choice Voucher Guidebook 7420.10G. It started abatement 1 month later than required for 9 of the 16 abatements reviewed. However, it abated the correct amount of housing assistance payments by offsetting a later payment.
- HPD did not consistently verify and document the correction of violations before reinstating housing assistance payments. For instance, in some cases, HPD reinstated payments after the unit owner certified that the housing quality standards failure item had been corrected or when the owner requested reinspection. While HPD stated that the type of documentation it required had changed during our audit period,<sup>7</sup> it did not always consistently apply the requirements in place at the time. Further, while the documentation maintained evidenced correction of the violations, the level of documentation maintained varied and was sometimes incomplete. For example, for some of the cases in which HPD accepted an owner certification, it was able to provide only a system screenshot in lieu of the actual owner certification.
- HPD was not consistent in when it restarted making payments after reinstatements. While it calculated the first reinstatement payment correctly, the length of time it took to restart payments varied. For example, in one case, HPD restarted payment 14 days after reinstatement, whereas it waited more than 30 days after reinstatement in other cases.
- HPD mistakenly abated housing assistance for one unit. However, it later identified the issue and compensated the owner for the missed payment.

Our review of abatement and related inspection documentation for the sampled cases also identified weaknesses with how HPD documented its inspection findings. Regulations at 24

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<sup>7</sup> HPD officials stated that before October 2017, it required owners to submit a correction certification to certify that the heating equipment was in working condition. Further, they stated that, starting in October 2017, HPD required a reinspection in all cases.

CFR 982.158(a) required HPD to maintain complete and accurate records for the program in accordance with HUD requirements and in the form required by HUD. Section 10.6 of HUD's Housing Choice Voucher Guidebook 7420.10G specifies that to meet all housing quality standards requirements, inspections must be recorded using form HUD-52580-A or form HUD-52580. However, HPD inspectors did not use this form, but rather used an internal form while performing inspections in the field and later entered the inspection data into HPD's system. HPD then used the data in its system to track inspection results and abatements. In response to our request for the HUD-52580s, HPD generated them from its system. However, we identified several issues with the HUD 52580s provided. For example, the HUD-52580s generated by HPD

- Did not consistently categorize deficiencies. In some cases, they categorized the lack of access to heating equipment in the boiler room as a safety of heating equipment failure, while in other cases, it classified it as a plumbing failure.
- Did not always include summary decisions showing whether units had passed or failed their inspections or whether the inspections were inconclusive.
- Sometimes contained contradictory information. For example, while the forms for 9 of the 16 cases reviewed showed that the condition of foundation, the safety of heating equipment, and the plumbing had passed inspection, the comments sections showed that they had failed inspection.

These conditions occurred because HPD did not have adequate controls over abatements and related inspection documentation. For example, it lacked written policies for categorizing and documenting the correction of the housing quality standards failure related to no access to heating equipment and for restarting housing assistance payments after reinstatement. While HPD indicated that it had some unwritten policies, it did not always follow them. For instance, consistent with the unwritten policies, the abatement notices to the owners specified how the correction of the violation should be documented. However the documentation HPD provided did not always match what the notices required. In addition, HPD's inspectors did not use the inspection checklist, form HUD-52580, as the primary document to record or communicate housing quality standards failures, and while HPD's system was supposed to generate form HUD-52580 when needed, HPD did not have controls to ensure that the data entered into its system transferred properly to the form HUD-52580.

As a result of these conditions, HUD did not have assurance that HPD consistently carried out the abatement process and that records related to inspections were accurate and complete. If HPD improves its abatement and inspection documentation processes, it could better ensure that it complies with the requirements for housing quality standards and abatements.

## **Conclusion**

HPD did not always ensure that its program units met housing quality standards and its quality control inspections met HUD requirements. HPD's program participants were subjected to housing quality standards violations, which created unsafe living conditions during their tenancy. HPD disbursed \$26,044 in housing assistance payments and received approximately \$2,259 in administrative fees for units that materially failed to meet HUD's housing quality standards.



Additionally, while HPD abated the correct amount of housing assistance payments, we identified several areas in which HPD could improve its controls over abatements and related inspection documentation. These conditions occurred because HPD's inspectors did not always thoroughly conduct inspections and used an inspection order form that did not identify the key aspects of housing quality standards performance when inspecting units, included non-program units in its quality control sample, and did not have adequate controls over abatements and related inspection documentation. If HPD improves its controls, it could ensure that it conducts and records housing quality standards unit inspections in compliance with requirements; units meet the standards; and an estimated \$760,363 in future housing assistance payments could be spent on units that meet HUD's housing quality standards.

### **Recommendations**

We recommend that the Director of HUD's New York Office of Public and Indian Housing require HPD to

- 1A. Certify, along with the owners of the 52 units cited in the finding, that the applicable housing quality standards violations have been corrected.
- 1B. Reimburse its program \$28,303 from non-Federal funds (\$26,044 for housing assistance payments and \$2,259 in associated administrative fees) for the six units that materially failed to meet HUD's housing quality standards.
- 1C. Improve controls over its inspection process to ensure that program units meet housing quality standards and that the results of inspections are used to enhance the effectiveness of its housing quality standards inspections, thereby ensuring that an estimated \$760,363 in future program funds is spent for units that meet HUD's housing quality standards. These controls include but are not limited to controls to ensure that (1) inspectors apply their training to thoroughly inspect units and consistently categorize failure items, (2) inspectors use a form that includes the key aspects of housing quality standards performance and acceptability criteria, and (3) results data are accurate and comply with applicable requirements.
- 1D. Improve controls over the housing quality standards quality control inspections to ensure that quality control inspections meet HUD's minimum sample size and that the sample is drawn from recently completed housing quality standards inspections.
- 1E. Improve controls over its abatement process to ensure that it consistently (1) starts abatement when required, (2) verifies and documents the correction of violations, (3) resumes housing assistance payments after the end of the abatement period, and (4) maintains sufficient documentation to support the abatement and reinstatement for each unit.

# Scope and Methodology

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We conducted the audit from September 2018 through May 2019 at HPD's office located at 100 Gold Street, New York, NY, and our offices. The audit covered the period September 2017 through August 2018 and was expanded as necessary. Specifically, the audit period was extended back to July 2017 to review HPD's quality control program for the prior fiscal year and through April 2019 to include correspondence and data related to HPD's abatements and target housing<sup>8</sup> unit inventory, and to account for housing assistance payments paid for units that materially failed to meet housing quality standards.

To accomplish our audit objective, we interviewed HPD staff, HUD staff, and program households. We also reviewed

- Applicable laws; regulations, including those at 24 CFR Parts 35, 982, and 985; HPD's administrative plan; HUD's Housing Choice Voucher Guidebook 7420.10G; and other guidance.
- HPD's inspection reports; computerized data, including housing quality standards inspections, housing quality control inspections, housing assistance payments, tenant and landlord data, and target housing inventory; annual audited financial statements for fiscal years 2016 and 2017; policies and procedures; and organizational chart.
- Section Eight Management Assessment Program reports<sup>9</sup> for HPD.

To achieve our audit objective, we relied in part on computer-processed data from HPD's computer systems. Using ACL software, we conducted data tests, including testing for missing or duplicate records and discrepancies between different data sources that would have an impact on the data used in this report. Further, we reviewed clarifying information regarding the data provided by HPD during our audit. As a result, we found the data to be sufficiently reliable for our purposes.

We statistically selected 60<sup>10</sup> program units to inspect from a universe of 1,995<sup>11</sup> units that passed housing quality standards inspections conducted by HPD's inspectors between July and August

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<sup>8</sup> Housing built before 1978 except housing for the elderly or persons with disabilities (unless a child of less than 6 years of age resides or is expected to reside in such housing for the elderly or persons with disabilities) or any zero-bedroom dwelling.

<sup>9</sup> The Section Eight Management Assessment Program measures the performance of public housing agencies that administer the Housing Choice Voucher Program in 14 key areas. The program helps HUD target monitoring and assistance to agencies that need the most improvement.

<sup>10</sup> During the audit period, September 2017 through August 2018, HPD disbursed a total of \$729,153 in housing assistance payments to the owners of the 60 sampled units.

<sup>11</sup> The universe consisted of units assisted with regular or enhanced vouchers that passed initial vacant move-in or biennial housing quality standards inspections during July and August 2018 and received housing assistance payments during the audit period, September 2017 through August 2018, totaling \$24.7 million.



2018. We used statistical sampling to select each sample unit from the population without bias, thereby allowing the results to be projected to the population. We inspected 58 of the 60 units<sup>12</sup> between November 5 and November 30, 2018, to determine whether HPD's program units met housing quality standards. An HPD inspector accompanied us on all inspections. We were unable to inspect two units due to the program participants not being home at the time of inspection. We provided the inspection results to HPD for corrective action during the audit.

We determined that 52 of the 58 units inspected had housing quality standards violations. Our unit inspection results identified violations that predated HPD's last inspection based on our appraiser's opinion and expertise and statements made by the program participants. However, these violations were not reported on previous inspection reports. Additionally, our inspection results identified health and safety violations and urgent health and safety violations requiring a correction within 24 hours. Using these results, we ranked all of the units based on a thoughtful assessment, considering the violations identified that predated HPD's last inspection report and the impact on the family members living in the unit. The number of deficiencies was considered and used as a starting point but was not the basis for determining the level of noncompliance in each unit. Specifically, we counted the number of violations identified that predated HPD's last inspection report for each unit and considered those units with four or more to be potentially materially noncompliant. Using our ranking, we determined a level of significance and considered all units above this level to be materially noncompliant. Based on this information, we used auditor judgment to determine that 6 units sampled materially failed to meet HUD's housing quality standards. We considered ineligible any housing assistance payments made to owners and administrative fees HPD received for these units during the period between HPD's last inspection and our inspection.

Based on the results of the 60 units sampled, we projected our results to the universe. As discussed above, 6 units sampled materially failed to meet HUD's housing quality standards. Of the remaining 54 units, 46 units had violations but did not materially fail our inspection; 5 units passed our inspection; and 2 units not inspected and 1, in which its common area was inaccessible at the time of inspection, were considered to have passed inspection to be conservative when projecting our results. Applying a bootstrapping<sup>13</sup> approach and projection method, we reported values at a one-sided 95% confidence level and concluded that HPD had an estimated 67 program units (3 percent) of the 1,995 units in our sampling universe that were in material noncompliance with housing quality standards when inspected by our appraiser. The annual total of housing assistance payments associated with the material noncompliance was \$760,363 in program funds that could be put to better use.

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<sup>12</sup> We scheduled all 60 units for inspection. For one unit scheduled for inspection, the program participant was not home at the time of our scheduled inspection, and we did not replace this unit. Four units scheduled for inspection, in which the program participants were not home at the time of our scheduled inspections, were replaced; however, we inspected only three of these replacement units because the program participant for the remaining replacement unit was not home at the time of our scheduled inspection.

<sup>13</sup> A statistical method that applies the procedure of resampling with replacement from the selected audit sample (with the same sample size) to construct an empirical distribution for the universe of interest.

We reviewed data related to HPD's target housing to determine whether it tracked its target housing units and whether it conducted initial and periodic housing quality standards inspections of these units. As of April 2, 2019, HPD's Housing Choice Voucher Program had 2,528 units considered to be target housing. Based on our review of the data, HPD conducted the required initial and periodic inspections of these units.

We also reviewed HPD's housing quality standards quality control inspection process. Specifically, we reviewed data related to 289 housing quality standards quality control inspections performed by HPD during its fiscal year covering July 2017 through June 2018 to determine whether minimum sample size requirements were met, the sample was drawn from completed inspections within the last 3 months, and the sample represented a cross section of neighborhoods and the work of various inspectors. Based on our review of the data, HPD did not meet HUD's minimum quality control sample size requirement of 205 Housing Choice Voucher Program units because it included in its sample non-program units or units in which the program type was not identified. The calculation of the minimum sample size required is as follows:

- HUD's minimum sample size<sup>14</sup>: 205 units:  $\approx 30 \text{ units} + (36,838 \text{ universe of housing assistance payment contracts} - 2,000) / 200$

HPD provided data showing that 2,186 units had abated housing assistance payments for the period September 2017 through October 2018. From the 2,186 abated units, HPD reinspected 1,531 units. Of the 1,531 units with abated housing assistance payments, 1,528 units passed, and 3 units failed the reinspections. We used the 1,531 units to draw the sample. Using ACL software, we selected a random sample based on a seed value of 7 and a sample of 15. Since the random sample generated by ACL did not include any failed reinspections, we chose one such unit with the longest abatement term to ensure that we selected a representative sample. Although this sampling method did not allow us to project the results to the population, it allowed us to review approximately 1 percent of the total reinspected units with abated housing assistance payments and was sufficient to meet the audit objective.

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.

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<sup>14</sup> Regulations at 24 CFR 985.2 specify that the minimum size of the public housing agency's quality control sample for a universe of more than 2,000 units is 30 plus 1 for each 200 (or part of 200) over 2,000.

# Internal Controls

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

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

## **Significant Deficiency**

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

- HPD's inspectors did not always thoroughly conduct inspections and used an inspection order form that did not identify the key aspects of housing quality standards performance, and included non-program units in its quality control sample and conducted quality control inspections concurrently with unit inspection (finding).

# Appendixes

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## Appendix A

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**Schedule of Questioned Costs and Funds To Be Put to Better Use**

<b>Recommendation number</b>	<b>Ineligible 1/</b>	<b>Funds to be put to better use 2/</b>
1B	\$28,303	
1C		\$760,363
<b>Totals</b>	<b>28,303</b>	<b>760,363</b>

- 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 case, if HPD implements our recommendation to improve procedures related to its housing quality standards inspection process, it can be assured that \$760,363 in future program funds could be spent for units that are decent, safe, and sanitary.

## Appendix B

### Auditee Comments and OIG's Evaluation

#### Ref to OIG Evaluation

#### Auditee Comments

Comment 1

Comment 2

Comment 3



City of New York  
DEPARTMENT OF  
HOUSING PRESERVATION AND DEVELOPMENT  
100 GOLD STREET, NEW YORK, N.Y. 10038  
nyc.gov/hpd

LOUISE CARROLL  
Commissioner

July 15, 2019

Kimberly S. Dahl  
Regional Inspector General for Audit, New York Region  
U.S. Department of Housing and Urban Development  
Office of Inspector General  
26 Federal Plaza, Room 3430  
New York, NY 10278

Re: Audit Report on the HUD OIG Review of HPD's Housing Choice Voucher Program

Dear Inspector General Dahl,

Thank you for the opportunity to respond to your Audit Report on the HPD's Housing Choice Voucher (HCV) program (the "Audit Report").

We have reviewed the Audit Report and are satisfied with HUD OIG's overall conclusion that HPD abated HCV payments when required. However, we disagree with the characterization that HPD "generally" abated such payments, when in fact HPD correctly abated payments in all cases; therefore, we do not concur with certain recommendations related to the agency's internal controls, and our attached response provides further detail on this point.

We also disagree with HUD OIG's findings related to Housing Quality Standards based on how those findings have been expressed and defended in the report. Specifically, HUD OIG's conclusions do not allow for the possibility that its findings were as a result of any factor other than errors of HPD inspectors or inspection practices; we counter that other reasonable potential causes exist, and our attached response provides further detail on this point as well.

We do value the feedback that HUD OIG has provided that can help us improve certain processes, and will continue to work with our internal teams at HPD, as well as representatives from HUD's Regional Office, to ensure that our procedures are as sound and compliant as possible.

Once again, thank you for providing the opportunity to comment on the Audit Report. I would be happy to discuss our response with you further.

(212) 863-6100

FAX (212) 863-6302

TTY (212) 863-8508

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## Ref to OIG Evaluation

## Auditee Comments

Sincerely,



Louise Carroll

CC: Luigi D'Ancona, Director, Office of Public and Indian Housing, New York Regional Office  
Christopher Ingram, Division Director, Office of Public and Indian Housing, New York Regional Office  
George Davis III, New York City Mayors Office of Operations

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## Auditee Comments

### Comment 2

**Agency Response:**  
**New York City Department of Housing Preservation & Development (HPD)**  
**to U.S. Department of Housing & Urban Development's (HUD)**  
**Office of Inspector General (OIG)**  
Comments on the HUD OIG Review of HPD's Housing Choice Voucher Program  
Date: July 15, 2019

HPD is providing comments in response to the HUD OIG's review of HPD's Housing Choice Voucher (HCV) program, per a draft audit report issued to HPD on June 19, 2019 and discussed with HUD OIG on June 27, 2019. HPD is committed to providing decent, safe, and sanitary housing for our HCV participants, and strives to conduct thorough Housing Quality Standard (HQS) inspections. HPD appreciates HUD's interest in the program, and values feedback to help us improve processes.

**The objective of this audit was for HUD OIG to determine (A) whether HPD ensured that the housing units in its HCV program met housing quality standards, and (B) whether HPD abated housing assistance payments when required.** In both its inspection scheduling and its general administration, HPD follows guidance from section 10.6 of the HCV Guidebook to "plan efficient and cost-effective inspection procedures that produce the best results, as well as good customer service for both families and owners." Because HPD's program is unusually large, and also because it coordinates with enforcement of local housing codes, some of its processes are different from those in other localities; HPD contends, however, that they are consistent with regulations.

**On the matter of housing quality standards (A): HPD disagrees with HUD OIG's findings, based on how the findings have been expressed and defended in this report.** Notably, HUD OIG asserts that the housing unit conditions found during its audit inspections "occurred because HPD inspectors did not thoroughly conduct inspections and used an inspection order form that did not identify the key aspects of housing quality standards performance."<sup>1</sup> [Emphasis added.] This assertion inaccurately indicates that there exist only two possible causes for the HUD OIG's inspection findings, both of them the fault of HPD inspectors or inspection processes. Yet given HUD OIG's methodology (e.g., conducting parallel follow-up unit inspections three months after HPD's inspections of the same units), there are a number of other possible causes for the findings, including, for example:

- new unit conditions that did not exist during the earlier HPD inspection may have appeared in the interim prior to HUD OIG's later inspections, or previously-existing unit conditions that had been resolved at the time of HPD's original inspection may have reoccurred in the interim.
- conditions not observable to an HPD inspector during the earlier inspection may have become visible in the interim prior to HUD OIG's later inspection (due to encumbrances having been removed prior to inspection, or lack of initial physical evidence of a condition that later became more obvious).
- an HPD inspector may have observed a condition and judged it as not warranting a violation; that condition may have worsened in the interim, resulting in a violation condition during the HUD OIG inspection.

Based on HPD's review of HUD OIG findings, fewer than 25% of the conditions identified by HUD OIG may have been present at the time of the earlier HPD inspection. As noted above, even in those cases where conditions were reportedly present during an earlier inspection, those conditions may have been obscured, determined to not rise to the level of a failure, or appropriately considered resolved at the time of the earlier inspection.

Also, the following should be noted with regard to HPD's HQS Housing Inspectors:

<sup>1</sup> Quoted text from the HUD OIG audit report throughout this document have been taken from the draft version of the audit report issued to HPD on June 19, 2019.



## Ref to OIG Evaluation

## Auditee Comments

Comment 2

Comment 1

Comment 4

Comment 5

Comment 6

- Housing Inspectors must have five years of construction experience prior to being selected into an Inspector role.
- Inspectors initially receive four to five weeks of training on enforcement of the New York City (NYC) Housing Maintenance Code and the New York State (NYS) Multiple Dwelling Law, which reflect NYC's progressive housing maintenance requirements. They then receive periodic refresher training and training for the implementation of new legal requirements in NYC. Inspectors assigned to HPD's HQS Inspection Unit (HQSIU) also receive annual training specifically on HQS.
- Inspectors conducted approximately 31,000 inspections in FY2018. In each inspection, per their training, they use their best judgment when issuing violations and failures (neither are based on tenant statements) and are well aware that thorough apartment and building inspections are expected at all times.

HPD does not question whether the conditions described by HUD OIG in this report exist, but refutes the assertion that their existence can only be due to failings in HPD expertise or procedures.

**On the matter of whether HPD abated housing assistance payments when required (B): HPD is satisfied with HUD OIG overall conclusion that HPD abated payments when required, but disagrees with the characterization that HPD "generally" abated payment when, in fact, HPD always abated payments. Additionally, HPD asserts that it has sound controls over its abatement process.** The comments in response to the Recommendation 1E, below, will expand upon these points of clarification.

**Recommendation 1A:** *Certify, along with the owners of the 52 units cited in the finding, that the applicable housing quality standards violations have been corrected.*

**Agency Response to Recommendation 1A:** HPD concurs with this recommendation and will seek owner certification for each HQS violation condition cited by HUD OIG. Once an owner certifies correction of a condition, HPD will schedule re-inspection to confirm whether the condition has been corrected. Should an owner not certify a correction, HPD will attempt to reinspect the correction of the condition. An owner's failure to correct the condition will result in the appropriate HPD action to abate the subsidy.

**Recommendation 1B:** *Reimburse its program \$28,303 from non-Federal funds (\$26,044 for housing assistance payments, and \$2,259 in associated administrative fees) for the six units that materially failed to meet HUD's housing quality standards.*

**Agency Response to Recommendation 1B:** HPD concurs with this recommendation and will provide this reimbursement. For scale, HPD wishes to note that it disbursed a total of \$429,025,231 in fiscal year 2017 and \$401,841,367 in fiscal year 2018; \$26,044 is .01% of fiscal year 2018 expenditures.

**Recommendation 1C:** *Improve controls over its inspection process to ensure that program units meet housing quality standards and that the results of inspections are used to enhance the effectiveness of its housing quality standards inspections, thereby ensuring that an estimated \$760,363 in future program funds is spent for units that meet HUD's housing quality standards. These controls include but are not limited to controls to ensure that (1) inspectors apply their training to thoroughly inspect units and consistently categorize failure items, (2) inspectors use a form that includes the key aspects of housing quality standards performance and acceptability criteria and (3) results data are accurate and comply with applicable requirements.*

**Agency Response to Recommendation 1C:** HPD will modify its procedures in light of (2) and (3) above; specifically, (2) HPD will provide inspectors with a copy of the instructions associated with form 52580-A to have available with them in the field as a guide and reminder regarding specific housing quality standards conditions, and (3) HPD will continue to enhance its technology to ensure that data results are accurate and comply with applicable requirements for all inspection outcomes. With regard to (1), HPD contends that it is already compliant with this recommendation and draws attention to the opening section of this comment document for additional details. HPD notes that it will continue to strive for uniformity in the treatment and categorization of fail items, while recognizing that this is a complex undertaking in light of the wide diversity of the housing stock and building conditions in a portfolio of this size. Additionally, HPD will continue to provide annual

2

## Ref to OIG Evaluation

## Auditee Comments

### Comment 6

HQS training to inspectors, and to use supervisory quality control inspection results as tool to support the consistent and uniform application of HQS standards. HPD notes that it administered its annual training to HQS Inspectors on June 12, 2019; this training is provided by a qualified trainer in conjunction with HPD supervisory staff. As noted earlier, HPD is committed to thoroughly inspecting units and ensuring that conditions are consistently categorized. As to HUD OIG's estimate of funds that HPD could conceivably spend on non-HQS compliant units in the future, HPD does not believe that this is a meaningful projection, as the improvements in protocols and technology that HPD has or will undertake are designed to ensure that all HCV subsidized units are HQS compliant.

### Comment 7

**Recommendation 1D:** Improve controls over the housing quality standards quality control inspections to ensure that quality control inspections meet HUD's minimum sample size and that the sample is drawn from recently completed housing quality standards inspection.

**Agency Response to Recommendation 1D:** HPD concurs with this recommendation and will work with HUD to improve its quality control inspection process to be in closer compliance with program requirements. However, HPD also believes that its current approach, in which HQS inspections take place concurrently with quality control inspections, conforms to regulatory requirements and has merits that should not be discounted or wholly eliminated. Specifically, HPD minimizes the burden on tenants and owners who often must be absent from work or other obligations in order to provide access to inspectors, and also ensures that inspectors observe the same conditions at the same time to avoid legitimate discrepancies. This approach provides an opportunity for the quality control inspector to give immediate feedback to the original inspector on any differences in inspection results, thus helping to reinforce training materials and promote uniformity and consistency. (As the HQS inspectors and the quality control inspectors are not part of the same divisional reporting structure at HPD, the agency did not consider this approach to be problematic.)

### Comment 8

**Recommendation 1E:** Improve controls over its abatement process to ensure that it consistently (1) starts abatements when required, (2) verifies and documents the correction of violations, (3) resumes housing assistance payments after the end of the abatement period, and (4) maintains sufficient documentation to support the abatement and reinstatement for each unit.

**Agency Response to Recommendation 1E:** Responses are enumerated below.

**Starts Abatements When Required (1):** HPD contends that it is already compliant with this recommendation, as its abatement policy is consistent with federal guidance. In fact, it is an element of internal control that if a check has been issued for a unit prior to an HQS failure correction deadline, it is identified and retroactively abated. As stated in the June 27 conference, HPD is a mayoral agency required to operate within the structure of the City's payment system; it does not have the authority to cut its own checks, and the City requires that all payments to vendors be submitted to the NYC Office of the Comptroller according to the City's disbursement calendar. HUD's Housing Choice Voucher Guidebook (7420.10G) references timing of abatements (Section 10.6, page 10-27) accordingly: "Abatements must begin on the first of the month following the failure to comply" and (Section 10.7, page 10-29) "Placement of abatement must occur by the first of the month following expiration of the notice." HPD abatement policy for owner-caused failures is outlined in its Administrative Plan (Section 8.16) "When an owner fails to correct an HQS failure within the allotted timeframe, HPD will provide the owner with written notice that the Housing Assistance Payment (HAP) will be abated effective the first of the month following the correction period." HPD's abatement process begins immediately after the correction period has ended and occurs retroactively to the first of the month. Given this constraint, it is important to note HPD does abate the correct dollar amount of subsidy, and the findings of the audit reflect this fact.

### Comment 9

**Verifies and Documents the Correction of Violations (2):** HPD contends that it is already compliant with this recommendation. HPD has several methods for verifying correction, including physical re-inspection on established timeframes, owners' certification, and responsive physical inspection initiated by notification from an owner or tenant (phone, email, or work order) that repairs have been made. In the

## Ref to OIG Evaluation

## Auditee Comments

### Comment 9

midst of the period covered by this audit, HPD revised its protocols regarding access to heating systems; documentation of this change, in the form of meeting agenda and minutes, was provided to the HUD OIG audit team. Any inconsistencies in approach in this area may have been as a result of the transition from the old protocols to the new.

### Comment 10

Resumes housing assistance payments after the end of the abatement period (3): HPD contends that it is already compliant with this recommendation, and the single instance of apparent non-compliance cited in this report is an explicable outlier described below. HPD policy requires a "HAP hold" when a tenant vacates an assisted unit, when a unit fails HQS inspection, or when an ownership change necessitates the collection of new documentation. Typically, the length of HPD's holds average 30 to 40 days before payments are reinstated or a contract is terminated, and documentation for individual cases was provided to the auditors during the audit. In the case mentioned in the report (in which HPD "waited 88 days after reinstatement [to restart payment]"), the unit had failed and then passed an HQS inspection, and the tenant vacated the unit, ultimately relocating out of HPD's jurisdiction. The delayed restart of HAP payments was not due to abatement, but to a payment hold unrelated to HQS. This delay is a feature of HPD's control process, which ensures that checks are not issued in error if there is any other reason to withhold HAP, such as for a vacant unit, when the underlying correction has been completed.

### Comment 11

Maintains Sufficient Documentation to Support the Abatement and Reinstatement for Each Unit (4): HPD contends that it is already compliant with this recommendation. HPD acknowledges that its form HUD-52580 is not currently generating correctly due to technical issues and thus does not accurately reflect inspection findings. Applicable teams are working on technical fixes; however, this issue does not impact the underlying data stored in HPD systems, which has proven accurate and complete. Additionally, HPD's Housing Quality Standards Procedure Manual is near finalization, and will be shared with the relevant HUD parties as soon as it is completed.

In the two additional cases referenced in the report, HPD followed HUD's guidance; specifically:

- With regard to the case in which HPD "mistakenly abated housing assistance for one unit [and] later identified the issues and compensated the owner for the missed payment", HPD views the proactive identification and correction of a mistaken HAP abatement as evidence of strong internal controls and appreciates HUD OIG's agreement that the error cited was properly corrected.
- With regard to the case in which HPD failed to terminate assistance for a tenant after 180 days, HPD has provided the auditors with copies of applicable notices and other documentation for this unusual case (involving an owner-caused failed HQS inspection, in which the tenant was actively engaged in the move process). As explained in the June 27 conference, it is not HPD's practice to take steps that would displace tenants when landlords are not in program compliance. As such, HPD abated the HAP, ensuring the landlord did not receive HAP funds, and the participant was issued a move voucher. (Note that NYC has an emergency-level vacancy rate, and apartment searches present challenges for many renters.) Though not reflective of HPD's process generally, HPD will provide extensions in similar cases in order to support successful moves.

### Comment 12

## OIG Evaluation of Auditee Comments

- Comment 1 HPD was satisfied with our overall conclusion that it abated payments when required, but disagreed with the use of the characterization “generally” abated payments when required because it believed that it always abated payments and had sound controls over its abatement process. We disagree and identified several weaknesses in the controls over the abatement process that could be improved such as the consistency of when abatements start and how it verifies and documents the correction of violations before reinstating housing assistance payments. If HPD improves its controls, it could better ensure that it complies with requirements for abatements.
- Comment 2 HPD stated that our conclusions for the housing quality standards finding did not allow for the possibility that the finding resulted from any factors other than errors of HPD inspectors or inspection practices. It noted that new unit conditions may not have existed during the HPD inspection due to the timing between its inspection and our inspection. Further, HPD stated that based on its review of our finding, fewer than 25% of the conditions identified may have been present at the time of its earlier inspection. OIG disagrees with this assertion. Our inspections were conducted by an OIG appraiser, who was accompanied by a HPD inspector and an OIG auditor. We based our conclusions of whether the conditions predated HPD’s last inspection, on the appraiser’s professional opinion as well as tenant statements. Further, we adjusted the language in the report to add the word always to the phrase “did not thoroughly conduct inspections” to account for the possibility of other factors presented by HPD. We believe that the conclusions presented in the audit report are adequately supported.
- Comment 3 HPD stated that feedback in our report can help them improve certain processes and agreed to work with their internal teams and HUD to ensure that their procedures are as sound and compliant as possible. This is responsive to our audit report and recommendations.
- Comment 4 HPD agreed with recommendation 1A and plans to seek owner certifications and to schedule a reinspection once the owner certifies correction of a condition. HPD’s response and planned actions are responsive to our recommendation. As part of the normal audit resolution process, HPD will need to provide the certifications to show that the violations have been corrected.
- Comment 5 HPD agreed with recommendation 1B and plans to reimburse its program \$28,303 as recommended. For context, HPD explained that it disbursed more than \$830 million in fiscal years 2017 and 2018, and that the \$26,044 in housing assistance payments being reimbursed is less than one percent of its fiscal 2018 expenditures. HPD’s response and planned action is responsive to our recommendation. We acknowledge that the recommendation relates to only six

units that materially failed to meet HUD's housing quality standards and that the dollar amount cited is a small portion of HPD's universe of housing assistance payments. As part of the normal audit resolution process, HPD will need to provide documentation showing that it reimbursed its program from non-Federal funds for the \$28,303 in ineligible funds.

- Comment 6 HPD agreed with recommendation 1C and plans to modify its procedures to improve controls related to ensuring that units meet the key aspects of housing quality standards performance and acceptability criteria and inspection results data are accurate and comply with applicable requirements. HPD contended that its inspectors apply their training to thoroughly inspect units, but stated that it will continue to (1) strive for uniformity in the treatment and categorization of fail items, (2) provide annual housing quality standards training to inspectors, and (3) use supervisory quality control inspection results as a tool to support the consistent and uniform application of housing quality standards. Additionally, HPD noted that it did not believe the projection of funds cited in the report was meaningful because the improvements it has and plans to make will ensure that all subsidized units comply with housing quality standards. HPD's planned actions are responsive to our recommendation. However, we disagree because the projection of \$763,363 is meaningful. As explained in Appendix A, this is an estimate of future program funds that could be put to better use if HPD implements our recommendation and improves controls related to its inspections process.
- Comment 7 HPD agreed with recommendation 1D and agreed to work with HUD to improve its quality control inspections process to comply with requirements. However, it believed that its current approach of conducting housing quality standards inspections concurrently with quality control inspections conforms to regulatory requirements and minimizes the burden on tenants and owners while also providing an opportunity for the quality control inspector to give immediate feedback. It also explained that because its inspectors and quality control inspectors are not part of the same reporting structure, it did not consider this approach to be problematic. While we acknowledge that there may be benefits to concurrent quality control inspections, we disagree that it conforms to requirements and do not believe this process is sufficient. As part of the normal audit resolution process, HPD will need to provide documentation showing that it has improved controls over its quality control inspections to ensure that it meets HUD's minimum sample size and that its sample is drawn from recently completed inspections.
- Comment 8 HPD contended that it already starts abatements when required because as an element of internal control, if a check had been issued for a unit prior to a housing quality standards failure correction deadline, it was identified and retroactively abated. We disagree that HPD's policy complied with section 10.6 of HUD's Housing Choice Voucher Guidebook 7420.10G because the guidebook did not



explicitly provide for retroactive abatements to the first of the month, but provided that for valid reasons a public housing agency may extend the time period to start the abatement. While section 8.16 of HPD's administrative plan was consistent with Federal guidance requiring abatements to start on the first of the month following the correction period, it did not provide for HPD's practice of retroactive abatements. Further, the administrative plan did not indicate that because HPD was constrained by the structure of the City's payment system and did not cut its own checks, it was not always capable of starting abatements timely. As part of the normal audit resolution process, HPD will need to work with HUD to ensure that it has sufficient controls in place to consistently start abatements when required.

- Comment 9 HPD contended that it already verifies and documents the correction of violations because it has several methods for verifying correction, including physical reinspection on established timeframes, owners' certification, and responsive physical inspection initiated by an owner or tenant via phone, email, or work order after repairs have been made. It explained that any inconsistencies in its approach may have been a result of the transition in protocols. We found that HPD did not consistently apply the protocols in place at the time. Further, we noted that although the documentation maintained evidenced correction of the violations, it varied and was sometimes incomplete. For example, in cases in which HPD accepted an owner certification, it was only able to provide a system screenshot in lieu of the actual owner certification. As part of the normal audit resolution process, HPD will need to show HUD that it has controls in place to ensure that it consistently maintains sufficient documentation to support the abatement and reinstatement for each unit.
- Comment 10 HPD contended that it already resumes housing assistance payments after the end of the abatement period because the single instance of apparent non-compliance cited in the report was an explicable outlier. In this case, HPD stated that the delayed restart of housing assistance payments was not due to the abatement, but due to a payment hold. We disagree that HPD is consistently resuming payments after the end of the abatement period because excluding the outlier, we noted that HPD restarted payments between 14 and 41 days after reinstatement. However, we agreed to revise the language in the report to add balance. We now explain that in contrast to the example of 14 days, HPD sometimes took more than 30 days to reinstate housing assistance payments. As part of the normal audit resolution process, HPD will need to provide documentation to show that it has sufficient controls to ensure that it consistently resumes housing assistance payments after the end of the abatement period, which could include detailing processes for variations in procedures due to other simultaneous conditions, such as a payment hold.
- Comment 11 HPD contended that it already maintains documentation to support the abatement and reinstatement for each unit because the underlying data stored in its systems

had proven to be accurate and complete, its Housing Quality Standards Procedure Manual was near finalization, and it had strong internal controls as evidenced by the identification and correction of a mistaken abatement. We disagree because HPD had not completed all actions needed to address this portion of the recommendation. As HPD acknowledged, its form HUD-52580 was not generating correctly and did not accurately reflect inspection findings. Accordingly, it is working on technical fixes. This corrective action, in addition to the finalization of its Housing Quality Standards Procedure Manual, is responsive to our recommendation.

Comment 12 HPD explained that it had provided documentation to support a case discussed in the draft report in which it failed to terminate assistance for a tenant after 180 days. While this documentation was not provided at the time of our audit, based on our review of the new information provided, we removed the example from our final report.