



**Warren Metropolitan Housing Authority
Lebanon, OH**

Section 8 Housing Choice Voucher Program



Issue Date: August 30, 2013

Audit Report Number: 2013-CH-1005

TO: Shawn Sweet, Director of Public Housing Hub, 5DPH

FROM: Kelly Anderson, Regional Inspector General for Audit, 5AGA

SUBJECT: The Warren Metropolitan Housing Authority, Lebanon, OH, Did Not Adequately Enforce HUD's Housing Quality Standards

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG), final audit report of our audit of the Warren Metropolitan Housing Authority's Section 8 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 me at (312) 913-8684.



August 30, 2013

The Warren Metropolitan Housing Authority, Lebanon, OH, Did Not Adequately Enforce HUD's Housing Quality Standards

Highlights

Audit Report 2013-CH-1005

What We Audited and Why

We audited the Warren Metropolitan Housing Authority's Section 8 Housing Choice Voucher program as part of the activities in our fiscal year 2013 annual audit plan. We selected the Authority based on a citizen's complaint to our office. Our objective was to determine whether the Authority administered its program in accordance with the U.S. Department of Housing and Urban Development's (HUD) requirements.

What We Recommend

We recommend that the Director of HUD's Cleveland Office of Public Housing require the Authority to (1) certify, along with the owners, that the applicable housing quality standards violations have been corrected for the 50 units cited in this report; (2) reimburse its program nearly \$31,000 from non-Federal funds for the 25 units that materially failed; (3) implement adequate procedures and controls to ensure that all units meet HUD's housing quality standards to prevent nearly \$600,000 in program funds from being spent on units that are not decent, safe, and sanitary over the next year; and (4) implement adequate procedures and controls to address the issues cited in this audit report.

What We Found

The Authority did not adequately enforce HUD's housing quality standards. Specifically, it did not ensure that 50 program units met HUD's minimum housing quality standards, and 25 had material violations. As a result, the Authority's households were subjected to health- and safety-related violations, and the Authority did not properly use its program funds when it failed to ensure that the units complied with HUD's housing quality standards. The Authority disbursed nearly \$31,000 for the 25 units that materially failed to meet HUD's housing quality standards. We estimate that the Authority can avoid spending nearly \$600,000 in housing assistance payments over the next year for units that are not decent, safe, and sanitary.

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BACKGROUND AND OBJECTIVE

The Warren Metropolitan Housing Authority is a nonprofit governmental entity, chartered by the State of Ohio, created in 1973 to provide safe, sanitary, decent, and affordable housing to eligible low-income residents of Warren County. The Authority's executive director is appointed by its board of commissioners and is responsible for coordinating established policies and carrying out the Authority's day-to-day operations. As of July 9, 2013, the Authority administered 208 public housing units and 429 units under its Section 8 program.

The Authority is governed by a five-member board of commissioners. Two members are appointed by the chief executive officer of the most populous city in the territory included in the district, in accordance with the last preceding Federal census (currently the mayor of Mason, OH): one appointee of the chief executive officer for an initial term of 1 year and one appointee of the chief executive officer for an initial term of 5 years. One member must be appointed by the Warren County Probate Court for an initial term of 4 years. One member must be appointed by the Warren County Court of Common Pleas for an initial term of 3 years. One member must be appointed by the Warren County Board of Commissioners for an initial term of 2 years. Thereafter, all members of the authority must be appointed for 5-year terms, and vacancies due to expired terms must be filled by the same appointing powers.

Our audit objective was to determine whether the Authority administered its program in accordance with the U.S. Department of Housing and Urban Development's (HUD) requirements. Specifically, we wanted to determine whether the Authority's unit inspections were sufficient to detect housing quality standards violations and provide decent, safe, and sanitary housing to its residents.

RESULTS OF AUDIT

Finding: The Warren Metropolitan Housing Authority Did Not Adequately Enforce HUD's Housing Quality Standards

The Authority did not adequately enforce HUD's housing quality standards. Of the 65 program units statistically selected for inspection, 50 did not meet minimum housing quality standards, and 25 had exigent health and safety violations, multiple material violations that existed before the Authority's previous inspections, or a combination of both. The violations occurred because the Authority lacked adequate procedures and controls to ensure that its program units met HUD's housing quality standards. It also failed to exercise proper supervision and oversight of its program and inspections. As a result, nearly \$31,000 in program funds was spent on units that were not decent, safe, and sanitary. Based on our statistical sample, we estimate that over the next year, the Authority will pay nearly \$600,000 in housing assistance for units with material housing quality standards violations.

The Authority Passed Housing Units That Did Not Comply With HUD's Housing Quality Standards

From the 89 program units that passed the Authority's inspections from December 2012 through February 2013, we statistically selected 65 units for inspection by using data mining software. The 65 units were inspected to determine whether the Authority ensured that its program units met HUD's housing quality standards. Our appraiser inspected the 65 units from April 9 through April 19, 2013.

Of the 65 units inspected, 50 (77 percent) had a total of 220 housing quality standards violations, of which 213 violations predated the Authority's previous inspections. Of these, 25 units containing 156 violations were considered to be in material noncompliance since they had exigent health and safety violations, multiple violations that predated the Authority's previous inspections, or a combination of both. The following table categorizes the 220 violations in the 50 units.

Category of violations	Number of violations	Number of units
Security	36	23
Electrical	29	20
Heating equipment	17	16
Tubs and showers	16	12
Floors	14	9
Windows	12	8
Sinks	12	10
Ceilings	11	7
Refrigerators and ranges	11	10
Water heaters	10	9
Walls	9	8
Stairs, rails, and porches	7	6
Exterior surfaces	6	5
Sites and neighborhoods	5	5
Toilets	4	4
Plumbing, sewer, and water supply	4	4
Interior surfaces	3	2
Interior stairs and rails	2	2
Smoke detector	2	2
Food preparation and storage	2	2
Roof and gutters	2	2
Foundation	2	1
Evidence of infestation	2	2
Garbage, debris, and refuse disposal	2	2
Total	<u>220</u>	

We provided our inspection results to the Director of HUD's Cleveland Office Public Housing and the Authority's executive director on July 9, 2013. See appendix D for a detailed list of our housing quality standards inspection results.

The Inspected Units Had 29 Electrical Violations

Twenty-nine electrical violations were present in 20 of the Authority's units inspected. The following items are examples of the electrical violations listed in

the table: ground fault circuit indicator not operating properly; extension cord ran underneath carpeting; insufficient number of electrical outlets; emergency lighting system inoperative; exposed electrical wiring; electrical panels not properly incased in wall flush to drywall; and exposed high tension electrical wiring, reachable to tenants and children, in a community laundry room facility. The following pictures are examples of the electrical-related violations.

Unit #27: Exposed electrical wiring



Unit #42: Exposed high tension electrical wiring, reachable to tenants and children, in building laundry room facility



The Inspected Units Had 17 Heating Equipment Violations

Seventeen heating equipment violations were present in 16 of the Authority's units inspected. The following items are examples of the heating equipment violations listed in the table: electrical base board heater safety shield not properly secured; household personal items stored around gas heating equipment; improper installation of dryer venting leading to crawl space, causing lint buildup and a fire hazard; vent system disconnected from dryer; missing drywall in rear wall of closet heater; ventilation that does not allow lint and debris to escape properly, resulting in a fire hazard; and missing safety wall, resulting in dryer lint in the gas meter, heating equipment, and water heater. The following pictures are examples of the heating equipment-related violations.

Unit #6: Household personal items stored around gas heating equipment



Unit #40: Missing safety wall, resulting in dryer lint accumulation in the gas meter, heating equipment, and water heater; thus causing a potential fire hazard



The Inspected Units Had 16 Tub and Shower Violations

Sixteen tub and shower violations were present in 12 of the Authority's units inspected. The following items are examples of the tub and shower violations listed in the table: shower water seal plate not properly secured, allowing water intrusion and possible mildew; tub sides exposed to cracked drywall and peeling paint; tub spout separated from back wall, exposing tile; drywall and studs allowing water intrusion and buildup of mildew; water controls not operating properly, resulting in continual water dripping; fiberglass shower stall cracked and peeling paint; tub porcelain worn with metal protruding from drain; mildew and other pollutants consistently present in amounts high enough to be a continuing health hazard; and missing sections of tub molding. The following pictures are examples of the tub- and shower-related violations.

Unit #24: Water valves not operating properly, resulting in continual water dripping; thus causing deterioration of the tub surface



Unit #27: Fiberglass shower stall cracked and has peeling paint



The Authority Lacked Adequate Procedures and Controls

The Authority did not adequately enforce HUD’s housing quality standards because it lacked adequate procedures and controls to ensure that its program units met HUD’s requirements. The Authority also failed to exercise proper supervision and oversight of its program and inspections. The Authority’s executive director acknowledged that improvements to the inspection process

were needed. As a result of our audit, the Authority (1) provided its inspection staff with an updated housing quality standards manual to be used as a reference, (2) discussed the issues identified during the audit with its inspection staff, (3) provided housing quality standards training as a refresher course for its inspection staff and had an additional staff member certified as a housing quality standards inspector, and (4) will revise its policies to include a random sampling of quality control units to be reviewed semiannually. Also, these units will be reviewed by the executive director or another housing quality standards certified supervisory staff person.

The changes, stated above, should help to improve the Authority's inspection process, if fully implemented.

Conclusion

The weaknesses described above occurred because the Authority lacked adequate procedures and controls. As a result, the Authority's households were subjected to health- and safety-related violations, and the Authority did not properly use its program funds when it failed to ensure that the units complied with HUD's housing quality standards. The Authority disbursed \$26,299 in program housing assistance payments for the 25 units that materially failed to meet HUD's housing quality standards and received \$4,225 in program administration fees.

In accordance with 24 CFR (Code of Federal Regulations) 982.152(d), HUD is permitted to reduce or offset any program administrative fees paid to a public housing agency if it fails to enforce HUD's housing quality standards.

If the Authority continues its implementation of procedures and controls for its unit inspections to ensure compliance with HUD's housing quality standards, we estimate that it can avoid spending nearly \$600,000 in housing assistance payments over the next year for units that are not decent, safe, and sanitary. Our methodology for this estimate is explained in the Scope and Methodology section of this audit report.

Recommendations

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

- 1A. Certify, along with the owners, that the applicable housing quality standards violations have been corrected for the 50 units cited in this finding.

- 1B. Reimburse its program \$30,524 from non-Federal funds (\$26,299 for program housing assistance plus \$4,225 in associated administrative fees) for the 25 units that materially failed to meet HUD's housing quality standards.
- 1C. Continue its implementation of procedures and controls to ensure that all units meet HUD's housing quality standards to prevent \$584,761 in program funds from being spent on units that do not comply with HUD's housing quality standards over the next year.
- 1D. Continue its implementation of procedures and controls to ensure that supervisory quality control inspections are conducted and documented and that feedback is provided to the inspectors to correct recurring inspection deficiencies and ensure that inspectors conduct accurate and complete inspections and consistently apply HUD's housing quality standards.

We also recommend that the Director of HUD's Cleveland Office of Public Housing to

- 1E. Review the Authority's Section 8 management assessment program results and consider revising its designation and if warranted conduct a confirmatory review of the Authority's scoring process.

SCOPE AND METHODOLOGY

We performed our onsite audit work at the Authority's office at 990 East Ridge Drive, Lebanon, OH, between November 27, 2012, and April 26, 2013. The audit covered the period October 1, 2010, through September 30, 2012, but was expanded as determined necessary.

To accomplish our objective, we reviewed

- Applicable laws; regulations; HUD program requirements at 24 CFR Parts 5, 35, and 982; and HUD's Housing Inspection Manual 7420.7.
- The Authority's independent auditor's report for fiscal years 2009, 2010, and 2011; policies and procedures; annual contributions contract with HUD; 5-year annual plans for calendar years 2010, 2011, and 2012; organizational chart; and housing assistance payment registers.
- HUD's files for the Authority.

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

Using data mining software, we statistically selected 65 of the Authority's program units to inspect from the 89 units that passed inspections by the Authority from December 2012 through February 2013. The 65 units were selected to determine whether the Authority's program units met HUD's housing quality standards. After our inspections, we determined whether each unit passed, failed, or materially failed. Materially failed units were those units that had one or more exigent health and safety violations that predated the Authority's previous inspections, five or more health and safety violations that predated the Authority's previous inspections, or a combination of both. Also, for each unit, we considered the severity of the violations, and we may have categorized an inspection, which, according to the stated standards, would have resulted in the inspection's being categorized as a material failure, as failed. All units were ranked, and we used auditors' judgment to determine the material cutoff point.

Based on our review of the statistically selected sample, we found that 25 of the units had material failures in housing quality standards, although they had recently passed an Authority inspection. Using a confidence interval of 95 percent, we projected that at least 29.76 percent of the 89 units that passed inspections during our audit scope had material violations. Extending this rate to the 429 active units on the Authority's program, we can say that at least 183 units would not meet housing quality standards, despite having passed an Authority inspection.

Based on the average housing assistance paid for the 89 properties less a deduction to account for a statistical margin of error, we can say with a confidence interval of 95 percent that the amount of monthly housing assistance spent on inadequate units was \$113.59. Extending this amount to the 429 active units on the Authority's program, at least \$48,730 in monthly housing assistance

payments were made for inadequate units. This amounts to \$584,761 in housing assistance paid per year for substandard units.

The calculation of administrative fees was based on HUD's administrative fee per household month for the Authority. The fees were considered inappropriately received for each month in which the housing assistance was incorrectly paid for units that did not meet HUD's minimum housing quality standards. If the questioned period was less than a full month, we limited the administrative fee to a daily rate based on the number of days during which the unit did not comply with HUD's requirements.

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. 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 management has implemented to reasonably ensure that a program meets its objectives.
- Reliability of financial reporting – 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:

- The Authority lacked adequate procedures and controls to ensure compliance with HUD's requirements regarding housing quality standards inspections (see finding).

Separate Communication of Minor Deficiencies

We informed the Authority's executive director and the Director of HUD's Cleveland Office of Public Housing of minor deficiencies through a memorandum, dated August 30, 2013.

APPENDIXES

Appendix A

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

Recommendation number	Ineligible 1/	Funds to be put to better use 2/
1B	<u>\$30,524</u>	
1C		<u>\$584,761</u>
Total	<u>\$30,524</u>	<u>\$584,761</u>

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.
- 2/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. 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 cease to incur program costs for units that are not decent, safe, and sanitary and, instead, will expend those funds in accordance with HUD's requirements. Once the Authority successfully improves its controls, this will be a recurring benefit. Our estimate reflects only the initial year of this benefit.


Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

Comment 1



Warren Metropolitan Housing Authority

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August 13, 2013

U.S. Department of Housing and Urban Development
Office of Inspector General
200 North High Street Room 334
Columbus, Ohio 43215

Dear Ms. Anderson,

In response to the draft audit report regarding the IG Audit of The Warren Metropolitan Housing Authority, I would like to submit a response on corrective action taken by the agency.

As a result of the audit, The Warren Metropolitan Housing Authority received one finding for failure to adequately enforce HUD's Housing Quality Standards. The Warren Metropolitan Housing Authority understands that we lacked proper supervision over the Housing Choice Voucher HQS Inspections and have taken the necessary steps to correct this weakness. During the audit period, the supervisor and Quality Control Inspector for the HQS department resigned from the agency resulting in staffing changes. The Warren Metropolitan Housing Authority also felt staff training in the area was weak therefore we sent three staff members to Nan McKay HQS training in May 2013. Two of the staff attending the training was previously certified as HQS Inspectors several years ago so this was a refresher course for them. The third attendee, who is the HCV Manager, was successfully certified to conduct HQS Inspections and will be doing the Quality Control Inspections. As part of the restructuring in this department we reduced the number of inspections scheduled daily to ensure the proper time is allotted to correctly complete the inspections. Also, in an effort to educate owners on the importance of program rules, regulations and HQS the Housing Authority held an owner training on July 17, 2013 and will continue to do so twice annually. The Purpose of these trainings are to build a good rapport with our landlord base and educate them on the importance of the Housing Quality Standards Inspections and maintaining decent, safe and sanitary units for the residents we serve.

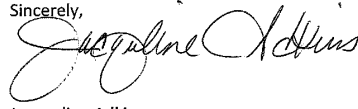
Ref to OIG Evaluation

Auditee Comments

Additionally, The warren Metropolitan Housing Authority implemented quarterly newsletters for the owners participating in our programs. The goal is to keep communication lines open and provide updates, feedback and tips to our owners. In regards to the Quality Control Inspections, the Warren Metropolitan Housing Authority will be conducting QC Inspections monthly and providing consistent feedback to the HQS Inspector on all inspection deficiencies identified by the QC Inspector.

In closing, the warren Metropolitan Housing Authority would like to state that we are taking every step necessary to correct the deficiencies found in the audit performed at our agency.

Sincerely,



Jacqueline Adkins
Executive Director

Cc: Audit file

OIG's Evaluation of Auditee Comments

Comment 1 The Authority agreed with our finding. We would like to commend the Authority for the corrective actions that it has taken as mentioned in this report and the Authority's comments. These actions, if fully implemented, should strengthen its housing quality standards inspection policies and procedures.

Appendix C

FEDERAL REQUIREMENTS

Regulations at 24 CFR 982.152(d) state that HUD may reduce or offset any administrative fee to a public housing authority, in the amount determined by HUD, if the public housing authority fails to perform its administrative responsibilities correctly or adequately under the program (for example, the public housing authority's failure to enforce housing quality standards requirements or conduct annual housing quality standards inspections).

Regulations at 24 CFR 982.401 require that all Section 8 program housing meet the housing quality standards performance requirements both at commencement of assisted occupancy and throughout the tenancy.

Regulations at 24 CFR 982.404(a)(1) state that the owner must maintain the unit in accordance with housing quality standards. (2) If the owner fails to maintain the dwelling unit in accordance with housing quality standards, the public housing authority must take prompt and vigorous action to enforce the owner obligations. Public housing authority remedies for such a breach of the housing quality standards include termination, suspension or reduction of housing assistance payments, and termination of the housing assistance payments contract. (3) The public housing authority must not make any housing assistance payments for a dwelling unit that fails to meet the housing quality standards, unless the owner corrects the defect within the period specified by the public housing authority and the public housing authority verifies the correction. If a defect is life threatening, the owner must correct the defect within no more than 24 hours. For other defects, the owner must correct the defect within no more than 30 calendar days (or any public housing authority-approved extension). (4) The owner is not responsible for a breach of the housing quality standards that is not caused by the owner and for which the family is responsible. (However, the public housing authority may terminate assistance to a family because of a housing quality standards breach caused by the family).

Regulations at 24 CFR 982.404(b)(1) state that the family is responsible for a breach of the housing quality standards that is caused by any of the following: (ii) the family fails to provide and maintain any appliances that the owner is not required to provide but which are to be provided by the tenant; or (iii) any member of the household or guest damages the dwelling unit or premises (damages beyond ordinary wear and tear). (2) If a housing quality standards breach caused by the family is life threatening, the family must correct the defect within no more than 24 hours. For other family-caused defects, the family must correct the defect within no more than 30 calendar days (or any public housing authority-approved extension). (3) If the family has caused a breach of the housing quality standards, the public housing authority must take prompt and vigorous action to enforce the family obligations. The public housing authority may terminate assistance for the family in accordance with section 982.552.

Appendix D

OIG HOUSING QUALITY STANDARDS INSPECTION RESULTS

Unit number	Total number of units that passed	Total number of units that failed	Total number of units that materially failed	Total violations for the materially failed units	Total number of housing quality standards violations	Total number of preexisting violations
1		X			3	3
2		X			4	4
3		X			2	2
4		X			3	3
5			X	15	15	14
6			X	8	8	7
7		X			4	3
8		X			3	2
9		X			3	3
10		X			2	2
11		X			1	1
12	X				0	0
13			X	4	4	4
14	X				0	0
15		X			1	1
16	X				0	0
17	X				0	0
18		X			3	3
19		X			1	1
20	X				0	0
21			X	11	11	10
22		X			5	5
23		X			1	1
24			X	13	13	13
25			X	6	6	6
26		X			6	6
27			X	13	13	12
28			X	10	10	10
29		X			4	4

Unit number	Total number of units that passed	Total number of units that failed	Total number of units that materially failed	Total violations for the materially failed units	Total number of housing quality standards violations	Total number of preexisting violations
30		X			2	2
31	X				0	0
32		X			4	4
33			X	4	4	4
34	X				0	0
35	X				0	0
36	X				0	0
37		X			1	1
38		X			1	1
39	X				0	0
40			X	3	3	3
41			X	10	10	10
42			X	5	5	5
43			X	3	3	3
44			X	1	1	1
45	X				0	0
46	X				0	0
47		X			1	1
48			X	16	16	15
49			X	5	5	5
50			X	3	3	3
51		X			5	5
52			X	1	1	1
53			X	6	6	6
54		X			2	2
55			X	1	1	1
56	X				0	0
57			X	5	5	5
58		X			1	1
59			X	2	2	2
60			X	3	3	3
61	X				0	0
62			X	3	3	3
63	X				0	0
64			X	5	5	5
65		X			1	1
Totals	15	25	25	156	220	213