



# Orange County Housing Authority, Santa Ana, CA

## Housing Choice Voucher Program, Housing Quality Standards – Mobility Out Units



**To:** Marcie P. Chavez, Director, Los Angeles Office of Public Housing, 9DPH  
//SIGNED//

**From:** Tanya E. Schulze, Regional Inspector General for Audit, 9DGA

**Subject:** The Orange County Housing Authority, Santa Ana, CA, Did Not Adequately Monitor Its Contractors' Performance of HUD's Housing Quality Standards Inspections

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 Orange County Housing Authority's monitoring of its contractors' performance of housing quality standards inspections of Housing Choice Voucher program-funded mobility out housing units.

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 213-534-2471.



**Audit Report Number: 2016-LA-1005**

**Date: May 13, 2016**

**The Orange County Housing Authority, Santa Ana, CA, Did Not Adequately Monitor Its Contractors' Performance of HUD's Housing Quality Standards Inspections**

## Highlights

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### What We Audited and Why

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We audited the Orange County Housing Authority's monitoring of its contractors' performance of housing quality standards inspections of its mobility out units due to inadequacies identified in another review of the Authority's Housing Choice Voucher program's housing quality standards. The Authority contracted out the administration and housing quality standards inspections for its mobility out housing units, Housing Choice Voucher program-funded housing units located in jurisdictions of the public housing agencies of Anaheim and Garden Grove. Our objective was to determine whether the Authority monitored its contractors' performance of housing quality standards inspections in accordance with U.S. Department of Housing and Urban Development (HUD) rules and requirements.

### What We Found

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The Authority did not adequately monitor its contractors' performance of HUD's housing quality standards inspections. Of the 21 mobility out housing units inspected, 12 were in material noncompliance with HUD standards. For those units, the Authority's contractors' inspectors failed to report 84 deficiencies that existed when they conducted their last inspections. This condition occurred because the Authority did not have formal written monitoring policies and procedures and lacked a quality control process to monitor its contractors' performance of inspections to ensure that mobility out housing units complied with housing quality standards. As a result, some tenants lived in housing that did not meet HUD standards, and the Authority disbursed \$52,215 in housing assistance payments for these 12 mobility out housing units.

### What We Recommend

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We recommend that the Director of HUD's Los Angeles Office of Public Housing require the Authority to (1) reimburse its program \$52,215 from non-Federal funds for the 12 Housing Choice Voucher program-funded mobility out housing units that materially failed to meet HUD standards, (2) certify that the identified failed housing quality standards deficiencies have been corrected for the units cited, (3) develop and implement formal written monitoring policies and procedures to ensure that contracted inspections of mobility out housing units meet HUD standards, and (4) develop and implement a quality control process to ensure that contracted inspections of mobility out housing units are monitored for compliance with HUD standards.

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# Background and Objective

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The U.S. Department of Housing and Urban Development (HUD) designated the Orange County Housing Authority as a public agency in 1971 and authorized it to provide housing assistance for low-income families, including families with children, the elderly, and people with disabilities, residing within the 31 cities and unincorporated areas of Orange County, CA, excluding the cities of Santa Ana, Garden Grove, and Anaheim, which have their own public housing agencies. The Authority's mission is to provide safe, decent, and sanitary housing conditions for very low-income families and manage resources efficiently.

The Housing Choice Voucher program's goal is to provide safe, decent, and sanitary housing at an affordable cost to low-income families. To accomplish this goal, program regulations set forth basic housing quality standards, which all housing units must meet before assistance can be paid on behalf of a family and at least biennially throughout the term of the assisted tenancy. The standards define standard housing and establish the minimum criteria necessary for the health and safety of program participants (appendix C).

HUD is moving from housing quality standards to uniform physical condition standards for public housing agencies to use when inspecting program-funded housing units.

The Authority is a division within Orange County Community Services, which administers federally funded programs to provide monthly rental assistance to qualified tenants in privately owned rental housing. It is divided into three sections under the direction of a division manager as follows: Occupancy and Residency Section, Rental Assistance Section, and Special Housing Programs.

The Special Housing Programs section is an administrative unit responsible for implementing and reporting requirements for specialized HUD programs and works in collaboration with outside agencies in coordinating interjurisdictional transfers for tenants moving between housing authorities under the provisions of portability and mobility.

In December 2012, the Authority executed a memorandum of agreement with the public housing agencies of the cities of Anaheim and Garden Grove for a 5-year period from December 1, 2012, to November 30, 2017. These public housing agencies executed this agreement to promote mobility and freedom of choice for low-income families seeking housing assistance under the Housing Choice Voucher program. The agreement is intended to simplify, facilitate, and improve interjurisdictional administration of the program by eliminating often-cumbersome procedures that would otherwise be necessary under portability requirements. The agreement authorizes these contractors, the Anaheim and Garden Grove Housing Authorities, to administer program vouchers on behalf of the Authority. Tenants receiving housing assistance payments from the Authority who reside in the cities of Anaheim or Garden Grove are termed mobility out tenants but remain the responsibility of the Authority.

In 2015, the Authority administered about 10,622 program-funded housing units and disbursed more than \$114 million in funding to provide housing assistance to eligible participants. As of October 2015, the audit universe consisted of 884 monthly occupied program-funded mobility out units administered by the Authority.

The objective of the audit was to determine whether the Authority monitored its contractors' performance of housing quality standards inspections in accordance with HUD rules and requirements.

# Results of Audit

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## **Finding: The Authority Did Not Adequately Monitor Its Contractors' Performance of HUD's Housing Quality Standards Inspections**

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The Authority did not adequately monitor its contractors' performance of HUD's housing quality standards inspections. Of the 21 units inspected, 17 failed to meet HUD's minimum standards, and 12<sup>1</sup> were in material noncompliance with the standards. For the 12 units in material noncompliance, the Authority's contractors' inspectors failed to report 84 deficiencies that existed when they conducted their last inspection. These deficiencies occurred because the Authority did not have formal written monitoring policies and procedures and lacked a quality control process to monitor its contractors' performance of inspections to ensure that program-funded mobility out housing units complied with housing quality standards. As a result, some tenants lived in units that did not meet HUD standards, and the Authority disbursed \$52,215 in housing assistance payments for the 12 units in material noncompliance with the standards.

### **Housing Quality Standards Not Met**

We inspected 21<sup>2</sup> units statistically selected from a sampling frame of 163 units that had passed the Authority's contractors' housing quality standards inspections between July 1 and October 31, 2015. The 21 units were selected to determine whether the Authority monitored its contractors' inspection performance to determine whether units met minimum housing quality standards. We performed the inspections within 3 to 6 months after the Authority's contractors performed their inspections.

Contrary to 24 CFR (Code of Federal Regulations) 982.401(a)(3) (appendix C), 12 of the 21 units inspected (57 percent) failed and were in material noncompliance with housing quality standards. These units were in material noncompliance for having at least three deficiencies, which created living conditions that were not decent, safe, and sanitary for tenants. The 12 units had a total of 84 deficiencies (appendix D).

Contrary to the administrative plans of the Authority's contractors, the Anaheim and Garden Grove Housing Authorities (appendix C), the units identified had deficiencies, such as (1) conditions that jeopardized the security of the housing unit, including the locking of windows and doors; (2) electrical problems or conditions that could result in shock or fire; and (3) conditions that threatened public safety.

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<sup>1</sup> An additional 5 of the 21 units failed but were not materially compliant. The remaining four units passed with no deficiencies.

<sup>2</sup> Our methodology for the statistical sample is explained in the Scope and Methodology section of this audit report.

The following table lists the top 3 deficiencies identified among the 12 units that were materially noncompliant with HUD standards.

Type of deficiency	Number of deficiencies	Number of units
Security of unit windows	25	6
Unsafe operating conditions of heating and electrical equipment	14	9
Security of unit doors (interior and exterior)	13	7

### **Types of Deficiencies**

The following photographs illustrate some of the deficiencies noted during housing quality standards inspections of the 12 units that materially failed to meet HUD standards. Most of the common deficiencies were categorized as security of unit windows, unsafe operating conditions of heating and electrical equipment, and security of unit doors (interior and exterior).

#### Security of Unit Windows

A total of 25 deficiencies were found in 6 units that materially failed to meet HUD's housing quality standards.



The picture above shows a unit with window conditions involving a deteriorated, damaged, and rotting window frame and an improper weather-tight seal. In addition, the window did not have

an interior locking device. This unit had two other windows with these same deficiencies. HUD regulation 24 CFR 982.401(d)(1) and HUD Handbook 7420.10, Housing Choice Voucher Guidebook, section 10.3, state that the unit must provide space and security for the family. The contractor's administrative plan states that window sashes must be in good condition, solid and intact, and properly fitted to the window frame; damaged or deteriorated sashes must be replaced; and windows must be weather-stripped as needed to ensure a weather-tight seal. Lastly, the administrative plan states that any condition that jeopardizes the security of the unit is considered to be a life-threatening condition. These conditions could jeopardize the security of the tenant and resulted in a failed inspection.

#### Unsafe Operating Conditions of Heating and Electrical Equipment

A total of 14 deficiencies were found in 9 units that materially failed to meet HUD's housing quality standards.



The picture above shows an improper installation of the vent system to the unit's water heater. The vent system was installed with the use of standard duct tape, causing damage to the tube and allowing exhaust gases to enter the unit. HUD regulation 24 CFR 982.401(e)(2)(i) states that the system must be in proper operating condition. HUD Handbook 7420.10G, section 10.3, defines "improper operating condition" as any condition that may be unsafe, such as broken or damaged source vents, flues, or exhausts; gas or oil lines that create a potential fire hazard; or threats to health and safety. The contractor's administrative plan considers any electrical problem or condition that could result in shock or fire and natural gas or fuel oil leaks and fumes to be life-

threatening conditions. These operating conditions of the water heater, which used heat and electricity, created a potential fire hazard and threat to the tenant's health and safety and, therefore, resulted in a failed inspection of the unit.

Security of Unit Doors (Interior and Exterior)

A total of 13 deficiencies were found in the 7 units that materially failed to meet HUD's housing quality standards.



The picture above shows a main entry door of a unit that has a split door frame with excess holes and a missing striker plate for the locking mechanism. HUD regulations 24 CFR 982.401(d)(1) and 24 CFR 982.401 (d)(2)(iv); and HUD Handbook 7420.10G, section 10.3, state that the unit must provide adequate space and security for the family, the exterior doors of the unit must be lockable, and door surfaces (including door frames) must be in sufficient condition to support the installation and proper operation of door locks. The contractor's administrative plan states that all exterior doors must be weather-tight to avoid any air or water infiltration. The administrative plan also states that all exterior doors must be lockable, have no holes, have all trim intact, and

have a threshold. In addition, lack of security for the unit is considered an emergency repair item. These conditions could jeopardize the security of the tenant and resulted in a failed inspection.

### **Lack of Written Monitoring Policies and Procedures**

The Authority did not have formal written monitoring policies and procedures in place to ensure the monitoring of its contractors. As part of its memorandum of agreement, the Authority initiated a request for its contractors to perform inspections of mobility out housing units using their own resources. Once an inspection was completed, the contractor would provide the Authority the inspection reports. The Authority maintained an internal list of inspection requests and updated the list once inspections were completed to include results of inspections or reinspections. Although the Authority kept track of and recorded inspection requests and results, this practice did not ensure that it adequately monitored its contractors' performance of housing quality standards inspections. The agreement did not discuss the monitoring of its contractors; specifically, it lacked written policies and procedures to show how the Authority adequately reviewed the inspection reports and ensured that housing quality standards were met. As a result, the Authority did not monitor its contractors to ensure that inspections met HUD standards. Further, the lack of formal written monitoring policies and procedures allowed the contractors to inspect and pass program-funded mobility out housing units that should not have passed.

### **Lack of Quality Control Process**

The Authority did not perform quality control inspections on its program-funded mobility out housing units. A quality control inspection is a reinspection of randomly selected housing units by a supervisor or other qualified individual to ensure that housing inspections were conducted correctly and uniformly. The Authority conducted quality control inspections only on units inspected by its own inspectors. Since the mobility out housing unit inspections were conducted by the Authority's contractors, they were not included in the random selection of quality control inspections. As a result, mobility out housing units were not selected for quality control inspections to determine whether the Authority's contractors' inspections were conducted correctly and uniformly to ensure that program-funded mobility out housing units met HUD standards.

### **Conclusion**

The deficiencies described above occurred because the Authority did not have formal written policies and procedures in place to monitor its contractors' performance of housing quality standards inspections. In addition, the Authority did not have a quality control process in place to ensure that contractors conducted inspections that complied with HUD standards. These conditions allowed tenants to live in units that were not safe, decent, and sanitary. As a result, the Authority spent \$52,215 in housing assistance payments on 12 program-funded mobility out housing units (appendix D) that were in material noncompliance.

## **Recommendations**

We recommend that the Director of the Los Angeles Office of Public Housing require the Authority to

- 1A. Reimburse its program \$52,215 from non-Federal Funds for the 12 units that materially failed to meet HUD's housing quality standards.
- 1B. Certify that the identified failed housing quality standards items have been corrected for the units cited in this report or take appropriate administrative action.
- 1C. Develop and implement formal written monitoring policies and procedures to ensure that contracted inspections of mobility out housing units meet HUD standards.
- 1D. Develop and implement a quality control process to ensure that contracted inspections of mobility out housing units are monitored for compliance with HUD standards.

# Scope and Methodology

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We performed our audit work at the Authority's office in Santa Ana, CA, from December 17, 2015, to February 19, 2016. Our review covered the period July 1, 2014, to October 31, 2015, and was expanded as necessary.

To accomplish our objective, we

- Reviewed and analyzed the Authority's policies, procedures, internal controls, and financial records relating to the program and monitoring of its contractors;
- Reviewed applicable HUD regulations and requirements;
- Reviewed HUD's monitoring reports, annual plan, consolidated annual contributions contract, and administrative plans of the Authority and its contractors;
- Reviewed files, including housing quality standards inspection reports, housing assistance payment registers, and tenant files and data;
- Conducted onsite inspections of the Housing Choice Voucher program-funded mobility out units; and
- Interviewed Authority staff.

As of October 2015, the audit universe consisted of 884 monthly occupied program-funded mobility out units administered by the Authority. We inspected a stratified systematic sample of 21 units that were selected from a sampling frame of 163 monthly occupied program-funded mobility out units that passed the Authority's contractors' inspections from July 1 through October 31, 2015. A stratified systematic approach was used to help control for potential differences in housing stock across zip code locales. We selected recently completed inspections to determine whether the Authority's contractors' inspection staff adequately inspected and correctly passed program-funded mobility out units. Due to the low threshold of the inspection results, we did not project estimated costs to the universe of program-funded mobility out units.

Based on the 21 inspected units, we found that 12 of the units had housing quality standards deficiencies but passed an Authority contractor's inspection.

We relied in part on data maintained by the Authority. We performed an assessment of the reliability of the data and found the data to be reasonably reliable for our 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 finding and conclusion based on our audit objective.

# 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 implemented to ensure effective and efficient operations of the Authority's monitoring of its contractors' performance of housing quality standards inspections.
- Reliability of financial information – Policies and procedures implemented to reasonably ensure that valid and reliable information is obtained, maintained, and fairly disclosed in its housing quality standards inspection reports.
- Compliance with applicable laws and regulations – Policies and procedures implemented to ensure that housing quality standards inspections are consistent with applicable HUD requirements.

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 did not have formal written monitoring policies and procedures to ensure that its contractors performed inspections in compliance with HUD's housing quality standards (finding).

# Appendixes

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## Appendix A

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**Schedule of Questioned Costs**

<b>Recommendation number</b>	<b>Ineligible 1/</b>
1A	\$52,215
<b>Total</b>	<b>\$52,215</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.

# Appendix B

## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments



**ORANGE COUNTY**  
**Community Resources**  
*Our Community. Our Commitment.*

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**OC CommunityServices**

April 22, 2016

Tanya E. Schultze  
Regional Inspector General for Audit, Region IX, 9DGA  
Office of Audit (Region 9)  
611 W. Sixth Street, Suite 1160  
Los Angeles, CA 90017

Re: Audit Report for Orange County Housing Authority Mobility Inspections

Dear Ms. Schultze,

The Orange County Housing Authority (OCHA) prepared the following comments regarding Audit Report Number 2016-LA-100X Mobility Inspections. Such inspections are performed for OCHA Housing Choice Voucher Program tenants who elect to reside in the cities of Anaheim or Garden Grove under mobility agreements with the two City Public Housing Agencies (PHAs). This agreement enables OCHA to administer Housing Assistance Payments for its assisted tenants in Anaheim and Garden Grove and to pay an inspection fee to the two partner PHAs who then perform HQS inspections in their respective cities.

The stated objective of the audit was to determine whether the OCHA monitored its contractors' performance on Housing Quality Standards (HQS) inspections in accordance with the U.S. Department of Housing and Urban Development (HUD) rules and guidelines. The HQS inspections sampled in the audit were performed by inspectors from the Anaheim and Garden Grove Housing Authorities from July 1, 2014 to October 31, 2015.

The audit finding stated that OCHA did not adequately monitor its contractors' performance and that 12 of the 21 mobility units were in material noncompliance with HUD standards. The audit states that "the contractors' inspectors failed to report 84 deficiencies that existed when they conducted their last inspections. This condition occurred because the Authority did not have formal written monitoring policies and procedures and lacked a quality control process to monitor its contractors' performance on inspections".

Comment 1

While OCHA acknowledges that the current mobility agreement between the three PHAs does not contain specific language regarding monitoring and quality controls, OCHA and its partner PHAs are thoroughly committed to the safety of assisted households and compliance with HUD requirements. This is demonstrated by the number of re-inspections performed by the PHAs for mobility tenants to ensure needed repairs were completed. Between May 2015 and March 2016, the Anaheim Housing Authority inspected 112 mobility units and found an HQS concern and performed a second (follow up) inspection on 48% of these units/tenants assisted by OCHA to ensure corrective action was taken. Similarly, Garden Grove Housing Authority performed a second inspection on 54% of 267 OCHA assisted units/households inspected during that period, to ensure that HQS standards are being met. Mobility agreements between our PHAs have been in place for more than 15 years, and no assisted mobility tenants have been harmed by unsafe conditions that were overlooked by an HQS inspection.

It should also be recognized that the Anaheim and Garden Grove PHAs have HQS standards that differ from OCHA and each other in regard to some items for compliance with City codes. Consequently, monitoring and quality controls will need to take this into account.

Comment 2

Recommendation 1: HUD should require OCHA to reimburse its program for the 12 units that materially failed HQS. OCHA will reimburse HUD as directed by the LA HUD Office.

Comments:

OCHA acknowledges that most of the 84 deficiencies identified by the OIG may deviate from HQS, to some degree. However the severity of the items listed in the audit as "material deficiencies" especially those that were designated as requiring "24 hour" corrective action, require further clarification from HUD.

In addition, there should be some consideration for deficiencies that likely occurred after the HQS inspection. Comments regarding specific deficiencies in units that warrant consideration are listed in Attachment A. OCHA also provided the OIG with detailed comments for each of the 84 deficiencies in a meeting on April 14, 2016. OCHA's assessment agreed with 39 of the material deficiencies that would result in a HAP reimbursement of \$27,631 for five units.

Comment 3

Recommendation 2: Certify that identified HQS deficiencies have been corrected.

As of April 20, 2016, seventy eight (78) of the 84 deficiencies have been corrected. OCHA is working with the owner of one unit in Anaheim to correct the remaining 6 items identified in the Audit, some of which may require work to be contracted.

Comment 4

Recommendation 3: Develop and implement formal written monitoring policies and procedures to ensure that contracted inspections of mobility out housing units meet HUD standards.

OCHA will take action with its partner PHAs within 30 days to develop monitoring policies. OCHA will take the lead role in revising the mobility agreement to address oversight and monitoring. The new agreements will require legal review and approval from the Board of Commissioners for each PHA.

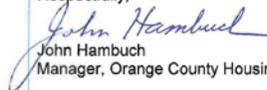
Comment 5

Recommendation 4: Develop and implement a quality control process to ensure that contracted inspections of mobility out housing units are monitored for compliance with HUD Standards.

As indicated in the response to Recommendation 3, OCHA will take action within 30 days with the partner PHAs to develop a quality control process. This process will also be described in the updated Mobility agreement between the PHAs.

We thank you and the audit team for the opportunity to provide comments regarding the findings and recommendations. OCHA is firmly committed to ensure that housing for our assisted households is safe and meets the requirements of HQS, and that HAP funds are only used for units that meet these standards. We will work closely with our partner PHAs to continue offering our households optimum housing choices, while updating our mobility procedures and agreement to ensure appropriate monitoring and quality controls. We will also work with Los Angeles office of HUD to report progress and obtain feedback and recommendations related to the recommendations in this audit. If you have any questions, please contact me at (714) 480-2830.

Respectfully,

  
John Hambuch  
Manager, Orange County Housing Authority

Enclosed: Attachment A.

C: Marcy Chavez, Director, Los Angeles Office of Public Housing

## Comment 6

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### Attachment A.

OCHA Response to Audit Report 2016-LA-100X

#### **Specific comments related to the number of Material Deficiencies and HAP Reimbursement**

The OIG report states that 84 material deficiencies existed at the time of the last inspection. However, there was not supportive evidence provided. For example, assisted tenants were not surveyed to provide information about when the deficiency occurred and if it was present at the time of the contractor's HQS inspection. It is extremely likely that numerous deficiencies, especially tenant-caused HQS violations occurred after the most recent HQS inspection that was made between July 2014 and October 2015. In addition, OCHA has the following specific concerns regarding the 84 material deficiencies (which have at least three deficiencies per units) as listed in the OIG report.

1. A total of 25 deficiencies were related to windows and the security of the unit. Seven of the 25 windows had some type of lock, however, according to the OIG inspector, they were "missing proper locking mechanism". Under "tenant preference", the Housing Choice Voucher Program Guidebook, Chapter 10, page 7 states "the family is responsible for deciding the acceptability of the type of door and window locks". Therefore, we believe these seven items related to missing "proper" locking mechanism should be removed from the list of material deficiencies.
2. Seven identified deficiencies were "personal items in stove vent or near water heater to be removed". All of these items were immediately corrected at the time of OIG inspection by the tenant. We believe that all seven tenant caused "personal item" deficiencies should be removed from the list because there is no clear indication or evidence that these deficiencies were present at the time of the last Authority inspection.
3. Six identified deficiencies were "lint and debris" behind dryer in laundry room. OCHA reviewed HUD HCV Guidebook, Contractor's Administrative Plan and Local Codes and found nothing to support that "lint and debris" behind dryer affect the health and safety of the tenants. In addition, there was no question asked of owners or managers regarding how frequently laundry rooms are cleaned or maintained. Therefore we believe these six items should be removed from the list. Specific unit details and the related HAP are listed below.
4. Unit #1 should not be on the Material deficiency list. Two failed items were "personal stored items" caused by the tenant and were immediately corrected on site. Four failed items were "incorrect window locks" (tenant preference per HUD guidebook). One failed item was "duct tape" and another one was "missing door lock striker plate on one of two door locks on the same door". OCHA could find no guidance to support these two findings. (\$4,180)
5. Unit #3 should not be on the Material deficiency list. Two failed items were "personal items" caused by the tenant and were immediately corrected on site. OCHA could find no guidance to support this finding from HUD HQS, Contractor's Administrative Plan or City Code. (\$2,108)
6. Units #5 and #6 should not be on the Material deficiency list. Two items were not HQS deficiencies: type of duct tape on vent and lint behind dryer and washer. OCHA could find no guidance to support this finding from HUD HQS, Contractor's Administrative Plan or City Code. (\$3,519) and (\$2,864).
7. Unit #7 should not be on the Material deficiency list. Four of the five deficiencies were in common areas. The OIG report states that the "common hallway emergency backup lights" near unit #249 was inoperable. However, the tenant or management was not questioned about how long this was not functional or the maintenance schedule, and it was unclear how close this was to the assisted unit (#234). This unit was also cited for "lint and trash" build up behind "common" laundry room. (\$3,895)

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8. Unit #9 should not be on the Material deficiency list. Two of the four deficiencies involved double-keyed deadbolt locks. Inspectors from all local PHAs are extremely vigilant about this safety concern and these were not mentioned in the previous HQS inspection and were likely installed by the tenant afterwards. (\$3,858)
9. Unit #10 should not be on the Material deficiency list. Three of the five failed items in this unit were "window missing proper locking mechanism", however a "tenant preference" type of lock was present. Consequently, these three failed items should be removed. The fourth item was "front entry door is hollow" and is not the correct grade for fire and safety. The fifth item was "stove vent is missing correct tape". OCHA could find no guidance to support these two findings from HUD HQS, Contractor's Admin Plan or City Code. (\$4,160)

## OIG Evaluation of Auditee Comments

Comment 1 We acknowledge the Authority's and its contractors' commitment to the safety of tenants in program-funded units. However, the lack of written monitoring policies and procedures and a quality control process resulted in units that failed inspections. While the Authority's contractors conducted reinspections, the units did not meet HUD standards and caused potential health and safety issues for the tenants at the time of our inspections. We are aware that the standards are different among the agencies and considered that when conducting our inspections. Overall, we determined that the units did not pass the inspections and meet HUD standards.

Although no tenants have been harmed by unsafe conditions, the Authority and its contractors are responsible for ensuring that units meet HUD standards to minimize the risk of harm. If the Authority develops and implements formal written monitoring policies and procedures and a quality control process for its inspections conducted by contractors, it will ensure that units meet HUD standards. We encourage the Authority work with HUD during the audit resolution process to ensure recommendations are adequately addressed.

Comment 2 The administrative plans for the contracted agencies establish the criteria for which deficiencies are considered life threatening and the need for correction within 24 hours of an inspection. In addition, HUD rules and requirements provided guidelines for determining whether the deficiencies were considered to be life-threatening conditions that must be corrected within 24 hours of an inspection. We determined a unit was materially deficient if there were at least three deficiencies identified that created living conditions that were not decent, safe, and sanitary for tenants.

We understand that deficiencies may occur after an inspection; however, the Authority and its contractors are responsible for ensuring that units meet HUD standards to minimize risk of harm to tenants. In addition, cited deficiencies that may have occurred after an inspection were not the only determining factor of a materially deficient unit. We cited other deficiencies that factored into our determination of whether the unit materially failed HUD standards.

We reviewed and considered the Authority's attachment A about specific deficiencies identified for failed units and detailed comments provided for the 84 deficiencies during a meeting on April 14, 2016. We cited conditions that were potential health and safety issues that did not meet HUD standards and therefore determined the condition a deficiency that factored into the unit's failure to meet HUD standards. The 84 deficiencies identified among 12 units resulted in a reimbursement of \$52,215 funded for housing assistance payments.

Please see comment 6 for responses related to attachment A.

- Comment 3 We commend the Authority for being proactive in addressing the identified housing quality standards deficiencies and appreciate its promptness in updating us on outstanding issues.
- Comment 4 We commend the Authority for taking the lead to develop formal written monitoring policies and procedures and collaborate with its contractors and board of commissioners.
- Comment 5 We commend the Authority for taking the initiative to develop a quality control process and update its current contract to reflect these changes.
- Comment 6 We reviewed attachment A and determined that the deficiencies did not meet HUD standards.

We disagree with the Authority's comment about not providing supportive evidence. During the inspections, we asked present tenants if they had any issues with their units. We also reviewed the Authority's most recent inspection reports. These inspection reports did not identify unresolved deficiencies and, therefore, the units had passed inspections. While tenant-caused deficiencies can occur after an inspection, the Authority and its contractors are responsible for ensuring that units meet HUD standards. We cited conditions that were potential health and safety issues that did not meet HUD standards and therefore determined the condition a deficiency that factored into the unit's failure to meet HUD standards.

We reviewed and considered the Authority's assessment of the units in question. We summarized the common deficiencies cited in items 1 to 3. We addressed deficiencies for specific units in items 4 to 9.

- 1) Although the family is responsible for deciding the acceptability of the type of locks for doors and windows, the Authority must ensure that the security of the unit is adequate. HUD regulation 24 CFR 982.401(d)(1) and HUD Handbook 7420.10, section 10.3, state that the unit must provide adequate space and security for the tenants. HUD regulation 24 CFR 982.401(d)(iii) and HUD Handbook 7420.10, section 10.3, provide information on the type of acceptable window locks within a unit. Further, the contractors' administrative plans consider a unit to be fails if the security of the unit is jeopardized. The improper locking mechanisms were makeshift window repair locks, which did not meet HUD standards because they did not provide adequate unit security for the tenant. As a result, we disagree with the Authority's assessment and consider these items to be deficiencies that factored into the units' failure to meet HUD standards.
- 2) We acknowledge that tenant-caused deficiencies factored into some units failing inspections and in some cases may have occurred after contractors' inspections.

However, the Authority and its contractors are responsible for ensuring that units meet HUD standards. HUD Handbook 7420.10, section 10.3, discusses improper operating conditions, which include proper clearance from combustible material. In addition, the contractors' administrative plans consider units to be fails if conditions exist that are potential health and safety issues for the tenants. At the time of our inspection, we cited the storage of personal items as a deficiency because of unsafe conditions, such as fire or other threats, within the unit, which are potential health and safety issues for the tenants. As a result, we disagree with the Authority's assessment and consider these items to be deficiencies that factored into the units' failure to meet HUD standards.

- 3) HUD Handbook 7420.10, section 10.3, discusses improper operating conditions, which include all conditions that may be considered unsafe for the tenant. In addition, the contractors' administrative plans consider units to be fails if conditions exist that are potential health and safety issues for the tenants. During our inspections, we cited the accumulation of lint and debris as a deficiency because it is a fire hazard, which is a potential health and safety issue for the tenants. As a result, we disagree with the Authority's assessment and consider these items to be deficiencies that factored into the units' failure to meet HUD standards.
- 4) We disagree. We cited two issues related to the storage of personal items because they were potential hazards to the tenants' health and safety. Please refer to item 2 above for the specific requirement regarding these deficiencies. In the case of unit 1, the tenants stored personal items near the stove vent and water heater, which could harm the tenants. While the tenants corrected the items during our inspections, we considered them to be deficiencies that factored into the unit's failing because they were not the only determining factor of a materially deficient unit. We cited other deficiencies that factored into our determination of whether the unit materially failed HUD standards.

We cited four issues related to incorrect window locks because of the lack of adequate security for the unit, which jeopardized the tenant's safety. Please refer to item 1 above for the specific requirement regarding this deficiency. As a result, we identified these four issues as deficiencies that factored into the unit's failure to meet HUD standards.

We cited the issue related to incorrect tape used on the stove vent because it was not heat-resistant tape, creating unsafe conditions that could become a potential fire hazard for the tenant. HUD Handbook 7420.10, section 10.3, discusses improper operating conditions, which include all conditions that may be unsafe and create a potential health and safety issue for the tenant. In addition, the contractor's administrative plan considers units to be fails if conditions exist that are potential health and safety issues for tenants. As a result, we identified

this issue as a deficiency that factored into the unit's failure to meet HUD standards.

We cited the issue related to the missing striker plate on the unit door because the circumstances did not provide adequate security for the unit, which jeopardized the tenant's safety. HUD regulation 24 CFR 982.401(d)(1) and HUD Handbook 7420.10, section 10.3, state that the unit must provide adequate space and security for the tenant. In addition, the contractor's administrative plan states that all exterior doors must be weather-tight to avoid any air or water infiltration to the unit. The doors must be lockable, have no holes, have all trim intact, and have a threshold, or the unit is considered to be a fail since the security of the unit is jeopardized. As a result, we identified this issue as a deficiency that factored into the unit's failure to meet HUD standards.

- 5) We disagree. We identified four deficiencies that caused unit 3 to be in material noncompliance with HUD standards. We cited two issues related to storage of personal items because of improper operating conditions that create potential health and safety issues for the tenant. Please refer to item 2 above for the specific requirement regarding these deficiencies. As a result, we identified these two issues as deficiencies that factored into the unit's failure to meet HUD standards.
- 6) We disagree. We identified four deficiencies for unit 5 and five deficiencies for unit 6 that caused them to be in material noncompliance with HUD standards. We cited the issues related to incorrect tape used on the stove vent because it was not heat-resistant tape, creating unsafe conditions that could be a potential fire hazard for the tenant. HUD Handbook 7420.10, section 10.3, discusses improper operating conditions, which include all conditions that may be unsafe and create a potential health and safety issue for the tenant. In addition, the contractor's administrative plan considers units to be fails if conditions exist that are potential health and safety issues for the tenants. As a result, we identified these two issues as deficiencies that factored into the unit's failure to meet HUD standards.

We cited the issue related to lint accumulation because it could be a potential health and safety issue. Please refer to item 3 above for the specific requirement regarding this deficiency. As a result, we identified this issue as a deficiency that factored into the unit's failure to meet HUD standards.

- 7) We disagree. We cited two issues related to inoperable emergency hallway lights because they created a potential health and safety issue for the tenant. HUD Handbook 7420.10, section 10.3, discusses illumination and electricity, which must be adequate to support the health and safety of the occupants. In addition, the contractor's administrative plan considers units to be fails if conditions exist that are potential health and safety issues for the tenants. The

emergency lights cited during our inspection were near the unit and should be operable at all times. During a repeat visit to inspect the unit, the same emergency lights were inoperable. As a result, we identified this issue as a deficiency that factored into the unit's failure to meet HUD standards.

We cited the issue related to lint accumulation because it could be a potential health and safety issue for the tenant. Please refer to item 3 above for the specific requirement regarding this deficiency. As a result, we identified this issue as a deficiency that factored into the unit's failure to meet HUD standards.

- 8) We disagree. We identified four deficiencies that caused unit 9 to be in material noncompliance with HUD standards. We cited the two issues related to the use of a double-keyed deadbolt on the unit door because it did not provide adequate security for the unit. The double-keyed deadbolt could deprive egress in the time of an emergency if the key were misplaced. HUD regulation 24 CFR 982.401(d)(1) and HUD Handbook 7420.10, section 10.3, state that the dwelling unit must provide adequate space and security. In addition, the contractor's administrative plan states that the use of double-keyed deadbolt locks is prohibited in any door that is intended to provide egress from the unit and consider units to be fails if the security of the unit is jeopardized. During our inspection, the tenant informed us that the double-keyed deadbolts were present before the initial move-in 3 years ago. As a result, the Authority is responsible for correcting the deficiency.
- 9) We disagree. We identified five deficiencies that caused unit 10 to be in material noncompliance with HUD standards. We cited the three issues related to improper window locks because the lack of adequate security for the unit jeopardized the tenant's safety. Please refer to item 1 above for the specific requirement regarding this deficiency. As a result, we identified these three issues as deficiencies that factored into the unit's failure to meet HUD standards.

We cited the issue related to the hollow front entry door because it was not fireproof and, therefore, did not provide adequate security for the unit. HUD regulation 24 CFR 982.401(d)(1) and HUD Handbook 7420.10, section 10.3, state that the unit must provide adequate space and security for the tenant. In addition, the contractor's administrative plans considers units to be fails if security is jeopardized. As a result, we identified this issue as a deficiency that factored into the unit's failure to meet HUD standards.

We cited the issue related to incorrect tape used on the stove vent because it was not heat-resistant tape, creating unsafe conditions that could become a potential fire hazard for the tenant. HUD Handbook 7420.10, section 10.3, discusses improper operating conditions, which include all conditions that may be unsafe and create a potential health and safety issue for the tenant. In addition, the

contractor's administrative plans considers units to be fails if conditions exist that are potential health and safety issues for the tenants. As a result, we identified this issue as a deficiency that factored into the unit's failure to meet HUD standards.

## Appendix C

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### Criteria

The following sections of 24 CFR Part 982, HUD Handbook 7420.10G, the Authority's contractors' administrative plans, the Authority's memorandum of agreement, and the consolidated annual contributions contract were relevant to our review of the Authority's housing quality standards inspections of mobility out housing units.

#### **24 CFR Part 982 – Section 8 Tenant Based Assistance Housing: Housing Choice Voucher Program**

24 CFR 982.305(a), *Program requirements*. The PHA [public housing agency] may not give approval for the family of the assisted tenancy, or execute a HAP [housing assistance payments] contract, until the PHA has determined that all the following meet program requirements:

- (1) The unit is eligible;
- (2) The unit has been inspected by the PHA and passes HQS [housing quality standards];

24 CFR 982.401(a)(3). All program housing unit meet the HQS performance requirements both at commencement of assisted occupancy, and throughout the assisted tenancy.

24 CFR 982.401(a)(4)(i). In addition to meeting HQS performance requirements, the housing must meet the acceptability criteria stated in this section unless variations are approved by HUD.

24 CFR 982.404(a), *Owner obligations*.

- (1) The owner must maintain the unit in accordance with HQS.
- (2) If the owner fails to maintain the dwelling unit in accordance with HQS, the PHA must take prompt and vigorous action to enforce the owner obligations. PHA remedies for such breach of the HQS include termination, suspension or reduction of housing assistance payments and termination of the HAP contract.
- (3) The PHA must not make any housing assistance payments for a dwelling unit that fails to meet the HQS, unless the owner corrects the defect within the period specified by the PHA and the PHA 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 PHA-approved extension).

## **HUD Handbook 7420.10, Housing Choice Voucher Program Guidebook, Chapter 10, Housing Quality Standards**

### 10.2. Housing Quality Standards General Requirements

At least annually, it is the responsibility of the PHA to conduct inspections of units to determine compliance with HQS prior to the execution of the entire term of the assisted lease. Inspections may be completed by PHA staff or by contract personnel.

### 10.3. Performance Requirements and Acceptability Standards

Each of the 13 HQS performance requirements and acceptability criteria are listed in this section of the HUD Handbook.

#### **Space and Security**

##### *Performance Requirement*

- The dwelling unit must provide adequate space and security for the family

##### *Acceptability Criteria*

- Dwelling unit windows that are accessible from the outside must be lockable
- Exterior doors to the unit must be lockable

Unit windows located on the first floor, at the basement level, on a fire escape, porch, or other outside space that can be reached from the ground and that are designed to be opened must have a locking device.

Doors leading to the outside and common hallways, fire escapes, and porches or otherwise accessible from the ground must have locks. No specific type of lock is required.

Window and door surfaces (including the door frame) must be in sufficient condition to support the installation and proper operation of window and door locks.

#### **Thermal Environment**

##### *Acceptability Criteria*

- The heating and/or air conditioning system must be in proper operating condition

Improper operating conditions, including all conditions that may be unsafe, such as broken or damage source vents, flues, exhausts, gas or oil lines that create a potential fire hazard or threats to health and safety are not permitted. Heating unit safety devices must be present, and the heating equipment must have proper clearance from combustible materials and location of oil storage tanks.

## **Water Supply**

Water-heating equipment must be installed safely and must not present any safety hazards to families. All water heaters must be free of leaks, have temperature/pressure relief valves, and a discharge line. Fuel burning equipment must have proper clearance from combustible materials and be properly vented.

## **Orange County Housing Authority, Administrative Plan, Housing Choice Voucher Program, Adopted January 27, 2015**

The cities of Anaheim and Garden Grove each operate their own Housing Authority and are not within the jurisdiction of Orange County Housing Authority.

To facilitate tenant moves between Housing Authority (HA) jurisdictions and to reduce administrative burdens of the portability process, the Anaheim, Garden Grove and the Orange County Housing Authorities entered into a Mobility Agreement (MOA).

This provision enables eligible program participants with a Housing Choice Voucher issued by their initial HA in Anaheim, Garden Grove, or Orange County, to move into another HA operating within the County of Orange, under modified portability procedures.

Tenants requesting to move under the provisions governing Mobility are identified as Mobility tenants. Families continue to receive direct services from the initial HA where they first received their HCV [Housing Choice Voucher program] voucher; however unit inspections and rent determinations are conducted and approved by the agency with authority to administer the HCV program in the area where the unit is located.

## **Anaheim Housing Authority, Administrative Plan, Section 8 Housing Choice Voucher Program, Adopted July 1, 2015**

Chapter 8, Housing Quality Standards and Rent Reasonableness Determinations  
8-I.B. Additional Local Requirements

### *Clarifications of HUD Requirements*

As permitted by HUD, Anaheim Housing Authority [Authority's contractor] has adopted the following specific requirements that elaborate on HUD standards and clarifications of HUD requirements.

### *Windows*

Windows sashes must be in good condition, solid and intact, and properly fitted to the window frame. Damaged or deteriorated sashes must be replaced.

Windows must be weather-stripped as needed to ensure a weather-tight seals.

### *Doors*

All exterior doors must be weather-tight to avoid any air or water infiltration, be lockable with no interior key lock, have no holes, have all trim intact, and have a threshold.

8.I.C. Life Threatening Conditions [24 CFR 982.404(a)]

- Any condition that jeopardizes the security of the unit
- Any electrical problem or condition that could results in shock or fire
- Conditions that present the imminent possibility of injury

**Garden Grove Housing Authority, Administrative Plan, Revised May 28, 2013**

Chapter 12, Housing Quality Standards and Inspections

G. Acceptability Criteria and Exceptions to HQS

The GGHA [Authority's contractor] adheres to the acceptability criteria in the program regulations with the additions described below.

*Doors*

- All exterior doors must be weather-tight to avoid any air or water infiltration. They must be lockable, have no holes, have all trim intact, and have a threshold.

H. Emergency Repair Items

The following items are considered of an emergency nature and must be corrected within 24 hours of notice by the inspector:

- Lack of security for the unit

**Memorandum of Agreement**

Recitals

Whereas, the three jurisdictions covered by the PHAs entering into this MOA are located within the geographic boundaries of the County of Orange. These PHAs desire to execute this MOA to promote mobility and freedom of choice for low-income families seeking housing assistance under the Housing Choice Voucher (HCV) Program. This MOA is also intended to simplify, facilitate and improve inter-jurisdictional administration of the Housing Choice Voucher (HCV) Program by eliminating often-cumbersome procedures that would be necessary under Portability requirements.

I. Inter-jurisdictional Program Administration

A. The PHAs entering into this MOA hereby authorize each of the other PHAs entering into this MOA to administer the Housing Choice Voucher (HCV) Program within the Host PHA's jurisdictional boundaries, subject to the terms of this MOA.

II. PHA Administrative Plans – General Rule

The Parties recognize that their respective Administrative Plans may not be identical in all respects and therefore, the Parties agree that, except as set forth in this MOA, the Administrative Plan of the Issuing PHA shall govern administration of a Voucher issued by that PHA, regardless

of the PHA jurisdiction in which it is used. The exceptions to this general rules include the following: Payment Standards, Utility Allowances, Rent Reasonableness Standards, and Housing Quality Standards as referenced in Section III, Paragraphs B., C., and D. below.

### III. Rules Regarding Payment Standards, Utility Allowances, Rent Reasonableness Standards, and Housing Quality Standards (HQS)

#### A. General Provisions

It is hereby agreed that whenever a Voucher issued by an issuing PHA is to be used in another PHA's jurisdiction, the standards of the Host PHA's Payment Standards, Utility Allowances, Rent Reasonableness Standards, and Housing Quality Standards will apply. Documentation completed by the Host PHA will verify that standards have been met and comply with HUD requirements.

## **Consolidated Annual Contributions Contract**

### 10. HUD Requirements

- a. The HA must comply, and must require owners to comply, with the requirements of the U.S. Housing Act of 1937 and all HUD regulations and other requirements, including any amendments or changes in the law or HUD requirements.
- b. The HA must comply with its HUD-approved administrative plan, and HUD-approved program funding applications.
- c. The HA must use the program forms required by HUD.
- d. The HA must proceed expeditiously with the programs under this consolidated ACC [annual contributions contract].

### 11. Use of Program Receipts

- a. The HA must use program receipts to provide decent, safe, and sanitary housing for eligible families in compliance with the U.S. Housing Act of 1937 and all HUD requirements. Program receipts may only be used to pay program expenditures.

## Appendix D

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### Summary of Questioned Costs for Materially Noncompliant Mobility Out Housing Units

Housing unit	Number of deficiencies	Total <sup>3</sup>
1	10	\$4,180
2	8	\$2,454
3	4	\$2,108
4	7	\$4,124
5	4	\$3,519
6	5	\$2,864
7	5	\$3,895
8	4	\$7,016
9	4	\$3,858
10	5	\$4,160
11	22	\$10,425
12	6	\$3,612
<b>Totals</b>	<b>84</b>	<b>\$52,215</b>

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<sup>3</sup> The total questioned amount for each program-funded mobility out unit is based on months between the Authority's contractors' inspection and our inspection, multiplied by the monthly housing assistance payment.