



# Housing Opportunities Commission of Montgomery County, Kensington, MD

## Housing Choice Voucher Program



**To:** Christine Jenkins, Director, Office of Public Housing, District of Columbia Field Office, 3GPH  
//signed//

**From:** David E. Kasperowicz, Regional Inspector General for Audit, Philadelphia Region, 3AGA

**Subject:** The Housing Opportunities Commission of Montgomery County, Kensington, MD, Did Not Always Ensure That Its Program Units Met Housing Quality Standards

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

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

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

If you have any questions or comments about this report, please do not hesitate to call me at 215-430-6734.



**Audit Report Number: 2016-PH-1008**

**Date: September 29, 2016**

**The Housing Opportunities Commission of Montgomery County, Kensington, MD, Did Not Always Ensure That Its Program Units Met Housing Quality Standards**

## Highlights

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### What We Audited and Why

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We audited the Housing Opportunities Commission of Montgomery County's Housing Choice Voucher program because (1) it had a large program receiving more than \$82 million in fiscal year 2015, (2) it had the second largest number of housing choice vouchers of non-Moving to Work housing agencies within the jurisdiction of the Philadelphia region, and (3) we had not audited its program. Our audit objective was to determine whether the Commission ensured that its Housing Choice Voucher program units met the U.S. Department of Housing and Urban Development's (HUD) housing quality standards.

### What We Found

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The Commission did not always conduct adequate inspections to ensure that its program units met housing quality standards. Of 75 program units inspected, 56 did not meet HUD's housing quality standards. Further, 15 of the 56 were in material noncompliance with housing quality standards. The Commission disbursed \$44,584 in housing assistance payments and received \$303 in administrative fees for these 15 units. We estimate that over the next year, if the Commission does not implement adequate procedures to ensure that its program units meet housing quality standards, HUD will pay more than \$7.5 million in housing assistance for units that materially fail to meet those standards.

### What We Recommend

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We recommend that HUD require the Commission to (1) reimburse its program \$44,887 from non-Federal funds for the 15 units that materially failed to meet HUD's housing quality standards and (2) implement procedures and controls to ensure that program units meet housing quality standards.

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# Background and Objective

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In 1966, the Montgomery County Council activated the Housing Authority of Montgomery County. In 1974, the State and County enacted parallel legislation that established a broader housing mission for the County and restructured the Housing Authority of Montgomery County into the Housing Opportunities Commission of Montgomery County. The Commission is an independent agency and component unit of Montgomery County, MD. The Commission operates as a public housing agency, a housing finance agency, and a housing developer. Its Housing Choice Voucher program consists of the operation of housing units that are managed and maintained by private landlords. It provides decent and affordable housing to low-income families, seniors, and the disabled through Federal housing assistance contributions. The Commission is governed by a board of commissioners consisting of seven members. Its main office is located at 10400 Detrick Avenue, Kensington, MD.

Under the Housing Choice Voucher program, the U.S. Department of Housing and Urban Development (HUD) authorized the Commission to provide leased housing assistance payments to 7,044 and 7,050 eligible households in fiscal years 2014 and 2015, respectively. HUD authorized the Commission the following financial assistance for housing choice vouchers for fiscal years 2014 and 2015.

Year	Annual budget authority
2014	\$83,293,444
2015	82,140,820

HUD regulations at 24 CFR (Code of Federal Regulations) 982.405(a) require public housing agencies to perform unit inspections before the initial move-in and at least annually. The agency must inspect the unit leased to the family before the term of the lease, at least annually during assisted occupancy, and at other times as needed to determine whether the unit meets housing quality standards.

In August 2013, the Commission hired a contractor to perform housing quality standards inspections for its Housing Choice Voucher program. The contract was for a 1-year period with an option to renew the contract for up to three additional 1-year periods. The contractor provided four inspectors to conduct inspections of the Commission's Housing Choice Voucher program units.

Our audit objective was to determine whether the Commission ensured that its Housing Choice Voucher program units met HUD's housing quality standards.

# Results of Audit

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## **Finding: Housing Quality Standards Inspections Were Inadequate**

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The Commission did not always conduct adequate inspections to enforce HUD's housing quality standards. Of 75 program housing units inspected, 56 did not meet HUD's housing quality standards, and 15 materially failed to meet HUD's standards. The Commission's contracted inspectors did not identify or report 108 violations that existed at the 15 units when they conducted their inspections. Also, contrary to requirements, the Commission inspected program units that it owned. These conditions occurred because the Commission did not implement procedures and controls to ensure that program units met housing quality standards. Its contracted inspectors did not thoroughly inspect units and it did not properly administer its quality control inspection program. In addition, the Commission believed that having its inspectors inspect the program units that it owned complied with requirements. As a result, it disbursed \$44,584 in housing assistance payments and received \$303 in administrative fees for the 15 units that materially failed to meet HUD's housing quality standards. Unless the Commission improves its inspection program and ensures that all units meet housing quality standards, we estimate that it will pay more than \$7.5 million in housing assistance for units that materially fail to meet housing quality standards over the next year.

### **Housing Units Did Not Always Meet HUD's Housing Quality Standards**

We statistically selected 75 units from a universe of 866 program units that passed a Commission-administered housing quality standards inspection between December 1, 2015, and February 29, 2016. The 75 units were selected to determine whether the Commission ensured that the units in its Housing Choice Voucher program met housing quality standards. We inspected the 75 units between April 25 and May 11, 2016.

Of the 75 housing units inspected, 56 (75 percent) had 405 housing quality standards violations, including 89 violations that needed to be corrected within 24 hours because they posed a serious threat to the safety of the tenants. Additionally, 15 of the 56 units (27 percent) were in material noncompliance with housing quality standards because they had 108 violations that predated the Commission's last inspection. These violations were not identified by the Commission's contracted inspectors, creating unsafe living conditions. HUD regulations at 24 CFR 982.401 require that all program housing meet housing quality standards performance requirements, both at commencement of the assisted occupancy and throughout the assisted tenancy. The following table categorizes the 405 housing quality standards violations in the 56 units that failed our inspections.

Seq. no.	Key aspect <sup>1</sup>	Number of violations	Number of units	Percentage of units <sup>2</sup>
1	Illumination and electricity	110	38	51
2	Structure and materials	91	36	48
3	Space and security	50	24	32
4	Site and neighborhood	37	23	31
5	Access	26	18	24
6	Interior air quality	24	17	23
7	Sanitary facilities	21	13	17
8	Food preparation and refuse disposal	19	15	20
9	Smoke detectors	17	11	15
10	Thermal environment	6	6	8
11	Sanitary condition	4	4	5
	<b>Total</b>	<b>405</b>		

During the audit, we provided our inspection results to the Commission, its contractor, and the Director of HUD’s Office of Public Housing, District of Columbia field office.

The following photographs illustrate some of the violations we noted while conducting housing quality standards inspections in the 15 units that materially failed to meet HUD standards.

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<sup>1</sup> Regulations at 24 CFR 982.401 categorize housing quality standards performance and acceptability criteria into 13 key aspects. Only 11 key aspects are listed in the table because we identified no violations related to the key aspects of water supply and lead-based paint.

<sup>2</sup> This is the percentage of the 75 sample units that we determined had the identified violations. For example, the 38 units that had illumination and security violations were 51 percent of the 75 sample units inspected.



Inspection #3: Mold or mildew was located in the bedroom ceiling above the closet. The Commission did not identify this violation during its December 31, 2015, inspection.



Inspection #7: The vent on the hot water heater had a negative slope, which prohibited gases from venting properly. The Commission did not identify this violation during its December 16, 2015, inspection.



Inspection #37: An electrical cord ran along the floor to the shower to provide power to a refrigerator, and the cord was wrapped around the shower head. The Commission did not identify this violation during its December 15, 2015, inspection.



Inspection #44: An extension cord ran from the outlet to the sump pump to provide power. The electrical connection should be weather proof and properly installed. The Commission did not identify this violation during its December 23, 2015, inspection.



Inspection #48: The light globe in a bedroom was partially filled with water. The Commission did not identify this violation during its December 16, 2015, inspection.



Inspection #56: The motion light was not properly installed and had exposed wiring. This light was located in a garage that the tenant used as a play room. The Commission did not identify this violation during its February 25, 2016, inspection.



Inspection #58: Mold or mildew was located in the shower on the second floor. The Commission did not identify this violation during its January 26, 2016, inspection.



Inspection #58: The toilet was missing, and there was an open sewer pipe. The Commission did not identify this violation during its January 26, 2016, inspection.



Inspection #64: The upper window sash fell. The Commission did not identify this violation during its February 1, 2016, inspection.



Inspection #70: The temperature and pressure relief valve on the hot water heater was touching the wall and could not be opened, which could result in an explosion. The Commission did not identify this violation during its February 12, 2016, inspection.

### **The Commission Improperly Inspected Units That It Owned**

Contrary to requirements, the Commission inspected program units that it owned. Of the 7,050 units participating in its program, it owned 980 of them. Section 10.8 of HUD's Housing Choice Voucher Guidebook 7420.10G prohibits the Commission from inspecting units that it owns,

including units owned by an entity that it controls substantially. The Commission must obtain the services of an independent entity, approved by HUD, to perform these housing quality standards inspections. Contrary to these requirements, the Commission inspected program units that it owned with its contracted inspectors without obtaining and documenting HUD approval of the contractor as an independent entity. This problem occurred because the Commission believed that having contracted inspectors inspect the units that it owned complied with requirements.

### **The Commission's Housing Quality Standards Inspection Process Was Not Effective**

Although HUD regulations at 24 CFR 982.401 and the Commission's administrative plan required the Commission to ensure that its program units met housing quality standards, it did not always meet those standards. The Commission's inspection process was not effective because (1) its inspectors did not thoroughly inspect units, and (2) it did not properly administer its quality control program.

- The Commission's inspectors did not thoroughly inspect units and missed some violations during their inspections. They did not identify unsecured junction boxes, a missing cover on a junction box, missing railings, a broken glass patio door, missing receptacle covers, a missing smoke detector, and a basement bedroom window that was screwed shut. The inspectors explained that they inspected up to 15 units in an 8-hour workday and had a difficult time completing thorough inspections due to the large number of inspections that the Commission needed to have conducted. The Commission's inspection data for the period December 1, 2015, to February 29, 2016, showed that the inspectors conducted 14 inspections per day on average.
- The Commission did not properly administer its quality control inspection program. Regulations at 24 CFR 982.405(b) required the Commission to conduct quality control housing quality standards inspections. The Commission's administrative plan required it to perform quality control inspections on the number of units required for sampling by the Section 8 Management Assessment Program (SEMAP) annually to maintain the Commission's required standards and ensure consistency in the Commission's program. SEMAP required the Commission to perform quality control inspections on 53 units during fiscal year 2015. The Commission provided documentation showing that it completed quality control inspections on 53 units. However, the documentation showed that 23 of the 53 inspections were not acceptable quality control inspections. Specifically, 16 inspections were special inspections, 6 were conducted by a Commission employee on units that the Commission owned, and 1 was an initial unit inspection.

According to chapter 10, section E, of the Commission's administrative plan, special inspections focused only on specific issues or violations that were reported by the tenant, owner, or a third party, such a neighbor or public official. That was the case for the 16 inspections questioned. As discussed above, HUD prohibits the Commission from inspecting units that it owns. That was the case for the 6 inspections questioned. Lastly, an initial unit inspection is not a quality control inspection. A quality control inspection is a reinspection of a unit focused on evaluating the performance of the inspector and an

initial inspection is conducted for all units before the lease and the housing assistance payments contract are executed. That was the case for the 1 inspection questioned. Therefore, the Commission conducted only 30 quality control inspections for 2015, rather than the 53 inspections it was required to conduct.

The Commission did not use the results of its quality control inspections to improve its program. The Commission's administrative plan stated that the purpose of quality control inspections was to determine that each inspector conducted accurate and complete inspections and ensure consistency among inspectors in the application of the housing quality standards. Also, section 10.9 of HUD's Housing Choice Voucher Guidebook states that the results of the quality control inspections should be provided as feedback on inspectors' work, which can be used to determine whether individual performance or general housing quality standards training issues need to be addressed. Although the Commission asserted that it used the results of its quality control inspections to improve its housing quality standards inspection program, it provided no documentation to support its assertion.

### **Conclusion**

The Commission's program participants were subjected to housing quality standards violations that created unsafe living conditions during their tenancy. The Commission did not properly use its program funds when it inspected and passed program units that did not meet HUD's housing quality standards. In accordance with 24 CFR 982.152(d), HUD is permitted to reduce or offset program administrative fees paid to a public housing agency if it fails to perform its administrative responsibilities correctly or adequately, such as not enforcing HUD's housing quality standards. The Commission disbursed \$44,584 in housing assistance payments and received \$303 in program administrative fees for 15 units that materially failed to meet HUD's housing quality standards. If the Commission develops and implements controls to ensure that all units meet housing quality standards and reduces the number of inspections conducted each day, we estimate that more than \$7.5 million in future housing assistance payments will be spent for units that are decent, safe, and sanitary. Our methodology for this estimate is explained in the Scope and Methodology section of this report.

### **Recommendations**

We recommend that the Director of HUD's Office of Public Housing, District of Columbia field office, direct the Commission to

- 1A. Certify, along with the owners of the 56 units cited in the finding, that the applicable housing quality standards violations have been corrected.
- 1B. Reimburse its program \$44,887 from non-Federal funds (\$44,584 for housing assistance payments and \$303 in associated administrative fees) for the 15 units that materially failed to meet HUD's housing quality standards.
- 1C. Submit a request for approval of an independent entity to perform housing quality standards inspections of units that it owns.

- 1D. Develop and implement procedures to ensure that the required number of quality control inspections are conducted and that the results of those inspections are used to improve the effectiveness of its housing quality standards inspections.
- 1E. Develop and implement procedures and controls to ensure that program units meet housing quality standards, thereby ensuring that an estimated \$7,576,867 in program funds is spent for units that are decent, safe, and sanitary.
- 1F. Evaluate its inspection contract to ensure that it provides sufficient resources to the inspectors that will result in thorough unit inspections.

# Scope and Methodology

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We conducted the audit from November 2015 through August 2016 at the Commission's offices located at 10400 Detrick Avenue, Kensington, MD, and 231 East Deer Park Drive, Gaithersburg, MD, and our offices located in Philadelphia, PA, and Richmond, VA. The audit covered the period November 2014 through October 2015 but was expanded when necessary.

To accomplish our objective, we reviewed

- Applicable laws, regulations, the Commission's administrative plan, HUD's program requirements at 24 CFR Part 982, HUD's Housing Choice Voucher Guidebook 7420.10G, and other guidance.
- The Commission's inspection reports; computerized databases, including housing quality standards inspections, housing quality control inspections, housing assistance payments, and tenant data; annual audited financial statements for fiscal years 2014 and 2015; policies and procedures; contract for inspection services; and organizational chart.
- HUD's monitoring report for the Commission.

We also interviewed the Commission's employees, contracted inspectors, HUD staff, and program households.

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

We statistically selected 75 program units to inspect from a universe of 866 program units that passed a Commission-administered housing quality standards inspection between December 1, 2015, and February 29, 2016. These inspections were conducted by one of the Commission's four contracted inspectors. We selected a sample size of 75 units to inspect based on a 1-sided 95 percent confidence interval and a simulated error rate ranging from 15 to 50 percent. We inspected the 75 units between April 25 and May 11, 2016, to determine whether the Commission's program units met housing quality standards. We used statistical sampling because each sampling unit was selected without bias from the audit population, thereby allowing the results to be projected to the population. A Commission employee, either a rental market analyst, quality assurance specialist, or program coordinator, accompanied us on 71 of the 75 inspections.

We determined that 15 of the 75 units (20 percent) materially failed to meet HUD's housing quality standards. We determined that these units were in material noncompliance because they had 108 violations that existed before the Commission's last inspection, which created unsafe

living conditions. All units were ranked according to the severity of the violations, and we used auditor's judgment to determine the material cutoff.

We estimate, with a 1-sided confidence level of 95 percent, that at least 12.3 percent of the 866 units were in material noncompliance with housing quality standards. By averaging the housing assistance payments made for substandard housing across all 866 units that passed a Commission inspection and deducting for a statistical margin of error, we estimate, with a 1-sided confidence interval of 95 percent, that the amount of monthly housing assistance payment dollars spent on substandard housing passed by the Commission during the sample period was \$153 per unit. We projected the results to the universe by multiplying the \$153 per unit monthly housing assistance payment for substandard housing by 4,115 (the total number of vouchers that the Commission had leased up as of February 2016), yielding a total of \$631,406<sup>3</sup> per month. Multiplying the monthly amount of \$631,406 by 12 months yields an annual total of more than \$7.5 million in housing assistance payments for substandard housing that passed a Commission inspection. This amount is presented solely to demonstrate the annual amount of program funds that could be put to better use on decent, safe, and sanitary housing if the Commission implements our recommendations. While these benefits would recur indefinitely, we were conservative in our approach and included only the initial year in our estimate.

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

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<sup>3</sup> The actual calculation includes cents, \$153.44 multiplied by 4,115 equals \$631,405.60.

# Internal Controls

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

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

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

## **Relevant Internal Controls**

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

- Effectiveness and efficiency of program operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Validity and reliability of data – Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.
- Compliance with applicable laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.

We assessed the relevant controls identified above.

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

## **Significant Deficiency**

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

- The Commission did not implement procedures and controls, including an effective quality control process, to ensure that program units met housing quality standards.

# Appendixes

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## Appendix A

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**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	\$44,887	
1E		\$7,576,867

- 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 Commission implements our recommendations, it will stop incurring program costs for units that are not decent, safe, and sanitary and, instead, will spend those funds for units that meet HUD's standards, thereby putting more than \$7.5 million in program funds to better use. Once the Commission successfully improves its controls, this will be a recurring benefit. Our estimates reflect only the initial year of this benefit.

## Appendix B

### Auditee Comments and OIG's Evaluation

#### Ref to OIG Evaluation

#### Auditee Comments

 <p><b>Housing Opportunities Commission</b> OF MONTGOMERY COUNTY</p>	<p>10400 Detrick Avenue Kensington, MD 20985-2484 (240) 527-9400</p>
<p>August 26, 2016</p>	
<p>David E. Kasperowicz Regional Inspector General for Audit Department of Housing and Urban Development Wanamaker Building 100 Penn Square East, Suite 10205 Philadelphia, PA 19107-3380</p>	
<p>Dear Mr. Kasperowicz,</p>	
<p>The Housing Opportunities Commission of Montgomery County (HOC) acknowledges the value of HUD OIG's independent audit of the agency's Housing Choice Voucher (HCV) inspection process. Though we may disagree on finer points, HOC respects the Inspector General's role in helping enhance federal programs and maximize federal resources. At HOC we pride ourselves on doing the same for our community and our customers.</p>	
<p>As an agency, HOC continuously looks for opportunities to advance our work and increase efficiency across our organization in order to maximize the value to our customers. To that end, HOC has already begun to enhance our HCV inspection process and protocols – including a few as a direct result of your audit.</p>	
<p>This response is an attempt to provide information about changes underway at HOC – some of which may be directly responsive to a specific OIG recommendation.</p>	
<p>Respectfully,</p>	
	
<p>Stacy L. Spann</p>	

## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

Comment 1

Comment 2

Comment 3

Comment 4

#### HOC Response to OIG Recommendations

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- 1A. Certify, along with the owners of the 56 units cited in the finding, that the applicable housing quality standards violations have been corrected. ☐

*HOC will work with field office staff to develop a corrective action plan in response to this recommendation.*

- 1B. Reimburse its program \$44,947 from non-Federal funds (\$44,584 for housing assistance payments and \$363 in associated administrative fees) for the 15 units that materially failed to meet HUD's housing quality standards. ☐

*HOC will work with field office staff to develop a corrective action plan in response to this recommendation.*

- 1C. Obtain the services of an independent entity, approved by HUD, to perform housing quality standards inspections of units that it owns. ☐

*HOC currently procures inspection services from an independent entity. In addition, HOC issued a Request For Proposals on July 29, 2016 for a new inspection vendor. The RFP makes clear that the entity selected must be approved by HUD before a contract can be issued. The RFP closed on August 19, 2016.*

- 1D. Develop and implement procedures to ensure that the required number of quality control inspections are conducted and that the results of those inspections are used to improve the effectiveness of its housing quality standards inspections. ☐

*HOC contends that this was the consequence of staffing changes. The Agency will redouble efforts to track quality control inspections on a running basis with regular internal reporting to our compliance team and oversample in order to ensure that we meet the required inspection numbers.*

[www.hocmc.org](http://www.hocmc.org)

## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

Comment 5

- 1E. Develop and implement procedures and controls to ensure that program units meet housing quality standards, thereby ensuring that an estimated \$7,576,867 in program funds is spent for units that are decent, safe, and sanitary. ☐

*HOC has initiated a number of activities to address this issue. HOC submitted a request to HUD in May 2016 proposing to use the Montgomery County, Maryland Housing and Building Maintenance Standards (Chapter 26, Montgomery County Code) as an alternative inspection method. The county inspection code is more stringent than both the current Housing Quality Standards (HQS) and Uniform Physical Condition Standards (UPCS). Currently, the Department of Housing and Community Affairs (DHCA) of Montgomery County enforces Housing and Building Maintenance standards in the local private rental housing market. Using Montgomery County standards allows HOC to apply a uniform inspection standard to all HOC programs/units, creating operational efficiencies, and ensures that our units are maintained at the highest standard. A comparative chart for HQS, UPCS and Montgomery County Standards is attached.*

*Additionally, HOC began providing training on the new inspection standard to its inspectors beginning in April 2016. Training will continue once HOC has received final from HUD to implement the alternative standard.*

- 1F. Evaluate its inspection contract to ensure that it provides sufficient resources to the inspectors that will result in thorough unit inspections. ☐

*As noted previously, HOC issued an RFP soliciting bids from qualified Contractors, who are licensed, insured, and bonded to conduct business within the State of Maryland for the purpose of conducting Housing Quality Standards (HQS) inspections estimated to be approximately thirteen thousand (13,000) initial, annual and special inspections and re-inspections annually. The capacity of potential contractors will be part of the evaluation criteria.*

Comment 6

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## Auditee Comments and OIG's Evaluation

Ref to OIG  
Evaluation

### Auditee Comments

 <b>MONTGOMERY COUNTY HOUSING &amp; BUILDING MAINTENANCE STANDARDS FACT SHEET</b>			
HOW DO THESE STANDARDS DIFFER FROM HQS & UPCS STANDARDS?			
	HUD HQS Standard	UPCS	MoCo Standard
<b>Bedrooms</b>	<ul style="list-style-type: none"> <li>There must be one sleeping room for every two people. The sleeping room must be at least 80 square feet.</li> </ul>	<ul style="list-style-type: none"> <li>No definition</li> </ul>	<ul style="list-style-type: none"> <li>Bedrooms require at least 70 square feet for one occupant and at least an additional 50 square feet of usable area for more than one occupant.</li> </ul>
<b>Windows</b>	<ul style="list-style-type: none"> <li>There must be at least one operational window or skylight in each sleeping room to provide fresh air, ventilation, and illumination.</li> </ul>	<ul style="list-style-type: none"> <li>Window systems provide light, security, and exclusion of exterior noise, dust, heat, and cold. Frame materials generally include wood, aluminum and vinyl.</li> <li>1.) Cracked/Broken/Missing Panes (Windows – Unit)</li> <li>• <b>Fail:</b> A window pane is broken or missing from the window sash.</li> <li>2.) Damaged Sills/Frames/Intels/Trim (Windows – Unit)</li> <li>• <b>Fail:</b> Sills, frames, sash lintels, or trim are missing or damaged enough to expose the inside of the surrounding walls and do compromise its weather tightness.</li> </ul>	<ul style="list-style-type: none"> <li>Operable windows within reach of the ground must be constructed, repaired, and maintained to protect them from being opened from the outside.</li> <li>• The top of the walls of the window well must not be higher than the dwelling unit ceiling.</li> </ul>
<b>Electrical Outlets and Light Fixtures:</b>	<ul style="list-style-type: none"> <li>Each sleeping room must have either two electrical outlets or one outlet and one permanent light fixture.</li> </ul>	<ol style="list-style-type: none"> <li>Missing (Receptacles (Outlets) /Switches – Unit)</li> <li><b>Fail/ Life Threatening:</b> A switch / receptacle (outlet) is missing and electrical connections/wires are exposed.</li> <li>Broken (Receptacles (Outlets) /Switches – Unit):</li> <li><b>Fail/ Life Threatening:</b> A receptacle (outlet) or switch is broken resulting in exposed electrical connections.</li> </ol>	<ul style="list-style-type: none"> <li>In kitchens and dining areas, a receptacle outlet must be installed at each counter space wider than 12 inches.</li> <li>• Each outdoor entrance to the unit must have an exterior light fixture capable of providing adequate light for any path leading to the entrance.</li> </ul>
<b>Smoke/Carbon Monoxide Detectors</b>	<ul style="list-style-type: none"> <li>All units must have at least one smoke detector that is battery-operated, hardwired (or with a back-up battery). There must be a detector on each level of the unit.</li> </ul>	<ol style="list-style-type: none"> <li>There must be at least 1 smoke detector on each level.</li> <li>If a smoke detector is there, it must function as it should.</li> <li>"Missing" means that evidence suggests that unauthorized personnel have removed a smoke detector that should be there. A "paint ring" alone, in the shape of a smoke detector, should not be considered a missing detector.</li> <li>When multiple smoke detectors are interconnected (wired together so that one triggers all others), each smoke detector must be tested for correct function. Inspector should verify that the Smoke Detector only alerts local entities (on-site)</li> <li></li> </ol>	<ul style="list-style-type: none"> <li>All units must have smoke detectors to protect each sleeping area and at each stairway leading to an occupied area.</li> </ul>

## Auditee Comments and OIG's Evaluation

Ref to OIG  
Evaluation

### Auditee Comments

 <b>MONTGOMERY COUNTY HOUSING &amp; BUILDING MAINTENANCE STANDARDS FACT SHEET</b>			
		<p>prior to testing. If the Smoke Detector system is a monitored system that alerts an outside agency, and recent documentation (within the previous 12 months) has been provided indicating the system has been tested and functions properly, the inspector will ensure that all visible components appear to be in place, but not activate the system. If satisfactory test documentation cannot be provided, and the system cannot be tested, the system must be considered inoperable.</p> <ul style="list-style-type: none"> <li>• <b>Fall/Life Threatening:</b> A single/combo smoke detector is missing or does not function as it should.</li> </ul>	
<b>Heat and Hot Water:</b>	<ul style="list-style-type: none"> <li>• Inspectors will test each unit's heating system and all hot water sources to ensure minimum temperatures are maintained throughout the unit.</li> </ul>	<ul style="list-style-type: none"> <li>• System to provide heating, cooling and ventilation to the unit. This includes building heating or cooling system components that service the unit, such as boilers, chillers, circulating pumps, distribution lines, fuel supply, etc. It does not include recirculant or non-permanent equipment. The PHA is responsible for defining what constitutes adequate heat (or cooling/ventilation) appropriate to the climate.</li> </ul>	<ul style="list-style-type: none"> <li>• Every landlord must provide a minimum temperature of 68 degrees Fahrenheit at all times during the heating season.</li> <li>• Hot water must be heated to at least 120 degrees but not more than 140 degrees Fahrenheit.</li> </ul>
<b>Security/Doors</b>	<ul style="list-style-type: none"> <li>• Unit windows that can be reached from the ground (less than 6 feet) and that are designed to be opened must have a locking device.</li> <li>• Doors leading to the outside and common hallways, fire escapes, and porches or otherwise accessible from the ground must have locks.</li> <li>• No specific type of lock is required.</li> </ul>	<ul style="list-style-type: none"> <li>• A means of access to the interior of a unit, room within the unit, or closet. Doors provide privacy and security, control passage, provide fire and weather resistance.</li> <li>• <b>Fall/Life Threatening:</b> At least 1 entry door, fire rated/labeled door, garage overhead door (attached garage only) is not functioning or cannot be locked because of damage to the frame, header, jamb, threshold, lintel, or trim.</li> <li>-OR-</li> <li>• A bathroom door is not functioning or cannot be locked because of damage to the frame, header, jamb, threshold, lintel, or trim and privacy is not available.</li> <li>-OR-</li> <li>• A unit door cannot be opened because of damage to the door's frame, header, jamb, threshold, lintel, or trim.</li> </ul>	<ul style="list-style-type: none"> <li>• Owners must change locks between tenancies (multi-family). All swinging entrance and exit doors must have single cylinder deadbolt locks or other approved security devices.</li> <li>• Door viewers are required in all entrance doors</li> <li>• Operable windows within reach of the ground must prevent the window from being opened from outside.</li> </ul>

## OIG Evaluation of Auditee Comments

Comment 1 The Commission stated that it will work with field office staff to develop a corrective action plan in response to this recommendation. This action meets the intent of our recommendation. As part of the audit resolution process, HUD will evaluate the Commission's corrective actions to ensure that they satisfy the recommendation.

Comment 2 The Commission stated that it will work with field office staff to develop a corrective action plan in response to this recommendation. This action meets the intent of our recommendation. However, as part of the audit resolution process, HUD will need to execute a repayment agreement with the Commission to reimburse its program from non-Federal funds for the units that materially failed to meet HUD's housing quality standards. Also, after a subsequent review of our workpapers as part of our internal quality control process, we determined that the amount of administrative fees that the Commission received for the 15 units that materially failed was \$303 rather than \$363 that was reported in the draft report. Therefore, we corrected the amounts in the final audit report and, as a result, the Commission needs to reimburse its program \$44,887 (\$44,584 for housing assistance payments and \$303 in associated administrative fees).

Comment 3 The Commission stated that it currently procures inspection services from an independent entity. In addition, it stated that it issued a request for proposal on July 29, 2016, for a new inspection vendor and the request for proposal makes clear that the entity selected must be approved by HUD before issuing a contract. These actions meet the intent of our recommendation. However, as part of the audit resolution process, HUD will evaluate the Commission's corrective actions to ensure that they satisfy the recommendation.

In its response, the Commission included the wording for recommendation 1C from the draft report that we issued to it before the audit exit conference rather than the wording for the recommendation from the final report. Consistent with our audit process, we discussed the draft audit report with the Commission and HUD during the exit conference on August 22, 2016, to get feedback on the finding and recommendations. Based on discussion with the Commission and HUD during the exit conference, and with HUD after the exit conference, we revised the wording of recommendation 1C and provided an updated draft report to the Commission for comment on August 24, 2016. The Commission sent us its response on August 26, 2016, but it did not include the revised wording for recommendation 1C. We contacted the Commission and offered it the opportunity to revise its response but it declined the offer.

Comment 4 The Commission stated that the problems with quality control inspections were the consequence of staffing changes. It further stated that it will redouble efforts

to track quality control inspections on a running basis with regular internal reporting to its compliance team and oversample in order to ensure that it meets required inspection numbers. These actions meet the intent of our recommendation. However, as part of the audit resolution process, HUD will evaluate the Commission's corrective actions to ensure that they satisfy the recommendation.

Comment 5 The Commission stated that it has initiated a number of activities to address the recommendation. It stated that it submitted a request to HUD in May 2016 proposing to use the Montgomery County, MD, Housing and Building Maintenance Standards (Chapter 26, Montgomery County Code) as an alternative inspection method. It stated that the county inspection code is more stringent than both the current housing quality standards and the uniform physical condition standards. It further stated that it began providing training on the new inspection standard to its inspectors in April 2016 and it will continue training once it receives final approval from HUD to implement the alternative standard. These actions meet the intent of our recommendation. However, as part of the audit resolution process, HUD will evaluate the Commission's corrective actions to ensure that they satisfy the recommendation.

Comment 6 The Commission stated that it issued a request for proposal soliciting bids from qualified contractors to conduct housing quality standards inspections. It further stated that the capacity of potential contractors will be part of the evaluation criteria. This action meets the intent of our recommendation. However, as part of the audit resolution process, HUD will evaluate the Commission's corrective actions to ensure that they satisfy the recommendation.