



Issue Date November 26, 2007
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Audit Report Number 2008-BO-1002
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TO: Donna J. Ayala, Director, Office of Public Housing, Boston, Massachusetts,  
Regional Office, 1APH

FROM:   
John Dvorak, Regional Inspector General for Audit, Region 1, 1AGA

SUBJECT: Holyoke Housing Authority's, Holyoke, Massachusetts, Lack of Management  
Controls Resulted in Section 8 Units Not Meeting Housing Quality Standards

## HIGHLIGHTS

### What We Audited and Why

We audited the Holyoke Housing Authority's (Authority) Section 8 Housing Choice Voucher (Section 8) program as part of our fiscal year 2007 audit plan. Our objectives were to determine whether the Authority's Section 8 housing units met housing quality standards (HQS) in accordance with U.S. Department of Housing and Urban Development (HUD) requirements and whether the Authority's inspections of the housing units were timely and sufficient to detect HQS violations.

### What We Found

The Authority did not adequately ensure that its Section 8 housing units met HUD's housing quality standards. Of the 63 program units statistically selected for inspection, 43 failed inspection, and 26 were materially noncompliant with housing quality standards. The Authority did not always perform its inspections in a timely manner; notify the owners of inspection results in a timely manner; or abate the housing assistance payments when repairs were not made as required. The

Authority also did not have an adequate quality control process in place to ensure that inspections detected HQS violations or were properly performed and in compliance with HUD's and the Authority's requirements. Based on our statistical sample, we estimate that over the next year, the Authority would use more than \$1.6 million in Section 8 housing assistance for units with material housing quality standards violations, if the Authority does not establish effective management controls.

### **What We Recommend**

We recommend that the Director of HUD's Boston Office of Public Housing require the Authority to implement controls to ensure that its inspection policies and procedures are followed and that all units meet HUD's housing quality standards to prevent \$1.6 million in program funds from being spent on units that are in material noncompliance. The Authority also should be directed to implement controls to ensure that future Section 8 quality control inspections are properly performed and supported by adequate documentation.

For each recommendation in the body of the report without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please also furnish us copies of any correspondence or directives issued because of the audit.

### **Auditee's Response**

We provided the Authority the draft report on October 26, 2007, and held an exit conference on November 5, 2007. The Authority generally agreed with our report.

We received the Authority's response on November 13, 2007. The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix B of this report.

## TABLE OF CONTENTS

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Background and Objectives	4
Results of Audit	
Finding: The Authority's Section 8 Housing Units Did Not Meet Housing Quality Standards	5
Scope and Methodology	12
Internal Controls	14
Appendixes	
A. Schedule of Questioned Costs and Funds to Be Put to Better Use	15
B. Auditee Comments and OIG's Evaluation	16
C. Schedule of Units in Material Noncompliance with Housing Quality Standards	21

## **BACKGROUND AND OBJECTIVES**

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The United States Housing Act of 1937 established the federal framework for government-owned affordable housing. This act also authorized public housing as the nation's primary vehicle for providing jobs and building and providing subsidized housing through HUD. HUD disperses funds to public housing agencies under annual contributions contracts to provide subsidy payments or housing assistance payments for participating low-income families.

The Quality Housing and Work Responsibility Act of 1998 created the Section 8 Housing Choice Voucher tenant-based (Section 8) program. The Section 8 program is funded by HUD and allows public housing authorities to pay HUD subsidies directly to housing owners on behalf of the assisted family. The goal of the Section 8 program is to provide decent, safe, 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 units must meet before assistance can be paid on behalf of a family. These standards establish the minimum criteria necessary for the health and safety of program participants.

The Section 8 program is administered by the Holyoke Housing Authority (Authority) for the City of Holyoke, Massachusetts. HUD contracts with the Authority for the administration and management of low-income units through annual contributions contracts. The Authority had 968 units under contract as of May 1, 2007, and it received approximately \$17.9 million in funding for its HUD-funded programs for fiscal years 2004 through 2006. The annual contributions contracts require the Authority to follow appropriations laws, HUD requirements including public housing notices, and the Authority's administrative plan.

The principal staff member of the Authority is the executive director, who is hired and appointed by the Authority's board of commissioners (board). The executive director is directly responsible for carrying out the policies established by the board and is delegated the responsibility for hiring, training, and supervising the remainder of the Authority's staff to manage the day-to-day operations of the Authority and to ensure compliance with federal and state laws and directives for the programs managed.

Our audit objectives were to determine whether the Authority's Section 8 units met housing quality standards in accordance with HUD requirements and whether the inspections of the housing units were timely and sufficient to detect violations. This is the second of two audit reports on the Authority's Section 8 program.

## RESULTS OF AUDIT

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### Finding 1: The Authority's Section 8 Housing Units Did Not Meet Housing Quality Standards

The Authority did not always ensure that its Section 8 housing units met housing quality standards. Of the 63 program units statistically selected for inspection, 43 failed inspection, and 26 were materially noncompliant with housing quality standards. The Authority also did not always perform its inspections in a timely manner; notify the owners of inspection results in a timely manner or abate the housing assistance payments when repairs were not made as required. In addition, the Authority did not adequately perform and document its quality control inspections as required by HUD's regulations and its administrative plan. These conditions occurred because the Authority did not have a system in place to ensure that its Section 8 inspectors followed its policies and procedures. As a result, the Authority housed families in units that did not meet HUD's standards for decent, safe, and sanitary housing. If the Authority does not establish effective management controls, we estimate that over the next year, it would pay more than \$1.6 million in Section 8 housing assistance payments for units with material housing quality standards violations.

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#### **HUD's Housing Quality Standards Were Not Met and the Violations Found**

We statistically selected a sample of 63 of the Authority's Section 8 housing units to inspect from a universe of 968 active units. From our inspections, we found 106 housing quality standards violations in 43 of the 63 units that failed inspection. By projecting the failure rate (68 percent) to the Authority's universe of 968 units, we determined that at least 570 of the units would not meet HUD's minimum housing quality standards. In addition, we found that 26 (41 percent) of the 63 sample units were materially noncompliant with housing quality standards. By projecting the 26 units with violations to the universe of 968 units, we determined that a minimum of 304 of the Authority's units would be materially noncompliant with HUD's housing quality standards. If corrective action is not taken, we estimate that the Authority will spend more than \$1.6 million in the next 12 months on these 304 units that are materially noncompliant.

The Section 8 housing units that were materially noncompliant had 47 HQS violations that created substantially unsafe tenant living conditions, including missing or nonfunctioning ground fault circuit interrupters, missing smoke and/or carbon monoxide detectors, roach infestations, and garbage and debris. By contrast, those units that were not considered to be materially deficient had HQS violations, such as broken window panes, mold forming in the bathroom, and

nonfunctioning ground fault circuit interrupters when the outlet had no power. These types of deficiencies also affected tenant health and safety but not to a high enough degree to consider the units materially deficient. Appendix C details the violations found in each of the 26 failed units determined to be materially noncompliant.

The most predominant violations were electrical hazards, specifically lack of or nonfunctioning ground fault circuit interrupters. According to the Authority's administrative plan, any electrical problem or condition that could result in shock or fire is considered a life-threatening condition. We identified 38 electrical violations in 30 of the Authority's Section 8 units inspected. The following picture is an example of the electrical hazards identified.



Outdoor electrical outlet that was not properly secured and exposed wires.

The Authority did not always follow its policies and procedures for performing inspections. Specifically, the Authority did not always ensure the inspectors followed the inspection process described in the inspection procedures. For example, the inspectors were not consistent in identifying missing ground fault circuit interrupters, and did not properly test the Section 8 units' ground fault circuit interrupters outlets to determine whether they were operating correctly. The inspectors relied on pushing the test button on the ground fault circuit interrupters to determine whether the outlet was operating correctly, instead of using outlet testing devices to properly test them. Pushing the test button does not always indicate that the ground fault circuit interrupter is wired correctly and operating as intended. When we notified the Authority of our findings during the inspections of the 63 units, the Authority learned it did not have the proper tools for identifying all electrical housing quality standard violations. The Authority took action and ordered pocket testers for each of its inspectors.

In addition, our inspections identified ten violations of missing smoke and/or carbon monoxide detectors in the Authority's program units inspected, as well as four instances of roach infestation and three instances of significant debris. The following pictures are examples of the violations identified in the Authority's program units inspected.



Roach present on the kitchen counter.



Basement floor torn up and debris on the floor causing a tripping hazard.



Exterior siding falling off the building.



Exterior porch rotting and falling off support beam.

We provided our preliminary results to the Authority during the course of the inspections. The Authority's inspectors provided documentation indicating that the Authority followed up on the violations noted during our inspections; however, it did not always follow up in a timely manner. In several instances in which we identified 24-hour life-threatening violations, the Authority did not ensure that the owner and/or tenant certified that the violations were corrected within 24 hours. The Authority also did not reinspect the units with 24-hour life-threatening violations for approximately 30 days. Therefore, we still have no assurance that 24-hour life-threatening violations are corrected in a timely manner.

However, the Authority did notify all the owners of the 43 units that failed inspection. Before the end of our audit, the Authority had reinspected all the failed units to verify that the owners had taken appropriate corrective actions to make the units decent, safe, and sanitary. If appropriate actions were not taken, the Authority abated the housing assistance payments.

## **Inspection Not Timely, Results Not Communicated, and Failure to Abate Rents**

The Authority did not always inspect or communicate the inspection results in a timely manner and failed to abate rents when necessary because it did not always follow its inspection policies and procedures. Specifically, the Authority did not always

- Perform annual inspections in a timely manner. Of the 63 units, the Authority did not perform inspections in a timely manner, or within 12 months of the previous inspection, for 42 units. Annual inspections must be scheduled so that all units are inspected every 12 months. For four of these inspections, we were not able to determine whether the Authority performed them in a timely manner because it could not locate the previous inspections for comparison. The Authority had two Section 8 inspectors, a lead housing inspector and a housing inspector. According to the lead housing inspector, the Authority fell behind on its inspections when the housing inspector was out for a few months at the end of 2006 and beginning of 2007 due to medical issues. During that time, the lead housing inspector was the only one conducting inspections.
- Notify the owners of life-threatening health and safety issues in a timely manner and ensure that they were repaired within 24 hours. The Authority identified life-threatening violations in 10 of the 63 units; however, it had no assurance that the owners mitigated the violations within 24 hours as required. According to the Authority's administrative plan, when life-threatening conditions are identified, the Authority will immediately notify both parties by telephone, facsimile, or e-mail. The notice will specify what party is responsible for correcting the violation. The corrective actions must be taken within 24 hours of the Authority's notice. The Authority notified owners of life-threatening deficiencies by means of a letter, which was mailed to the owner. In some instances, it took several weeks or even months before the Authority notified the owner of a life-threatening deficiency, and the owners were not able to correct them in a timely manner. The Authority did not reinspect the units for life-threatening deficiencies until it performed a reinspection for all of the deficiencies noted (usually at least 30 days after the inspection). Further, the Authority's letters to the owners did not always indicate which items were life threatening and needed to be corrected within 24 hours.



- Notify owners of inspection results in a timely manner and ensure that corrections were completed within 30 days of the inspection. According to the Authority's administrative plan, when failures that are not life threatening are identified, the Authority will send the owner and the family a written notification of the inspection results within five business days of the inspection. Generally not more than 30 days will be allowed for the correction. The Authority did not send six of the 26 letters to the owners in a timely manner. In four instances, the Authority sent the letters more than 30 days after the inspection
- Abate the housing assistance payments when repairs were not made in a timely manner. In some instances, the Authority started counting the 30 days for abatement on the date of the letter instead of the date of the inspection. This practice was necessary since the Authority did not send the letter to the owner for several weeks or months after the inspection had been completed. In these cases, the Authority could not abate the housing assistance payments since the owner had not been notified of the violations. If the Authority had followed its policies and notified the owners of the deficiencies in a timely manner, repairs may have been made in a timely manner. However, since the owners were not notified in a timely manner, the units remained in noncompliance with HUD's housing quality standards after the required correction period (24 hours or 30 days after the inspection). Consequently, the Authority paid \$6,193 in housing assistance for nine units that would have been abated had it followed its inspection process and abated the housing assistance payments on the first of the month following the correction period.<sup>1</sup>

In addition, the Authority had no system to track the inspections and follow up to ensure that they were performed in a timely manner. The inspectors manually tracked their inspection dates, results, and compliance with deadlines and abatements through hard-copy documents. The Authority implemented a new computer system at the end of 2006 and began recording and tracking inspection dates, results, and followup for failed units. The Authority should be able to use the new system to schedule inspections starting in January 2008; ensure that units are inspected in a timely manner; and ensure follow up is performed in a timely manner.

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<sup>1</sup> The abatement amount was calculated based on the date of the inspection adding 30 days for repair as of the 1st of the following month the HAP should have been abated. The Authority did not provide notification of deficiencies to the owners of 9 units in a timely manner. Therefore, the units remained in noncompliance with housing quality standards beyond the required correction period (24 hours or 30 days). The Authority should have abated the housing assistance payments on the first of the month following the correction period for these 9 units. We prorated the housing assistance payment for each unit based on the number of days it was over the correction period. Using this calculation, we determined that the Authority paid \$6,193 for these units that should have been abated.

## The Authority Did Not Perform Adequate Quality Control

The Authority did not adequately perform or document its quality control inspections. As a result, the Authority had no assurance its inspectors were performing adequate inspections, identifying all deficiencies and were following the Authority's inspection policies and procedures. Specifically, the Authority

- Did not perform quality control inspections on initial or passed inspections. The Authority only performed quality control inspections as a reinspection of failed units. A reinspection of a failed unit is not an adequate quality control inspection as a reinspection is part of the original inspection process and does not ensure that the process as a whole is functioning properly. The quality control process needs to be separate from the inspection process. Reinspections are performed to ensure that deficiencies identified during the original inspection were repaired. Conversely, a quality control inspection is designed to ensure that the inspectors are performing quality inspections and not overlooking violations. During the Authority's quality control inspection, the inspector did not complete an inspection checklist listing additional deficiencies, nor were any results provided to determine the quality of the original inspection. Therefore, it appears that the inspector was only ensuring that deficiencies identified during the original inspection were corrected.
- Did not perform quality control inspections on inspections performed by the lead inspector, discuss the results with the inspectors, or document the results of the quality control inspections. The Authority has two inspectors, one of whom is a lead inspector; however, he is not in a supervisory position. The lead inspector performed quality control reviews of the other inspector's work; however, there were no quality control inspections performed on the lead inspector's work. The lead inspector stated that he performed an average of three quality control inspections each month. The sample represented a cross-section of neighborhoods where program units were located and inspections were completed by the second inspector. The tracking schedule maintained by the Authority listed the tenant name, address, date of quality control inspection, and name of the inspector conducting the quality control inspection; however, there was no indication of the results of the quality control inspection (i.e., did the unit pass upon reinspection, were additional deficiencies identified?). The tracking schedule also did not indicate when the original inspection was performed.

## Conclusion

The Authority did not follow its procedures and lacked controls to ensure that it effectively inspected and monitored the condition of its Section 8 units. As a result, tenants lived in units that were not decent, safe, and sanitary. HUD needs to ensure that the Authority's management implements controls to ensure that its policies and procedures for housing inspections are consistently followed to prevent tenants from living in unsanitary and unsafe units. Further, Authority management needs to implement procedures and controls over its inspection quality control process and abatement process to ensure that they are performed in accordance with HUD requirements.

## Recommendations

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

- 1A. Implement controls to ensure that it follows HUD's procedures for conducting inspections, abating rents and performing Section 8 quality control inspections to ensure that units meet HUD's housing quality standards and to prevent \$1.6 million in program funds from being spent on units that are in material noncompliance.
- 1B. Repay \$6,193 from nonfederal funds for units that remained in noncompliance with housing quality standards and were not abated due to the Authority's lack of notification of deficiencies to the owners.
- 1C. Inspect all of its remaining Section 8 units<sup>2</sup> and ensure that they meet housing quality standards. If any of the units cannot be made decent, safe, and sanitary, the Authority must either abate the housing assistance payments or terminate the tenants' lease as appropriate.

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<sup>2</sup> There were 905 units active Section 8 vouchers/units in addition to the 63 in our sample at the time of our review but this number can change daily.

## SCOPE AND METHODOLOGY

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We conducted our audit between April and September 2007. We completed our fieldwork at the Authority's central office located at 475 Maple Road, Holyoke, Massachusetts, and at the various housing units selected for review. Our audit covered the period January 1, 2004, through December 31, 2006, and was extended when necessary to meet our audit objective.

To accomplish our audit objective, we

- Reviewed relevant HUD regulations, including 24 CFR [*Code of Federal Regulations*] 982 and the Housing Choice Voucher Guidebook 7420.10.G.
- Reviewed the Authority's administrative plan approved for use during our audit period, including the latest plan approved in April 2007.
- Interviewed Authority supervisors and staff to determine the Authority's housing quality standards processes and controls.
- Reviewed the Authority's completed quality control reviews for the fiscal year ending December 31, 2006, to determine whether the performed reviews were adequate.
- Reviewed inspection files to obtain the results of inspections that were previously performed by the Authority and to determine whether the Authority performed adequate followup.
- Inspected a statistical sample of 63 housing units and recorded and summarized the inspection results.

We statistically selected a sample of 63 of the Authority's program units to determine whether the Authority ensured that its units met housing quality standards. The sample was based on the Authority's housing assistance payment prepayment batch listing as of May 1, 2007. We sorted the listing to include only active housing choice voucher tenants to arrive at our universe of 968 units. We obtained the sample based on a confidence level of 90 percent, a precision level of 10 percent, and an assumed error rate of 50 percent. Twelve additional sample units were selected to be used as replacements if necessary.

We reviewed the sample of 63 units and determined that 26 of 43 failed units were materially deficient. We determined that the 26 units<sup>3</sup> were in material noncompliance because they had 47 deficiencies that created unsafe living conditions.

Projecting the results of the 26 units that were in material noncompliance with housing quality standards to the universe indicates that 399 or 41.27 percent of the universe contained the attributes tested. The sampling error is plus or minus 9.86 percent. In other words, we are 90

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<sup>3</sup> Sixteen units had material violations that existed before the Authority's last inspection.

percent confident that the frequency of occurrence of the attributes tested lies between 31.40 and 51.13 percent of the universe. This equates to an occurrence of between 304 and 495 units of the 968 units in the universe.

- The lower limit is 31.40 percent of 968 units = 304 units in material noncompliance with minimum housing quality standards.
- The point estimate is 41.27 percent of 968 units = 399 units in material noncompliance with minimum housing quality standards.
- The upper limit is 51.13 percent of 968 units = 495 units in material noncompliance with minimum housing quality standards.

Using the lower limit and the average annual housing assistance payments for the universe based on the Authority's housing assistance payments register, dated May, 2007, we estimate that the Authority will spend at least \$1,654,350 (304 units x \$5,441.94 average annual housing assistance payment) for units that are in material noncompliance with housing quality standards. This estimate is presented solely to demonstrate the annual amount of Section 8 program funds that could be put to better use on decent, safe, and sanitary housing if the Authority implements our recommendations.

We performed our review in accordance with generally accepted government auditing standards.

# INTERNAL CONTROLS

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Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved:

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

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

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## Relevant Internal Controls

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

- Effectiveness and efficiency of program operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Compliance with laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resources are used consistent with laws and regulations.

We assessed the relevant controls identified above.

A significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

## Significant Weaknesses

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

- The Authority lacked effective management controls over its inspection process to ensure that its units complied with HUD's requirements.

## APPENDIXES

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### Appendix A

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

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Recommendation number	Ineligible <u>1/</u>	Funds to be put to better use <u>2/</u>
1A		\$1,654,350
1B	\$6,193	

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 polices 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. This includes reductions in outlays, deobligation of funds, withdrawal of interest subsidy costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings which are specifically identified. The amount is based on the estimated 161 units in material noncompliance with minimum housing quality standards and is presented solely to demonstrate the annual amount of Section 8 program funds that could be put to better use on decent, safe, and sanitary housing if the Authority implements our recommendations.

# Appendix B

## AUDITEE COMMENTS AND OIG'S EVALUATION

### Ref to OIG Evaluation

### Auditee Comments



**HOLYOKE HOUSING AUTHORITY**  
AN EQUAL OPPORTUNITY / AFFIRMATIVE ACTION AGENCY

ADMINISTRATION BUILDING, 475 MAPLE STREET, HOLYOKE, MASSACHUSETTS 01040  
TELEPHONE (413) 539-2220, FAX (413) 539-2227, T.D.D. 1-800-545-1833 EXT. 510

November 13, 2007 via fax/mail 617-565-6878

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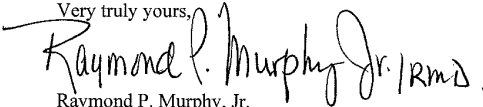
HUD-OIG  
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Key Smullen  
Assistant Regional Inspector General for Audit  
U.S. Dept. of HUD-Office of Inspector General  
10 Causeway Street, Room 370  
Boston, MA 02222-1092

Dear Mr. Smullen:

Enclosed please find the Holyoke Housing Authority's response to the draft audit report, which was received on October 30, 2007. This report covers the Authority's Section 8 Program units not meeting housing quality standards.

If you have any questions or need additional information, please contact Rosalie Deane of my staff at 413-539-2204.

Very truly yours,  
  
Raymond P. Murphy, Jr.  
Executive Director

Cc: Donna Ayala, Director  
Office of Public Housing  
HUD New England

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# Appendix B

## AUDITEE COMMENTS AND OIG'S EVALUATION

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### Ref to OIG Evaluation

### Auditee Comments

**Finding 1: *The Authority's Section 8 Housing Units Did Not Meet Housing Quality Standards***

**Recommendations:**

**1A. *Implement controls to ensure that it follows HUD's procedures for conducting inspections, abating rents and performing Section 8 quality control inspections to ensure that units meet HUD's housing quality standards and to prevent \$1.6 million in program funds from being spent on units that are in material noncompliance.***

The Holyoke Housing Authority Inspection Department worked cooperatively with the auditors from the Office of the Inspector General to ensure that the controls and procedures, many of which were in the process of being implemented prior to the audit, sufficiently satisfied HUD requirements.

The auditors from the Office of the Inspector General inspected 63 units participating in the Section 8 Program and their sampling of units were consistent with the average 75% failure rate that inspectors experience when performing initial or annual inspections.

The inspectors admit there were inconsistencies in identifying missing ground fault circuit interrupter (GFI) outlets and they relied on pushing the test button to determine whether the outlet was operating properly. As the audit report states, when the auditors notified the inspectors of their findings the Authority took action and ordered pocket testers for both inspectors. The inspectors now check for working GFI's in every unit. The majority of the health and safety violations were "electrical" due to missing or non-functioning GFI's. This issue has since been addressed.

The other six health and safety violations were non-functioning smoke/carbon monoxide detectors. Often this is due to tenants' removing the batteries from the detectors after the inspectors perform their inspections. It is important to note that a physical inspection is basically a "snapshot in time" and circumstances can dramatically change in a unit even daily.

During the month of October 2006, The Authority began the process of automating the Inspection Department by utilizing the Emphasys Elite software program in the Section 8 Department which allows automation of HQS inspection tracking rather than performing this process manually. The manual process allowed a large margin of error, as Program Representatives sometimes erroneously changed the annual re-examination date when they performed interim examinations. Due to this, at times inspections were not timely and inspectors could not 100% guarantee that every unit was inspected at least once during the course of 12 months. This situation has since been remedied and inspectors are now confident that all Section 8 units will be inspected in a twelve month period, as the inspection process is now an independent function separate from the re-examination.

### **Comment 1**

## Appendix B

# AUDITEE COMMENTS AND OIG'S EVALUATION

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### Ref to OIG Evaluation

### Auditee Comments

The auditors acknowledged that the Authority had capacity issues at the end of 2006 when one inspector was out on medical leave, leaving the remaining inspector to handle all inspections. That combined with the fact that all processes were performed manually with massive amounts of paperwork and no administrative support staff resulted in the department's failure to locate previous inspections for comparison. Copies of inspections performed are now maintained electronically in a database which can be easily accessed at any time. Additionally a hard copy is filed in the Inspection Department.

The Authority agreed that the abatement process needed improvement. We have since tightened our policies regarding health and safety violations and abatements. Now if a unit is found to be in violation of a 24-hour health and safety issue, the landlord is contacted immediately via telephone, fax or email and is informed of the violation. Our policy now mandates that if the issue is not resolved within the 24 hour time period, housing assistance payments will be abated effective the 1<sup>st</sup> day of the subsequent month. This policy is now consistently applied to all units.

The Inspection Department of the Holyoke Housing Authority is comprised of an Inspector and a Lead Inspector who conduct all functions of the department including quality control. The Lead Inspector agrees that the quality control process was faulty in that he was performing quality control but only on failed inspections and only on failed items. He was not performing a complete and full re-inspection of the whole unit. The Authority has since modified this practice and now performs a complete and thorough re-inspection of both annual inspections and initial inspections including both failed and passed units. Furthermore, the Inspector performs quality control inspections on the Lead Inspector's units as well as the Lead Inspector performing quality control on the Inspector's units. All processes and documentation is available at the Authority for examination by HUD.

### **Comment 2**

Although the Office of the Inspector General estimated that \$1.6 million were funds that could potentially be put to better use, this was a statistical sampling applied to the entire Section 8 Housing Choice Voucher Program. It is the Authority's contention that this number was inflated and should not be applied to a twelve-month period, but rather a one month period due to the fact that abatements are implemented for a one-month period before the tenant is subsequently put on certificate time and asked to find a new unit to rent. Therefore, the Authority believes that rather than \$1.6 million, the funds that could potentially be put to better use would be \$137,864.00 reflective of a one-month period.

**1B. *Repay \$6,193 from nonfederal funds for units that remained in noncompliance with housing quality standards and were not abated due to the Authority's lack of notification of deficiencies to the owners.***

### **Comment 3**

The Authority respectfully requests that these monies, rather than being repaid, be funneled back into the infrastructure of the Inspections Department. Various items

## Appendix B

### AUDITEE COMMENTS AND OIG'S EVALUATION

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#### Ref to OIG Evaluation

#### Auditee Comments

#### Comment 4

would add to the efficiency and effectiveness of their operations including funding Housing Quality Standards refresher training for both inspectors and any other pertinent trainings, purchasing a printer/scanner to support them in the administrative functions of their jobs, digital cameras for use in the field, and additional filing cabinets for the department.

*1C. Inspect all of its remaining Section 8 units and ensure that they meet housing quality standards. If any of the units cannot be made decent, safe, and sanitary, the Authority must either abate the housing assistance payments or terminate the tenants' lease as appropriate.*

Although the Holyoke Housing Authority is in agreement that there were deficiencies in the Section 8 Inspection Department with regard to the aforementioned practices, the Authority believes that for the most part the housing stock that is offered to tenants through the program is decent, safe, sanitary, and affordable. The majority of landlords who participate in the Housing Choice Voucher Program are responsive and cooperative. Inspectors of the Holyoke Housing Authority continue to work to ensure that all units meet housing quality standards. Since May 2007, when this audit began, the inspectors have been performing their inspections in compliance with recommendations of the Office of the Inspector General. The Authority anticipates inspection of all units will be completed by May 31, 2008. Any units found to be unsatisfactory with regards to Housing Quality Standards will either be abated or the lease will be terminated.

## OIG Evaluation of Auditee Comments

- Comment 1** The material violations for smoke/carbon monoxide detectors only include units with missing detectors. Units with non-functioning smoke/carbon monoxide detectors (i.e., missing batteries) were not included as material deficiencies. We recognize that our inspection results reflect a snapshot of the conditions of a unit at a particular point in time. However, 24 CFR 982.401(a)(3) requires that all program housing meet the housing quality standards performance requirements both at commencement of assisted occupancy, and throughout the assisted tenancy.
- Comment 2** The Authority disagrees with our projected results of funds put to better use, which will be the \$1.6 million in annual housing assistance payments issued for units in material noncompliance with housing quality standards. We used statistical sampling which allows our audit results to be projected to the population. To be conservative, we used the lower limit to determine our projected results. The \$1.6 million in housing assistance payments is an estimate and not a statistical projection and is used only for the purpose of determining the annual amount of Section 8 funds that could be put to better use. The Authority believes that only a one-month period should be used to determine funds to be put to better use since abatements are implemented for a one-month period before the tenant is put on certificate time and asked to find a new unit; however, our audit found that housing quality violations were not always identified by the Authority's inspectors. Therefore, these conditions could have continued indefinitely. The audit also found that the Authority is not abating rents as required when units fail to meet housing quality standards. If the Authority implements our recommendations, it will cease to incur Section 8 costs for units that are not decent, safe, and sanitary. This action will instead expend those funds for units that meet HUD's standards. Once the Authority successfully improves its controls, this will be an indefinite recurring benefit. Our estimate reflects only the initial year of these recurring benefits.
- Comment 3** The Authority concurred with Recommendation 1B; however, whether the funds are put into the Section 8 program or paid to HUD is at the discretion of HUD. Regardless, the funds must come from non-federal funds.
- Comment 4** The Authority concurred with Recommendation 1C and has begun to reinspect the units.

## Appendix C

### SCHEDULE OF UNITS IN MATERIAL NONCOMPLANCE WITH HOUSING QUALITY STANDARDS

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Sample number	Types of violations													
	Smoke/ carbon monoxide detector	Electrical	Infestation	Other interior hazard	Range	Roof	Exterior surface	Porch	Fire exit	Garbage/ debris	Security	Floor	Toilet	Water heater
1		2												
2	1	1												
4		1										1	1	
6	1													
10		1												
15		1												
16	1					1	1	1						
18		1												
22		1												
27		1		1					1	1	1			
30		1												
32		1												
33		1												
38	1		1											
39		1												
41			1	1	1									
42		2	1											
45		1												
49		1	1											
50		1												
52		1												
56		2												
58		1												
59								1		1				1
60		1												
62	2													
Totals	6	23	4	2	1	1	1	2	1	2	1	1	1	1