



Issue Date July 14, 2008

Audit Report Number 2008-PH-1009

TO: Dennis G. Bellintier, Director, Office of Public Housing, Pennsylvania State Office, 3APH

FROM:  John P. Buck, Regional Inspector General for Audit, Philadelphia Regional Office, 3AGA

SUBJECT: The Housing Authority of the City of Allentown, Pennsylvania, Did Not Ensure That Its Section 8 Housing Choice Voucher Program Units Met Housing Quality Standards

HIGHLIGHTS

What We Audited and Why

We audited the Housing Authority of the City of Allentown's (Authority) administration of its housing quality standards inspection program for its Section 8 Housing Choice Voucher program as part of our fiscal year 2008 audit plan. This is our second audit report issued on the Authority's program. The audit objective addressed in this report was to determine whether the Authority adequately administered its Section 8 housing quality standards inspection program to ensure that its program units met housing quality standards in accordance with U.S. Department of Housing and Urban Development (HUD) requirements.

What We Found

The Authority did not adequately administer its inspection program to ensure that its program units met housing quality standards as required. We inspected 57 housing units and found that 51 units did not meet HUD's housing quality standards. Moreover, 47 of the 51 units had exigent health and safety violations

that the Authority's inspectors neglected to report during their last inspection. The Authority spent \$80,316 in program and administrative funds for these 47 units.

The Authority did not properly abate rents when units failed its housing quality standards inspections. We reviewed 30 program units that did not pass the Authority's housing quality standards inspections and determined that the Authority should have abated housing assistance payments for 13 units. The 13 units remained in a failing status for as long as three months. However, the Authority failed to abate the program rents or terminate the contracts for these units, resulting in improper payments of \$8,504 in housing assistance.

We estimated that over the next year if the Authority does not implement adequate procedures and controls to ensure that its program units meet housing quality standards and that abatement requirements are enforced, HUD will pay \$1.3 million in housing assistance and administrative fees on units that materially fail to meet HUD's housing quality standards and for units that should have had assistance payments abated.

What We Recommend

We recommend that HUD require the Authority to ensure that housing units inspected during the audit are repaired to meet HUD's housing quality standards, reimburse its program for the improper use of \$80,316 in program funds for units that materially failed to meet HUD's housing quality standards, and implement adequate procedures and controls to ensure that in the future, program units meet housing quality standards to prevent an estimated \$1.2 million from being spent annually on units that materially fail to meet HUD's housing quality standards. Further, we recommend that HUD require the Authority to reimburse its program \$8,504 for the 13 units for which it did not abate assistance payments and develop and implement management controls to ensure that employees comply with HUD policies and procedures concerning abatements, thereby preventing an estimated \$34,016 from being spent annually on units that should have had assistance payments abated.

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

Auditee's Response

We discussed the report with the Authority during the audit and at an exit conference on June 5, 2008. The Authority provided written comments to our draft report on June 11, 2008. The Authority acknowledged that it needed to

improve its inspection program and that it had implemented management improvements to address some of the issues addressed in the audit report. However, the Authority contested some of the violations that we identified, asserting that we overstated the amount of ineligible funds included in the report. The complete text of the Authority's response, along with our evaluation of that response, can be found in appendix B of this report.

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BACKGROUND AND OBJECTIVES

The Housing Authority of the City of Allentown (Authority) was established in 1938 by the City of Allentown, Pennsylvania, under the laws of the Housing Authority Law of the Commonwealth of Pennsylvania to provide affordable housing for qualified individuals in accordance with the rules and regulations prescribed by the U.S. Department of Housing and Urban Development (HUD). A five-member board of commissioners governs the Authority. The current executive director of the Authority is Daniel Farrell. The Authority's main administrative office is located at 1339 Allen Street, Allentown, Pennsylvania.

Under the Section 8 Housing Choice Voucher program, the Authority is authorized to provide leased housing assistance payments for more than 1,430 eligible households. HUD authorized the Authority the following financial assistance for housing choice vouchers:

<u>Authority fiscal year</u>	<u>Annual budget authority</u>	<u>Disbursed</u>
2006	\$ 6,095,606	\$ 6,095,606
2007	\$ 7,559,453	\$ 7,559,453
Totals	\$13,655,059	\$13,655,059

HUD regulations at 24 CFR [*Code of Federal Regulations*] 982.305(a) state that a public housing authority may not execute a housing assistance contract until it has determined that the unit has been inspected and meets HUD's housing quality standards.

HUD regulations at 24 CFR 982.405(a) require public housing authorities to perform unit inspections before the initial move-in and at least annually. The authority must inspect the unit leased to a 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.

Our audit objective was to determine whether the Authority adequately administered its Section 8 housing quality standards inspection program to ensure that its program units met housing quality standards in accordance with HUD requirements.

RESULTS OF AUDIT

Finding 1: Controls over Housing Quality Standards Were Inadequate

The Authority did not adequately enforce HUD's housing quality standards. Of 57 program units selected for inspection, 51 did not meet minimum housing quality standards, and 47 materially failed to meet housing quality standards. The Authority's inspectors did not report 237 violations, which existed at the units when they performed their inspections. The violations occurred because the Authority lacked adequate procedures and controls to ensure that its program units met HUD's housing quality standards. As a result, the Authority spent \$80,316 in program and administrative funds for 47 units that materially failed to meet HUD's housing quality standards. We estimate that over the next year, HUD will pay more than \$1.2 million in housing assistance for units that materially fail to meet housing quality standards.

Section 8 Tenant-Based Housing Units Were Not in Compliance with HUD's Housing Quality Standards

We statistically selected 57 units from unit inspections passed by the Authority's inspectors during the period August 1 to October 31, 2007. The 57 units were selected to determine whether the Authority ensured that the units in its program met housing quality standards. We inspected the selected units between December 3, 2007, and January 11, 2008.

Of the 57 units inspected, 51 (90 percent) had 335 housing quality standards violations. Additionally, 47 of the 57 units (83 percent) were considered to be in material noncompliance since they had exigent health and safety violations that predated the Authority's last inspection and were not identified by an Authority inspector. Of the 51 units with housing quality standards violations, 10 had a violation that was noted on the Authority's previous inspection report, and the Authority later passed the units. However, during our inspection, it was determined that the violations had not been corrected. The 47 units had 236 total violations (including the 10 identified by the Authority but not corrected) that existed before the Authority's last inspection report. The Authority's inspectors did not identify or did not report 226 violations that existed at the time of their most recent inspections. HUD regulations at 24 CFR 982.401 require that all program housing meet HUD's housing quality standards at the beginning of the assisted occupancy and throughout the tenancy. The following table categorizes the 335 housing quality standards violations in the 51 units that failed the housing quality standards inspections.

Type of violation	Number of violations	Number of units	Percentage of units
Structure and materials	142	47	92
Illumination and electricity	108	37	73
Smoke detectors	20	14	27
Interior air quality	18	14	27
Space and security	16	11	22
Food preparation and refuse disposal	10	10	20
Thermal environment	10	7	14
Sanitary condition	7	5	10
Sanitary facilities	4	4	8
Total	335		

We provided our inspection results to the Director of HUD’s Office of Public Housing, Pennsylvania State Office, and to the Authority’s executive director during the audit.

Housing Quality Standards Violations Were Identified

The following pictures illustrate some of the violations we noted while conducting housing quality standards inspections at the Authority’s leased housing units.



Inspection #16: Holes in the boiler's flue allow carbon monoxide to enter the basement. This violation was not identified during the Authority's October 25, 2007, inspection.



Inspection #53: A hole in the water heater's flue allows carbon monoxide to enter the basement. This violation was not identified during the Authority's October 29, 2007, inspection.



Inspection #16: Broken 2x4 makeshift handrail needs to be replaced and be constructed with an intermediate support. This violation was not identified during the Authority's October 25, 2007, inspection.



Inspection #32: The handrail at the basement stairway stops too short from the bottom of the stairs. This violation was not identified during the Authority's August 14, 2007, inspection.



Inspection #14: A junction box in the rear porch has a hole and a wire that is not secured with a wire connector. This violation was not identified during the Authority's August 14, 2007, inspection.



Inspection #38: A wall lamp on a third floor stairway wall is missing the insulator over the socket, exposing electrical contacts. This violation was not identified during the Authority's August 27, 2007, inspection.



Inspection #25: The stairway to the basement does not have a handrail. This violation was not identified during the Authority's September 11, 2007, inspection.



Inspection #30: An asbestos sheet on the basement ceiling has a frayed edge. This violation was not identified during the Authority's September 13, 2007, inspection.



Inspection #8: The front stoop has no handrail. (Note adjacent stoops have handrails.) This violation was not identified during the Authority's August 17, 2007, inspection.

The Authority Lacked Procedures and Controls to Ensure Compliance with HUD's Housing Quality Standards

Although HUD regulations and the Authority's administrative plan required the Authority to ensure that its program units met housing quality standards, it failed to do so. This violation occurred because (1) the Authority lacked adequate procedures and controls to ensure that its program units met housing quality standards as required by HUD regulations and its own Section 8 administrative plan, (2) the Authority did not conduct adequate housing quality standards quality control inspections, and (3) the Authority experienced a high turnover rate of inspectors.

The Authority Lacked Adequate Procedures and Controls to Ensure That Its Program Units Met Housing Quality Standards as Required by HUD Regulations and Its Own Section 8 Administrative Plan

The Authority lacked adequate procedures and controls to ensure that its program units met housing quality standards as required by HUD regulations and its own Section 8 administrative plan. HUD regulations at 24 CFR 982.401 define HUD's housing quality standards. The Authority's Section 8 administrative plan requires the Authority to inspect its Section 8 units based upon HUD's housing quality standards and its own requirement that all units meet the minimum standards set forth in the local codes. However, the administrative plan and inspection procedures provided by the Authority's Section 8 coordinator primarily address the type, scheduling, notification to tenant and owner, and followup of housing quality standards inspections rather than detailed instructions for determining the nature and extent of violations and deficiencies. The Authority relied on the inspectors' knowledge of housing standards and experience to conduct the detailed steps necessary for adequate inspections rather than providing them with inspection procedures. This omission resulted in incomplete and inconsistent inspection results.

The Authority Did Not Conduct Adequate Housing Quality Standards Quality Control Inspections

The Authority did not conduct adequate quality control inspections. HUD regulations at 24 CFR 985.3 require public housing authorities to conduct quality control inspections on a sample of units under contract during the Authority's fiscal year. Additionally, HUD regulations at 24 CFR 985.3 specify that the sample is to be drawn from recently completed housing quality standards inspections (i.e., performed during the three months preceding reinspection) and is to be drawn to represent a cross section of neighborhoods and the work of a cross section of inspectors.

The Authority acknowledged that it had not performed housing quality standards quality control inspections between June 2007 and March 2008.¹ The Authority's housing quality standards quality control inspection reports before that time lacked any formal critique of the Authority's inspection process or of inspector performance. The Authority's Section 8 coordinator provided the inspectors with a listing of common housing quality standards violations observed during the housing quality standards quality control inspections. However, the listing was dated after the audit commenced. While the coordinator stated that she discussed the results of the quality control inspections with the inspectors, she did not document the discussions. Further, she stated that the Authority's inspectors did not attend Section 8 staff meetings because of their workload. Consequently, the

¹ The Authority conducted no quality control inspections for the period from which we selected our sample, August 1 through October 31, 2007.

Authority's housing quality standards quality control inspections did not provide the intended level of supervision and communication.

The Authority Experienced a High Turnover Rate of Inspectors

The Authority experienced a high turnover in its Section 8 inspector position with three different persons in the position between mid-August 2007 and January 2008. One of the inspectors was employed for approximately six weeks before resigning. The effective result was that there was only a single inspector conducting housing quality standards inspections during that period. The Section 8 coordinator stated that the increased workload added to the lack of adequate inspections.

Conclusion

The Authority's tenants were subjected to health- and safety-related violations, and the Authority did not properly use its program funds when it failed to ensure that units complied with HUD's housing quality standards as required. In accordance with HUD regulations at 24 CFR 982.152(d), HUD is permitted to reduce or offset any program administrative fees paid to a public housing authority if it fails to perform its administrative responsibilities correctly or adequately, such as not enforcing HUD's housing quality standards. The Authority disbursed \$72,479 in housing assistance payments to owners for the 47 units that materially failed to meet HUD's housing quality standards and received \$7,837 in program administrative fees for these units.

If the Authority implements the recommendations in this report to ensure compliance with HUD's housing quality standards, we estimate that \$1.2 million in future housing assistance payments will be spent on 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 the Office of Public Housing, Pennsylvania State Office, direct the Authority to

- 1A. Certify, along with the owners of the 51 units cited in this finding, that the applicable housing quality standards violations have been corrected.
- 1B. Reimburse its program \$80,316 from its administrative fee reserve or nonfederal funds (\$72,479 for housing assistance payments and \$7,837 in associated administrative fees) for the 47 units that materially failed to meet HUD's housing quality standards.

- 1C. Develop and implement controls to ensure that program units meet housing quality standards, thereby ensuring that \$1,243,989 in program funds is expended only on units that are decent, safe, and sanitary.
- 1D. Develop and implement controls to ensure that supervisory quality control inspections are conducted and documented and that feedback is provided to inspectors.

Finding 2: The Authority Did Not Abate Housing Assistance Payments as Required

The Authority did not abate housing assistance payments after its inspectors determined program units did not meet housing quality standards. We reviewed 30 program units that failed the Authority's own housing quality standards inspections and determined that it should have abated the housing assistance payments for 13 units but did not do so. This occurred because the Authority's policy was to suspend housing assistance payments and retroactively pay owners rather than abate the payments as required. As a result, for the units reviewed, the Authority made ineligible housing assistance payments of \$8,504 because it paid owners for units that continued to have housing quality standards violations although the time period for the owners to make the necessary repairs had expired. We estimate that over the next year, HUD will pay more than \$34,000 in housing assistance for units that the Authority should have abated.

The Authority Did Not Abate Failed Units as Required

The Authority did not abate housing assistance payments as required. HUD regulations at 24 CFR 982.404(a) require public housing authorities to take prompt and vigorous action to enforce the owners' obligations and state that the authorities must not make any housing assistance payments for a dwelling unit that fails to meet the housing quality standards unless the owner corrects the defect within the period specified by the authority and the authority has verified the correction. The timeframe for correction of life-threatening violations will be no more than 24 hours and other violations within no more than 30 calendar days. The Authority made ineligible housing assistance payments totaling \$8,504 because it paid owners for units that continued to have housing quality standards violations although the time period for the owners to make the necessary repairs had expired. Using documentation supporting the series of inspections related to the sample of 57 housing units addressed in finding 1 of this report, we determined that 30 of the units failed the Authority's housing quality standards inspection at least once in the series of inspections leading up to the Authority's last inspection that passed the unit. We found that the owners completed necessary repairs within 30 days for 17 of the 30 program units. For the 13 units that the owners did not repair within 30 days, the Authority failed to abate payments for all 13 units (100 percent) as required. The 13 units were in a failed status between one and three months after the original failed inspection.

The Authority Misinterpreted HUD Regulations

The Authority's policy and procedures addressing abatements were not consistent with HUD regulations. Section 6 of the Authority's administrative plan states that the Authority "will not make any assistance payments for a dwelling unit in which housing quality standards deficiencies have not been corrected after the notice period has expired." The plan also states that "if a unit fails to meet housing quality standards and the owner and tenant have been given a deficiency notice that provides a specified time for compliance, and all deficiencies have not been corrected within that period, the housing assistance payment will be suspended (abated)." As written, the policy equates the words suspended and abated. Consequently, the Authority incorrectly interpreted the regulations and routinely made assistance payments for units with housing quality standards deficiencies that were not corrected within the prescribed periods as long as the units eventually passed reinspection. However, contrary to the policy, the Authority neither suspended nor abated payments to the owners of the 13 units, but continued to make housing assistance payments for the periods that the units were in a failed housing quality standards condition.

Conclusion

Contrary to HUD regulations, the Authority made assistance payments for units that had housing quality standards violations although the time period for the owners to make the necessary repairs had expired. As a result, the Authority made ineligible housing assistance payments totaling \$8,504 because it failed to abate assistance payments as required.

If the Authority implements the recommendation in this report to ensure compliance with HUD regulations for enforcing housing quality standards, we estimate that over a one-year period, \$34,016 in housing assistance payments will be properly abated for units that were not in compliance with housing quality standards and those funds subsequently spent on housing 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 the Office of Public Housing, Pennsylvania State Office, direct the Authority to

- 2A. Reimburse its program \$8,504 from its administrative fee reserve or nonfederal funds for the housing assistance payments identified by the audit that were not abated as required.
- 2B. Develop and implement controls to ensure that the Authority complies with HUD regulations concerning abatements and thereby put \$34,016 in program funds to better use over a one-year period.
- 2C. Revise the policy in its administrative plan regarding abatement of assistance in accordance with HUD regulations.

SCOPE AND METHODOLOGY

To accomplish our objective, we reviewed

- Applicable laws; regulations; the Authority's administrative plan; and HUD's program requirements at 24 CFR [*Code of Federal Regulations*] Part 982, HUD's Housing Choice Voucher Guidebook 7420.10G, and HUD's Housing Inspection Manual.
- The Authority's accounting records, annual audited financial statements for 2006, check register, tenant files, computerized databases including housing assistance payments and housing quality standards inspection data, board meeting minutes from 2006 and 2007, and organizational chart.
- HUD's monitoring reports for the Authority.

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

To achieve our audit objective, we relied in part on computer-processed data in the Authority's database. 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 57 of the Authority's program units to inspect from 268 unit inspections passed by the Authority's inspectors during the period August 1 to October 31, 2007. We selected the sample using the U.S. Army Audit Agency Statistical Sampling System, version 6.3, software. The 57 units were selected to determine whether the Authority's program units met housing quality standards. The sampling criteria used a 90 percent confidence level, 50 percent estimated error rate, and precision of plus or minus 10 percent.

Our sampling results determined that 47 of 57 units (83 percent) materially failed to meet HUD's housing quality standards. Materially failed units were those with at least one exigent health and safety violation that predated the Authority's previous inspections or was on the last inspection report, and the violation had not been corrected at the time of our inspection. All units were ranked, and we used auditors' judgment to determine the material cutoff line.

Based upon the sample size of 57 from a total population of 268, an estimate of 83 percent (47 units) of the sample population materially failed housing quality standards inspections. The sampling error is plus or minus 7.35 percent. There is a 90 percent confidence that the frequency of occurrence of program units materially failing housing quality standards inspections lays between 75.10 and 89.81 percent of the population. This equates to an occurrence of between 201 and 240 units of the 268 units in the population. We used the most conservative numbers, which is the lower limit or 201 units.

We analyzed the applicable Authority databases and estimated that the annual housing assistance payment per recipient in our sample universe was \$6,189. Using the lower limit of the estimate of the number of units and the estimated annual housing assistance payment, we estimate that the

Authority will spend \$1,243,989 (201 units times \$6,189 estimated average annual housing assistance) annually for units that are in material noncompliance with HUD's housing quality standards.

Using documentation supporting the series of inspections related to the sample of 57 housing units that we inspected, we determined that 30 of the units failed the Authority's housing quality standards inspection at least once in the series of inspections leading up to the Authority's last inspection that passed the unit. The Authority should have abated housing assistance payments to owners of 13 of the 30 units because the owners did not make repairs within 30 calendar days as required. For the other 17 units, although the units failed an inspection, abatement of the assistance payment was not necessary because the owners made repairs within 30 calendar days as required. For the 13 units that the owners did not repair within 30 days, the Authority failed to abate payments for all 13 units (100 percent) as required. The units were in a failed status between one and three months after the original failed inspection. We calculated \$8,504 of ineligible payments by identifying the monthly assistance payment on the Authority's housing assistance payment register for the 13 units, verifying the payment amount to documentation in the tenant file, and prorating the monthly assistance by the number of days the unit was in failed status by month after 30 days from the date of the Authority's last inspection and totaling the amounts. Since we reviewed units from a universe of inspections that occurred during a three-month period of activity and considering that the Authority was not abating assistance payments for any units, we multiplied \$8,504 by four to conservatively estimate that the Authority could put \$34,016 to better use over a period of a year by abating assistance payments as required.

These estimates are 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 Authority implements our recommendations. While these benefits would recur indefinitely, we were conservative in our approach and only included the initial year in our estimate.

We performed our on-site audit work from October 2007 through June 2008 at the Authority's main administrative office located at 1339 Allen Street, Allentown, Pennsylvania. The audit covered the period October 1, 2006, through October 31, 2007, but was expanded when necessary to include other periods.

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

INTERNAL CONTROLS

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.

Relevant Internal Controls

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

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

Significant Weakness

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

- The Authority lacked sufficient procedures and controls to ensure that unit inspections complied with HUD regulations, that units met minimum

housing quality standards, and that assistance payments were abated for units that did not meet housing quality standards.

APPENDIXES

Appendix A

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

Recommendation number	Ineligible 1/	Funds to be put to better use 2/
1B	\$80,316	
1C		\$1,243,989
2A	\$8,504	
2B		\$34,016
Total	\$88,820	\$1,278,005

- 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. 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. In this instance, if the Authority implements our recommendations, it will cease to incur program costs for units that are not decent, safe, and sanitary and, instead, will expend those funds for units that meet HUD's standards. Once the Authority successfully improves its controls, this will be a recurring benefit. Our estimate reflects only the initial year of this benefit.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments



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June 10, 2008

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Regional Inspector General for Audit
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RE: Housing Choice Voucher Program Inspection Audit

Dear Mr. Buck:

I would like to thank you for the opportunity to reply to the draft audit report of the Allentown Housing Authority's (AHA) Housing Quality Standards Inspection for its Section 8 Housing Choice Voucher Program. In the draft audit report provided to the AHA the Office of Inspector General (OIG) concludes that the AHA did not adequately enforce HUD's Housing Quality Standards (HQS) and did not adequately abate Housing Assistance Payments (HAP) to correct HQS deficiencies.

The AHA takes the findings very seriously and has implemented management improvements to address some of the issues described in the worksheet. The following steps have been implemented to date:

1. Revised inspection letters, clearly outlining ramifications of not correcting deficiencies within stated guidelines, letters in English and Spanish.
2. Updating handheld computer used by inspectors, seeking more user friendly platform and revising violation descriptions to guide landlords in making repairs.
3. Reviewed procedures with Section 8 Coordinator concerning abatement of payments to ensure proper procedure to be followed in the future.
4. Provide list to City when landlord submits a Request for Tenancy Approval (RFTA), units out of compliance with city rental inspection program will be required to correct those deficiencies before AHA schedules inspection.
5. Engage consultant to review program and documents to insure compliance with HUD per 24 CFR 982.
6. Formalize feedback from QC inspection so inspectors know of questions and how to address them in future inspections.
7. Updated protocol for selecting Quality Control inspections, which will now be selected throughout the fiscal year.

Comment 1

Comment 1

The OIG audit process has been educational and reinforces the need for management to reinforce basic concepts throughout the organization. Although these concepts have been communicated in the past, their continued reinforcement is critical:

1. Staff must understand how their jobs relate to the agency's obligation to the community and HUD.
2. Management must be clear with staff to take their monitoring roles seriously and must insure the correct procedures are being followed.
3. Quality control inspections are vital, should be completed throughout the year and should be thoroughly documented.
4. The AHA needs to improve its documentation so it is clear to any reviewer that it's carry out programs within established requirements.

Comment 2

While the AHA agrees that improvements should be made in the program and the draft audit illustrates some of the areas for upgrading, we think that some of the conclusions in the report are unsupported and should not be a basis for action against the AHA. The remainder of this response addresses AHA's concerns with the draft audit.

Comment 3

The draft audit alleges that when the OIG's HQS expert re-inspected units that had been inspected by AHA inspectors within the previous one to four months, all units with a "failure" noted had "Deficiency predates AHA's latest inspection, but was not identified on the inspector's report" with an asterisk and states the OIG inspector determined was "pre-existing". However, the OIG does not provide any explanation or documentation concerning how this determination was made. The pictures provided by the OIG are not sufficient and are inconclusive concerning the age of the deficiency noted. Further, the AHA has not received any complaints from either the landlord or tenant of any of the inspected units indicating the need for repairs, the lack of repairs, or an indication either party was not meeting their lease obligations concerning condition of unit.

Comment 4

The lack of support for this finding is troubling because the "pre-existing condition" is the sole basis for the OIG's calculation of alleged ineligible HAP payments made by the AHA and ineligible administrative fees retained by the AHA. During the exit conference on June 5, 2008 we were informed the OIG's expert used information provided by the tenant and landlord in determining the "pre-existing condition", however the AHA inspector was not interviewed and the AHA inspection report was given less importance than information provided by the tenant and or landlord in making this determination. In all cases the condition was determined to be "pre-existing." We question the statistical validity of determining that 100 percent of all conditions were "pre-existing," especially in those conditions where it would not be in the interest of the tenant or landlord to provide accurate information. Many of the "pre-existing" conditions may in fact be the result of tenant damage and grounds for termination of their lease and loss of program participation.

Comment 5

Comment 6

Comment 7

We have attached a spreadsheet which details AHA's objections to the specific violations deemed as "pre-existing" conditions. By our analysis only 25 units, versus 47, could be substantiated as having "pre-existing" conditions. The remaining 22 units had HQS violations in which no photographic or other evidence demonstrated that the conditions were actually "pre-existing". After examining all of the inspection reports and photographs we believe the OIG overstated the number of failed units due to "pre-existing" conditions by 22. We request the OIG either provide evidence and documentation for the "pre-existing" conditions, as required by Government Auditing Standards, or revise the draft audit report accordingly.

Comment 8

Below are examples of conditions cited that could have arisen since the initial inspection and should have been supported with additional documentation:

Comment 9

1. On several occasions the inspector noted failures for bathroom sinks that did not have shut off valves installed. This is not a requirement of IIQS and the City of Allentown does not require shut-offs unless the water lines or sink has been replaced.
2. Several bedroom doors were identified as being defective without supporting documentation to indicate when the door was damaged. The photographic documentation showed damage that was recent.
3. The inspector noted several kitchen stoves with knobs missing or burners that did not light all were noted to be pre-existing, however no documentation was provided to support this assertion.
4. Missing smoke detector batteries were noted on inspections, an item commonly removed by tenants, however all were noted as pre-existing and no documentation was provided in support of this position.
5. A clogged drain was cited as a reason for a unit to fail, however no criteria was referenced for the determination and no documentation was provided to indicate the condition pre-existed the AHA inspection.

Comment 8

Comment 10

Comment 11

Comment 12

Comment 13

Contrary to the OIG's conclusion the AHA has followed the Quality Control procedure as required in the Section 8 Management Assessment Program (SEMAP) regulations (24 CFR 984.3). The AHA inspects the required number of units within the inspection time frame established in the HUD Guidebook 7420.10G. Further the AHA has always received the maximum SEMAP points for completion of QC inspections. For a PHA that has between 601 and 2000 units, 16 plus 1 for each 100 units over 600 must be sampled. For the AHA this equals 22 inspections (16 + 6). In fact, in 2007 AHA staff performed 45 QC inspections. However, the AHA has reviewed and revised its QC inspection procedure to more adequately spread those inspections throughout the fiscal year, include all inspection types, include a representative sample of all inspectors, provide feedback to each inspector, and determine if additional QC inspections are needed if QC inspection results warrant.

Comment 14

The AHA's Administrative Plan indicates in Chapter 6 (B) Variations to HQS that "All units must meet the minimum standards set forth in the City of Allentown Housing Code. In cases of inconsistency between the Code and HQS, the stricter of the two shall prevail". However, the AHA has never implemented the enforcement of the stricter housing code. To date, the AHA has not:

1. Requested of HUD, or provided any information, to receive approval of standards stricter than HQS as required in 24 CFR 982.401 (4).
2. Modified the standard inspection form to adequately modify the document to reflect a standard higher than HQS.
3. Provided training to staff in those areas when the local code may be stricter than HQS.

Therefore, the AHA believes the OIG cannot hold the AHA to a higher inspection standard than HQS because the higher standard was not implemented and necessary HUD approvals have not been requested or granted.

The draft audit report references the high turn over rate of inspectors during the time covered by the audit, the impact of this situation cannot be overstated. Employees of the AHA are covered by the PA State Civil Service Commission (SCSC) and must be hired in accordance to their rules and regulations. Although the AHA acted promptly upon each inspector vacancy, the process is cumbersome and when successfully completed the candidate still requires extensive training. For example, the does not require inspector candidates to have any computer skills and the AHA utilizes a computer based inspection system.

Comment 15

- 1A. *Certify, along with the owners of the 51 units cited in this finding, that the applicable housing quality standards violations have been corrected.*

AHA will certify that HQS violations have been corrected or HAP contracts have been cancelled for those units where HQS violations were not corrected.

- 1B. *Reimburse its program \$80,317 from nonfederal funds (\$72,479 for housing assistance payments and \$7,838 in associated administrative fees) for the 47 units that materially failed to meet HUD's housing quality standards.*

Comment 16

The AHA disputes the amount of ineligible costs identified. As shown in the attached spreadsheet, and as discussed above, the AHA believes the OIG has inflated the number of units with "pre-existing" conditions. Consequently, the HAP contract payments for these units should not be deemed ineligible. By our calculation, the OIG has inflated the amount of ineligible funds by \$36,277.98. We ask the OIG to revise the amount of ineligible funds.

Comment 17

In addition, the AHA believes the amount of the ineligible administrative fees be revised accordingly. A PHA will incur eligible administrative costs in enforcing HQS and HAP contract issues on occupied HCV units, all units were occupied by HCV eligible tenants.

Comment 15

- 1C. *Develop and implement controls to ensure program units meet housing quality standards, thereby ensuring that \$1,243,989 in program funds is expended only for units that are decent, safe, and sanitary.*

As stated above, we have implemented some controls and will implement additional controls as a result of our program assessment.

Comment 15

- 1D. *Develop and implement controls to ensure that supervisory quality control inspections are conducted and documented and that feedback is provided to inspectors.*

As stated above, we have implemented some controls and will implement additional controls as a result of our program assessment.

Comment 15

- 2A. *Reimburse its program \$8,504 from its administrative fee reserve or nonfederal funds for the housing assistance payments identified by the audit that were not abated as required.*

The AHA will reimburse its program for the identified funds.

Comment 15

- 2B. *Develop and implement management controls to ensure that employees comply with HUD regulations concerning abatements and thereby put \$34,016 in program funds to better use over a one-year period.*

As stated above, we have implemented some controls and will implement additional controls as a result of our program assessment.

Comment 15

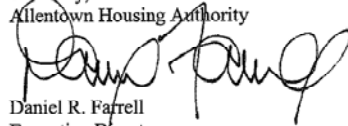
- 2C. *Revise the policy in its administrative plan regarding abatement of assistance in accordance with HUD regulations.*

The AHA will review policies and update the administrative plan in accordance with HUD regulations and provide additional staff training to assist in the compliance with those regulations.

Draft Audit Response
June 10, 2008
Page 6 of 6

Thank you for the opportunity to respond to the draft audit. We hope that our entire response will be included in the final report. We agree that the AHA does need to make program improvements, however we are concerned about the methodology behind the draft audit and the lack of support for the audit conclusions. This same template of an audit has been followed at a number of housing authorities, some of whom were able to produce independent verification that many of the units re-inspected by the OIG inspector complied with HQS. This demonstrates some subjective judgment is involved in HQS inspections so that multiple qualified inspectors can reasonably come to different conclusions and that repayment of funds is not an appropriate remedy.

Sincerely,
Allentown Housing Authority



Daniel R. Farrell
Executive Director

DRF/jw
Enclosures

Tenant	OIG #	Unit Address	Contested Pre-Existing Condition	Reason for Disagreement	Contested HAP Amount
1	G-26-03	[REDACTED]	No outlet cover plate* Cracked switch cover plate* Loose stopper, stays closed Broken door at latch bolt* Opened ground*	None of these items have been proven to be pre-existing. Some items could have been caused by tenant damage. Outlet is functional per HQS.	\$ 965.90
3	G-26-05	[REDACTED]	First step on front entrance is 1" above settled sidewalk* Radiator not working in bedroom* Mid-stair support missing, stair leans* No knob & L/F burner does not ignite Open ground on outlet* No outlet cover plates on 3 outlets*	Not a violation per City of Allentown property code, required handrail provided. Neither item proven to be pre-existing to AHA inspection.	\$ 436.84
6	G-26-09	[REDACTED]	GFCI has reversed hot/neutral poles* GFCI has reversed hot/neutral poles* Hole in sidewalk near basement stairs*	None of these items have been proven to be pre-existing. Some items could have been caused by tenant damage.	\$ 1,388.71
9	G-26-12	[REDACTED]	Torn screen on storm door and no closer* Gap at a/c unit & cracked glass pane* GFCI does not trip, rev. hot/neutral* Right/front burner does not ignite Torn screen Air infiltration at a/c unit* Hand rail stops 4 steps from bottom* Detector has no battery Exposed wires at front door*	Neither item proven to be pre-existing to AHA inspection.	\$ 1,617.47
14	G-26-17	[REDACTED]	Settled side walk at front stairway*	None of these items have been proven to be pre-existing. Some items could have been caused by tenant damage.	\$ 2,714.52
20	G-26-23	[REDACTED]	Drafty door, needs weatherstrip*	Not proven to exist prior to AHA inspection.	\$ 832.77
21	G-26-24	[REDACTED]	Drafty door, needs weatherstrip* Doorknobs missing from door* Stair needs railing on open side* Missing globe from rear wall lamp*	Not proven to be pre-existing, could have been caused by tenant damage. City of Allentown property code only requires handrail on one side of stairway. Not proven to be pre-existing, could have been caused by tenant damage.	\$ 840.19
22	G-26-25	[REDACTED]	Left/rear burner does not ignite* Improperly wired GFCI does not trip* No switch & broken pull chain at lamp Reversed hot/neutral on outlet* Stairway to basement has no handrail Faucet water comes out rust colored* Roach infestation evident in kitchen	None of these items have been proven to be pre-existing. Some items could have been caused by tenant damage. Outlet is functional per HQS. Not proven to be pre-existing, could have been caused by poor tenant housekeeping.	\$ 1,379.87

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Comment 19

Comment 20
Comment 18
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Comment 18
Comment 22
Comment 18
Comment 23

Comment 18

Comments 24, 18
Comment 25

Comment 18

Comment 26

Comment 18

Tenant	OIG #	Unit Address	Contested Pre-Existing Condition	Reason for Disagreement	Contested HAP Amount
26	G-26-29	[REDACTED]	Reversed hot/neutral on outlet* Torn door bottom seal* Water lines have no shut-off valves* Does not stay open* (window) Clogged, drains too slowly Loose door knobs & latch* Window at stairway does not lock* Hole in ceiling outlet box No hand rail on stairway to outside* Missing smoke detector	Outlet is functional per HQS. Not proven to be pre-existing, could have been caused by tenant damage. Not required by City of Allentown property code or HQS. Not proven to be pre-existing, could have been caused by tenant damage. Basement egress for storage only, not primary or secondary access to unit, through "balco" style opening. Not proven to be pre-existing, could have been caused by tenant damage.	\$ 580.03
28	G-26-31	[REDACTED]	No handrail on stairway to laundry room*	City of Allentown property code only requires handrail on one side of stairway.	\$ 1,154.03
30	G-26-33	[REDACTED]	Water lines have no shut-off valves* Closer missing from rear storm door* Open neutral on outlet* Loose railing on front stairway* Open ground on front porch outlet*	Not required by City of Allentown property code. None of these items have been proven to be pre-existing. Some items could have been caused by tenant damage. Outlet functional per HQS.	\$ 2,628.39
31	G-26-34	[REDACTED]	GFCI does not trip, stays on*	GFCI not required by HQS.	\$ 974.13
33	G-26-36	[REDACTED]	Missing storm sash Open ground on outlet at switch* Left/rear element is not heating Open ground on outlet behind bed* Drafty window, sashes do not lock* Drafty garage door	Storm sash not required per HQS. Outlet is functional per HQS. Not proven to be pre-existing could be result of tenant damage. Outlet is functional per HQS. Not proven to be pre-existing. Garage detached from house, not living space and issue identified would not impact living space.	\$ 2,365.90
34	G-26-37	[REDACTED]	Open ground on outlet* Smoke detector is not working Open ground on outlet* Drafty entrance door, no weather strip* Unsecured external cellar doors* Garbage in back yard and open containers	Outlet is functional per HQS. Not proven to be existing at time of AHA inspection, deficiency corrected within 24 hours. Outlet is functional per HQS. Reported to City of Allentown Code Enforcement Office on September 4, 2007. Not proven to be pre-existing, tenant has responsibility to place trash for collection and keep yard clear.	\$ 1,176.42
35	G-26-38	[REDACTED]	Top of door seal is not air tight* Painted-over GFCI does not trip* Loose hinge on door Large gap at storm door bottom* Handrail stops short of top* TV cable keeps window from closing* Open ground*, exposed contacts on lamp* Broken door Exposed contacts on lamp* Loose stairway bottom handrail bracket	Not proven to be pre-existing could be result of tenant damage. Storm door not required by HQS. Not proven to be pre-existing could be result of tenant damage.	\$ 2,652.02

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Tenant	Unit #	Unit Address	Contested Pre-Existing Condition	Reason for Disagreement	Contested HAP Amount
38	G-26-41	[REDACTED]	Gap at jamb, needs a thicker door stop* Needs guardrail/higher wall at stairs* Needs guardrail/higher wall at stairs*	City of Allentown property code only requires handrail on one side of stairway.	\$ 1,684.97
40	G-26-44	[REDACTED]	Open ground on outlet* Floor boards are buckling*	Outlet is functional per HQS. Not proven to be existing at time of AHA inspection.	\$ 2,188.29
42	G-26-46	[REDACTED]	Faucet leaks at base 4" gap at door bottom* Closet is missing end wall* Loose carpet strip Broken switch cover plate Protruding nail near handrail bracket Hole in ceiling junction box* Exposed wires at rear wall junction box Evidence of mice infestation	Not proven to be pre-existing could be result of tenant damage. Meets HQS requirement for bedroom door opening. Not proven to be pre-existing could be result of tenant damage. Not proven to be pre-existing, could have been caused by poor tenant housekeeping.	\$ 2,540.89
44	G-26-50	[REDACTED]	GFCI has reversed hot/neutral* Broken closer bracket, broken door* Right/rear burner does not ignite Missing drain stop Handrail stops short of top of stairs* Handrail needs a mid-point support*	Outlet is functional, GFCI not required by HQS. Not proven to be pre-existing could be result of tenant damage.	\$ 1,971.42
45	G-26-51	[REDACTED]	Broken storm door latch** Missing glass insert on storm door Window does not stay up* No battery in detector Window does not stay up* Detector does not work No battery in detector	Storm door not required by HQS. Not proven to be pre-existing could be result of tenant damage. Not proven to be existing at time of AHA inspection, deficiency corrected within 24 hours. Not proven to be pre-existing could be result of tenant damage. Not proven to be existing at time of AHA inspection, deficiency corrected within 24 hours.	\$ 1,827.94
46	G-26-52	[REDACTED]	Broken screen frame on storm door Door does not close lightly No screen on window GFCI on front porch does not trip*	Storm door not required by HQS. Not proven to be pre-existing could be result of tenant damage.	\$ 1,415.70
48	G-26-54	[REDACTED]	Water lines have no shut-off valves* Handrail not continuous on back stair*	Not required by City of Allentown property code. Emergency egress only, trap door prevents installation of continuous stair.	\$ 1,526.61
Total:					\$ 36,277.98

OIG Evaluation of Auditee Comments

- Comment 1** We are encouraged by the Authority's statements that it takes the findings very seriously and has implemented management improvements to address some of the issues included in the audit report. During the audit resolution process, HUD will verify the Authority's actions and determine whether they adequately address the recommendations.
- Comment 2** The conclusions in the audit report are supported by audit work performed in accordance with generally accepted government auditing standards.
- Comment 3** As we explained in our meeting to discuss the finding outlines and at the exit conference, we used our professional knowledge, tenant interviews, and the Authority's latest inspection reports in determining whether a housing quality standards violation existed prior to the last passed inspection conducted by the Authority or if it was on the last passed inspection conducted by the Authority and was not corrected. During our inspections, the auditor and the HUD OIG housing inspector questioned the tenants about the violations identified during the inspections in order to determine whether the violations were preexisting or not. The HUD OIG housing inspector documented the preexisting conditions on the inspection report and took pictures of the violations, as needed. We provided copies of all our inspection reports and the corresponding photographs to the Authority during the audit. Representatives from the Authority accompanied us on all of our inspections. The representatives intermittently made comments pertaining to violations that we identified. We considered the comments in making our determinations.

The lack of complaints by owners and tenants does not directly correlate to a lack of deficiencies in the units. The tenants may have registered complaints with the owner and not the Authority. The owners and the tenants simply may not know that deficiencies, such as those we identified during our inspections, were violations of HUD's housing quality standards.

- Comment 4** The Authority's objection to the support for the finding is without merit. As indicated in the first paragraph on page three of its response, the Authority admits, by its own analysis, that 25 units could be substantiated as having preexisting conditions. Further, as stated earlier, we used our professional knowledge, tenant interviews, and the Authority's latest inspection reports in determining whether a housing quality standards violation existed prior to the last passed inspection conducted by the Authority or if it was on the last passed inspection conducted by the Authority and was not corrected. Contrary to the Authority's assertion, we interviewed the Authority's inspectors and considered their comments in making our determinations. Further, the testimony of the tenant is a valid method to use in determining the existence of deficiencies. For example, section 10.9 of HUD's Housing Choice Voucher Program Guidebook, 7420.10G, states that for SEMAP purposes, a housing quality standards deficiency found at the time of the quality control reinspection represents a "fail" quality control inspection. When rating an

individual inspector's performance, the quality control inspector should take into account whether the failed item occurred since the previous inspector was on site. Often the tenant can describe when the deficiency occurred and will be helpful in making this determination.

Comment 5 We disagree with the Authority's assertion. We did not determine that 100 percent of all conditions were preexisting. As stated on page 6 of this report, we determined that of 335 total violations that we reported, the Authority's inspectors did not report 237 violations which existed at the units when they performed their inspections, and 10 units had a violation that was noted on the Authority's previous inspection report, but the violation was not corrected. Therefore, the percentage of violations that we determined were preexisting was 74 percent (247 divided by 335).

Comment 6 Preexisting violations are such, regardless of source or cause.

Comment 7 We have considered the Authority's response and revised the final audit report as deemed appropriate. Our evaluation of the Authority's objections to deficiencies that the audit identified in specific units is included in the comments to the Authority's spreadsheet found on pages 30 through 32 of this report. We noted that the Authority's spreadsheet included a column with the heading "Contested Preexisting Condition" which includes all violations we reported for the respective unit. However, as mentioned in Comment 5 above, we did not categorize all violations as preexisting.

Comment 8 In consultation with our certified HUD inspector, we used our professional knowledge, tenant interviews, and the Authority's latest inspection reports to determine whether a violation existed prior to the last passed inspection conducted by the Authority. In the event that we could not reasonably make that determination, we did not categorize the violation as preexisting. We provided the Authority with factual documentation for all of our inspections addressed in this report.

Comment 9 The Authority incorporated the City of Allentown property code in its administrative plan. Section 1743.06 of the City's property code requires that all plumbing fixtures be properly connected to an approved water system. Our inspector asserted that all existing plumbing codes require shut-off valves at plumbing fixtures. We requested that the Authority provide evidence that the City's code does not require shut-offs unless the water lines or sink have been replaced but the Authority did not do so.

Comment 10 We disagree with the Authority's assertion. Although we identified violations relating to kitchen stove burners in nine units, in only one instance did we determine that the violation was preexisting. In that instance, the determination that the violation was preexisting was supported by statements made by the tenant.

- Comment 11** We disagree with the Authority’s assertion. Although we identified 13 instances of missing or disconnected smoke alarm batteries, we did not cite a missing smoke detector battery as a preexisting violation in any of our inspection reports.
- Comment 12** We disagree with the Authority’s assertion. We did not cite the clogged drain as a preexisting violation. Further, we identified nine other violations in this unit and determined that eight of the nine violations were preexisting.
- Comment 13** We did not conclude that the Authority did not perform the required number of quality control inspections; rather we concluded that the Authority did not perform adequate quality control inspections. In its response, the Authority confirms, by its own corrective actions, that its quality control inspection procedure was inadequate, prompting it to make significant changes to the procedure to “more adequately spread those inspections throughout the fiscal year, include all inspection types, include a representative sample of all inspectors, provide feedback to each inspector, and determine if additional QC inspections are needed if QC inspection results warrant.” Nonetheless, we are encouraged that the Authority has taken corrective action to address this issue.
- Comment 14** We did not hold the Authority to a higher standard. The standards delineated in the City of Allentown Housing Code did not affect our inspection results. In the few instances in which the Authority questions the applicability of the local code, the violations alone did not result in our determination that the unit failed the inspection. Further, regulations at 24 CFR [*Code of Federal Regulations*] 982.54(c) require the Authority to administer its Section 8 program in accordance with its administrative plan. Further, 24 CFR 982.54(d) requires that the Authority’s administrative plan cover the Authority’s policies on procedural guidelines and performance standards for conducting required housing quality standards inspections. The Authority’s current Administrative Plan (dated April 1, 2006) states that “*All units must meet the minimum standards set forth in the City of Allentown Housing Code. In cases of inconsistency between the Code and these HQS, the stricter of the two shall prevail*”. The language of this requirement is explicit and remained essentially unchanged in the Authority’s administrative plans dated February 25, 2004, March 15, 2000, and July 24, 1996. The July 24, 1996, administrative plan indicates that Authority’s board approved the plan and that the Authority submitted the plan to HUD on July 25, 1996. The Authority’s past failure to administer its program in accordance with these provisions of its administrative plan, as required, does not relieve it from its obligation to do so in the future.
- Comment 15** We are encouraged by the Authority’s statements that it has taken corrective action and will continue to take corrective action to address the recommendations.
- Comment 16** We did not inflate the amount of ineligible funds. We used a conservative methodology to compute the ineligible funds. As we explained during the audit, for the units that had preexisting violations, we did not calculate any ineligible housing assistance payments for the first 30 days after the date of the Authority’s

inspection. Also, see Comment 8. Further, the Authority stated that by its calculation, the OIG has inflated the amount of ineligible funds by \$36,278. This figure was also shown on the last page of the attached spreadsheet. However, the amount of funds listed on the spreadsheet total \$35,065 not \$36,278.

Comment 17 Contrary to HUD requirements, 47 units that we inspected materially failed to meet HUD's housing quality standards and the Authority disbursed \$72,479 in housing assistance payments and received \$7,837 in program administrative fees for these units.

Comment 18 In consultation with our certified HUD inspector, we used our professional knowledge, tenant interviews, and the Authority's latest inspection reports to determine whether a violation existed prior to the last passed inspection conducted by the Authority. In the event that we could not reasonably make that determination, we did not categorize the violation as preexisting.

Comment 19 We disagree with the Authority's assertion that the opened ground outlet is not a violation of HUD's housing quality standards because the outlet is functional. The regulations at 24 CFR 982.401(f)(2), when referring to outlets in both sections (ii) and (iii), specifically state that outlets must be in proper operating condition. Further, section 10.3 of HUD's Housing Choice Voucher Program Guidebook, 7420.10G, discusses acceptability criteria for each of 13 housing quality standards performance requirements. The acceptability criteria for illumination and electricity performance requirements states in part that the public housing agency must be satisfied that the electrical system is free of hazardous conditions, including improper insulation or grounding of any component of the system. Additionally, the Authority is inconsistent in its interpretation of the housing quality standards regarding electrical outlets with an open ground. While the Authority asserts that the ungrounded outlet is not a violation because the "outlet is functional per HQS", the Authority's inspectors cited an open ground as a violation in their inspection reports.

Comment 20 The step presents a tripping hazard. The regulations at 24 CFR 982.401(g)(2)(iv) require that the condition and equipment of exterior stairs, porches, walkways, etc., must not present a danger of tripping and falling.

Comment 21 We did not cite the lack of a knob and the inoperable burner as preexisting violations.

Comment 22 We disagree with the Authority's contention. When our inspector made the notation "GFCI has reversed hot/neutral poles*", he determined the condition was preexisting because the GFCI was improperly wired. That is, the GFCI has two sets of terminals. One set is for the "hot" wire to be connected and the second set for the neutral wire to be connected. However, in this case the wires were not connected to the proper terminals. The regulations at 24 CFR 982.401(f)(2) require that outlets must be in proper operating condition. Further, section 10.3 of HUD's Housing Choice Voucher Program Guidebook, 7420.10G, discusses

acceptability criteria for each of 13 housing quality standards performance requirements. The acceptability criteria for illumination and electricity performance requirements states in part that the public housing authority must be satisfied that the electrical system is free of hazardous conditions, including improper connections of any component of the system.

Comment 23 We did not cite the violations pertaining to the burner, screen and smoke detector as preexisting conditions.

Comment 24 The violation cited was preexisting for reasons previously explained with a similar violation in another unit. See Comment 20.

Comment 25 We note the Authority's acknowledgement of the applicability of the City of Allentown property code to its Section 8 Housing Choice Voucher units, but we disagree with the Authority's contention. The regulations at 24 CFR 982.401(g)(2)(iv) require that the condition and equipment of interior stairs must not present a danger of tripping and falling. Additionally, section 10.3 of HUD's Housing Choice Voucher Program Guidebook, 7420.10G, states that handrails are required when four or more steps (risers) are present, and protective railings are required when porches, balconies, and stoops are 30 inches off the ground. In this unit, a health and safety hazard existed because there were four steps, the elevation was more than 30 inches, and there was no handrail or railing on the open side of the steps to prevent tripping and falling.

Comment 26 We did not cite the evidence of roach infestation in the kitchen as a preexisting violation. The violation involving the reversed hot/neutral on the outlet was previously explained with similar violations in other units.

Comment 27 The violations involving the reversed hot/neutral on the outlet, the shut off valves for the water lines, and the lack of a handrail were previously explained with similar violations in other units.

Comment 28 The violation was previously explained with similar violations in other units.

Comment 29 The violations involving the shut off valves for the water lines and the open ground were previously explained with similar violations in other units.

Comment 30 See Comment 22. Additionally, the Authority is inconsistent in its interpretation of the housing quality standards regarding GFCI outlets. While the Authority asserts that the faulty GFCI outlet is not a violation because "GFCI not required by HQS", the Authority's inspectors cited a faulty GFCI as a violation in their inspection reports.

Comment 31 Storm sashes are not specifically required, but existing windows need to have all of their components in place and in working condition. The violations involving the open ground were previously explained with similar violations in other units. The Authority's statement that the garage is detached from the house and would

not impact living space is not correct. The garage is directly under the living quarters. The oil fired steam heating unit for the living quarters is housed in the garage. Neither the brick walls of the garage nor the steam lines to the living quarters which run the length of the garage are insulated. Consequently, the air infiltration from the drafty garage door reduces the efficiency of the heating unit and increases utility costs for the tenant.

Comment 32 We did not cite the inoperable smoke detector and the garbage in the back yard as preexisting violations. The violation involving the open ground was previously explained with similar violations in other units.

Comment 33 Storm doors are not specifically required, but if they are present they need to be in good condition and operate safely.

Comment 34 The violation involving handrails and guardrails was previously explained with similar violations in other units.

Comment 35 The violation was previously explained with similar violations in other units.

Comment 36 We did not cite the faucet leak, loose carpet strip, broken switch cover plate, the protruding nail, exposed wires, and evidence of mice infestation as preexisting violations. Regarding the bedroom door, we considered the Authority's comment and determined that the gap could reasonably be judged as passing with comment rather than a violation of housing quality standards. We revised the audit report accordingly.

Comment 37 We did not cite the inoperative burner and the missing drain stop as preexisting violations. The violation concerning the GFCI was previously explained with similar violations in other units.

Comment 38 We did not cite the missing storm door glass, or the violations pertaining to the smoke detectors as preexisting violations. Storm doors are not specifically required, but if they are present they need to be in good condition and operate safely. Further, the Authority's inspectors had noted the broken storm door latch handle on its previous inspection report, but during our inspection we determined that the violation had not been corrected.

Comment 39 Storm doors are not required, but if they are present they must not pose a safety hazard to the occupants. We did not cite the violations pertaining to the screens and door as preexisting violations. The violation concerning the GFCI was previously explained with similar violations in other units.

Comment 40 The violations involving the shut off valves for the water lines and handrails were previously explained with similar violations in other units. Regarding the handrail, section 10.3 of HUD's Housing Choice Voucher Program Guidebook, 7420.10G, states that handrails are required when four or more steps (risers) are

present. In this case, a handrail is required even if it is not contiguous with the existing railings.