



**Allegheny County Housing Authority,
Pittsburgh, PA**

Housing Choice Voucher Program



Issue Date: September 21, 2012

Audit Report Number: 2012-PH-1012

TO: Jacqueline A. Molinaro-Thompson, Director, Office of Public Housing,
Pittsburgh Field Office, 3EPH
//signed//

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

SUBJECT: The Allegheny County Housing Authority, Pittsburgh, PA, Needs To Improve Its
Inspections To Ensure That All Section 8 Housing Choice Voucher Units Meet
Housing Quality Standards

Enclosed is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG), final results of our review of the Allegheny County Housing Authority's administration of its housing quality standards inspection program for its Section 8 Housing Choice Voucher program.

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

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

If you have any questions or comments about this report, please do not hesitate to call me at 215-430-6729.



September 21, 2012

The Allegheny County Housing Authority, Pittsburgh, PA, Needs To Improve Its Inspections To Ensure That All Section 8 Housing Choice Voucher Units Meet Housing Quality Standards

Highlights

Audit Report 2012-PH-1012

What We Audited and Why

We audited the Allegheny County Housing Authority's Housing Choice Voucher program because (1) the Authority received more than \$27.3 million in Housing Choice Voucher funding in fiscal year 2011, (2) an article in the October 22, 2011, Pittsburgh Post-Gazette described housing quality standards problems with a housing unit participating in the Authority's program, and (3) we had never audited the Authority's Housing Choice Voucher program. The audit objective was to determine whether the Authority ensured that its Housing Choice Voucher program units met the U.S. Department of Housing and Urban Development's (HUD) housing quality standards.

What We Recommend

We recommend that HUD require the Authority to (1) reimburse its program \$15,070 from non-Federal funds for the 26 units that materially failed to meet HUD's housing quality standards and (2) use the results of this audit to train all of its inspectors to ensure that program units meet housing quality standards, thereby ensuring that \$5.2 million in program funds is expended for units that are decent, safe, and sanitary.

What We Found

The Authority did not conduct adequate inspections to ensure that its program units met housing quality standards as required. Of 70 program units statistically selected for inspection, 57 did not meet HUD's housing quality standards. Moreover, 26 of the 57 units were in material noncompliance with housing quality standards. The Authority disbursed \$14,535 in housing assistance payments and received \$535 in administrative fees for these 26 units. We estimate that over the next year if the Authority does not implement adequate procedures to ensure that its program units meet housing quality standards, HUD will pay nearly \$5.2 million in housing assistance for units that materially fail to meet HUD's housing quality standards.

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BACKGROUND AND OBJECTIVE

The Allegheny County Housing Authority was established in 1938 under the laws of the Commonwealth of Pennsylvania to implement State and national housing laws designed to improve housing conditions in low-income groups. Its purpose is to increase the number of decent, safe, and sanitary dwellings available to low-income families. The Authority is governed by a five-member board of commissioners appointed for 5-year terms by the county chief executive with the approval of the County Council of Allegheny County. The Authority's operations are subsidized primarily by the Federal Government, and the Authority is not considered a component unit of the County. The Authority's executive director is Frank Aggazio. Its offices are located at 625 Stanwix Street, Pittsburgh, PA.

Under the Section 8 Housing Choice Voucher program, the U.S. Department of Housing and Urban Development (HUD) authorized the Authority to provide leased housing assistance payments to more than 5,500 eligible households in fiscal year 2011. HUD authorized the Authority the following financial assistance for housing choice vouchers for fiscal years 2009 through 2011:

Fiscal year	Number of vouchers authorized	Annual budget authority
2009	5,294	\$27,669,645
2010	5,306	\$27,616,630
2011	5,506	\$27,320,434

HUD regulations at 24 CFR (Code of Federal Regulations) 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 the family before the term of the lease, at least annually during assisted occupancy, and at other times as needed to determine whether the unit meets housing quality standards.

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

RESULTS OF AUDIT

Finding: Housing Quality Standards Inspections Were Inadequate

The Authority did not conduct adequate inspections to enforce HUD's housing quality standards. Of 70 program housing units inspected, 57 did not meet HUD's housing quality standards, and 26 materially failed to meet HUD's standards. The Authority's inspectors did not observe or report 370 violations that existed at the units when they conducted their inspections. This condition occurred because the Authority's inspectors were not aware that some deficiencies were violations and missed some violations during their inspections. As a result, it disbursed \$14,535 in housing assistance payments and received \$535 in administrative fees for the 26 units that materially failed to meet HUD's housing quality standards. Unless the Authority improves its inspection program and ensures that all units meet housing quality standards, we estimate that it will pay nearly \$5.2 million in housing assistance for units that materially fail to meet HUD's standards over the next year.

Housing Units Did Not Meet HUD's Housing Quality Standards

We statistically selected 70 units from a universe of 733 units that passed an Authority housing quality standards inspection between January 22 and March 21, 2012. The 70 units were selected to determine whether the Authority ensured that the units in its Section 8 Housing Choice Voucher program met housing quality standards. We inspected the 70 units from April 16 to April 27, 2012.

Of the 70 housing units inspected, 57 (81 percent) had 436 housing quality standards violations. Additionally, 26 of the 57 units (46 percent) were in material noncompliance with housing quality standards because they had 255 violations that predated the Authority's last inspection and were not identified by the Authority's inspectors, creating unsafe living conditions. Also, of the 57 units that failed our inspection, 4 had 4 violations that were noted on the Authority's previous inspection reports, and the Authority later passed the units. However, during our inspection, we determined that the violations had not been corrected. HUD regulations at 24 CFR 982.401 require that all program housing meet housing quality standards performance requirements both at commencement of assisted occupancy and throughout the assisted tenancy. The following table categorizes the 436 housing quality standards violations in the 57 units that failed our housing quality standards inspections.

Key aspect ¹	Number of violations	Number of units	Percentage of units
Structure and materials	176	52	74
Illumination and electricity	186	42	60
Food preparation and refuse disposal	24	19	27
Smoke detectors	12	9	13
Interior air quality	9	9	13
Thermal environment	7	6	9
Sanitary facilities	5	5	7
Space and security	4	4	6
Site and neighborhood	9	3	4
Access	4	3	4
Total	436		

We provided our inspection results to the Authority and to the Director of HUD’s Pittsburgh Office of Public Housing during the audit.

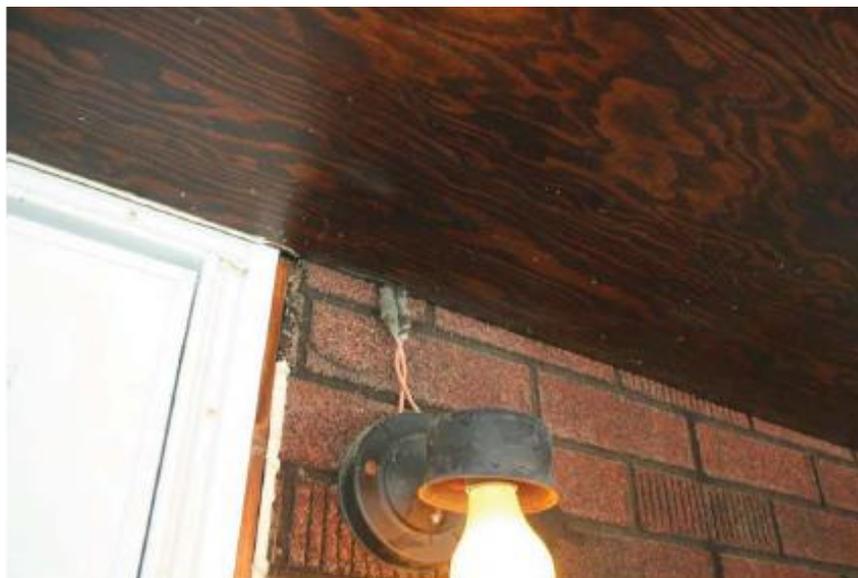
Housing Quality Standards Violations Were Identified

The following pictures illustrate some of the violations we noted while conducting housing quality standards inspections in the 26 units that materially failed to meet HUD’s housing quality standards.

¹ 24 CFR 982.401 categorizes housing quality standards performance and acceptability criteria into 13 key aspects. Only 10 key aspects are listed in the table because we identified no violations for 3 key aspects.



Inspection #3: The basement fuse box is not secure and contains exposed wires and contacts. The Authority did not identify this violation during its February 29, 2012, inspection.



Inspection #19: The exterior light on the front porch has exposed wiring. The Authority did not identify this violation during its January 30, 2012, inspection.



Inspection #52: The junction box above the washing machine is missing a knockout plug creating a potential shocking hazard. The Authority did not identify this violation during its February 1, 2012, inspection.



Inspection #55: The stairway on the first floor requires a guardrail on the open side. The Authority did not identify this violation during its February 16, 2012, inspection.



Inspection #59: The vent on the hot water heater has a negative slope, which prohibits gases from venting properly. The Authority did not identify this violation during its February 3, 2012, inspection.



Inspection #62: The pressure relief valve discharge tube is more than the required 6-inch maximum distance from the floor. The Authority did not identify this violation during its March 1, 2012, inspection.

The Authority Needs To Train Its Inspectors and Improve Its Quality Control Program

Although HUD regulations at 24 CFR 982.401 and the Authority's administrative plan required the Authority to ensure that its program units met housing quality standards, it did not always do so because its inspectors were not aware that some deficiencies were violations and missed some violations during their inspections. Additionally, the Authority can improve its quality control program.

- The Authority's inspectors were not aware that some deficiencies were violations of housing quality standards. For example, the inspectors did not identify and report missing knockout plugs in junction boxes, improperly wired electrical outlets, deteriorated and broken concrete steps and walkways, and open sides on flights of stairs in the units inspected. In these instances, the inspectors were not aware that missing knockout plugs and improperly wired electrical outlets violated the standards, didn't consider the condition of deteriorated and broken concrete steps and walkways as tripping hazards, and didn't correctly measure the total rise on flights of stairs when determining whether open sides on a flight of stairs were a violation of the standards.

In addition, the Authority's inspectors did not identify and report some electrical violations because they were not aware of program guidance contained in HUD's Office of Public and Indian Housing (PIH) Notice PIH 2010-10, issued March 31, 2010. The Notice provides supplementary guidance to inspectors for determining whether electrical receptacles meet housing quality standards, including open grounds on three-pronged electrical outlets. The Authority claimed it wasn't aware that the guidance had been issued.

- The Authority's inspectors missed some violations during their inspections because they did not thoroughly inspect the units. For example, they missed improperly sloped flue pipes, unsecured fuse boxes, a missing smoke detector, and inoperable window locks in the units inspected.
- The Authority can improve its housing quality standards inspection program by developing and implementing written quality control procedures including to document its use of the quality control reviews to improve its inspection program. The Authority's quality control inspector generally met with the Authority's five housing inspectors monthly for about 30 minutes to review the results of quality control inspections and provide verbal feedback on the inspector's performance. However, since the feedback was verbal, there was no documentation to show what specific inspection issues were discussed and how the quality control

inspector used the results to improve the Authority's inspection program. HUD's Housing Choice Voucher Guidebook 7420.10G states that the results of the quality control inspections should be provided as feedback on inspectors' work, which can be used to determine whether individual performance or general housing quality standards training issues need to be addressed. The Authority's administrative plan stated that quality control reviews would be performed and when significant errors were found, appropriate training would be immediately conducted for the responsible inspector. It had no other written procedures for its quality control inspections.

The Authority Had Taken Action

The Authority had taken action to improve its housing quality standards inspection program. On May 10, 2012, it provided each of its inspectors a voltage detector and a polarity tester. The voltage detector and polarity tester allow the inspectors to identify electrical violations discussed in Notice PIH 2010-10. The Authority trained its inspectors on the proper use of these new tools. The inspectors informed us that they now test to ensure that three-pronged electrical outlets are properly grounded, all outlets are properly wired, and junction boxes do not have open knockout plugs.

Conclusion

The Authority's program participants were subjected to housing quality standards violations that created unsafe living conditions during the participants' tenancy. The Authority did not properly use its program funds when it inspected and passed program units that did not meet HUD's housing quality standards. In accordance with HUD regulations at 24 CFR 982.152(d), HUD is permitted to reduce or offset 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 \$14,535 in housing assistance payments and received \$535 in program administrative fees for the 26 units that materially failed to meet HUD's housing quality standards. If the Authority trains its inspectors and improves its quality control inspection program to ensure that all units meet housing quality standards, we estimate that nearly \$5.2 million in future housing assistance payments will be spent for units that are decent, safe, and sanitary. Our methodology for this estimate is explained in the Scope and Methodology section of this report.

Recommendations

We recommend that the Director of HUD's Office of Public Housing, Pittsburgh field office, direct the Authority to

- 1A. Certify, along with the owners of the 57 units cited in this finding, that the applicable housing quality standards violations have been corrected.
- 1B. Reimburse its program \$15,070 from non-Federal funds (\$14,535 for housing assistance payments and \$535 in associated administrative fees) for the 26 units that materially failed to meet HUD's housing quality standards.
- 1C. Use the results of this audit to train all of its inspectors to ensure that program units meet housing quality standards, thereby ensuring that \$5,163,804 in program funds is expended for units that are decent, safe, and sanitary.
- 1D. Develop and implement written procedures for its quality control inspection program to improve its housing quality standards inspections.

SCOPE AND METHODOLOGY

To accomplish our objective, we reviewed

- Applicable laws, regulations, the Authority's administrative plan, HUD's program requirements at 24 CFR Part 982, HUD's Housing Choice Voucher Guidebook 7420.10G, and other guidance.
- The Authority's inspection reports; computerized databases including housing quality standards inspection, housing assistance payment, and tenant data; annual audited financial statements for 2009 and 2010; tenant files; policies and procedures; board meeting minutes; 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 from the Authority's computer system. Although we did not perform a detailed assessment of the reliability of the data, we did perform a minimal level of testing and found the data to be adequate for our purposes.

We statistically selected 70 of the Authority's program units to inspect from a universe of 733 program units that passed an Authority-administered housing quality standards inspection between January 22 and March 21, 2012. These inspections were conducted by any of six inspectors, all of whom played an active role in the program. We selected the sample based on a confidence level of 90 percent, an estimated error rate of 50 percent, and a precision level of plus or minus 10 percent. We inspected the selected units between April 16 and April 27, 2012, to determine whether the Authority's program units met housing quality standards. The Authority's associate director of its Housing Choice Voucher program accompanied our auditor and appraiser on all of the inspections.

Our sampling results determined that 26 of the 70 units (37 percent) materially failed to meet HUD's housing quality standards. We determined that the 26 units were in material noncompliance because they had 255 violations that existed before the Authority's last inspection, which created unsafe living conditions. All units were ranked according to the severity of the violations, and we used auditors' judgment to determine the material cutoff point.

We estimate, with a one-sided confidence interval of 95 percent, that at least 29.37 percent of the 733 units passed by inspectors during the 2-month sample period were in material noncompliance with housing quality standards. By averaging the housing assistance payments made for substandard housing across all 733 units that passed an Authority inspection and deducting for a statistical margin of error, we estimate, with a one-sided confidence interval of 95 percent, that the amount of monthly housing assistance payment dollars spent on substandard housing passed by the Authority during the sample period was \$137 per unit. Prorating the 733

units passed by the Authority's inspectors during the 2-month sample period to an annual basis yields 3,141 units expected to pass an Authority inspection in 1 year. Multiplying the 3,141 by the \$137 per unit monthly housing assistance payment for substandard housing yields a total of \$430,317 per month. Multiplying the monthly amount of \$430,317 by 12 yields an annual total of \$5,163,804 in housing assistance payments for substandard housing that passed an Authority inspection. This amount is presented solely to demonstrate the annual amount of program funds that could be put to better use on decent, safe, and sanitary housing if the Authority implements our recommendations. While these benefits would recur indefinitely, we were conservative in our approach and included only the initial year in our estimate.

We performed our onsite audit work from December 2011 through August 2012 at the Authority's office located at 625 Stanwix Street, Pittsburgh, PA. The audit covered the period January 2011 through March 2012 but was expanded when necessary to include other periods.

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

INTERNAL CONTROLS

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

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

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

Relevant Internal Controls

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

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

Significant Deficiency

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

- The Authority's inspectors were not aware that some deficiencies were violations of housing quality standards and missed some violations during their inspections.

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	\$15,070	
1C		\$5,163,804

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.
- 2/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, if the Authority implements our recommendations, it will cease to incur program costs for units that are not decent, safe, and sanitary and, instead, will expend those funds for units that meet HUD's standards, thereby putting approximately \$5.2 million in program funds to better use. 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



YOU'LL BE GLAD TO CALL IT HOME.

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August 29, 2012

VIA E-MAIL AND FIRST CLASS MAIL

Mr. John Buck
Regional Inspector General for Audit, Philadelphia Region
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U.S. Department of Housing and Urban Development
The Wanamaker Building, Room 10205
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Philadelphia, PA 19107-3389

RE: Authority Comments to Discussion Draft Report Regarding Section 8 Housing Choice Voucher Program

Dear Mr. Buck:

On behalf of the Allegheny County Housing Authority (the "Authority"), I am writing to provide the Authority's response and comments to the Discussion Draft Audit Report ("Draft Report") provided by the U.S. Department of Housing and Urban Development's ("HUD") Office of Inspector General ("OIG") relating to the Authority's administration of its Section 8 Housing Choice Voucher Program (the "HCV Program"). The Draft Report was first provided to the Authority on August 15, 2012 and a second revised draft was provided to the Authority on August 27, 2012. The Authority appreciates the opportunity to review the Draft Report and provide you with our perspective on the matters described therein.

SUCCESS OF SECTION 8 PROGRAM

The Authority is proud that the Draft Report confirms that the Authority's HCV Program is successful, well-managed and a benefit to the community. As stated in the Draft Report, the OIG had not previously audited the HCV Program, and the Authority acknowledges the benefit of having policies and procedures examined by an independent party. The Authority takes great pride in the fact that after an audit, during which time the OIG examined every aspect of the HCV Program, the OIG concluded that there were not any major issues or problems with the HCV Program. The fact that no major issues were found is particularly noteworthy given the size and complexity of the HCV Program.

Comment 1

Comment 2



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Comment 3

Over the course of its review, the OIG looked at hundreds of HCV Program participant files. No issues were found. The Authority truly appreciates the OIG's efforts and is proud that its files have met all HUD requirements.

**Comment 4
Comment 2**

As the Draft Report shows, over the past three (3) years the Authority, through the HCV Program, has assisted, on average, more than 5,300 eligible households per year and has been tasked with managing and HCV Program budget averaging \$27,535,569 per year. Over each of the past six (6) years, HUD has designated the Authority's HCV program a high performer. The Draft Report confirms this fact.

Comment 5

Despite managing such a program of over \$27 million, the OIG found only \$15,070 of violations (0.0005%). Although the Authority will continue to strive to improve the HCV Program so there are no violations in the future, when looking at the violations in context of the entire HCV Program, it is evident that the HCV Program is well-managed and that the Authority and its employees should be commended for their administration of the HCV Program. The Authority thanks the OIG for its diligent efforts in performing the audit, and in providing guidance on how the Authority can further improve the HCV Program.

Although the Authority appreciated the work and guidance of the OIG and acknowledges the certain areas of the HCV program can be improved upon, the Authority does disagree to certain matters identified in the Draft Report. The following sets forth the Authority's comments regarding specific sections of the Draft Report.

1. The OIG Should Not Perform an Audit based on a Newspaper Article.

Comment 6

The Authority does not dispute OIG's right to audit or take exception with the audit itself. In fact, if the reasons were simply the size of the HCV Program or time between audits, the Authority would not have an issue. The OIG, however, states that a single newspaper article caused it to launch an audit. The Authority believes it is improper for the OIG to base any decision on allegations raised by the media. Newspaper articles can be motivated by any number of factors. If only one newspaper article results in an audit of a housing authority, then newspapers will be emboldened to write numerous articles in order to create stories where none exists. The Authority understands that audits are necessary, but the audit should be based on sound reasoning, not on a single, possibly biased, newspaper article.

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2. The Photographs Included in the Draft Report Generally Meet Local Building Codes.

Comment 7

The Authority strongly objects to the inclusion of some photographs in the Draft Report because those photographs are in some cases inaccurate. For example, the first photograph shows an open fuse box. The fuse box, however, was opened by the OIG inspector before taking the picture. The photograph is unduly deceptive and misleading regarding actual condition of the premises since the fuse box is not normally open and the inspector opened the box himself. The photograph creates an impression of a dangerous condition where one does not actually exist. Similarly, the photograph of the staircase on page seven (7), along with the commentary stating that it is a violation not to have a guardrail on the open side of the stairs, is inappropriate. The absence of the guardrail on the open side of the stairs is a judgment call. The subject unit was inspected twice prior to the tenant moving in, once by the Authority and once by the local municipal code enforcement officer. Neither the Authority nor the local code enforcement officer identified the missing guardrail as a violation. Thus, the judgment of the Authority and the local code enforcement officer differ from that of the OIG. Where reasonable, trained inspectors can differ on whether there is a violation, such a situation should not be included in the Draft Report as a violation. The photograph and accompanying description of the violation were inaccurate, and should not have been included in the Draft Report.

Comment 8

It is important to note that the Authority requires the landlord to have a passed occupancy permit. This requires an inspection by the municipality to make sure the unit is compliant with local codes.

3. It is Improper for the OIG to Offer Speculation Rather Than Fact.

Comment 9

The Authority believes that it is improper for the OIG to speculate on whether future units will fail to meet HUD's housing quality standards and to estimate the amount of future funds that may be spent on failing units. Throughout the Draft Report the OIG states, as if it were fact, that the Authority will spend nearly \$5.2 million in the next year on housing assistance for units that fail to meet HUD's housing quality standards. The OIG has absolutely no factual basis for these statements, but instead makes assumptions based on a statistical sampling of units and arithmetic averages. The OIG extrapolates a percentage across an unaudited portfolio to come up with an estimate. The formula and numbers may sound convincing, but they are entirely based on assumptions and estimates. In fact, such actions demean the good work by the Authority. Audit reports should not be sensationalized and they should not be based on conjecture and speculation. Rather, audit reports should be grounded in fact. Therefore, the Authority believes it is improper for the Draft Report to be littered with references to an assumed future rather than sticking with the facts.

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The following are the Authority's comments to each of the four recommendations:

1A. Certify along with the owners of the 57 units cited in this finding, that the applicable housing quality standards violations have been corrected.

The Authority will work with the local HUD Field Office to confirm each of the alleged housing quality standards violations. Where there were violations, the Authority will confirm that the issued have been corrected.

1B. Reimburse its program \$15,070 from the non-federal funds (\$14,535 for housing assistance payments and \$535 in associated administrative fees) for the 26 units that materially failed to meet HUD's housing quality standards.

The Authority will work with the local HUD Field Office to determine if the 26 units did, in fact, materially fail to meet HUD's housing quality standards. Any such failures will be corrected. We will reimburse the program with non-federal funds in an amount equal to or less than the above, based on local HUD review.

1C. Use the results of this audit to train all inspectors to ensure that the program meets housing quality standards, thereby ensuring that \$5,163,804 in program funds is expended for units that are decent, safe and sanitary.

As stated previously, the Authority is and has been high performer with regard to its HCV Program. All of the Authority's inspectors are constantly trained in meeting housing quality standards. The Authority will continue this training, both through independent sources and with the HUD Field Office.

1D. Develop and implement written procedures for its quality control inspection program to improve its housing quality standards inspections.

We will continue to exceed SEMAP requirements for quality control inspections. We will continue to meet one on one with each inspector regarding their inspections and progress.

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CONCLUSION

The Authority appreciated the work of the OIG during this audit and has already begun implementing some of the improvements suggested in the Draft Report. The Authority strongly believes in the continued success of the HCV Program and will continue to seek ways to further improve the management and administration of the HCV Program. Our hope is that you will address and correct the few issues that are identified above. Please do not hesitate to contact me if you have any questions or require any additional information concerning this matter. Thank you for your consideration.

Very Truly Yours,

A handwritten signature in cursive script, appearing to read "Frank Aggazio".

Frank Aggazio
Executive Director

OIG Evaluation of Auditee Comments

- Comment 1** On August 24, 2012, after the exit conference, we provided the Authority with eight updated pages from the draft report that contained minor wording changes and a minor adjustment in the number of housing quality standards violations that we identified during our inspections.
- Comment 2** We disagree with the Authority's assertion that there were not any major issues or problems with its housing choice voucher program. As stated in the audit report, the Authority did not conduct adequate inspections to ensure that its housing choice voucher program units met HUD's housing quality standards as required. Its inspectors were not aware that some deficiencies were violations of the standards and they missed some violations during their inspections.
- Comment 3** We did not look at hundreds of participant files during the course of our review. As stated in the audit report, we statistically selected 70 units from a universe of 733 units that passed an Authority housing quality standards inspection between January 22 and March 21, 2012. The 70 units were selected to determine whether the Authority ensured that the units in its Section 8 Housing Choice Voucher program met housing quality standards. We did not review the related participant files for compliance with all HUD requirements.
- Comment 4** We disagree with the Authority's assertion that the draft report confirmed HUD's designation of the Authority as a high performer.
- Comment 5** The Authority's calculation is not supported by the audit results. As stated in the audit report, we statistically selected 70 units from a universe of 733 units that passed an Authority-administered housing quality standards inspection between January 22 and March 21, 2012. We selected the sample based on a confidence level of 90 percent, an estimated error rate of 50 percent, and a precision level of plus or minus 10 percent. Our sampling results determined that 26 of the 70 units (37 percent) materially failed to meet HUD's housing quality standards. For the 2-month sample period, we determined that the Authority disbursed \$14,535 in housing assistance payments and received \$535 in administrative fees for these 26 units that had 255 violations that existed before the Authority's last inspection, which created unsafe living conditions. These dollar amounts are conservative because we did not calculate any ineligible housing assistance payments for the first 30 days after the date of the Authority's inspection. Our statistical sample allowed us to project that if the Authority implements our recommendations, over the next year, 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, thereby putting approximately \$5.2 million in program funds to better use.
- Comment 6** We disagree with the Authority's assertion. As stated in the audit report, we audited the Authority's program because (1) the Authority received more than

\$27.3 million in Housing Choice Voucher funding in fiscal year 2011, (2) an article in the October 22, 2011, Pittsburgh Post-Gazette described housing quality standards problems with a housing unit participating in the Authority's program, and (3) we had never audited the Authority's Housing Choice Voucher program. We considered all three of these factors in making our determination to audit the Authority. The Inspector General Act of 1978 gave HUD OIG the authority to initiate, carry out and complete independent and objective audits of HUD programs and operations. We initiate audits based on information obtained from program officials, program research, complaints, congressional requests and risk assessments. These audits include performance audits, which determine whether programs are achieving the desired results or benefits in an efficient and effective manner.

- Comment 7** We disagree with the Authority's assertion that a dangerous condition did not exist. As stated in the audit report, the caption for the first photograph states, "The basement fuse box is not secure and contains exposed wires and contacts." This statement is true and consistent with HUD's housing quality standards. Electrical contacts need to be isolated by a separation that cannot be undone manually. An obvious safety hazard exists when a fuse box can be opened by hand exposing the electrical contacts.
- Comment 8** We disagree with the Authority's assertion. The Authority's statements regarding the lack of a guardrail are inconsistent with housing quality standards. The regulations at 24 CFR 982.401(g)(2)(iv) state that the condition and equipment of interior and exterior stairs, halls, porches, walkways, etc., must not present a danger of tripping and falling. HUD's Housing Choice Voucher Program Guidebook, 7420.10G reiterates this requirement and also states that handrails are required when four or more steps (risers) are present.
- Comment 9** We disagree with the Authority's assertion. The calculation of funds to be put to better use is based on the results of our inspections of a sample of program units that statistically represents the population from which it was drawn. Our projection is what we expect would occur if we had not performed our audit. Our methodology is valid.