



Issue Date

April 3, 2007

Audit Report Number

2007-LA-1007

TO: K.J. Brockington, Acting Director, Los Angeles Office of Public Housing, 9DPH

Joan S. Hobbs

FROM: Joan S. Hobbs, Regional Inspector General for Audit, Region IX, 9DGA

SUBJECT: The Housing Authority of the County of Los Angeles, Los Angeles, California,
Did Not Adequately Conduct Housing Quality Standards Inspections

HIGHLIGHTS

What We Audited and Why

We reviewed the Housing Authority of the County of Los Angeles' (Authority) housing quality standards policies and procedures for its Section 8 Housing Choice Voucher program based on a suggestion from the Los Angeles U.S. Department of Housing and Urban Development (HUD) Office of Public Housing. The primary reason for the request for audit was HUD's 2004 review, which revealed that the Authority had a recurring problem of not conducting annual housing quality standards inspections.

The objective of the audit was to determine whether the Authority provided decent, safe, and sanitary housing for its tenants, thereby meeting housing quality standards, and to determine whether the Authority's inspections of its housing units were timely and sufficient to detect violations.

What We Found

The Authority did not adequately enforce HUD's housing quality standards. Of 68 program units statistically selected for inspection, 50 did not meet minimum housing quality standards. In addition, the Authority did not always perform its

annual inspections within one year as required. Based on our statistical sample, we estimate that over the next year, HUD will pay more than \$11.5 million in housing assistance payments on units with material housing quality standards violations.

What We Recommend

We recommend that the acting director of HUD's Los Angeles Office of Public Housing require the Authority to implement adequate procedures and controls to ensure that all units meet HUD's housing quality standards to prevent \$11.5 million in program funds from being spent on units that are in material noncompliance with the standards; verify and certify the applicable owners take appropriate corrective action for the housing quality standard violations or take enforcement action; and develop adequate controls to enforce the implementation of policies and procedures that program units are inspected at least annually to meet HUD's housing quality standards before disbursing housing assistance payments.

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 provided the Authority the draft report on March 6, 2007, and held an exit conference with the auditee on March 14, 2007. The Authority generally agreed with our report.

We received the Authority's response on March 26, 2007. The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix B of this report. Due to the volume of the response attachments, they will be made available upon request.

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BACKGROUND AND OBJECTIVES

The Housing Authority of the County of Los Angeles (Authority) was created in 1938 to manage and develop affordable housing. Since 1938, the Authority has administered federally funded public housing, rental assistance programs, and services and special programs for residents of public and assisted housing.

The county's board of supervisors created the Los Angeles County Community Development Commission in 1982 and combined it with the Authority. The Community Development Commission manages programs in public and assisted housing, community development, economic development, and housing development and preservation to improve the quality of life in low- and moderate-income neighborhoods. The Authority comprises two divisions of the Community Development Commission. The Housing Management Division manages public housing and related programs and services, while the Assisted Housing Division administers rental assistance programs.

The Authority administers a Section 8 Housing Choice Voucher program (program) funded by the U.S. Department of Housing and Urban Development (HUD). The program allows low- and moderate-income individuals to obtain affordable, decent, safe, and sanitary housing by subsidizing rents with owners of existing private housing.

HUD's approved budget authority for the Authority's program for fiscal years 2004, 2005, and 2006 was \$177.3 million, \$179.9 million, and \$181.6 million, respectively.

On June 13, 2006, the Los Angeles HUD Office of Inspector General (OIG) for Audit requested permission to begin an audit of the Authority's program based on a suggestion from the Los Angeles HUD Office of Public Housing. The primary reason for the request for audit was HUD's 2004 Section Eight Management Assessment Program (SEMAP) confirmatory review, which revealed that the Authority had a recurring problem of not conducting annual housing quality standards inspections. In addition, the Authority was on a corrective action plan in 2004 for SEMAP Indicator 6: Housing Quality Standards Enforcement, and the Los Angeles HUD Office of Public Housing had expressed concern over whether the Authority was performing housing quality standards inspections and if so, whether it was performing them in a timely manner.

The objective of the audit was to determine whether the Authority provided decent, safe, and sanitary housing for its tenants, thereby meeting housing quality standards, and whether the Authority's inspections of its housing units were timely and sufficient to detect violations. This is the first of two audit reports on the Authority's program.

RESULTS OF AUDIT

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

The Authority did not adequately enforce HUD's housing quality standards. Of 68 program units statistically selected for inspection, 50 did not meet minimum housing quality standards. The violations existed because the Authority did not have adequate policies and procedures for detecting all housing quality standards violations during its inspections. As a result, the Authority did not properly use its program funds and program tenants lived in units that were not decent, safe, and sanitary. Based on our statistical sample, we estimate that over the next year, HUD will pay more than \$11.5 million in housing assistance payments on units with material housing quality standards violations if inspection procedures do not improve.

HUD's Housing Quality Standards Not Met

From the 16,350 active program units in the Authority's housing inventory as of July 1, 2006, we statistically selected 68 units for inspection. The 68 program units were inspected to determine whether the Authority ensured that its program units met HUD's housing quality standards. The inspections took place between September 18 and September 29, 2006.

Of the 68 units inspected, 50 (74 percent) had 217 housing quality standards violations; one of the units had 13 deficiencies. We also identified 114 violations (53 percent) in 37 units that predated the Authority's latest inspection, but only seven (6 percent) of those 114 violations were included on the Authority's latest inspection report. The following table categorizes the 217 housing quality standards violations in the 50 units.

Categories of violations	Number of violations
Electrical	106
Window	16
Exterior surface	9
Other interior hazards	9
Range/oven	8
Security	8
Smoke detectors	8
Stairs, rails, and porches	8
Lead-based paint	7
Wall	6
Sink	5
Tub/shower	5
Water heater	5
Floor	4
Garbage and debris	4
Toilet	2
Ventilation	2
Heating equipment	1
Fire exits	1
Interior stairs and common halls	1
Roof	1
Space for preparation, storage, and serving of food	1
Total number of violations	217

In addition, we considered 12 of the units (18 percent) to be in material noncompliance with HUD requirements. The materially deficient units had 42 severe violations that either existed prior to the Authority’s last inspection and/or created substantially unsafe tenant living conditions, including exposed electrical contacts or wiring, nonfunctioning ground fault circuit interrupters, broken exterior door locks and hinges, and holes rotted through the unit’s exterior siding. By contrast, those units that were not considered to be materially deficient had less severe violations such as cracked outlet cover plates, cracked window glass panes, missing dryer vent caps, and missing globes on wall lamps. These types of deficiencies also affected tenant health and safety, but not to a high enough degree alone to consider the units materially deficient. We also could not determine that these deficiencies necessarily existed for an extended period of time. Appendix C details the violations found in each of the 50 failed units, with an asterisk denoting which of the units were determined to be materially deficient.

Types of Violations

Our inspectors identified 106 electrical violations in 37 of the Authority's program units inspected. The following items are examples of electrical violations listed in the table: outlets with open grounds, ground fault circuit interrupters that do not trip, exposed wiring, missing breakers, and missing outlet cover plates. The following pictures are examples of the electrical violations identified in the Authority's program units inspected.



An electric panel had no cover, leaving electrical contacts exposed.



Improper wires were used to replace old wiring to bring power from the house to the garage. These wires need to be inside a conduit or other type of shielding and should not be exposed.

In addition, our inspectors identified 16 window violations in 10 of the Authority's program units inspected. The window violations identified included cracked and/or broken glass panes and missing or defective security locks. The following picture is an example of the window violations identified in the Authority's program units inspected.



A broken glass pane on a kitchen window poses a cutting hazard.

Our inspectors identified other violations, including but not limited to mold present in units, inoperable smoke detectors, garbage and debris in and around Authority program units, missing handrails on stairways, missing screens on outside vents, rotting/peeling interior and exterior paint, closet doors off track, leaking drain pipes, and loose and/or leaking toilets. The following pictures are examples of other violations identified in the Authority's program units inspected.



The leaking sink drain pipe has caused damage and mold on the wall and cabinet bottom panel.



The ceiling above the shower stall in the second bathroom has mold and peeling paint.



Garbage and debris are in and around Authority program units.



There is rotting siding and a hole in the back wall of the house.



The stairway to the basement has no handrail.



Lint collected behind the dryer, which is not connected to a vent, creating a fire hazard.



There is peeling paint on the living room wall.

We supplied our preliminary inspection results to the authority during the course of the inspections and our final and complete inspection results to the Authority's executive director on November 15, 2006. On January 29, 2007, the Authority provided documentation indicating that it followed up on the 24-hour emergency deficiencies noted by our inspectors. However, in 24 of 32 units that were cited, there was no indication that the specific deficiency or deficiencies were corrected,

only that the unit had “passed.” The Authority also did not directly address the status of any deficiency not included on our preliminary notification but included on the final. For only three units with emergency deficiencies cited did the Authority provide documentation showing that the deficiencies had been specifically addressed.

Federal regulations at 24 CFR [*Code of Federal Regulations*] 982.401 require that all program housing meet HUD’s housing quality standards performance requirements, both at commencement of assisted occupancy and throughout the assisted tenancy. In addition, 24 CFR [*Code of Federal Regulations*] 982.404 requires owners of program units to maintain the units in accordance with HUD’s housing quality standards.

Inadequate Policies and Procedures

The housing quality standards violations existed because the Authority did not have adequate policies and procedures for detecting all housing quality standards violations during its inspections. The Authority’s administrative plan did not have sufficient guidance to comply with HUD requirements. Although the administrative plan included a list of housing quality standards, the list was incomplete when compared to HUD’s list of housing quality standards. Specifically, the administrative plan did not include guidance for key aspects of housing quality, including illumination and electricity, interior air quality, and water supply. In addition, it did not include a complete list of violations that should be categorized as emergency fail deficiencies.

When we notified the Authority of our findings during the inspections of the 68 program units, the Authority learned it did not have the proper tools for identifying all electrical housing quality standards violations. The Authority took immediate action and ordered electrical ground adapters and pocket testers for each of its inspectors.

While the Authority has endeavored to comply with HUD requirements since our inspections, it should review its administrative plan to ensure compliance with all housing quality standards regulations.

Recommendations

We recommend that the acting director of HUD's Los Angeles Office of Public Housing require the Authority to

- 1A. Implement adequate procedures and controls to ensure that units meet HUD's housing quality standards to prevent \$11.5 million in program funds from being spent on units that are in material noncompliance.
- 1B. Verify and certify that the owners took appropriate corrective actions for all applicable housing quality standards violations. If appropriate actions were not taken, the Authority should abate the rents or terminate the housing assistance payment contracts.

Finding 2: The Authority Did Not Complete Timely Housing Quality Standards Inspections

The Authority did not always perform its annual inspections within one year. During fiscal years 2004, 2005, and 2006, only 7.14, 5.88, and 11.11 percent, respectively, of the annual inspections for our statistical sample of 68 units were completed annually. The untimely inspections were a result of the Authority's failure to develop adequate controls to ensure policies and procedures were followed in accordance with the requirements in its administrative plan and HUD regulations to conduct inspections at least annually. In addition, the Authority did not have an adequate tracking system in place to ensure that the list of units due for annual inspections was complete. As a result, HUD faces an inherent risk that untimely inspections could result in housing assistance payments for units that do not meet housing quality standards.

Annual Inspections Not Performed in a Timely Manner

A review of the timeliness of annual inspections revealed significant deficiencies. There were 186 inspections that fell within our analysis date range of July 1, 2003, through October 31, 2006. Of those, 155 (83.3 percent) were completed late, one of which was 642 days (approximately 21 months) overdue. A summary of the Authority's timeliness results for fiscal year 2004 through the first four months of fiscal year 2007 is in the table below.

July 1, 2003 - October 31, 2006			
Total number of inspections completed between July 1, 2003, and October 31, 2006, on the 68 units sampled:		186	
Totals:	Delinquent 0 days	31	16.67%
	Delinquent 1-50 days	32	17.20%
	Delinquent 51-100 days	56	30.11%
	Delinquent 101-200 days	52	27.96%
	Delinquent 201-300 days	3	1.61%
	Delinquent 301-400 days	3	1.61%
	Delinquent 401-500 days	5	2.69%
	Delinquent more than 500 days	4	2.15%

For each full year tested, only a small percentage of annual inspections were completed for the 68 units in our sample within 365 days of the previous inspection (see appendix D):

- For fiscal year 2004, the Authority completed 42 annual inspections between July 1, 2003, and June 30, 2004, of which only three (7.1 percent) were completed on time.
- For fiscal year 2005, the Authority completed 51 annual inspections between July 1, 2004, and June 30, 2005, of which only three (5.9 percent) were completed on time.
- For fiscal year 2006, the Authority completed 63 annual inspections between July 1, 2005, and June 30, 2006, of which only seven (11.1 percent) were completed on time.

Further, we obtained data through October 31, 2006, for fiscal year 2007, which was the most current information available during our testing. Although the Authority showed improvement in the timeliness of its annual inspections for the first four months of fiscal year 2007, it is too early to reach a conclusion regarding its timeliness for the year. At the time of our review, the Authority had completed 30 annual inspections for the 68 units in our sample. Of those 30 inspections, only 18 (60 percent) were completed within 365 days of the previous annual inspection. Of the remaining 38 units in our sample, most did not have annual inspections due as of October 31, 2006; however, we identified two that were already delinquent, one of which was 133 days overdue.

Inadequate Controls to Ensure Timeliness

Inspections were delinquent because the Authority did not develop adequate controls to ensure policies and procedures were followed in accordance to the requirements in its administrative plan and federal regulations at 24 CFR [*Code of Federal Regulations*] 982.405(a) to conduct inspections at least annually. Although the Authority's administrative plan stated, "in order to assure that units meet housing quality standards throughout the assisted tenancy, the Housing Authority conducts inspections at least annually," the Authority did not develop adequate controls to ensure this requirement was met, thereby enabling the delinquent inspections to occur.

In addition, the Authority did not have an adequate tracking system in place to ensure that the list of units due for annual inspections was complete. The Authority used various "hold codes" in the computer system for reasons not pertaining to annual inspections; however, the hold codes kept some units that were due for annual inspection from appearing on the list of units needing inspection. The Authority's timeliness for fiscal year 2007 improved when it addressed this issue of hold codes internally by removing some hold codes from

its system and providing more diligent research to determine whether units with remaining hold codes are due for annual inspection. However, it was still not completing all annual inspections within 365 days of the previous annual inspection as of October 31, 2006, which was the most current information available during our testing.

The Authority's untimely inspections put HUD at risk to make housing assistance payments for units that do not meet housing quality standards.

Recommendation

We recommend that the acting director of HUD's Los Angeles Office of Public Housing require the Authority to

- 2A. Develop adequate controls to enforce implementation of policies and procedures to ensure that program units are inspected at least annually to meet HUD's housing quality standards before disbursing housing assistance payments.

SCOPE AND METHODOLOGY

We performed our on-site audit work from July 2006 through January 2007 at the Authority's office in Santa Fe Springs, California. The audit generally covered the period July 2003 through September 2006. We expanded our audit period as needed to accomplish our objectives. We reviewed guidance applicable to Section 8 housing quality standards, performed on-site inspections with qualified HUD-OIG inspectors, and interviewed applicable housing authority supervisors and staff.

To accomplish our audit objectives, we

- Reviewed applicable HUD regulations, including 24 CFR [*Code of Federal Regulations*] Part 982 and Housing Choice Voucher Guidebook 7420.10G.
- Reviewed the Authority's administrative plans for 2003, 2004, and 2005.
- Reviewed the Authority's quality control procedures and sampling methods.
- Interviewed personnel from the HUD Office of Public Housing, Los Angeles field office, to obtain background information on the Authority's housing quality standards performance.
- Interviewed Authority supervisors and staff to determine their job responsibilities and their understanding of housing quality standards.
- Obtained and reviewed inspection files to obtain the results of inspections that were previously performed by the Authority.
- Analyzed databases provided by the Authority to determine the timeliness of the Authority's inspections and to obtain a random sample of units.
- Conducted inspections of 68 randomly selected units with qualified HUD and HUD-OIG inspectors and recorded and summarized the inspection results provided.

We statistically selected a sample of 68 of the Authority's program units to determine whether the Authority ensured that its units met housing quality standards. The sample was based on the Authority's housing assistance payment register for one month as of July 1, 2006. The universe contained 16,350 units that received regular housing assistance payments from the Authority as of July 1, 2006. We obtained the sample based on a confidence level of 90 percent, a precision level of 10 percent, and an assumed error rate of 50 percent. Twenty additional sample units were selected to be used as replacements if necessary.

We reviewed the sample of 68 units and determined that 12 out of 50 failed units were materially deficient and in noncompliance with housing quality standards. We determined that the 12 units were in material noncompliance because they had 42 deficiencies that had existed for an extended period and/or created unsafe living conditions. Eleven of the units had deficiencies that existed before the Authority's last inspection and also had deficiencies that created unsafe tenant living conditions. One of the units contained deficiencies for which we were unable to determine

how long they had existed. However, the deficiencies observed were significant enough to create unsafe living conditions for the tenant. Therefore, we included this unit in our count of materially deficient units.

Projecting the results of the 12 units that were in material noncompliance with housing quality standards to the population indicates that 2,886 or 17.65 percent of the population contains the attributes tested. The sampling error is plus or minus 7.59 percent. In other words, we are 90 percent confident that the frequency of occurrence of the attributes tested lies between 10.06 and 25.24 percent of the population. This equates to an occurrence of between 1,644 and 4,126 units of the 16,350 units of the population.

- The lower limit is 10.06 percent x 16,350 units = 1,644 units in noncompliance with minimum housing quality standards.
- The point estimate is 17.65 percent x 16,350 units = 2,886 units in noncompliance with minimum housing quality standards.
- The upper limit is 25.24 percent x 16,350 units = 4,126 units in noncompliance with minimum housing quality standards.

Using the lower limit and the average annual housing assistance payments for the population based on the Authority's housing assistance payment register, dated August 1, 2005, through July 31, 2006, we estimate that the Authority will spend at least \$11,542,524 (1,644 units x \$7,021 average annual housing assistance payment) for units that are in material noncompliance with housing quality standards. This estimate is presented solely to demonstrate the annual amount of Section 8 program funds that could be put to better use on decent, safe, and sanitary housing if the Authority implements our recommendations.

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

INTERNAL CONTROLS

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 audit objectives:

- Policies and procedures to ensure that housing quality standards program objectives are met.
- Policies and procedures to ensure that program implementation is consistent with laws, regulations, and provisions of contracts or grant agreements.

We assessed the relevant controls identified above.

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

Significant Weaknesses

Based on our review, we believe the following items are significant weaknesses:

The Authority did not have

- Adequate policies and procedures to ensure that inspections of Section 8 units detected all significant violations of housing quality standards (finding 1).

- Adequate controls to ensure policies and procedures to conduct annual inspections in a timely manner in accordance with 24 CFR [*Code of Federal Regulations*] 982.405 were followed (finding 2).

APPENDIXES

Appendix A

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

Recommendation number	Funds to be put to better use 1/
1A	\$11,542,524


- 1/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an 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. Instead, it will expend those funds for units that meet HUD's standards. Once the Authority successfully improves its controls, this will be a recurring benefit. To be conservative, 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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March 26, 2007

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**Audit Report 2007- Housing Authority of the County of Los Angeles ("HACoLA")
Performance with Respect to Housing Quality Standards ("HQS") Inspections**


Dear Ms. Hobbs:

Thank you for providing a draft of the results of your audit of our Section 8 Housing Choice Voucher Program, Housing Quality Standards (HQS) Inspections. We have reviewed the findings outlined in your report. Contained herein is our response to each of the findings. In addition to our response, I am also including various attachments evidencing some of the key operational and programmatic changes that have been made within our program over the last five months. Finally, I wish to extend my appreciation to your staff for the professional manner in which they conducted this audit.

As I indicated in our exit conference on March 14, 2007, we are in general agreement with your findings and recommendations. Furthermore, I feel that it is important to restate that considerable time and effort have been dedicated to eliminating the program deficiencies that were referenced in the audit.

As anticipated, your findings regarding our HQS inspections were consistent with my own conclusions from an earlier assessment that I began prior to the commencement of OIG audit. I determined, at that time, that it was imperative to institute major changes in the administrative practices of the program, and your findings confirmed this. Since the issuance of your draft report, you will note that we have reestablished program accountability in the area of HQS inspections. For example, on July 1, 2006, the SEMAP score for delinquent inspections was 34%. As of March 1, 2007 that percentage has been reduced to 8%, which is now within the SEMAP acceptable rating standard. This was accomplished due to the establishment of new policies and procedures governing inspection activities, which will be discussed later in this response.

Strengthening Neighborhoods • Supporting Local Economies • Empowering Families • Promoting Individual Achievement



Joan Hobbs, HUD
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Before addressing each of your findings, I would like to provide you with a summary of the efforts we have undertaken to eliminate the operational deficiencies that affected our overall program performance. The following section contains a brief overview of the issues identified in our assessment and discusses those areas of performance on which we are currently concentrating our efforts with the goal of achieving immediate, and sustained improvement.

BACKGROUND:

As referenced previously in this response, we began conducting a broad assessment of the Section 8 program in Spring 2006, prior to the start of the OIG audit.

There were four major findings, resulting from the assessment, that were identified as contributing to our poor performance in managing the Section 8 program. They were:

- A lack of sufficient applications in the pipeline to create a steady stream of voucher issuance.
- A lack of a management plan to address the delinquent inspections and reexaminations, in addition to misinterpretation of the regulations by staff, which further exacerbated the issue.
- A lack of capacity by the existing operational model to address the workload volume of staff and the demand by participants and landlords.
- A lack of a consistent application of policies and procedures by staff, and an absence of program direction, resulting in ongoing crisis management.

Since that time, we have concentrated mainly on improving the following program areas, which we have considered as critical to removing the Section 8 program from its "troubled" status. Although these program areas are not the only ones that we have worked to improve, they are representative of those we consider most important to achieving our goals. These program areas are:

- **Lease-Up-** Beginning September 2006, we implemented an aggressive plan to increase the volume of participants in the pipeline to yield a higher utilization of our vouchers. As part of this plan, we also implemented an effort to contact and follow-up with both participants and landlords to obtain outstanding information necessary to complete a successful contract.
- **Inspections-** In September 2006, we implemented a new management plan to eliminate the high volume of delinquencies and establish a performance standard for inspectors.

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- **Reexaminations-** We established a dedicated team to work exclusively on eliminating the delinquent reexaminations and a second team to stay current on all others.
- **Reorganization/Management-** On November 1, 2006, a new administrative structure and new operational procedures and practices were established. As part of this new structure, a reorganization model was created to change the workflow from one of case management to a functional approach (staff are now assigned to specific functions versus having clients assigned to them to handle all aspects of client participation). In addition, as I mentioned in our exit conference, a new management team was appointed to oversee the operation of the program at that time.

In support of the reorganization, we contracted with several consultant firms to provide expertise in establishing a new management direction, to conduct staff training in the application of Section 8 program requirements, and to establish quality control systems in the program.

Additionally, I authorized the competitive procurement of a new software program for the Housing Authority in order to meet the needs of the Section 8 and Public Housing programs. The procurement has been completed and we are now conducting final negotiations with the vendor. Once that is completed, I will seek approval from our Board.

These efforts have been undertaken with the goal of removing the Housing Authority from its "troubled" rating. I trust that our response to the findings, and your review of the attached documentation, which outlines our progress toward full compliance and goal attainment, will resolve the findings and provide you with greater confidence in our commitment to return our Section 8 program to proficiency. It is our intention to restore credibility and accountability in our program in order to regain the public confidence and to avoid any potential loss of housing resources for Los Angeles County residences.

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

The Authority did not adequately enforce HUD's housing quality standards. Of 68 units statistically selected for inspection, 50 did not meet minimum housing quality standards. The violations existed because the Authority did not have adequate policies and procedures for detecting all housing quality standards violations during its inspections. As a result, the Authority did not properly use its program funds and program tenants lived in units that were not decent, safe, and sanitary. Based on our statistical sample, we estimate that over the next year, HUD will pay more than \$11.5 million in housing assistance payments on units with material housing quality standards violations if inspection procedures do not improve.

HACoLA's RESPONSE

The HACoLA accepts the basis of this finding. As identified in your audit report,

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Comment 1
Comment 2

the various HQS violations noted in 51 (rather than 50 cited) of the 68 units inspected ranged from serious to less than serious health and safety ones. Attachment A contains our response to each individual inspection noted in your report.

Your finding only reinforced and confirmed our need to address how we conduct HQS inspections and the necessity to assure HQS inspectors are knowledgeable of HQS standards and are applying them consistently.

In reference to the 51 units, 32 were identified as having health and safety violations requiring corrective actions within 24 hours. Upon notification, we immediately reinspected and addressed the violations. The other 8 were also re-inspected or rescheduled for follow-up inspections. Documentation demonstrating that we addressed the 19 non-emergency deficiencies is also contained in Attachment A.

Since early September 2006, we focused on developing a new management plan to address the numerous deficiencies we had in conducting annual HQS inspections. More specifically, the following management elements have provided the foundation to achieve specific improvements in HQS enforcement. During the months of July and August 2006, prior to the introduction of our new management plan, we inspected over 2400 units with a fail rate of 40.27% and passing rate of 59.73%. Re-inspections for failed units were completed within an average of 31 calendar days. Since September 2006, we have inspected over 7300 units with a fail rate of 39.12 % and passing rate of 60.88%. Re-inspections for failed inspections are now averaging 26 calendar days. We are now scheduling re-inspection appointments on the same day.

Comment 3

- We have implemented standard operational procedures for inspectors and a quality control plan to assess daily inspection production with the intent to reduce errors and improve consistency as described in Attachment B.
- All inspectors will participate in a formal mandatory training program that will include a certification exam. Training is scheduled for the week of April 23, 2007. The training, which will be provided by Quadel Consulting Corporation, will include a comprehensive study of HQS, HUD requirements, and the SEMAP Performance Indicator.
- The Lancaster office that administers approximately 2900 contracts in the Antelope Valley has been reorganized. Policies and procedures are now in place and experienced HQS inspectors from Santa Fe Springs have been temporarily assigned to assist with data clean-up and conducting internal and field training.
- As you recommended, a review of HACoLA administrative plan will be undertaken to incorporate appropriate changes in order to be more comprehensive regarding HQS violations. We will identify, as required by federal regulations, those changes and proceed with a plan amendment, if appropriate. We will also consider addition of standard operations procedures and best practices.

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- To address your concern that our inspectors missed some electrical violations, we have procured and furnished to each inspector electrical ground adapters and pocket testers. Copies of purchase invoices are contained in Attachment C. Furthermore, we are evaluating tablet personal computers allowing the inspector to document details while at the inspection site and thus expediting inspection results.
- Our inspectors have been instructed to take digital photographs of all failed inspection findings at every inspection at initial and follow up visits. This will further document the condition of the unit and the correction(s) made by the landlord or tenant.

FINDING 2: The Authority Did Not Complete Timely Housing Quality Standards Inspections

The Authority did not always perform its annual inspections within one year. During fiscal years 2004, 2005, and 2006, only 7.14, 5.88, and 11.11 percent, respectively, of the annual inspections for our statistical sample of 68 units were completed annually.

The untimely inspections were a result of the Authority's failure to develop adequate controls to ensure policies and procedures were followed in accordance with the requirements in its administrative plan and HUD regulations to conduct inspections at least annually. In addition, the Authority did not have an adequate tracking system in place to ensure that the list of units due for annual inspections was complete.

As a result, HUD faces an inherent risk that untimely inspections could result in housing assistance payments for units that do not meet housing quality standards.

HACoLA's RESPONSE

It is our goal of having less than 5% delinquency rate in our annual inspections by June 30, 2007. The Public and Indian Housing Information Center (PIC) report as of February 28, 2007 reflects that we have reduced our delinquency rate to 8%, which meets HUD's standard, from a high 34% on July 1, 2006.

The procedure for the scheduling of annual inspections now requires that they be completed two (2) months in advance of the required twelve (12) months period. In brief, the former process allowed the use of a 14-month period to conduct the annual inspection. This was clearly a misinterpretation of the regulation, since the additional two months were only for transmitting data to HUD.

Joan Hobbs, HUD
March 26, 2007
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I hope that with submittal of our response that we have demonstrated to your office our commitment and seriousness to correcting program deficiencies that affected our ability to perform at a higher standard.

Sincerely,



CARLOS JACKSON
Executive Director

CJ:dt

Attachment A: Tenant Inspection Files and OIG Summary Inspection Results
B: Standard Operation Procedures
C: OIG Notifications and Additional Documentation

OIG Evaluation of Auditee Comments

- Comment 1** We confirmed there were 50 units that did not meet minimum housing quality standards. It appears the Authority included one unit that passed inspection with a comment from our inspector in its count of failed units.
- Comment 2** We reviewed attachment A of the Authority's response. Although additional information was provided, the Authority still did not fully address the timely resolution of deficiencies for all failed units.
- Comment 3** Per recommendation 2A, HUD should evaluate the adequacy and implementation of the procedures referenced by the Authority in attachment B.

Appendix C

SCHEDULE OF UNITS IN NONCOMPLIANCE WITH HOUSING QUALITY STANDARDS

Item number	Number of violations per lettered category																				Totals		
	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T		U	V
1*					1									2	1								4
2													1										1
3			1			1																	2
4*	1						1	1							1								4
5	1		1	1								1											4
6		1				2																	3
7							1																1
8	1		2					1					1								1		6
9*	8					1	1						1										11
10*	2	1		1	3	1				1									1				10
11							2																2
12																					1		1
13								1															1
14	4	1																					5
15	7	1																					8
16	8					1							1										10
17	2																						2
18	2															1							3
19	1																						1
20	3			1																			4
21	2			1																			3
22*								1		1	1											1	4

Category of violations legend	
A – Electrical	L – Tub/shower
B – Window	M – Water heater
C – Exterior surface	N – Floor
D – Other interior hazards	O – Garbage and debris
E – Range/oven	P – Toilet
F – Security	Q – Ventilation
G – Smoke detectors	R – Heating equipment
H – Stairs, rails, and porches	S – Fire exits
I – Lead-based paint	T – Interior stairs and common halls
J – Wall	U – Roof
K – Sink	V – Space for preparation, storage, and serving of food

* Denotes unit determined to be materially deficient based on severity of violations and/or whether they existed an extended period.

Item number	Number of violations per lettered category																				Totals		
	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T		U	V
23	1			2																			3
24*	5	1				1				1	1												9
25*					1				2														3
26								1															1
27	2																						2
28*	2			1					3														6
29	3		1																				4
30	1																						1
31				1							1	1		1									3
32*	2		1					1							1								5
33	2																						2
34	1											2											3
35*	4	5	1				1	1			1												13
36	4		1																				5
37	1																						1
38				1		1																	2
39	7							1															8
40*	5	2				1		1											1				10
41*	2			1					2	2							1						8
42	3												1										4
43	2																						2
44	2	2		1						1													6
45	3										1					1	1						6
46	1	1												2									4
47	2											1											3
48	3			1																			4
49	3																						3
50	3	1	1												1								6
Totals	106	16	9	9	8	8	8	8	7	6	5	5	5	4	4	2	2	1	1	1	1	1	217

Category of violations legend	
A – Electrical	L – Tub/shower
B – Window	M – Water heater
C – Exterior surface	N – Floor
D – Other interior hazards	O – Garbage and debris
E – Range/oven	P – Toilet
F – Security	Q – Ventilation
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J – Wall	U – Roof
K – Sink	V – Space for preparation, storage, and serving of food
* Denotes unit determined to be materially deficient based on severity of violations and/or whether they existed an extended period.	

Appendix D

SCHEDULE OF TIMELINESS OF INSPECTIONS

Fiscal year 2004			
July 1, 2003 - June 30, 2004			
Total number of inspections completed between July 1, 2003, and June 30, 2004, on the 68 units sampled:			42
Totals:	Delinquent 0 days	3	7.14%
	Delinquent 1-50 days	0	0.00%
	Delinquent 51-100 days	3	7.14%
	Delinquent 101-200 days	23	54.76%
	Delinquent 201-300 days	2	4.76%
	Delinquent 301-400 days	2	4.76%
	Delinquent 401-500 days	5	11.90%
	Delinquent more than 500 days	4	9.52%

Fiscal year 2005			
July 1, 2004 - June 30, 2005			
Total number of inspections completed between July, 1, 2004, and June 30, 2005, on the 68 units sampled:			51
Totals:	Delinquent 0 days	3	5.88%
	Delinquent 1-50 days	2	3.92%
	Delinquent 51-100 days	20	39.22%
	Delinquent 101-200 days	25	49.02%
	Delinquent 201-300 days	0	0.00%
	Delinquent 301-400 days	1	1.96%
	Delinquent 401-500 days	0	0.00%
	Delinquent more than 500 days	0	0.00%

Fiscal year 2006			
July 1, 2005 - June 30, 2006			
Total number of inspections completed between July 1, 2005, and June 30, 2006, on the 68 units sampled:			63
Totals:	Delinquent 0 days	7	11.11%
	Delinquent 1-50 days	23	36.51%
	Delinquent 51-100 days	29	46.03%
	Delinquent 101-200 days	3	4.76%
	Delinquent 201-300 days	1	1.59%
	Delinquent 301-400 days	0	0.00%
	Delinquent 401-500 days	0	0.00%
	Delinquent more than 500 days	0	0.00%

Fiscal year 2007 (partial)			
July 1, 2006 - October 31, 2006			
Total number of inspections completed between July 1, 2006, and October 31, 2006, on the 68 units sampled:			30
Totals:	Delinquent 0 days	18	60.00%
	Delinquent 1-50 days	7	23.33%
	Delinquent 51-100 days	4	13.33%
	Delinquent 101-200 days	1	3.33%
	Delinquent 201-300 days	0	0.00%
	Delinquent 301-400 days	0	0.00%
	Delinquent 401-500 days	0	0.00%
	Delinquent more than 500 days	0	0.00%

Appendix E

CRITERIA

The following sections of the *Code of Federal Regulations* apply to housing quality standards inspections:

- 24 CFR [*Code of Federal Regulations*] 982.54(a) requires the public housing authority to adopt a written administrative plan that establishes local policies for administration of the program in accordance with HUD requirements.
- 24 CFR [*Code of Federal Regulations*] 982.54(d)(22) states that the public housing authority administrative plan must cover policies, procedural guidelines, and performance standards for conducting required housing quality standards inspections.
- 24 CFR [*Code of Federal Regulations*] 982.305(a) states that the public housing authority may not give approval for the family of the assisted tenancy or execute a housing assistance payments contract until the authority has determined that the unit is eligible and has been inspected by the authority and meets HUD's housing quality standards.
- 24 CFR [*Code of Federal Regulations*] 982.401(a) identifies the housing quality standards for assisted housing, including performance and acceptability criteria for key aspects of housing quality.
- 24 CFR [*Code of Federal Regulations*] 982.401(a)(3) requires that all program housing meet housing quality standards performance requirements, both at commencement of assisted occupancy and throughout the assisted tenancy.
- 24 CFR [*Code of Federal Regulations*] 982.404(a)(1) requires the owners of program units to maintain the units in accordance with HUD's housing quality standards.
- 24 CFR [*Code of Federal Regulations*] 982.404(a)(2) states that if the owner of the program unit fails to maintain the dwelling unit in accordance with HUD's housing quality standards, the authority must take prompt and vigorous action to enforce the owner's obligations. The authority's remedies for such a breach of the housing quality standards include termination, suspension, or reduction of housing assistance payments and termination of the housing assistance payments contract.
- 24 CFR [*Code of Federal Regulations*] 982.405(a) requires public housing authorities to perform unit inspections before the initial term of the lease, at least

- annually during assisted occupancy, and at other times as needed to determine whether the unit meets the housing quality standards.