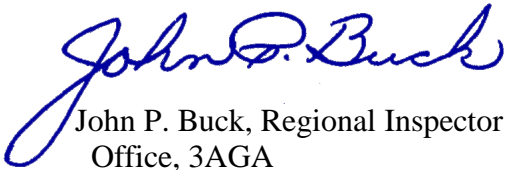




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| Issue Date September 19, 2008 |
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| Audit Report Number 2008-PH-1013 |
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TO: William D. Tamburrino, Director, Baltimore Public Housing Program Hub,
3BPH

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

SUBJECT: The Housing Authority of Baltimore City, Maryland, Did Not Ensure That Its
Program Units Met Housing Quality Standards under Its Moving to Work
Program

HIGHLIGHTS

What We Audited and Why

We audited the Housing Authority of Baltimore City's (Authority) administration of its leased housing under its Moving to Work Demonstration (Moving to Work) program based on our analysis of various risk factors relating to the housing authorities under the jurisdiction of the U.S. Department of Housing and Urban Development's (HUD) Baltimore field office. This is the second audit report issued on the Authority's program. The audit objective addressed in this report was to determine whether the Authority ensured that its program units met housing quality standards.

What We Found

The Authority failed to ensure that its program units met housing quality standards. We inspected 59 housing units and found that 57 units did not meet HUD's housing quality standards. Moreover, 41 of the 57 units had health and safety violations that the Authority's inspectors neglected to report during their last inspection and/or repair based on the outcome of their most recent inspection.

The Authority spent \$47,862¹ in program and administrative funds for these 41 units.

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 \$47,862 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 \$3.5 million from being spent annually on units that materially fail to meet HUD's housing quality standards.

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 our discussion draft audit report to the Authority's executive director and HUD officials on July 23, 2008. We discussed the report with the Authority and HUD officials throughout the audit and an exit conference on August 13, 2008. The Authority provided written comments to our draft report on August 29, 2008. The Authority disagreed with 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.

¹ \$47,862 equals \$44,722 in program housing assistance payments paid on units that were not decent, safe, and sanitary plus \$3,140 in administrative fees paid to the Authority for units that were not decent, safe, and sanitary.

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BACKGROUND AND OBJECTIVES

The Housing Authority of Baltimore City (Authority) was organized in 1937 under the laws of the State of Maryland to provide federally funded public housing programs and related services for Baltimore’s low-income residents. It is the fifth largest public housing authority in the country, with more than 1,000 employees and an annual budget of approximately \$200 million. The Authority currently serves more than 40,000 residents in more than 14,000 housing units. The Authority’s portfolio includes 18 family developments, 21 mixed population buildings, and scattered sites throughout the City. A five-member board of commissioners, appointed by the mayor, governs the Authority. The Housing Choice Voucher tenant-based assistance programs are federally funded and administered for the City of Baltimore by the Authority through its Housing Choice Voucher program office. The City of Baltimore’s Housing Choice Voucher program provides an additional 12,000 families with rental housing subsidies each year.

In 1996, Congress authorized the Moving to Work Demonstration (Moving to Work) program as a U.S. Department of Housing and Urban Development (HUD) demonstration program. The Authority was accepted into the program on March 31, 2005, when HUD’s Assistant Secretary for Public and Indian Housing signed the Authority’s Moving to Work agreement. The signed agreement requires the Authority to abide by the statutory requirements in Section 8 of the United States Housing Act of 1937 until such time as the Authority proposes and HUD approves an alternative leased housing program with quantifiable benchmarks. At the time of this audit, the Authority had not proposed and HUD had not approved an alternative leased housing program with quantifiable benchmarks.

Under the Section 8 Housing Choice Voucher program, the Authority provides leased housing assistance payments to more than 9,000 eligible households. HUD authorized the Authority the following financial assistance for housing choice vouchers:

| <u>Authority fiscal year</u> | <u>Authorized funds</u> | <u>Disbursed funds</u> |
|------------------------------|------------------------------------|------------------------------------|
| 2005 | \$76,535,556 | \$76,535,556 |
| 2006 | \$83,368,789 | \$83,346,052 |
| 2007 | \$83,097,830 | \$83,097,830 |
| Totals | <u><u>\$243,002,175</u></u> | <u><u>\$242,979,438</u></u> |

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.

HUD regulations at 24 CFR 982.453(6)(b) give public housing agencies rights and remedies against the owner under the housing assistance payments contract, which include recovery of overpayments, abatement or other reduction of housing assistance payments, termination of housing assistance payments, and termination of the housing assistance payments contract.

Our audit objective was to determine whether the Authority ensured that its program units met housing quality standards .

RESULTS OF AUDIT

Finding: Controls over Housing Quality Standards Were Inadequate

The Authority did not adequately enforce HUD's housing quality standards. Of 59 housing units selected for inspection, 57 units did not meet HUD's housing quality standards, and 41 units materially failed to meet housing quality standards. The Authority's inspectors did not report 380 violations, which existed at the units when they performed their inspections. The Authority overlooked these violations because it did not implement adequate procedures and controls to ensure compliance with HUD regulations and its administrative plan. As a result, the Authority spent \$47,862 in program and administrative funds for 41 units that materially failed to meet HUD's housing quality standards. Unless the Authority implements controls to ensure that program units meet housing quality standards, it will pay an estimated \$3.5 million in housing assistance for units that materially fail to meet housing quality standards over the next year.

Housing Units Were Not in Compliance with HUD's Housing Quality Standards

We statistically selected 59 units from unit inspections passed by the Authority's inspectors during the period September 1 to December 31, 2007. The 59 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 January 22 and February 1, 2008.

Of the 59 units inspected, 57 (97 percent) had 574 housing quality standards violations. Additionally, 41 of the 57 units (72 percent) were considered to be in material noncompliance since they had health and safety violations that predated the Authority's last inspection and were not identified by the Authority's inspectors and/or repaired. Of the 57 units with housing quality standards violations, 15 units had violations that were 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 41 units had 380 violations (including the 26 violations 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 354 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 574 housing quality standards violations in the 57 units that failed the housing quality standards inspections.

| Type of violation | Number of violations | Number of units | Percentage of units |
|---|----------------------|-----------------|---------------------|
| Electrical | 176 | 48 | 84 |
| Security | 67 | 37 | 65 |
| Range/refrigerator | 38 | 32 | 56 |
| Floor | 37 | 22 | 39 |
| Window | 31 | 17 | 30 |
| Wall | 30 | 21 | 37 |
| Stairs, rails, and porches | 28 | 24 | 42 |
| HVAC*/ventilation/plumbing | 25 | 16 | 30 |
| Tub, shower, or sink | 24 | 19 | 33 |
| Toilet or wash basin | 21 | 17 | 30 |
| Other interior hazards | 16 | 13 | 23 |
| Interior stairs | 14 | 16 | 28 |
| Ceiling | 12 | 9 | 16 |
| Evidence of infestation | 11 | 11 | 19 |
| Smoke detectors | 11 | 8 | 14 |
| Fire exits | 8 | 8 | 14 |
| Space for preparation, storage, and serving of food | 8 | 8 | 14 |
| Site and neighborhood conditions | 8 | 5 | 9 |
| Lead-based paint | 4 | 1 | 2 |
| Exterior surface | 3 | 3 | 5 |
| Roof/gutters | 2 | 2 | 4 |
| Total | 574 | | |

* heating, ventilation, and air conditioning

We provided our inspection results to the Director of HUD's Office of Public Housing, Baltimore field 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 #57: Exposed wiring was found in community area of unit. This violation was not identified during the Authority's October 16, 2007, inspection.



Inspection #8: Washer outlet needs grounded outlet away from faucet. This violation was not identified during the Authority's December 24, 2007, inspection.



Inspection #40: Hot wire needs to be terminated in junction box and removed from conduit. This violation was not identified during the Authority's October 30, 2007, inspection.



Inspection #2: Plugs were missing on breaker box. This violation was not identified during the Authority's December 5, 2007, inspection.



Inspection #19: Outlet was loose from ceiling with open ground. This violation was not identified during the Authority's November 30, 2007, inspection.



Inspection #31: Junction did not have wire nut and a cover to protect from injury. This violation was not identified during the Authority's October 16, 2007, inspection.



Inspection # 7: The striker plate on the rear basement door was loose and broken out. This violation was not identified during the Authority's November 15, 2007, inspection.



Inspection #21: The basement window will not close. This violation was not identified during the Authority's December 5, 2007, inspection.

The Authority Did Not Implement 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. The Authority overlooked numerous housing quality standards violations because it did not implement adequate procedures and controls to ensure compliance with HUD regulations and its administrative plan. HUD regulations at 24 CFR 982.54(d) require the public housing authority's administrative plan to cover policies, procedural guidelines, and performance standards for conducting required housing quality inspections. The Authority's administrative plan sufficiently covered policies, procedural guidelines, and performance standards for conducting housing quality inspections. However, the Authority did not adequately use its quality control inspections to provide inspectors feedback on their work or to determine whether individual performance or specific housing quality standards training issues needed to be addressed.

The purpose of quality control inspections is to assure that each inspector conducts accurate and complete inspections. More importantly, quality control inspections are conducted to ensure that there is consistency among the Authority's inspections in the application of HUD's housing quality standards requirements.

We reviewed a sample of 68 quality control inspections performed by the Authority between September 1 and December 31, 2007. The Authority's quality control inspection results differed significantly from its original inspection results. Of the 68 units, the original inspection reports showed that 54 units passed and 14 units failed; whereas, the followup quality control inspection reports showed that 9 units passed and 59 units failed. These dramatic differences in inspection results demonstrated significant problems with the Authority's original housing quality standards inspections. However, we found insufficient evidence to show that the Authority adequately used its followup quality control inspections to provide its 17 inspectors feedback on their work or to identify training issues that they needed to address.

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 \$44,722 in housing assistance payments to landlords for the 41 units that materially failed to meet HUD's housing quality standards and received \$3,140 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 \$3.5 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 HUD's Baltimore Public Housing Program hub 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 \$47,862 from nonfederal funds (\$44,722 for the housing assistance payments and \$3,140 in associated administrative fees) for 41 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 \$3,457,428 in program funds is expended only for units that are decent, safe, and sanitary.

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, and HUD's Housing Choice Voucher Guidebook 7420.10G.
- The Authority's housing quality standards inspections and abatement files and Moving to Work program documents including the agreement, plans, and reports.
- 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 after making required adjustments to the data, found the data to be adequate for our purposes.

We statistically selected 59 of the Authority's leased housing units from a universe of 802 leased units that passed the Authority's housing quality standards inspection between September 1 and December 31, 2007. The 59 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 41 of 57 units (72 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. All units were ranked, and we used auditors' judgment to determine the material cutoff line.

Based upon the sample size of 59 from a total population of 802, an estimate of 69 percent (558 units) of the sample population materially failed housing quality standards inspections. The sampling error is plus or minus 10 percent. There is a 90 percent confidence that the frequency of occurrence of program units materially failing housing quality standards inspections lays between 60 and 79 percent of the population. This equates to an occurrence of between 481 and 633 units of the 802 units in the population. We used the most conservative numbers, which is the lower limit or 481 units.

We analyzed the applicable Authority databases and estimated that the annual housing assistance payment per recipient in our sample universe was \$7,188. 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 \$3,457,428 (481 units times \$7,188 estimated average annual housing assistance) annually for units that are in material noncompliance with HUD's housing quality standards. This estimate 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 only included the initial year in our estimate.

We performed our on-site audit work from December 17, 2007, through July 15, 2008, at the Authority's Housing Choice Voucher program office located at 1225 West Pratt Street, Baltimore, Maryland. The audit covered the period September 1 to December 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.
- Safeguarding resources – Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.

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 did not implement adequate procedures and controls to ensure compliance with HUD regulations regarding housing quality standards inspections of units.

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 | \$47,862 | |
| 1C | | \$3,457,428 |

- 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



**BALTIMORE
HOUSING**

SHEILA DIXON
Mayor

PAUL T. GRAZIANO
Executive Director, HABC
Commissioner, HCD

August 29, 2008

Mr. John P. Buck
Regional Inspector General for Audit
Philadelphia Regional Office, 3AGA
United States Department of Housing and Urban Renewal
100 Penn Square East, Suite 1005
Philadelphia, Pennsylvania 19107

Subject: Draft Audit -- Housing Quality Standards

Dear Mr. Buck,

Comment 1

This letter and the enclosed attachments shall serve as our response to the subject draft audit report. Due to the time constraints imposed by the Office of Inspector General, a comprehensive review by HABC of all items raised in the audit was not possible. We did, however, perform in-depth reviews of the first twenty-five (25) of the forty-one (41) inspections performed by your office where there was a claim that one or more items were in Housing Quality Standards (HQS) violation status at the time of HABC's last inspection. We believe our analyses and comments accurately reflect the totality of issues raised in the audit.

Comment 2

In general, HABC disagrees with the overarching conclusions of this audit and believes that its inspection process is effective in assuring that our program participants live in decent, safe and sanitary housing. To accomplish this, HABC performs more than 25,000 inspections annually and, at any given time, payments are suspended on between 400 and 500 units for failure to correct HQS violations. These are not the acts of an agency treating the health and safety of its participants in a cavalier manner.

Comment 3

A major frustration of this and other housing authorities is the lack of clear, specific and well-defined housing quality standards. Available HUD procedures and forms are sorely lacking in the level of specificity and guidance required, allowing for broad differences in interpretation and even the imposition of standards where none exist. This creates confusion on the parts of agencies, tenants, participating owners, and even of the staff of the Office of Inspector General. The results of OIG HQS audits nationwide have resulted in virtually the same findings; change the names and some numbers and they are interchangeable. This only emphasizes the need for clear, recognizable standards.

Comment 3

It is, therefore, strongly recommended that HUD develop specific standards and provide necessary guidance to fill this void. In developing these standards HUD must not let perfect be the enemy of good. It must recognize that few, if any, housing units are flawless, an unnecessary standard for decent, safe and sanitary



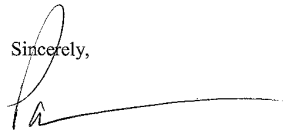
417 E. Fayette Street • Baltimore, MD 21202 • MD Relay 711 • TTY 410-547-9247 • baltimorehousing.org
Baltimore Housing reflects the combined efforts of the Housing Authority of Baltimore City and the Baltimore City Department of Housing and Community Development.

Comment 4

housing. While we must protect tenants against clear health and safety risks, we must not deny those in desperate need an opportunity to be housed in affordable and decent homes. Seeking perfection in older housing markets like Baltimore will deny thousands the opportunity to benefit from the Housing Choice Voucher Program. This reduced participation only leads to increased homelessness and/or households paying excessive rent burdens (in the absence of a rent subsidy) with absolutely no monitoring of housing quality.

Thank you for the opportunity to respond to this audit. You may be assured HABC will continue to strive to improve its service delivery through continued training of staff and education of residents and landlords.

Sincerely,

A handwritten signature in black ink, appearing to read 'Paul Graziano', with a long horizontal flourish extending to the right.

Paul Graziano
Executive Director
Housing Authority of Baltimore City

Attachments

**Response by the Housing Authority of Baltimore City (HABC) to the
Draft Audit Prepared by the Regional HUD Office of Inspector General on
HABC's Performance in the area of Housing Quality Standards Inspections**

Comment 2

The Housing Authority of Baltimore City (HABC) has reviewed the draft audit report prepared by the HUD Philadelphia Regional Inspector General's Office and takes strong exception to the findings of the audit. The assertion that "the Authority did not implement adequate procedures and controls to ensure compliance with HUD regulations regarding housing quality standards inspections of units and the abatement of housing assistance payments for units that do not meet housing quality standards," and that "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. . ." are unsupported and without merit. HABC adheres to a strict regimen of unit inspections and makes every effort to assure that units occupied or to be occupied by program participants are safe and sanitary.

Below are HABC's comments on the OIG's various findings, conclusions and recommendations.

Comment 2

OIG Finding 1: Controls Over Housing Quality Standards Were Inadequate

A. THE NUMBER OF ITEMS IDENTIFIED AS IN VIOLATION IS GREATLY OVERSTATED

The OIG issued a draft audit report claiming that their inspector discovered 382 items within 41 units in a failed status at the time of HABC's last inspection and cites this as an indication of serious problems with the quality of HABC's inspections.

The inspector identified an additional 208 violations which occurred after HABC's last inspection. The OIG makes no claims that these additional findings reflect upon the quality of HABC's inspections. We agree and believe that they reflect the ongoing challenge of dealing with aging housing stock (which characterizes most of Baltimore's inventory) and normal wear and tear.

Comment 1

For the purpose of this response and as a result of the severe time constraints imposed by the OIG in submitting the response, HABC looked at the items claimed to be in violation at the time of HABC's last inspection for the first 25 inspections listed on the report provided by the OIG (report titled "MATERIAL VIOLATIONS").

HABC's analysis of these 25 inspection reports indicates the following:

Comment 5

- OIG claimed existing violations – 229
- HABC's analysis of claimed existing violations by category:
 - o Not HQS violations – 82
 - o Non-unit items – 3
 - o Items which cannot be verified as existing at the time of the last inspection – 84
 - o Items not listed as "fail" on individual OIG Inspection Reports – 6

- o Items which probably existed at the time of the last inspection – 54

Comment 5

Out of a total of 229 items, only 54 can be considered as having possibly existed at the time of the previous HABC inspection. This is approximately 24% of the items the OIG claims were in a failed status for these 25 units, a ratio much lower than that claimed by the OIG (see ATTACHMENT 1).

Comment 6

HABC’s count differs from the OIG’s for a number of reasons:

Not HQS Items

Of the 229 items cited by the OIG as HQS violations, HABC has determined that 82 are beyond the scope of HQS and, therefore, should not be cited. A non-exhaustive list of examples of OIG-claimed HQS violations with which we disagree include:

Comment 7

Comment 8

Comment 9

Comment 10

- **Second handrails at entrancesways/ interior stairs:** not required by Baltimore code, or by Housing Choice Voucher Program Guidebook or by Inspection Form HUD 52580-A
- **Cracked window panes:** Per form HUD 52580-A, if there is only “moderate deterioration of this window then it should “Pass”. In all cases cited, there was only moderate deterioration.
- **Condition of Interior Doors:** HUD 52580-A, 24 CFR 982 and the Housing Choice Voucher Program Guidebook 7420.10G are silent on interior doors.
- **Refrigerator Seals/Torn Refrigerator Gaskets:** The HUD standard as described on form HUD 52580-A requires a working refrigerator and defines a non-working refrigerator as one that “will not maintain a temperature low enough to keep food from spoiling over a reasonable period of time.”

The Housing Choice Voucher Program Guidebook 7420.10G, section 10.3, states that the refrigerator must be of adequate size for the family and *capable of maintaining a temperature low enough to keep food from spoiling*. While the Guidebook makes reference to door seals, its relevance is only to identify a possible cause for a refrigerator not maintaining the proper temperature.

Since the refrigerators cited by the OIG inspector were stocked with food and there was no evidence of food spoilage (either viewed or reported by the tenant) there is no basis upon which to make a determination that a violation existed.

HABC is utilizing the appropriate standard vis-à-vis refrigerators.

Comment 11

- **Double-Keyed Deadbolt Locks:** HABC rejects the OIG’s assertion the double-keyed deadbolt locks are an HQS violation. This is a matter of tenant preference and is nowhere cited in any HUD regulations as unacceptable. Furthermore, such locks are not prohibited by either the Baltimore City building or fire codes.

Comment 12

Non-Unit Items:

HUD guidelines on conditions external to the housing unit but on the property are extremely limited. Nowhere on HUD 52580-A, in the Housing Choice Voucher Program

Guidebook or in 24 CFR 982 are non-unit items adequately discussed. Only vague and general references to Site and Neighborhood conditions are presented.

Comment 13

No Evidence That The Item Was In Violation Status As Of The Last HABC Inspection:

Contrary to the OIG's claims, many of the purported violations could not be shown to have existed at the time of the HABC inspection preceding the OIG inspection. HUD has provided no evidence or supportable documentation to claims that these items were in such a status. This issue has been brought up in response to OIG HQS audits by virtually every PHA subjected to these audits and the OIG's responses have been unconvincing. The following points further amplify our concerns:

Comment 14

- At the NLHA Conference in Washington, DC in April of this year, the Regional Inspector General was queried by numerous PHAs on OIG audit issues. When asked to explain the type and level of training OIG inspectors received in HCVP HQS standards (as well as the documents used by those inspectors to determine HQS), it became apparent that there was no training given and that there were no clear and definitive standards

Comment 15

- HABC was advised by the OIG inspector assigned to this audit that, with the exception of one-day "on-the-job training" with another OIG inspector, he had not previously performed HQS inspections.

Comment 16

- While the OIG claims that determinations of pre-existing conditions were sometimes based on tenant interviews, HABC staff accompanying the OIG inspector on all inspections have no recollection of tenants being interviewed on when a condition became "non-HQS compliant."

Comment 15

The burden of proof on pre-existing conditions should and must be on the auditor, not on the subject of the audit. That burden has not been met.

Comment 17

Items Not Listed As In Fail Status On The OIG Inspection Reports:

There were an additional six (6) items listed on the OIG report as items in failed status at the time of HABC's last inspection but which do not appear as failed items on the Inspection Reports submitted by the OIG.

This leaves the 54 items which probably were in violation status at the time of HABC's last inspection. A further analysis of these 54 items indicates the following:

Electrical – 51

- A. Outlets w/Open Grounds – 23
- B. Outlets w/Hot/Neutral Ground – 9
- C. Outlets w/Open neutral – 2

- D. Exposed live wire/open circuit – 6
- E. Junction box knock outs missing – 9
- F. Junction box cable connection lock missing – 2

Non-Electrical – 3

Comment 18

The most common of the findings are “outlets with open grounds” as determined by the OIG inspector using a tester in 3-Prong outlets. The inspector’s findings are, at best, inconclusive. The majority of housing inhabited by program participants was built in the early 20th century and some have not been substantially upgraded since. Wiring in the preponderance of these units is of the two-wire, ungrounded, two-prong variety. For a variety of reasons (not the least of which are availability and cost), in many cases property owners have replaced worn out 2-prong outlets with 3-prong outlets. This is not a particular problem since the majority of modern appliances do not require either grounds or polarized outlets (one slot larger than the other). At worst, the issue is one of misrepresentation. This has been reviewed with the Baltimore City Electrical Code Enforcement Officer for the Baltimore City Department of Housing & Community Development. Notwithstanding the above, we will be advising property owners on ways to ameliorate this technical violation.

Comment 18

Many of the other electrical items listed are in unaccessed areas of the units and, in many cases, hidden from view. HQS inspections were never contemplated to include searching back corners of unused basements or behind walls for missing junction box covers or improperly secured electrical wires. To consider HABC to be in non-compliance with HQS standards for such items in such places is unsupported. Furthermore, on electrical outlet testing, HUD form 52580-A contemplates a simple, visual inspection:

“Both the outlets and/or the light must be working. Usually, a room will have sufficient lights or electrical appliances plugged into outlets to determine workability.” (P2, 1.2)

Comment 18

See also Section 1.3, Electrical Hazards of form HUD 52580-A for HUD’s examples of what’s to be considered. 24 CFR 982.401 “Housing Quality Standards (HQS) is mute on electrical issues.

Comment 19

B. THE OIG CLAIM THAT ITEMS ORIGINALLY IDENTIFIED IN PREVIOUS HABC INSPECTIONS WERE THEN IMPROPERLY PASSED IN SUBSEQUENT INSPECTIONS IS WITHOUT MERIT.

In the twenty-five inspections reviewed for the purposes of responding to the OIG draft audit, the OIG listed ten (10) items in five (5) units as having been improperly passed by HABC upon reinspection. HABC has determined, based on reviews of its inspection records, that none of these items were previously listed by HABC as violations. Therefore, these were clearly conditions that appeared after HABC’s last inspection (see ATTACHMENT 2).

Comment 20

C. THE OIG RECOMMENDS THAT CERTAIN ADMINISTRATIVE FEES BE REIMBURSED BY HABC

The OIG recommends that HABC reimburse \$3,140 in administrative fees associated with the 41 units the OIG claims materially failed to meet HUD's housing quality standards.

The Consolidated Appropriations Act of 2005 changed the methodology used to calculate and provide funding for Housing Choice Voucher programs. Rather than a draw-down of funds based on the number of units under contract and HAP payments made, under the Act a grant amount for both operational (HAP, UAP) and administrative uses was calculated for each HCVP operator. HUD funding is no longer directly related to HAP expenditures and administrative fees are no longer based on units under contract. Even before this major change in the funding methodology, administrative fees, although tied to active contracts, were not affected by the status of HAP payments (i.e., abatements). Therefore, in any and all cases, it is inappropriate for the OIG to suggest that there should be any reimbursement of administrative fees.

Comment 2

D. THE OIG CLAIMS THAT HABC DID NOT IMPLEMENT PROCEDURES AND CONTROLS TO ENSURE COMPLIANCE WITH HUD'S HOUSING QUALITY STANDARDS

While recognizing that HABC's administrative plan sufficiently covers policies, procedural guidelines, and performance standards for conducting housing quality standards, the OIG claims that HABC "did not adequately use its quality control inspections to provide inspectors feedback on their work or to determine whether individual performance or specific housing quality standards training issues needed to be addressed".

HABC disagrees with this claim but intends to review its processes and analyses in an effort to maximize the value of quality control procedures in identifying areas of weakness requiring remedial action.

Comment 21

E. GENERAL ISSUES

1. HUD program guidance on what constitutes acceptable standards is sorely lacking, making uniform enforcement of those standards problematic:
 - The language on Inspection form *HUD-52580 A* is general and leaves large areas uncovered. Use of this form as guide would not lead one to identify many of the "violations cited by the OIG inspector.
 - The *Housing Choice Voucher Guidebook* is of limited use and subject to wide interpretation. On its cover is a disclaimer: "The contents of this guidebook are the views of the contractor and do not necessarily reflect the views or policy of the Department of Housing and Urban Development or the U.S. Government.
 - The *HUD Housing Inspection Manual for Section 8 Housing* (cited in the Housing Choice Voucher Program Guidebook and in Form HUD 52580-A) provided more, but not complete, assistance in defining HQS. This handbook was rescinded by

Comment 21

HUD over 4 years ago. This has been brought to HUD's and the OIG's attention numerous times.

HUD does a major disservice to PHAs, program participants and landlords in not providing published, clear and complete HQS and then expecting PHAs, program participants and landlords to know and meet nebulous or nonexistent standards.

Comment 6

2. The audit procedures and techniques utilized by the OIG are seriously flawed:

Comment 15

- As previously stated, the OIG inspectors have no formal training in HQS inspections, nor do they have a set of defined standards upon which to base their conclusions. This leads to arbitrary standards being applied by OIG inspectors.

Comment 16

- The OIG was asked, when presenting alleged violations, to cite the specific standard to which each item was to be compared. The OIG did not and could not provide such citations because they do not exist.

Comment 22

HABC'S RESPONSE TO THE OIG'S RECOMMENDATIONS UNDER FINDING 1:

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

HABC Response: HABC is in the process of notifying the owners of these units (where program participants are still in occupancy) of the OIG's findings and is scheduling full HQS inspections of these units. Owners will be advised that they are expected to maintain their units at housing quality standards at all times.

Comment 5

Recommendation 1 B. Reimburse its program \$47,862 from nonfederal funds (\$44,722 for the housing assistance payments and \$3,140 in associated administrative fees) for 41 units that materially failed to meet HUD's housing quality standards.

HABC Response: As has already been demonstrated, and based on our sample inspections, the OIG has radically overstated the actual number of failed items and units. This recommendation for reimbursement requires further review based on HABC's response herein.

Comment 20

Reimbursement of administrative fees is totally inconsistent with HUD's current funding methodology.

Comment 2

Recommendation 1C. Develop and implement controls to ensure that program units meet housing quality standards, thereby ensuring that \$3,457,428 in program funds is expended only for units that are decent, safe, and sanitary.

HABC Response: Although there is always room for improvement, HABC believes that adequate controls are in place. HABC will continue to train staff and take other appropriate actions to increase the quality of housing available to program participants.

Comment 3

In order to overcome the lack of guidance and specific standards from HUD, HABC has decided to develop its own comprehensive HQS and make them available to both HABC staff and participating landlords. This undertaking should be completed by the second quarter of calendar year 2009.

Comment 2

HABC is also investigating the availability of tools and systems to enhance the inspection system and to provide better records and reports, allow for greater levels of analysis and identification of areas requiring remediation and providing property owners with clear and complete information on the outcomes of inspections and any actions required on their part.

OIG Finding 2: The Authority Did Not Always Appropriately Abate Housing Assistance Payments

Comment 23

The OIG states that HABC did not follow its own procedures regarding abatement of housing assistance payments in nine (9) instances and, therefore made ineligible payments totaling \$3,788 because it failed to abate assistance payment as required. This determination is made based on an incorrect reading of HABC's policy on HQS-related abatements, which has been previously explained to OIG staff.

Section 10-H of HABC's Administrative Plan defines when and how abatements will be implemented:

Abatement (Suspension of Housing Assistance Payments)

A Notice of Abatement will be sent to the owner, and the abatement will be effective from the day after the date of the failed re-inspection. The HABC will inspect abated units within 10 business days of the owner's notification that the work has been completed. If the owner makes repairs during the abatement period and the abated unit passes inspection, the abatement will be lifted and the HAP payments resumed as of the next monthly HAP payment cycle. *No retroactive payments will be made to the owner for the period of time the rent was abated and the unit did not comply with housing quality standards.* The notice of abatement states that the tenant is not responsible for the HABC portion of rent that is abated.

Comment 23

The OIG has misinterpreted HABC's policy on abatements (see the italicized sentence above from HABC's 2007 Administrative Plan). No retroactive payments are made for the period of time the rent was abated **and** the unit did not comply with housing quality standards. However, when a monthly HAP payment is made for a unit not in a FAIL status and, as a result of a follow-up inspection, that unit is deemed to be in a FAIL status, no retroactive recapture of the monthly HAP payment is made.

Comment 23

No payments are retroactively recaptured for a period in a month when the unit was not in a PASS status, but retroactive payments are made for that period of a month after which the unit was found to be in a passed status.

Comment 23

The OIG calculations of monies which should have been abated do not follow HABC policies or procedures and confuse retroactive payments with retroactive recaptures. Retroactive recaptures are not HABC policy.

HABC’S RESPONSE TO THE OIG’S RECOMMENDATIONS UNDER FINDING 2:

Recommendation 2 A. Reimburse its program \$3,788 from non-federal funds for the housing assistance payments identified by the audit that were not abated as required

Comment 23

HABC Response: The OIG’s assumption of monies inappropriately paid is incorrect. All payments and adjustments were correctly calculated and processed.

Recommendation 2 B. Implement management controls to ensure that employees comply with HUD’s and Authority’s own policies and procedures concerning abatements and, thereby, put \$11,364 in program funds to better use.

Comment 23

HABC Response: The OIG’s assumption of monies inappropriately paid is incorrect. All payments and adjustments were correctly calculated and processed. Since adjustments were correct and in compliance with HUD’s and HABC’s policies and procedures, a recommendation to develop and implement further controls is inappropriate.

GENERAL STATEMENT ON INSPECTIONS, ABATEMENTS, HOUSING QUALITY STANDARDS AND POSSIBLE REIMBURSEMENTS

Comment 4

HABC does enforce its standards, as is evidenced by the fact that it performs over 2000 inspections monthly and, at any given time, has between 400 and 500 units under HAP abatement for failure to meet those standards. The purpose of abatements, furthermore, is not to punish, but to encourage landlords to keep their units at an acceptable standard. That standard, enforced by HABC, is not “perfection”, but rather “safe and sanitary”. A standard of perfection in a city with old and worn housing stock is neither feasible nor attainable and the enforcement of such a standard would severely limit program participants from obtaining or remaining in decent housing and HUD’s goal of providing the greatest opportunity of finding housing in the private market as well as exacerbating the challenges of homelessness facing many older urban areas.

SAMPLE FROM THE OIG AUDIT

ATTACHMENT 1

| Item NO. | Original Date | STATUS | Condition |
|----------|---------------|--------|--|
| 1 | 25-Jan-08 | A | Heating and Plumbing Safety of Heating Equipment - Rusty vent pipe |
| 1 | 25-Jan-08 | A | Security - Need longer screws in Stilet plate |
| 1 | 25-Jan-08 | B | Bedroom 1 Electrical Hazards - Outlet painted/unable to test |
| 1 | 25-Jan-08 | B | Bedroom 2 Electrical Hazards - Outlet painted/unable to test |
| 1 | 25-Jan-08 | B | Living Room Electrical Hazards - Outlets painted unable to test |
| 1 | 25-Jan-08 | D | Gen Health & Safety Sirex/Apiphobed Conditions-Outside light to the right of front door needs water tight conduit hub and water tight cover |
| 1 | 25-Jan-08 | E | Bathroom Electric - Open Ground |
| 1 | 25-Jan-08 | E | Kitchen Electrical Hazard - Live romex wire under sink |
| 2 | 30-Jan-08 | A | Formica edge band loose/missing |
| 2 | 30-Jan-08 | A | General Health and Safety Interior Stairs and Common Halls - Tread nose broken |
| 2 | 30-Jan-08 | C | Bathroom Security - Knob loose |
| 2 | 30-Jan-08 | C | Kitchen Stove or Range with Oven - Loose Handle on oven |
| 2 | 30-Jan-08 | D | Exposed wires in Junction where heat detector is located in community laundry room |
| 3 | 30-Jan-08 | A | General Health and Safety Interior Stairs and Common Halls - Handrail full length of basement steps |
| 3 | 30-Jan-08 | A | Secondary Rooms Electrical Hazard - Two Junction box covers need securing with screws |
| 3 | 30-Jan-08 | B | Bedroom 1 Electrical Hazards - Outlets Painted |
| 3 | 30-Jan-08 | C | Condition of Stairs, Building Exterior Halls, and Porches - Railing loose/handrail needed back steps |
| 3 | 30-Jan-08 | C | Laundry faucet dripping in basement |
| 3 | 30-Jan-08 | C | Laundry faucet dripping in basement |
| 3 | 30-Jan-08 | C | Security Dead Bolt Lock Doesn't work |
| 3 | 30-Jan-08 | B | Kitchen Electrical Hazard - Open Ground/Cracked switch plate |
| 3 | 30-Jan-08 | B | Kitchen Electrical Hazard and Open Ground |
| 3 | 30-Jan-08 | E | Bedroom 2 Electrical Hazard - Open Ground |
| 3 | 30-Jan-08 | E | Bedroom 3 Electrical Hazard - Open Ground |
| 3 | 30-Jan-08 | E | Living Room Electrical Hazard - Open ground and 1 no electricity |
| 4 | 1/23/2008 | A | All Secondary Rooms (Rooms not used for living) Electrical Hazards - handrail needs to be extended full length of stairs |
| 4 | 1/23/2008 | A | Cover needs to be secured on small breaker box (rear wall basement) to keep tenant/child from opening to exposed wires |
| 4 | 1/23/2008 | C | Back panel of shower stall needs to be repaired and caulked |
| 4 | 1/23/2008 | C | Dinning Room Electrical Hazards - outlet cover plate missing |
| 4 | 1/23/2008 | E | All Secondary Rooms Electrical Hazard - exposed wire with wire nut sticking out of conduit. This wire needs to be terminated in a junction box |
| 4 | 1/23/2008 | E | Bedroom 1 - hot/neutral reversed |
| 4 | 1/23/2008 | E | Dinning Room - hot/neutral reversed |
| 4 | 1/23/2008 | E | Junction boxes (3) need romex cable connectors to secure wire in box |
| 4 | 1/23/2008 | E | Kitchen Electrical Hazards - open ground |
| 4 | 1/23/2008 | E | Living Room Electrical Hazards - hot/neutral reversed |
| 5 | 30-Jan-08 | A | Building Exterior Condition of Stairs, Rails, and Porches - Need hand rail left side of steps |
| 5 | 30-Jan-08 | A | Dining Room Window Condition - Cracked Window Pane |
| 5 | 30-Jan-08 | A | Fault at the laundry sink needs anchoring" |
| 5 | 30-Jan-08 | A | Living Room Security - Driftly Door |
| 5 | 30-Jan-08 | C | Bathroom Electrical Hazards - GFCI - on switch doesn't trip |
| 5 | 30-Jan-08 | C | Bedroom 2 Electrical Hazards - Switch outlet loose |
| 5 | 30-Jan-08 | C | Bedroom Electrical Hazards - Loose Outlet Left Wall |
| 5 | 30-Jan-08 | A | Bedroom 1 Wall Condition - closet doors need knobs |
| 6 | 23-Jan-08 | A | Bedroom 3 Wall Condition - closet doors need knobs |
| 6 | 23-Jan-08 | A | Building Exterior Condition of Stairs, Rails, and Porches - stair noses are worn and need replacing |
| 6 | 23-Jan-08 | A | Refrigerator - door seals torn |
| 6 | 23-Jan-08 | C | Bathroom Fixel Wash Basin or Lavatory in Unit - lavatory needs caulking, Tub or Shower in Unit - tub needs caulking |
| 6 | 23-Jan-08 | C | Bathroom Wall Condition - toilet paper holder & towel rack missing |
| 6 | 23-Jan-08 | C | General Health and Safety Evidence of Infestation - roaches |
| 6 | 23-Jan-08 | C | Kitchen Stove or Range with Oven - rear burner doesn't ignite |

Comment 5

| INSP NO. | INSPECTION DATE | STATUS | Condition |
|----------|-----------------|--------|--|
| 9 | 23-Jan-08 | E | Living Room Electrical Hazards - hot/neutral reversed |
| 7 | 01-Feb-08 | A | Kitchen Refrigerator - Top door seal |
| 7 | 01-Feb-08 | A | Open Base Wall Condition - Bundle of phone/speaker wires hanging |
| 7 | 01-Feb-08 | C | Bedroom 1 Security - Door jamb loose |
| 7 | 01-Feb-08 | C | Bedroom 1 Electrical Hazards - Outlet cover missing |
| 7 | 01-Feb-08 | C | Bedroom 3 - Outlet cover missing |
| 8 | 30-Jan-08 | A | General Health and Safety Interior Air Quality - Need dryer vent in laundry |
| 8 | 30-Jan-08 | A | Building Exterior Condition of Stairs, Rails, and Handrails - Need right handrail front steps (steps) |
| 8 | 30-Jan-08 | C | General Health and Safety Interior Stairs and Common Halls - Needs handrails both sides of stairs |
| 8 | 30-Jan-08 | C | Kitchen Electrical Hazards - Outlet loose in wall |
| 8 | 30-Jan-08 | C | Security - French doors dirty/need securing |
| 8 | 30-Jan-08 | E | Bedroom 1 Electrical Hazards - Open Ground |
| 8 | 30-Jan-08 | E | Entrance Halls Corridors Halls Staircases Elec Hazards - Electrical connections behind wooden door need to be placed in junction box and secured |
| 8 | 30-Jan-08 | E | Living Room Electrical Hazards - Hot/Neutral Reverse |
| 8 | 29-Jan-08 | A | All Secondary Rooms / Rooms not used for living Security - Basement door hinges need longer screws |
| 8 | 29-Jan-08 | A | General Health and Safety Interior Stairs and Common Halls - Basement handrails extend full length |
| 8 | 29-Jan-08 | A | Kitchen Security - Door needs weather stripping |
| 8 | 29-Jan-08 | F | Sense for Storage Preparation and Serving of Food - Knobs needed on cabinet doors under sink |
| 8 | 29-Jan-08 | F | Building Exterior Condition of Stairs, Rails, and Handrails - Post on rear handrail rusted off |
| 8 | 29-Jan-08 | C | Loose plug in hall |
| 8 | 29-Jan-08 | C | Living Room Electrical Hazard - outlets loose |
| 8 | 29-Jan-08 | E | Electrical Hazards - Knock outs missing in breaker box |
| 8 | 29-Jan-08 | E | Open ground outlet |
| 8 | 29-Jan-08 | E | Dining Area Electrical Hazard - hot/neutral reverse |
| 10 | 23-Jan-08 | C | Kitchen Security - double keyed dead bolt |
| 10 | 23-Jan-08 | E | Living Room Security - unable to unlock foyer door inside |
| 10 | 23-Jan-08 | E | All Secondary Rooms (Rooms not used for living) Electrical Hazards - knock out plug missing in round junction box |
| 10 | 23-Jan-08 | E | Two knock outs missing in square junction box above heater unit |
| 11 | 22-Jan-08 | C | Bathroom Electrical Hazards - GFCI doesn't trip |
| 11 | 22-Jan-08 | C | Fixed Wash Basin or Lavatory in Unit - wash basin needs attaching to wall |
| 11 | 22-Jan-08 | C | Flush Toilet in Endused Room in Unit - toilet base loose at floor |
| 12 | 22-Jan-08 | A | Window Condition - Drafty Window |
| 12 | 22-Jan-08 | A | Window Condition - Drafty Window |
| 12 | 22-Jan-08 | A | Window Condition - Drafty Window |
| 12 | 22-Jan-08 | A | Heating and Plumbing Water Heater - no pressure relief drain pipe |
| 12 | 22-Jan-08 | C | Window will Not Open |
| 12 | 22-Jan-08 | D | General Health and Safety Interior Stairs and Common Halls - no handrail to basement/lft stairs |
| 12 | 22-Jan-08 | E | Bathroom Electrical Hazards - GFCI Hot/Neutral Reverse |
| 12 | 22-Jan-08 | E | Bedroom 1 Electrical Hazards - Open Ground |
| 12 | 22-Jan-08 | E | Bedroom 2 Electrical Hazards - 1st Open Ground |
| 12 | 22-Jan-08 | E | Bedroom 2 Electrical Hazards - 2nd Open Ground |
| 12 | 22-Jan-08 | E | Dining Room Electrical Hazards - 1st Open Ground |
| 12 | 22-Jan-08 | E | Dining Room Electrical Hazards - 2nd Open Ground |
| 12 | 22-Jan-08 | E | Living Room Electrical Hazards - 1st Open Ground |
| 12 | 22-Jan-08 | E | Living Room Electrical Hazards - 2nd Open Ground |
| 13 | 31-Jan-08 | A | All Secondary Rooms (Rooms not used for living) Electrical Hazards - Secure junction box covers with screws |
| 13 | 31-Jan-08 | A | Kitchen Electricity - Cracked outlet cover |
| 13 | 31-Jan-08 | C | Ceramic collar missing on pull chain light |
| 13 | 31-Jan-08 | C | Floor Condition - Painted walkway coming loose |
| 13 | 31-Jan-08 | C | Handy box needs to be secured to wall |
| 13 | 31-Jan-08 | C | Window Condition - Window lock broken |

Comment 5

SAMPLE FROM THE OIG AUDIT

ATTACHMENT 1

| Item No. | Q/Status Date | Status | Condition |
|----------|---------------|--------|--|
| 13 | 21-Jan-08 | E | Bedroom 1 Electrical Hazards - Open Ground |
| 13 | 21-Jan-08 | E | Electrical Hazards - Open Ground |
| 13 | 21-Jan-08 | E | Exposed Romex connections behind junction box need to be made inside junction box |
| 13 | 21-Jan-08 | E | Knock out plugs missing on several junction boxes |
| 13 | 21-Jan-08 | E | Romex wires needs to be secured with cable connector at point of entry into junction box |
| 14 | 23-Jan-08 | A | Bedroom 1 Security - dead bolt |
| 14 | 23-Jan-08 | A | Bedroom 2 Window Condition - cracked glass |
| 14 | 23-Jan-08 | A | Kitchen Security - double keyed dead bolt rear door |
| 14 | 23-Jan-08 | A | Other Potentially Hazardous Features in these Rooms - Torn carpet on stairs - tripping hazard |
| 14 | 23-Jan-08 | A | Security - dead bolt on door |
| 14 | 23-Jan-08 | A | Timer box cover needs securing with screw or lock |
| 14 | 23-Jan-08 | C | Bathroom Window Condition - window doesn't open- no vent |
| 14 | 23-Jan-08 | C | Bedroom 3 Electrical Hazards - missing outlet cover |
| 14 | 23-Jan-08 | C | Ceramic collar missing on ceiling light |
| 14 | 23-Jan-08 | C | Oil burner flue pipe has a small hole and is rusty. |
| 14 | 23-Jan-08 | E | All Secondary Rooms (rooms not used for living) Electrical Hazards - Knock out plug |
| 14 | 23-Jan-08 | E | Living Room Electrical Hazards - hydrothermal reversed |
| 14 | 23-Jan-08 | A | Refrigerator - torn door seal |
| 14 | 23-Jan-08 | A | Security - Plunger missing on lock set |
| 14 | 23-Jan-08 | A | Security - Dirty Door - Sweep needs replacing |
| 14 | 23-Jan-08 | C | Bathroom Electrical Hazards - light fixture loose |
| 14 | 23-Jan-08 | C | Bedroom 2 Electrical Hazards - Outlets loose in wall |
| 14 | 23-Jan-08 | C | Bedroom 3 Electrical Hazards - Outlets loose" |
| 14 | 23-Jan-08 | C | Entrance Halls, Corridors, Halls, Staircases Wall Condition - Deteriorated sheetrock from water leak |
| 14 | 23-Jan-08 | C | Floor Condition - Soft sub floor in bath |
| 14 | 23-Jan-08 | C | Kitchen Wall Condition - Deteriorated baseboard and |
| 14 | 23-Jan-08 | C | Living Room Electrical Hazards - Outlets loose in wall boxes |
| 14 | 23-Jan-08 | C | Sheetrock |
| 14 | 23-Jan-08 | C | Stove or Range with Oven - no handle on oven door |
| 14 | 23-Jan-08 | C | Wall Condition - Cracked peeling paint |
| 14 | 23-Jan-08 | C | Bedroom 1 Security - TV cables across door |
| 14 | 23-Jan-08 | C | Bedroom 1 Security - TV cables across door |
| 14 | 23-Jan-08 | C | Building Exterior Condition of Stairs, Rails, and Porches - Left Handrail front steps (5 steps) |
| 14 | 23-Jan-08 | A | Security - Sticker plate missing |
| 14 | 23-Jan-08 | A | Wall Condition - Bl-fold doors need painting/knob/adjustment |
| 14 | 23-Jan-08 | E | Bedroom 1 Electrical Hazards - Light switch loose/Open Ground |
| 14 | 23-Jan-08 | E | Bedroom 2 Electrical Hazards - Open ground |
| 14 | 23-Jan-08 | E | Bedroom 2 Electrical Hazards - Open ground |
| 14 | 23-Jan-08 | E | Living Room Electrical Hazards - Open Ground |
| 14 | 23-Jan-08 | A | All Secondary Rooms (Rooms not used for living) Security - drafty windows |
| 14 | 23-Jan-08 | A | All Secondary Rooms (Rooms not used for living) Security - drafty windows |
| 14 | 23-Jan-08 | A | Bedroom 1 Window Condition - drafty windows |
| 14 | 23-Jan-08 | A | Bedroom 2 Window Condition - drafty windows |
| 14 | 23-Jan-08 | A | Building Exterior Condition of Stairs, Rails, and Porches - handrail front steps |
| 14 | 23-Jan-08 | A | Drafty window |
| 14 | 23-Jan-08 | A | General Health and Safety Access to Unit - front handrail" |
| 14 | 23-Jan-08 | A | Kitchen Security - drafty door |
| 14 | 23-Jan-08 | A | Living Room Window Condition - drafty windows |
| 14 | 23-Jan-08 | A | Window Condition - drafty window |
| 14 | 23-Jan-08 | C | Breaker box not anchored to wall |

Comment 5

SAMPLE FROM THE OIG AUDIT

ATTACHMENT 1

| INSP NO | OIG Insp#/Date | STATUS | Condition |
|---------|----------------|--------|--|
| 17 | 22-Jan-08 | C | Electrical Hazards - no smoke detector in basement |
| 17 | 22-Jan-08 | C | No cover on junction box (handy box) |
| 17 | 22-Jan-08 | C | Outlet loose hanging from ceiling with open ground |
| 17 | 22-Jan-08 | C | Tub or Shower in Unit - loose faucet |
| 17 | 22-Jan-08 | E | Bathroom Electrical Hazards - open circuit |
| 17 | 22-Jan-08 | E | Knock out plug missing in ceiling box |
| 18 | 30-Jan-08 | A | Building Exterior Condition of Stairs, Rails, and Porches - need right handrail from steps |
| 18 | 30-Jan-08 | A | General Health and Safety Interior Stairs and Common Halls - need handrails both sides of stairs. |
| 18 | 30-Jan-08 | A | Living Room Security - french door dirty |
| 18 | 30-Jan-08 | C | Bathroom Ventilation - vent fan does not run |
| 18 | 30-Jan-08 | E | Kitchen - open ground |
| 19 | 28-Jan-08 | A | Bathroom Electrical Hazard - globe missing on light |
| 19 | 28-Jan-08 | A | Building Exterior Conditions of Stairs, Rails, and Porches - back steps need handrail right side |
| 19 | 28-Jan-08 | A | Living Room Security - dirty door/knob loose |
| 19 | 28-Jan-08 | C | Basement Electrical Hazard - breaker panel has loose/missing screws |
| 19 | 28-Jan-08 | C | Bedroom 2 Ceiling Condition - damper broken |
| 19 | 28-Jan-08 | C | Bedroom Ceiling Condition - sky light damper needs rope anchor |
| 19 | 28-Jan-08 | C | Bedroom Electrical Hazard - top 1/2 of RR plug does not work |
| 19 | 28-Jan-08 | C | General Health and Safety Fire Exits - tripping hazard back door |
| 20 | 31-Jan-08 | A | Bedroom Security - exterior lock on bedroom door |
| 20 | 31-Jan-08 | A | Entrance Halls Wall Condition - breaker box needs firming around |
| 20 | 31-Jan-08 | A | General Health and Safety Interior Stairs and Common Halls - need handrail on left side of stairs. |
| 20 | 31-Jan-08 | C | Bathroom Window Condition - window does not close |
| 20 | 31-Jan-08 | C | Entrance Halls Electrical Hazard - outlet cover missing |
| 20 | 31-Jan-08 | C | Living Room Window Condition - front window sash broken |
| 20 | 31-Jan-08 | E | Bathroom Electrical Hazard - open ground/GFCI doesn't trip |
| 20 | 31-Jan-08 | E | Kitchen Electrical Hazard - open ground |
| 21 | 24-Jan-08 | A | Basement Electrical Hazard - disconnected box needs lock or screw to secure cover |
| 21 | 24-Jan-08 | A | Bedroom 2 Wall Condition - Bi-fold door needs pivot pin |
| 21 | 24-Jan-08 | A | Entrance Hall Ceiling Condition - spotted ceiling from leak in roof |
| 21 | 24-Jan-08 | A | General Health and Safety Fire Exits - keyed dead bolt on rear door |
| 21 | 24-Jan-08 | A | Kitchen Security - keyed dead bolt on door |
| 21 | 24-Jan-08 | A | Living Room Security - front door needs weather stripping |
| 21 | 24-Jan-08 | A | All Secondary Rooms Security - keyed dead bolt on exit door |
| 21 | 24-Jan-08 | C | Basement Bathroom Security - door knob needed on bathroom door in basement. |
| 21 | 24-Jan-08 | C | Building Exterior Condition of Stairs, Rails, and Porches - post on rails rusted off - front |
| 21 | 24-Jan-08 | E | Bathroom Electrical Hazard - open neutral |
| 21 | 24-Jan-08 | E | Bedroom Electrical Hazard - open neutral |
| 21 | 24-Jan-08 | E | Hot neutral reverse |
| 21 | 24-Jan-08 | E | Knock out needs a knock out seals |
| 21 | 24-Jan-08 | E | Living Room Electrical Hazard - open ground |
| 22 | 25-Jan-08 | A | Bedroom Window Condition - dirty window |
| 22 | 25-Jan-08 | A | Entrance Hall Wall Condition - need nail on closet door & pivot pin |
| 22 | 25-Jan-08 | C | Bathroom Electrical Hazard - light needs anchoring-wall/no globe |
| 22 | 25-Jan-08 | C | Bathroom Security - door has hole in lower right side |
| 22 | 25-Jan-08 | C | General Health and Safety Interior Stairs and Common Halls - nose on top tread is buckled. |
| 22 | 25-Jan-08 | C | Kitchen Wall Condition - vent above stove needs damper dirty |
| 22 | 25-Jan-08 | C | Living Room Electrical Hazard - outlet boxes loose in wall |
| 22 | 25-Jan-08 | C | Living Room Security - need lock on patio door |
| 22 | 25-Jan-08 | E | Entrance Hall Electrical Hazard - 3 way switch does not work properly |

Comment 5

SAMPLE FROM THE OIG AUDIT

ATTACHMENT 1

| Insp NO. | OIG Insp Date | STATUS | Condition |
|----------|---------------|--------|--|
| 23 | 25-Jan-08 | A | All Secondary Rooms Other Potentially Hazardous Features in these Rooms - laundry faucet needs anchoring |
| 23 | 25-Jan-08 | A | Basement Electrical Hazard - sewer needed in junction box to secure cover |
| 23 | 25-Jan-08 | A | Bedroom Security - door knob busted out of door |
| 23 | 25-Jan-08 | A | General Health and Safety Fire Exits - keyed dead bolt on front and rear doors |
| 23 | 25-Jan-08 | A | Heating and Plumbing Safety of Heating Equipment - AC disconnect switch needs replacing rusty box and cover not secure |
| 23 | 25-Jan-08 | A | Living Room Security - keyed dead bolt |
| 23 | 25-Jan-08 | A | Kitchen Security - keyed dead bolt |
| 23 | 25-Jan-08 | C | Crack in laundry sink leaking |
| 23 | 25-Jan-08 | C | Hot water heater burner cover missing |
| 23 | 25-Jan-08 | C | Laundry door needs replacing between family room and laundry area of basement |
| 23 | 25-Jan-08 | C | Washer needs grounded outlet away from laundry faucet |
| 24 | 23-Jan-08 | A | All Secondary Rooms Security - basement door drags want close |
| 24 | 23-Jan-08 | C | Bathroom Ventilation - no ventilation in bath broken window |
| 24 | 23-Jan-08 | C | Bathroom Window Condition - window does not stay up |
| 24 | 23-Jan-08 | C | Kitchen Stove or Range with Oven - burners do not work, no handle |
| 24 | 23-Jan-08 | C | Kitchen Stove or Range with Oven - door broken |
| 24 | 23-Jan-08 | C | Kitchen Window Condition - lock broken |
| 24 | 23-Jan-08 | E | All Secondary Rooms Electrical Hazard - knock out plug missing in junction box |
| 24 | 23-Jan-08 | E | All Secondary Rooms Other Potentially Hazardous Feature in these Rooms - press relief drain improper installed |
| 25 | 1/31/2008 | A | Bathroom Electricity - cover missing on ceiling light |
| 25 | 1/31/2008 | A | Bathroom Security - door drags hard to close |
| 25 | 1/31/2008 | A | Bedroom Security - busted door/dead bolt on door |
| 25 | 1/31/2008 | A | Bedroom Security - rusty sub/dripped |
| 25 | 1/31/2008 | C | Bathroom Ceiling Condition - rough uneven |
| 25 | 1/31/2008 | C | Bathroom Fixed Wash Basin or Lavatory in Unit - shut-off valve knob missing |
| 25 | 1/31/2008 | C | Bathroom Tub or Shower in Unit - Dripping stems |
| 25 | 1/31/2008 | C | General Health and Safety Evidence of Infestation - mice/roaches |
| 25 | 1/31/2008 | C | Kitchen Electrical Hazard - GFCI does not trip |
| 25 | 1/31/2008 | E | General Health and Safety Site and Neighborhood Conditions - knock-out plug |

- CODES:
- A Non HQS Items
 - B Not Listed as FAIL on OIG Inspection Form
 - C Cannot be verified to have existed at the time of the last HABC inspection
 - D Non-Unit Item
 - E Items which probably were in current status at the time of the last HABC inspection

Comment 5

ATTACHMENT 2

Items listed on previous inspections as fail then pass but in fail status as of OIG Audit

| Inspection No. | OIG Insp Date | Condition | Comments |
|----------------|---------------|--|--|
| 4 | 1/23/2008 | Exposed wire with nut sticking out of conduit | Not on previous inspection report |
| 6 | 1/23/2008 | Roaches | On previous report - recurring problem |
| 9 | 1/29/2008 | Living room outlet loose | Not on previous inspection report |
| 9 | 1/29/2008 | Dining Room hot/neutral reverse | Not on previous inspection report |
| 10 | 1/23/2008 | Unable to lock foyer door inside | Not on previous inspection report |
| 23 | 1/25/2008 | Living Room - plug loose | Not on previous inspection report |
| 23 | 1/29/2008 | Kitchen refrigerator seal torn | Not on previous inspection report |
| 23 | 1/25/2008 | Bathroom window does not stay up | Not on previous inspection report |
| 23 | 1/25/2008 | Bathroom tub or shower unit - dripping faucet/mold | Not on previous inspection report |
| 23 | 1/25/2008 | Interior stairs - screws pulled out on center handrail support | Not on previous inspection report |

Comment 19

OIG Evaluation of Auditee Comments

- Comment 1** We disagree with the Authority's statement that a comprehensive review of the items raised during the audit was not possible due to time constraints imposed by our office. During the audit we provided the Authority with all inspections results, photographs, and narratives describing our audit results. Authority officials accompanied us when we performed the inspections and we discussed our findings with the Authority on several occasions during the audit. We provided the Authority our draft audit report on July 23, 2008, and we ultimately granted it five weeks to provide its written response. We discussed our draft audit report with the Authority's executive director and his staff at an exit conference on August 13, 2008. At the Authority's request, we agreed to make an exception to our established policy and granted it an extra week extension on the due date for its written comments until August 29, 2008.
- Comment 2** The overarching conclusions of this audit are accurate as the audit was performed in accordance with generally accepted government auditing standards. We are encouraged however that later in its response to this audit report the Authority does in fact state that it is now investigating the availability of tools and systems to enhance its inspection system and to provide better records and reports, allowing for greater levels of analysis and identification of areas requiring remediation and providing property owners with clear and complete information on the outcomes of inspections and any actions required on their part. As shown by the audit these enhancements are needed because the Authority failed to report numerous housing quality standards violations. The Authority's own quality control inspection results provided compelling evidence to support this conclusion. We reviewed a sample of 68 quality control inspections performed by the Authority between September 1 and December 31, 2007. Of the 68 inspections we reviewed, the Authority's original inspection reports showed that 54 units passed (79 percent) and 14 units failed (21 percent); whereas, the Authority's followup quality control inspection reports showed that only 14 units passed (21 percent) and 54 units failed (79 percent). Regrettably, the Authority did not use its followup quality control inspections to provide its 17 inspectors feedback on their work or to identify training issues that they needed to address. Such dramatic differences in inspection results further illustrate how the Authority can improve its housing quality standards inspections.
- Comment 3** The Authority's frustration with HUD procedures and forms is noted. However, the Authority should report its specific concerns regarding alleged deficiencies and its suggested changes in the procedures and forms to responsible HUD program officials for approval. We also do not believe that the Authority's perceived problems with HUD procedures and forms are the major reasons why it has failed to substantially comply with HUD's housing quality standards. We have in fact found similar problems and challenges at other authorities to varying degrees. Authorities do have similar challenges which they are all striving to overcome. It is important to note that in virtually every audit where we have identified similar problems, the responsible officials have agreed to take steps

needed to improve their programs. Lastly, there is no evidence to suggest that the process improvements implemented as a result of our audits have in any way reduced program participation as implied by the Authority. Rather these process improvements have helped merely ensure program participants live in decent, safe, and sanitary housing.

Comment 4 Although we understand the many challenges the Authority faces with making suitable housing available due to its aging housing stock, this condition should not allow for the Authority to haphazardly pass units that may not be decent, safe, and sanitary. Further, there is no evidence to suggest that the process improvements implemented as a result of our audits have in any way reduced program participation as implied by the Authority. Rather these process improvements have simply helped ensure program participants live in decent, safe, and sanitary housing.

Comment 5 While we applaud the Authority for reexamining these violations, we believe it did not adequately categorize the conditions at each of the specific units that we determined were in material noncompliance. The Authority asserts that of the 229 preexisting violations it reviewed for its purpose of contesting our audit, only 54 (24 percent) are true and accurate violations that existed at the time of its last inspection. We reviewed the contested violations again and did note that 16 of the 175 violations should not have been included. We have adjusted the report to correct this discrepancy. However, we also noticed that many of the violations contested by the Authority represented the same items which caused the units to fail in its own quality control inspections. For example, the Authority suggests that items such as defective treads, defective windows and locks, open ground outlets, missing handles on stoves, lack of handrails, etc., are not housing quality standards violations but these items did in fact cause it to fail units in its most recent quality control inspections. The Authority chose to categorize its various objections to individual violations in broad terms which we have evaluated and addressed in comments 6 through 12.

Comment 6 We performed our inspections accurately and appropriately applied HUD's housing quality standards. In no instance did we apply a higher standard than is required by HUD's housing quality standards. As such, the number of items we identified as violations is not overstated. As we discussed in comment 2, the Authority's own quality control inspection results provided further evidence to corroborate our audit conclusions.

Comment 7 We disagree with the Authority's contention that second handrails are never required because 24 CFR [*Code of Federal Regulations*] 982.401(g)(2)(iv) requires that the condition and equipment of interior stairs must not present a danger to tripping or falling. Additionally, section 10.3 of HUD's Housing Choice Voucher Guidebook, 7420.10G states that handrails are required when four or more steps (risers) are present when porches, balconies, and stoops are 30 inches off the ground. In the situations the audit cited as violations, health and safety hazards existed because the items noted met the aforementioned conditions.

Further, the Authority's own inspectors failed units because of a missing second handrail. For example in one inspection, the inspector's report required that the landlord of the property "add a handrail to the other side of the wall leading to the basement."

Comment 8 We disagree with the Authority's contention that the cracked window panes we reported are not housing quality standards violations. In consultation with our housing inspector, we used auditor judgment and concluded that the cracked window panes we reported as violations during our audit were in fact severe enough to be a threat to the health and safety of tenants. Further, in previous inspection reports the Authority's own inspectors also noted cracked window panes as violations causing units to fail housing quality standards.

Comment 9 In order to be as conservative as possible in our estimate we removed interior doors that had problems such as broken door knobs on closets, and loose knobs that may not have necessarily been a threat to the health and safety of the tenants.

Comment 10 The Authority's reply did not adequately describe the conditions of the specific refrigerators to which it is referring. However, when we determined that a specific refrigerator door seal was substantially cracked and deteriorated we reasonably concluded the refrigerator was unable to maintain the proper interior temperature. HUD's Housing Choice Voucher Guidebook, 7420.10G, section 10.3, states that the refrigerator must be of adequate size for the family and capable of maintaining a temperature low enough to keep food from spoiling. The guidebook includes the following example for clarification:

What temperature must a refrigerator maintain to keep food from spoiling?

- Above 32° F, but generally below 40° F.
- Consider how often the refrigerator will be opened. Proper temperatures are difficult to maintain if the refrigerator is frequently opened during warm weather, door seals are removed or broken, or the door sits open.

Comment 11 We disagree with the Authority's contention because housing quality standards at 24 CFR 982.401(k) require that a building must provide an alternate means of exit in case of fire (such as fire stairs or egress through windows). Double-keyed locks are housing quality standards violations because regulations at 24 CFR 982.404(A)(3) require that if a defect is life-threatening the owner must correct the defect. Double keyed locks present life-threatening issues for the tenant because they impeded egress from the unit or building.

Comment 12 We disagree with the Authority's contention because the non-unit items violations we reported were located in areas such as a community laundry room, on the building of an apartment, and the basement of the building in which a unit was

located. Regulations at 24 CFR 982 require that the building the unit is in must be structurally sound and the neighborhood must be reasonably free from dangers to the health, safety, and general welfare of the occupants. Since the items we reported are located in the site and close proximity of the unit, the items could cause danger to the health, safety and general welfare of the occupants.

Comment 13 We understand that housing quality standards violations may occur after the last annual inspection conducted by the Authority, but federal regulations require that all program housing must meet housing quality standards performance requirements at commencement of assisted occupancy and throughout the assisted tenancy. Therefore, we reported all violations identified at the time of our inspection so that the Authority could ensure they were corrected. 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.

Comment 14 At the request of the National Leased Housing Association, the Philadelphia Regional Inspector General for Audit was a guest speaker at its conference held in Washington, DC, in April 2008. In his 20-minute presentation he provided a broad overview of the mission and functions of the Office of the Inspector General – Office of Audit, and briefly highlighted some recent audits performed of various HUD programs to include the Housing Choice Voucher program. He did conduct a brief question and answer session after his presentation but we are unaware of the specific questions which the Authority is referring to in its reply. We are also unaware of how the Authority employee attending the conference could obtain these incorrect perceptions from this presentation.

Comment 15 Our inspector who performed the inspections has over 33 years of experience in appraising residential and commercial properties. The inspector is a Licensed Certified General Real Estate Appraiser and maintains an Appraisal Designation from the National Association of Master Appraisers. To ensure consistency, the inspector did in fact receive "on-the-job" training from another experienced appraiser throughout the audit who has been performing housing quality standards inspections since 1994. Lastly, the overall results of the audit were not solely based on the inspector's professional judgment. Rather, the audit results were analyzed in-depth by the audit team members who have been formally trained in HUD program areas to include the Housing Choice Voucher program and from another appraiser. In addition, the audit team members solicited information from HUD program officials in obtaining their agreement on the results of the housing quality standards inspections. We appropriately applied HUD's housing quality standards in the same manner as we have done in audits throughout the country. In no instances did we apply a higher standard than is required by HUD's housing quality standards.

Comment 16 We are unsure of why the Authority's staff would have no recollection of us questioning tenants as it is naturally a routine part of our inspection process. As

documented in our audit workpapers and as we explained during the audit, 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 housing inspector questioned the tenants about the violations identified during the inspections in order to determine whether the violations were preexisting or not. Our 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.

Comment 17 We reviewed the reports for accuracy and found that four were not marked failed, but were in fact marked "inconclusive" thus the total number of violations in this report was reduced by four.

Comment 18 We disagree with the Authority's assertion that the electrical violations are at best inconclusive. We also disagree with the Authority's assertion that the open 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. 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. Although we understand the challenges the Authority faces with making suitable housing available due to its aging housing stock, this condition should not allow for the Authority to haphazardly pass units that may not be decent, safe, and sanitary. The Authority suggests that many of the electrical items listed were found in areas of the units that were inaccessible, and in many cases hidden from view. However, the majority of the electrical issues were found in common areas such as living rooms, dining rooms, bedrooms and other rooms frequently occupied by tenants. Furthermore, during the Authority's most recent inspections performed in 2007, its quality control inspector noted housing quality standards violations such as outlets with open grounds, hot/neutral ground, and open neutral. These violations were found in bedrooms and other rooms of the units. The Authority's inspector failed the units because of the electrical violations. Thus, it is unclear why the Authority would now disagree with some of the exact violations found by its own inspector.

Comment 19 We disagree with the Authority's assertion. We went back and again reviewed the inspection reports of the 5 of the 15 units noted in the audit report as having violations that were noted on the Authority's previous inspection report, and the Authority later passed the units even though the violations had not been corrected. We found that our analysis was correct.

- Comment 20** 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. HUD compensates the Authority for the cost of administering the program through administrative fees. In accordance with 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. We determined that calculating the offset or reduction amount on a per-unit basis was reasonable.
- Comment 21** While improvement in guidance and forms is always possible and should be encouraged, we disagree with the Authority's assertion that housing quality standards guidance and forms are sorely lacking making uniform enforcement of those standards problematic. While it is true that our inspector used form HUD-52580 A when performing the inspections, we also used the performance and acceptability criteria laid forth within 24 CFR 982. While the Authority contests that inspection form HUD-52580 A would not lead one to identify many of the violations found by our inspector, audit results showed that the Authority's own quality control inspector used form HUD-52580 A during its own inspections and identified similar violations. We did not base audit results solely on guidance provided through HUD's Housing Choice Voucher Guidebook. We relied on the federal regulations and guidelines laid forth in 24 CFR 982.
- Comment 22** We are encouraged that the Authority will be notifying the landlords of the materially failed units and that they are expected to maintain their units at housing quality standards at all times.
- Comment 23** Based on the Authority's comments, we recalculated the abatement amounts and the audit results showed that the Authority did not always follow its own procedures regarding abatement of housing assistance payments. However, due to the relatively low dollar value of the discrepancies we removed the finding from this report and are reporting the issue in a letter of minor finding addressed to the Authority.