



Issue Date May 14, 2008
Audit Report Number 2008-AT-0003

TO: Milan Ozdinec, Deputy Assistant Secretary for Public Housing and Voucher Programs, PE

*James D. McKay*  
FROM: James D. McKay  
Regional Inspector General for Audit, 4AGA

SUBJECT: HUD Lacked Adequate Controls over the Physical Condition of Section 8 Voucher Program Housing Stock

## **HIGHLIGHTS**

### **What We Audited and Why**

As part of the U.S. Department of Housing and Urban Development (HUD), Office of the Inspector General's (OIG) strategic plan, we audited HUD's controls over the physical condition of Section 8 housing stock for the Housing Choice Voucher program. Our audit objective was to determine whether HUD had adequate controls to ensure that its Section 8 housing stock was in material compliance with housing quality standards.

### **What We Found**

HUD did not have adequate controls to ensure that its Section 8 housing stock was in material compliance with housing quality standards. This condition occurred because HUD had not fully implemented its Section 8 Management Assessment Program. As a result, it could not ensure that the primary mission of the Section 8 program, paying rental subsidies so that eligible families can afford

decent, safe, and sanitary housing, was met. In addition, HUD's lack of knowledge regarding the condition of its Section 8 housing stock resulted in inflated performance ratings for public housing agencies administering the program. Consequently, HUD routinely rated some agencies as being high performers when a significant percentage<sup>1</sup> of the units they administered were in material noncompliance<sup>2</sup> with housing quality standards.

HUD was revising its Section 8 regulations. These revisions included developing a physical inspection system to help ensure that HUD's Section 8 housing stock is in material compliance with housing quality standards.

### **What We Recommend**

We recommend that HUD continue with the planned revision of its Section 8 program regulations and complete departmental clearance of the proposed revisions by the end of fiscal year 2008. We also recommend that HUD implement the proposed changes within three years of the issuance of this report.

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

### **Auditee's Response**

We discussed the findings with HUD officials during the audit. We provided a copy of the draft report to HUD officials on April 03, 2008, for their comments and discussed the report with the officials at the exit conference on April 16, 2008. HUD provided its written comments to our draft report on April 24, 2008.

HUD generally agreed with the finding and recommendations. The complete text of HUD's response, along with our evaluation of that response, can be found in appendix C of this report.

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<sup>1</sup> We defined "significant" as at least 33 percent of the inspected units being in material noncompliance with housing quality standards.

<sup>2</sup> Units were deemed to be in material noncompliance with housing quality standards because of the overall poor condition of the unit, and/or one of the fail conditions was a 24 hour-emergency deficiency, and/or one of the fail conditions was a preexisting condition that either was not identified or not reported at the time of the Agency's last inspection, and/or the unit had inadequate repairs.

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## BACKGROUND AND OBJECTIVES

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Through the Housing Choice Voucher program, the U.S. Department of Housing and Urban Development (HUD) pays rental subsidies so that eligible families can afford decent, safe, and sanitary housing. For housing to be considered decent, safe, and sanitary, it must meet the housing quality standards established by HUD.<sup>3</sup> The program is generally administered by state or local governmental entities called public housing agencies.

Through an annual contributions contract, HUD agrees to make payments to the agency for housing assistance to housing providers. HUD also pays the agency an administrative fee for administering the program. In turn, the agency agrees to administer the program in accordance with HUD regulations and other requirements established by HUD.

HUD expends nearly half of its fiscal year budget on its Section 8 voucher program. For example, in fiscal year 2007, HUD paid almost \$16 billion (47 percent) of its \$33.5 billion budget for tenant-based rental assistance. These funds helped provide housing for about two million eligible low-to-moderate-income families.

HUD measures the performance of the public housing agencies that administer the Housing Choice Voucher program through its Section 8 Management Assessment Program, which scores the agencies in 14 key areas or indicators. These performance indicators show whether public housing agencies help eligible families afford decent rental units at a reasonable subsidy cost as intended by federal housing legislation. An agency must submit the HUD-required Section 8 Management Assessment Program self-certification form within 60 calendar days after the end of its fiscal year. HUD annually assigns each public housing agency a rating for each indicator and an overall performance rating of high, standard, or troubled.

As part of HUD's 2005 and 2006 fiscal year budgets, Congress mandated that the Office of Inspector General (OIG) perform additional audits and investigations of HUD's Section 8 voucher program. House Reports 108-674 and 109-153 read in part, "The Committee directs the [O]IG to increase its audits and investigative efforts related to Public Housing Agencies' administration of the Section 8 voucher program." As a result of this congressional mandate, OIG developed a work plan whereby additional resources would be dedicated to performing the requested audits. In particular, the work plan specified that audit objectives for fiscal years 2005 and 2006 would include determining whether housing authorities ensured that housing units were decent, safe, and sanitary. During the past three fiscal years, OIG performed 47 such audits and found that a significant percentage of Section 8 housing stock administered by the agencies was in material noncompliance with housing quality standards.

As a result of the audits of the agencies, we conducted a review of HUD's management controls over the physical condition of its Section 8 housing stock. The objective of the review was to

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<sup>3</sup> Regulations at 24 CFR (*Code of Federal Regulations*) 982.401 require that all program housing meet the housing quality standards performance requirements both at commencement of the assisted occupancy and throughout the assisted tenancy.

determine whether HUD had adequate management controls in place to ensure that its Section 8 housing stock was in material compliance with housing quality standards.

## RESULTS OF AUDIT

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### Finding 1: HUD Lacked Adequate Controls over the Physical Condition of Its Section 8 Housing Stock

HUD did not have sufficient internal controls to ensure that its Section 8 housing stock was in material compliance with housing quality standards. This condition occurred because HUD had not fully implemented the Section 8 Management Assessment Program. As a result, it potentially spent billions of dollars to assist thousands of eligible families in paying for housing that was not decent, safe, and sanitary. In addition, HUD's lack of knowledge regarding the condition of its Section 8 housing stock resulted in inflated performance ratings for public housing agencies administering the program. HUD routinely rated some agencies as being high performers when a significant percentage of their units were not in material compliance with housing quality standards.

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#### **HUD had not Implemented Planned Controls**

The effective date of HUD's final rule establishing the Section 8 Management Assessment Program was October 13, 1998. HUD modeled the Section 8 Management Assessment Program procedures on the Public Housing Assessment System performance indicators for evaluating housing authorities administering public housing. In the implementing regulations, HUD noted that the Public Housing Assessment System performance indicators placed substantial weight on a physical assessment component. Realizing the importance of such a control component, the published final rule reads in part, "Although this SEMAP [Section 8 Management Assessment Program] final rule does not include a physical assessment component, it is HUD's intention to develop a physical inspection system for Section 8 tenant-based assistance once the Department and the industry have gained experience with the new PHAS [Public Housing Assessment System] system."

It had been more than nine years since the establishment of the Section 8 Management Assessment Program, and HUD staff and management agreed that there was not yet a requirement for HUD to perform housing quality standards inspections as part of its monitoring efforts. HUD staff and management speculated that such a system had not been developed and implemented due to a lack of funding and/or staffing.

## **A Significant Percentage of Section 8 Housing Did Not Meet Standards**

Our housing quality standards audits of public housing agencies administering the Section 8 program consistently showed that a high percentage of the housing stock they administered did not meet minimum standards. Of the 47 audits we performed over the past three fiscal years, 14 were performed during fiscal year 2007. For these 14 audits, we inspected a total of 726 Section 8 units and found that 362, or about 50 percent, were in material noncompliance with housing quality standards. For only these 14 agencies, we estimated that if systems were not improved to ensure that units met housing quality standards, HUD would spend a minimum of \$38.5 million the following year for units that were in material noncompliance.

Since these audits did not comprise a statistical sample of the housing stock nationwide, we could not accurately estimate how much HUD annually expended for housing in material noncompliance with housing quality standards. However, the audit results showed that much of the Section 8 assistance provided by the housing agencies we audited had gone toward helping families pay for housing that was not decent, safe, and sanitary (see appendix A for summaries of the housing quality standards audits issued in fiscal year 2007).

## **HUD Rated Some Agencies Too High**

While we informed HUD regarding Section 8 housing quality deficiencies for the housing agencies we audited, HUD was otherwise generally uninformed regarding housing quality either at specific agencies or nationwide. This condition was largely due to the lack of a requirement for HUD to perform housing quality inspections as part of the annual assessment of agencies' overall administration of the program. HUD's monitoring efforts focused on assessing agencies' compliance with documentation/calculation requirements, while generally not assessing the physical condition of the Section 8 units. The lack of a physical inspection requirement resulted in unreliable performance ratings for public housing agencies administering the program. HUD routinely rated agencies as high performers, while our audits showed that a significant percentage of the Section 8 units they administered were in material noncompliance with housing quality standards.

Regulations at 24 CFR (*Code of Federal Regulations*) 985.3 detail the method by which HUD must review each public housing agency that administers the Section 8 program. HUD uses a series of 14 program indicators to assess each public

housing agency's compliance with Section 8 program requirements. Each indicator has a set of criteria by which HUD assesses the public housing agencies' compliance with HUD requirements and a corresponding verification method that HUD must use. There are four Section 8 Management Assessment Program indicators that relate to housing quality standards:

- Indicator 5 – housing quality standards quality control,
- Indicator 6 – housing quality standards enforcement,
- Indicator 11 – precontract housing quality standards inspections, and
- Indicator 12 – annual housing quality standards inspections.

The verification methods used to determine the accuracy of the indicators related to housing quality standards did not require physically inspecting an agency's Section 8 housing. Instead, HUD relied on systems data, independent public accountant reports, public housing agency self certifications, or a review of files if an on-site confirmatory review was performed.

We visited three HUD field offices during the audit and found that they varied greatly with respect to performing Section 8 housing quality standards inspections. One office did not perform such inspections as part of its on-site Section 8 Management Assessment Program reviews, while another claimed to perform housing quality standards inspections during all of its on-site reviews. Yet another claimed to perform inspections but not during every one of its on-site reviews. Even when housing quality standards inspections were performed during on-site reviews, the units selected for inspection were not identified statistically. Thus, the results of the inspections could not be projected to the universe of units the agency administered and were not necessarily representative of the selected agencies' housing stock. The lack of a HUD-wide policy for verification of housing quality resulted in both inconsistent inspection efforts by field offices and questionable overall performance ratings for housing agencies.

For the 14 Section 8 housing quality standards audits we issued in fiscal year 2007, HUD clearly overrated five of the housing agencies audited. HUD rated these agencies as high performers, although from 49 percent to 95 percent of their units were in material noncompliance with housing quality standards (see table in appendix B).

### **HUD Planned Improvements**

HUD was revising the Section 8 Management Assessment Program regulations, 24 CFR Part 985, as well as the regulations regarding housing quality standards performance and acceptability requirements, 24 CFR 982.401.

HUD's stated intent was to move away from public housing agencies self-



certifying their administration of the Section 8 program and to rely more heavily on on-site documentation reviews and housing quality standards inspections to determine an agency's compliance with HUD requirements.

## Summary

Because HUD did not have adequate controls over the physical condition of its Section 8 housing stock, it could not ensure that the mission of paying rental subsidies so that eligible families can afford decent, safe, and sanitary housing was met. In fiscal years 2005 through 2007, OIG performed 47 audits of agencies that administered HUD's Section 8 program and found that a significant percentage of the units were in material noncompliance with housing quality standards. Further, HUD routinely rated housing authorities as Section 8 Management Assessment Program high performers, while a significant percentage of the units were in material noncompliance with housing quality standards.

We support HUD's efforts to revise the Section 8 regulations to require verification of housing quality for Section 8 vouchers administered by public housing agencies. Our report recommendations are based on HUD's plans, and we believe their implementation will represent a substantial improvement in internal controls over the physical condition of the Section 8 housing stock. Improved internal controls will better ensure that in the future, HUD pays rental subsidies on behalf of eligible families to assist them in affording decent, safe, and sanitary housing.

## Recommendations

We recommend that you

- 1A. Complete the departmental clearance process of the proposed revised Section 8 regulations by the end of fiscal year 2008.
- 1B. Allow the proposed revisions to Section 8 Management Assessment Program and housing quality standards to go through the proper process and carefully consider all questions and comments made by the affected parties (HUD Office of Public and Indian Housing staff, tenants, landlords, Real Estate Assessment Center, HUD OIG, etc.) before publishing the final rule.
- 1C. Fully develop and implement a physical inspection system for the tenant-based Housing Choice Voucher program within three years of the issue date of this report.

## SCOPE AND METHODOLOGY

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Our audit objective was to determine whether HUD had management controls to ensure that its Section 8 housing stock was in material compliance with housing quality standards. To accomplish our objective, we

- Reviewed applicable laws, regulations, and other HUD program requirements, including applicable sections of the *Code of Federal Regulations*, HUD's Housing Choice Voucher Guidebook (7420), and notices.
- Interviewed HUD headquarters and field management and staff.
- Reviewed agency monitoring documentation, program budget figures, and Office of Public and Indian Housing annual management plans (agency-wide and in the field).

We conducted our audit from October 2007 through February 2008 at both the headquarters and field level. Our audit period was from October 1, 2005, through September 30, 2007. We expanded our audit period as needed to accomplish our objectives.

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

# INTERNAL CONTROLS

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

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

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

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## Relevant Internal Controls

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

- 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 of 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 management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

## Significant Weaknesses

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

- HUD did not have management controls in place to ensure that its Section 8 housing stock was in material compliance with housing quality standards (finding 1).

## APPENDIXES

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### Appendix A

#### SUMMARY OF RECENT OIG AUDITS (FISCAL YEAR 2007)

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Agency name: Newport News Redevelopment and Housing Authority  
Report number: 2007-PH-1009  
Issue date: July 24, 2007

The Authority often did not operate its program in accordance with HUD requirements and regulations. It often failed to ensure that its program housing stock met housing quality standards, did not adequately support housing assistance payments, and incorrectly calculated housing assistance payments. Of the 66 housing units inspected, 54 did not meet HUD's housing quality standards, and 28 had 98 violations that existed at the time of the Authority's previous inspection. This condition resulted in \$110,850 in housing assistance payments and administrative fees paid by HUD for units that were not decent, safe, and sanitary. We also estimated that over the next year, HUD would pay more than \$4 million in housing assistance for units with material housing quality standards violations.

Agency name: The Housing Commission of Anne Arundel County  
Report number: 2007-PH-1011  
Issue date: August 14, 2007

The Commission did not always operate its program in accordance with HUD requirements and regulations. It did not always ensure that its housing choice voucher housing stock met housing quality standards. Of the 61 housing choice voucher units inspected, 35 did not meet HUD's housing quality standards, and 30 had 117 material violations that existed on or before the Commission's previous inspections. The Commission paid \$116,522 in housing assistance for the 30 units with material violations. We estimated that over the next year, HUD would pay more than \$2.1 million in housing assistance for units with material housing quality standards violations.

Agency name: The Housing Authority of the Birmingham District  
Report number: 2007-AT-1001  
Issue date: October 25, 2006

The Authority failed to ensure that its Section 8 housing stock met housing quality standards. We determined that 88 percent, or 58 of 66 units, did not meet housing quality standards. Of the 58 units, 38 were in material noncompliance. The Authority's management did not implement adequate internal controls over its inspection process and did not have adequate procedures for conducting inspections. As a result, tenants lived in units that were not decent, safe, and sanitary, and the Authority made housing assistance payments for units that did not meet standards. We estimated that over the next year, the Authority would pay more than \$10.4

million in housing assistance for units in material noncompliance with housing quality standards if it did not implement adequate controls.

Agency name: The Puerto Rico Department of Housing, San Juan  
Report number: 2007-AT-1005  
Issue date: March 29, 2007

Of the 66 units inspected, 63 (95 percent) did not meet minimum housing quality standards, and 23 of those were in material noncompliance. As a result, Section 8 program funds were not used efficiently and effectively to provide units that were decent, safe, and sanitary; and the authority made housing assistance payments for units that did not meet standards. We estimated that over the next year, the authority would disburse housing assistance payments of more than \$2.6 million for units in material noncompliance with housing quality standards if it did not implement adequate controls.

Agency name: The Housing Authority of DeKalb County, Decatur, Georgia  
Report number: 2007-AT-1008  
Issue date: April 30, 2007

Based on the review of 15 inspections of Authority-administered Section 8 units, the Authority adequately performed housing quality standards inspections and required timely correction of inspection discrepancies. The inspections identified minor deficiencies in 10 of the 15 units inspected. Two of the units had insignificant preexisting violations that were not identified by the Authority's inspectors.

Agency name: The Housing Authority of the City of Evansville  
Report number: 2007-CH-1003  
Issue date: February 13, 2007

Of the 63 housing units inspected, 48 did not meet HUD's housing quality standards, and 44 had 230 violations that existed at the time of the Authority's previous inspections. The 44 units had between 1 and 18 preexisting violations per unit. Based on the statistical sample, we estimated that over the next year, the Authority would pay more than \$1.5 million in housing assistance for units with housing quality standards violations.

Agency name: The Dayton Metropolitan Housing Authority  
Report number: 2007-CH-1008  
Issue date: June 19, 2007

Of the 59 housing units inspected, all 59 did not meet HUD's housing quality standards, and 56 had 214 violations that existed at the time of the Authority's previous inspections. The 56 units had between 1 and 11 preexisting violations per unit. Based on the statistical sample, we estimated that over the next year, HUD would pay nearly \$1.8 million in housing assistance for units with housing quality standards violations.

Agency name: The Madison County Housing Authority, Collinsville, Illinois  
Report number: 2007-CH-1010  
Issue date: July 20, 2007

Of the 48 housing units inspected, 40 did not meet HUD's housing quality standards, and 35 had 264 violations that existed at the time of the Authority's previous inspections. The 35 units had between 1 and 34 preexisting violations per unit. Based on the statistical sample, we estimated that over the next year, HUD would pay more than \$623,000 in housing assistance for units with housing quality standards violations.

Agency name: Peoria Housing Authority  
Report number: September 24, 2007  
Issue date: 2007-CH-1014

Of the 59 housing units inspected, 58 did not meet HUD's housing quality standards, and 28 had 88 exigent health and safety violations that existed at the time of the Authority's previous inspections. The 28 units had between 1 and 18 preexisting exigent health and safety violations per unit. Based on the statistical sample, we estimated that over the next year, HUD would pay more than \$1 million in housing assistance for units with housing quality standards violations.

Agency name: The Plymouth Housing Commission  
Report number: 2007-CH-1016  
Issue date: September 28, 2007

Of the 61 housing units inspected, 42 did not meet HUD's housing quality standards, and 38 had 181 health and safety violations that existed at the time of the Commission's previous inspections. The 38 units had between 1 and 15 preexisting health and safety violations per unit. Based on the statistical sample, we estimated that over the next year, HUD would pay more than \$1.4 million in housing assistance for units with housing quality standards violations.

Agency name: The Lubbock Housing Authority  
Report number: 2007-FW-1001  
Issue date: October 16, 2006

Of 61 units inspected, 47 (77 percent) failed inspections, and 30 (49 percent) were materially noncompliant with housing quality standards. The failures occurred because the Authority's Section 8 program lacked effective management and controls over the inspection process; specifically, the program had inadequate written policies and procedures, poor inspections, no quality control system, and negative staffing issues. As a result, the Authority housed families in units that did not meet HUD's standards of decent, safe, and sanitary housing. If the Authority did not implement effective management and controls, we estimated it would spend more than \$1.2 million in the next 12 months for the estimated 266 units expected to be materially noncompliant with HUD's housing quality standards.

Agency name: The Oklahoma City Housing Authority  
Report number: 2007-FW-1004  
Issue date: December 8, 2006

The Authority operated its Section 8 program in compliance with HUD requirements. Generally, it computed housing assistance payments correctly and had effective controls in place to ensure that it met housing quality standards; however, the Authority made minor errors in computing housing assistance payments.

Agency name: The Housing Authority of the County of Los Angeles  
Report number: 2007-LA-1007  
Issue date: April 3, 2007

Of 68 program units inspected, 50 units did not meet HUD's housing quality standards, and the Authority did not complete timely housing quality standards inspections.

Agency name: The Vancouver Housing Authority  
Report number: 2007-SE-1003  
Issue date: April 3, 2007

The Authority generally procured goods and services in accordance with HUD regulations, had not pledged HUD assets as security for its recent development projects, and generally operated its program in accordance with HUD requirements. However, it did not perform quality control inspections of its housing quality standards inspections to ensure that the assisted units met housing quality standards as directed by HUD. In addition, the Authority did not perform promised tenant file reviews to ensure that the files were complete and the housing assistance payments were correctly calculated.

## Appendix B

### AGENCIES WITH HIGH HUD SECTION 8 MANAGEMENT ASSESSMENT PROGRAM SCORES BUT VERY POOR HOUSING QUALITY

Agency name OIG report number	Agency fiscal year ending	Date of OIG inspections	Percentage of units in material noncompliance with housing quality standards	HUD Section 8 Management Assessment Program fiscal year score and designation
The Dayton Metropolitan Housing Authority  2007-CH-1008	June 30	Jan. 16-Feb. 1, 2007	94.92	Fiscal year 2006  90 – high performer
The Madison County Housing Authority  2007-CH-1010	Dec. 31	Nov. 28- Dec. 7, 2006	72.92	Fiscal year 2006  95 – high performer
The Housing Authority of the City of Evansville  2007-CH-1003	Dec. 31	Aug. 21-31, 2006	69.84	Fiscal year 2005  93 – high performer
The Housing Commission of Anne Arundel  2007-PH-1011	June 30	Feb. 20- Mar. 2, 2007	49.18	Fiscal year 2006  97 – high performer
The Lubbock Housing Authority  2007-FW-1001	Sept. 30	June 5-14, 2006	49.18	Fiscal year 2005  96 – high performer

See appendix A for summaries of these audits.




# Appendix C

## AUDITEE COMMENTS AND OIG'S EVALUATION

### Ref to OIG Evaluation

### Auditee Comments

	 <p>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT WASHINGTON, DC 20410-5000</p> <p>OFFICE OF PUBLIC AND INDIAN HOUSING</p> <p>APR 24 2008</p> <p>MEMORANDUM FOR: James D. McKay, Regional Inspector General for Audit, HAGA</p> <p>FROM: Milan M. Ozolmec, Deputy Assistant Secretary for Public Housing and Voucher Programs, PE</p> <p>SUBJECT: Draft Audit Report – HUD Lacked Adequate Controls Over the Physical Condition of Section 8 Housing Stock</p> <p>Thank you for the opportunity to provide comments on the subject draft audit report dated April 3, 2008. Your office conducted audits at 47 public housing agencies (PHAs) and concluded that a significant percentage of the Section 8 tenant-based voucher units were in material noncompliance with the Housing Quality Standards (HQS). Despite these HQS deficiencies, many of these PHAs received high performer ratings under the Section 8 Management Assessment Program (SEMAP) performance evaluation system.</p> <p>Based on your audit findings, you made the following three recommendations.</p> <ol style="list-style-type: none"><li>1. Complete the departmental clearance process for proposed revised Section 8 regulations by September 30, 2008.</li><li>2. Allow the proposed revisions to SEMAP and the HQS to go through the proper departmental and public rulemaking comment process and consider all comments prior to publishing the final rule.</li><li>3. Fully develop and implement a physical inspection system for the tenant-based voucher program within 3 years of the issue date of this audit report.</li></ol> <p>Please be advised that I agree with your three audit report recommendations. As you know, my office has concluded that the current SEMAP is too reliant on PHA self-certifications. Periodic onsite HUD monitoring of the voucher program is crucial to ensure proper administration of the voucher program, including the leasing of decent, safe and sanitary housing. I am also committed to refining and improving the application of the HQS inspection system in the voucher program.</p> <p>As discussed in our meeting on April 16, 2008, I have some technical comments on your report which I will forward separately. For example, the proposed regulatory text changes to the voucher program and SEMAP cannot be quoted, and are considered confidential until the proposed rules are published in the <i>Federal Register</i> for public comment. Further, I do not necessarily agree with the dollar estimates of "excess housing assistance payments" and administrative fees that are cited in Appendix A. Abatement of housing assistance and termination of housing assistance payments contracts are a last resort after requesting an owner to correct HQS deficiencies.</p> <p>www.hud.gov      espanol.hud.gov</p>
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Comment 1

Comment 2

**Comment 3**

Although I do not disagree with the audit findings, I would like to note that the PHAs administering the voucher program do not own the units and are not responsible for the routine maintenance of the voucher units, and monitoring of tenant damages. It is therefore unfair to hold PHAs solely responsible for the quality of the units on a daily basis, between PHA inspections. Regardless, housing quality is an area that is too important to ignore. I am committed to exploring better ways to ensure that the housing rented in the voucher program is indeed decent, safe and sanitary.

**Comment 4**

In addition, I would be remiss if I did not point out that this audit only covered 47 of the more than 2400 PHAs that administer the 2,200,000 unit voucher program nationwide. Therefore, your findings about the extent of HQS deficiencies found during this single audit of 47 PHAs, along with the other HQS audits you previously conducted, cannot be viewed as representative of the entire voucher program since you have stated that statistical sampling was not used for the audits.

Finally, I want to express my appreciation to you and your staff for performing this audit which highlights the need for program improvements that need to be pursued.

Attachment

## OIG Evaluation of Auditee Comments

- Comment 1** We removed all citations of proposed regulations from the report. We also considered HUD's suggested editorial revisions and incorporated some of them into the final report.
- Comment 2** The dollar estimates for housing assistance payments and administrative fees for our external audits summarized in appendix A pertain to housing assistance payments and administrative fees paid for units not meeting housing quality standards. We included these audit summaries in order to provide the reader a better understanding of why we performed the internal audit.
- Comment 3** We agree that the housing authorities administering the voucher program do not own the units and are not responsible for the routine maintenance of the voucher units and monitoring of tenant damages. In order to avoid calling into question routine maintenance issues, our external reports dealing with housing quality standards issues only cited fail items that were in material noncompliance with housing quality standards. In addition, the units often had fail items which were present at the time of the previous inspection (See Footnote 2 on page 2). Thus, we were very conservative when citing individual fail items or when failing Section 8 units overall.
- Comment 4** We agree that the results for our previous 47 external audits of housing authorities administering the Section 8 Voucher program cannot be projected to the nationwide universe of 2.2 million voucher units.