



Issue Date	September 29, 2008
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Audit Report Number	2008-CH-1016
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TO: Steven E. Meiss, Director of Public Housing Hub, 5APH

FROM:  Heath Wolfe, Regional Inspector General for Audit, 5AGA

SUBJECT: The Springfield Housing Authority, Springfield, Illinois, Did Not Always Ensure That Section 8 Units Met HUD's Housing Quality Standards

HIGHLIGHTS

What We Audited and Why

We audited the Springfield Housing Authority's (Authority) Section 8 Housing Choice Voucher program (program). The audit was part of the activities in our fiscal year 2008 annual audit plan. We selected the Authority based upon our analysis of risk factors relating to the housing agencies in Region V's jurisdiction. Our objective was to determine whether the Authority administered its program in accordance with the U.S. Department of Housing and Urban Development's (HUD) requirements. This is the first of two audit reports on the Authority's program.

What We Found

The Authority's program administration regarding housing unit conditions and timeliness of annual housing unit inspections was inadequate. Of the 55 housing units statistically selected for inspection, 43 did not meet HUD's housing quality standards, and 18 had exigent health and safety violations that existed at the time of the Authority's previous inspections. In addition, 10 housing units had 55 health and safety violations that existed at the time of the Authority's previous inspections. Based on our statistical sample, we estimate that over the next year,

HUD will pay nearly \$500,000 in housing assistance for units with housing quality standards violations.

The Authority failed to ensure that its housing unit inspections were conducted in a timely manner. Of the 65 household files statistically selected for review, 25 (38 percent) had inspections that were not conducted within the required one year of the previous inspections. The number of days late ranged from 16 to 373. Based on our statistical sample, we estimate that over the next year, HUD will pay more than \$92,000 in program administrative fees for units with untimely unit inspections.

What We Recommend

We recommend that the Director of HUD's Chicago Office of Public Housing require the Authority to reimburse its program from nonfederal funds for the improper use of more than \$50,000 in program funds and implement adequate procedures and controls to address the finding cited in this audit report. These procedures and controls should help ensure that nearly \$600,000 in program funds is spent on housing units that meet HUD's requirements.

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 issued because of the audit.

Auditee's Response

We provided our inspection review results and supporting schedules to the Director of HUD's Chicago Office of Public Housing and the Authority's executive director during the audit. We also provided our discussion draft audit report to the Authority's executive director, its board chairman, and HUD's staff during the audit. We held an exit conference with the Authority's executive director on September 11, 2008.

We asked the Authority's executive director to provide comments on our discussion draft audit report by September 23, 2008. The Authority's executive director provided written comments, dated September 23, 2008. The executive director generally agreed with our findings and recommendations with the exception of withholding program administrative fees until the Authority implements adequate procedures and controls to ensure that program units are inspected at least annually. The complete text of the written comments, except for seven attachments consisting of 192 pages of documentation that were not necessary to understand the Authority's comments, along with our evaluation of that response can be found in appendix B of this report. A complete copy of the

Authority's comments plus the documentation was provided to the Director of HUD's Chicago Office of Public Housing.

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BACKGROUND AND OBJECTIVE

The Springfield Housing Authority (Authority) was established by the State Housing Board of Illinois in November 1937 under the laws of the State of Illinois to provide decent, safe, and sanitary housing. The Authority is governed by a five-member board of commissioners (board) appointed by the mayor of the City of Springfield, Illinois, to five-year staggered terms. The board's responsibilities include overseeing the administration of the Authority and approving policies. The board appoints the Authority's executive director. The executive director is responsible for ensuring that policies are followed and providing oversight of the Authority's programs.

The Authority administers a Section 8 Housing Choice Voucher program (program) funded by the U.S. Department of Housing and Urban Development (HUD). It provides assistance to low- and moderate-income individuals seeking decent, safe, and sanitary housing by subsidizing rents with owners of existing private housing. As of August 15, 2008, the Authority had 1,823 units under contract with annual housing assistance payments totaling more than \$7.3 million in program funds.

Our objective was to determine whether the Authority administered its program in accordance with HUD's requirements to include determining whether (1) the Authority's inspections were sufficient to detect housing quality standards violations and provide decent, safe, and sanitary housing to its residents and (2) the Authority complied with HUD's regulations and its program administrative plan regarding annual housing unit inspections. This is the first of two audit reports on the Authority's program.

RESULTS OF AUDIT

Finding: Controls over Housing Quality Standards Were Inadequate

The Authority did not adequately enforce HUD's housing quality standards. Of the 55 program units statistically selected for inspection, 43 did not meet minimum housing quality standards, and 28 had material violations that existed before the Authority's previous inspections. The violations occurred because the Authority lacked adequate procedures and controls to ensure that housing units met HUD's housing quality standards. It also failed to exercise proper supervision and oversight of its program units to ensure that annual housing quality standards inspections were performed in a timely manner. As a result, more than \$50,000 in program funds was spent on units that were not decent, safe, and sanitary. We estimate that over the next year, the Authority will pay nearly \$500,000 in housing assistance for units with housing quality standards violations and/or untimely annual inspections.

HUD's Housing Quality Standards Not Met

From the 278 program units that passed the Authority's inspections between February and May 2008, we statistically selected 55 units for inspection by using data mining software. The 55 units were inspected to determine whether the Authority ensured that its program units met HUD's housing quality standards. Our appraiser inspected the 55 units between July 28 and August 6, 2008.

Of the 55 units inspected, 43 (78 percent) had a total of 409 housing quality standards violations. In addition, 28 units were considered to be in material noncompliance since they had one or more exigent health and safety violations that predated the Authority's previous inspections or four or more health and safety violations that predated the Authority's previous inspections. The following table categorizes the 409 housing quality standards violations in the 43 units.

Category of violations	Number of violations	Number of units
Electrical	116	33
Window	52	24
Wall	32	21
Exterior surface	21	15
Range/refrigerator	19	18
Security	18	14
Floor	18	14
Paint	17	11
Stairs, rails, and porches	13	9
Smoke/carbon monoxide detectors	13	8
Roof/gutters	12	10
Toilet/wash basin	10	10
Interior air quality	8	7
Ceiling	8	8
Tub or shower in unit	7	7
Water heater	6	5
Heating equipment	6	6
Site and neighborhood conditions	5	5
Sinks	4	4
Evidence of infestation	4	4
Food preparation/storage	3	3
Plumbing/sewer/water supply	3	3
Other hazards	3	2
Interior stairs and common halls	3	3
Ventilation	2	2
Foundation	2	2
Other interior hazards	1	1
Manufactured homes' tie-downs	1	1
Garbage/debris/refuse disposal	1	1
Chimney	1	1
Total	<u>409</u>	

We provided our inspection results to the Director of HUD's Chicago Office of Public Housing on August 22, 2008, and the Authority's executive director on August 25, 2008.

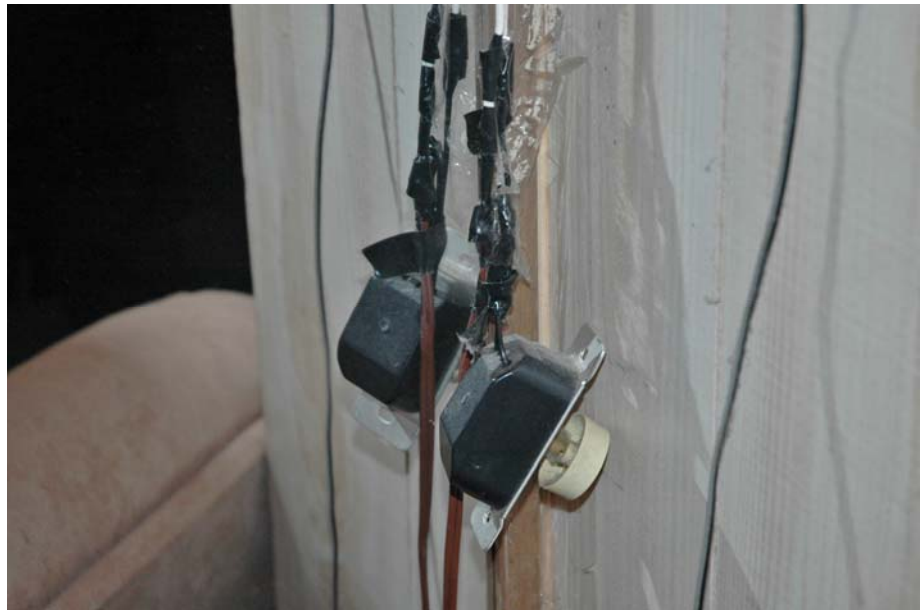
Electrical Violations

One hundred sixteen electrical violations were present in 33 of the Authority's program units inspected. The following items are examples of electrical violations listed in the table: exposed fuse box connections, exposed electrical contacts, and missing outlet cover plates. The following pictures are examples of the electrical-related violations.

Unit #1: Exterior wall lamp next to the laundry room door hanging from its wires.



Unit #7: Improperly wired switch in the den to control a ceiling light in the adjacent corridor.



Window Violations

Fifty-two window violations were present in 24 of the Authority's program units inspected. The following items are examples of window violations listed in the table: windows that do not open or stay up properly, cracked or broken panes, and windows that do not lock or close properly. The following pictures are examples of the window-related violations.

Unit #13: Broken glass pane on a rear bedroom window. A child between the ages of 6 and 18 resides in this unit.



Unit #41: Knife used in lieu of broken lock to keep the kitchen window secure. Children under the age of six reside in this unit.



Wall Violations

Thirty-two wall violations were present in 21 of the Authority's program units inspected. The following items are examples of wall violations listed in the table: large holes, air infiltration, and mold. The following pictures are examples of the wall-related violations.

Unit #15: Mold on basement wall due to water seepage. Children under the age of six reside in this unit.



Unit #50: Incomplete repairs to a hole in the living room wall. Children under the age of six reside in this unit.



Annual Inspections Not Performed in a Timely Manner

Of the 1,817 households on the Authority's program as of April 2, 2008, we statistically selected 65 household files for review using data mining software. The 65 household files were reviewed to determine whether the Authority performed its annual inspections within one year in accordance with HUD's regulations. Of the 65 household files reviewed, 25 (38 percent) had a total of 31 inspections conducted between January 1, 2006, and February 29, 2008, that were not conducted in accordance with the annual requirement. Of the 31 late annual inspections, 25 were more than 30 days late; 10 of the 25 were more than six

months late. The Authority received \$4,723 in program administrative fees for the 25 households residing in units that were more than 30 days past due for housing quality standards inspections. Based on our statistical sample, we were able to estimate that between 571 and 875 of the Authority's 1,817 program units were not inspected timely. We considered this significant and requiring immediate attention.

The Authority's program manager said that the Authority did not have controls over the process of scheduling inspections. The program manager also said that the Authority held weekly staff meetings to review the process and made changes as necessary to resolve the problem.

Adequate Procedures and Control Lacking

The Authority lacked adequate procedures and controls to ensure that program units met HUD's requirements. It also failed to exercise proper supervision and oversight of its program units and housing inspections. When we observed the Authority's inspection process, the inspectors did not always conduct accurate and complete inspections. Specifically, the Authority's inspectors did not always inspect items such as windows and appliances to determine whether they worked properly to avoid exposing the households to a potential risk. Therefore, the Authority did not determine during its inspections whether program units complied with HUD's housing quality standards.

In addition, the Authority did not perform its required supervisory quality control inspections in accordance with its program administrative plan. According to the Authority's program administrative plan, at least 5 percent of the total number of units under lease during the previous fiscal year was required to have a supervisory quality control inspection. For fiscal years 2006 and 2007, the Authority conducted 17 and 40 quality control inspections, respectively. However, for fiscal years 2005 and 2006, there was an average of 1,499 and 1,366 units under contract, respectively. Therefore, the Authority should have conducted 75 and 69 quality control inspections during 2006 and 2007, respectively, to comply with its administrative plan. The Authority did not verify that the inspectors conducted accurate and complete inspections and ensure that there was consistency among inspectors in the application of HUD's housing quality standards.

Conclusion

The Authority's households 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 and perform

timely annual inspections of its program units. In accordance with 24 CFR [*Code of Federal Regulations*] 982.152(d), HUD is permitted to reduce or offset any program administrative fees paid to a public housing authority if it fails to enforce HUD's housing quality standards. The Authority disbursed \$50,356 in program housing assistance payments for the 28 units that materially failed to meet HUD's housing quality standards and received \$4,691 in program administrative fees. In addition, the Authority received \$4,723 in program administrative fees for the 25 households residing in units that were more than 30 days past due for housing quality standards inspections.

If the Authority implements adequate procedures and controls over its unit inspections to ensure compliance with HUD's housing quality standards, we estimate that nearly \$500,000 in future housing assistance payments will be spent for units that are decent, safe, and sanitary over the next year. In addition, if the Authority implements adequate procedures and controls regarding its process of scheduling inspections, we estimate that it will properly receive more than \$92,000 in future administrative fees for ensuring that its program units are inspected annually in accordance with HUD's regulation. Our methodology for these estimates is explained in the Scope and Methodology section of this audit report.

Recommendations

We recommend that the Director of HUD's Chicago Office of Public Housing require the Authority to

- 1A. Certify, along with the owners of the 43 program units cited in this finding, that the applicable housing quality standards violations have been repaired.
- 1B. Reimburse its program \$55,047 from nonfederal funds (\$50,356 for housing assistance payments and \$4,691 in associated administrative fees) for the 28 units that materially failed to meet HUD's housing quality standards.
- 1C. Implement adequate procedures and controls to ensure that all units meet HUD's housing quality standards to prevent \$499,008 in program funds from being spent over the next year on units that are in material noncompliance with the standards.
- 1D. Ensure that all inspectors are properly trained and are familiar with the housing quality standards and can apply them appropriately.
- 1E. Implement controls to ensure that it performs required supervisory quality control inspections in accordance with the Authority's program administrative plan to verify that its inspectors conduct accurate and complete inspections and consistently apply HUD's housing quality standards.

- 1F. Reimburse its program \$4,723 from nonfederal funds in associated administrative fees for the 25 households residing in units that were more than 30 days late in receiving their annual inspection.

We also recommend that the Director of HUD's Chicago Office of Public Housing

- 1G. Withhold 10 percent, or a percentage acceptable to the Office of Public Housing, of the program administrative fees, which could total as much as \$92,807 over one year, until the Authority implements adequate procedures and controls to ensure that program units are inspected at least annually to meet HUD's requirements.

SCOPE AND METHODOLOGY

To accomplish our objective, we reviewed

- Applicable laws, regulations, the Authority's program administrative plan, HUD's program requirements at 24 CFR Parts 5 and 982, and HUD's Housing Choice Voucher Guidebook 7420.10.
- The Authority's accounting records; annual audited financial statements for 2004, 2005, and 2006; bank statements; household files; policies and procedures; board meeting minutes for January 2006 through February 2008; organizational chart; and program annual contributions contract with HUD.
- HUD's files for the Authority.

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

We statistically selected 55 of the Authority's program units to inspect using data mining software from the 278 units that passed inspections by the Authority from February through May 2008. The 55 units were selected to determine whether the Authority's program units met HUD's housing quality standards. Our 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 28 of the 55 units (51 percent) materially failed to meet HUD's housing quality standards. Materially failed units were those units (1) that had one or more exigent health and safety violations that predated the Authority's previous inspections or (2) that had four or more health and safety violations that predated the Authority's previous inspections.

The Authority's January through December 2007 housing assistance disbursements listing showed that the average monthly housing assistance payment was \$368. Projecting our sampling results of the 28 units that materially failed to meet HUD's housing quality standards to the population indicates that 142 units or 50.91 percent of the population contains the attributes tested (would materially fail to meet HUD's housing quality standards). The sampling error is plus or minus 9.93 percent. In other words, we are 90 percent confident that the frequency of occurrence of the attributes tested lies between 40.98 and 60.84 percent of the population. This equates to an occurrence of between 113 and 169 units of the 278 units in the population.

- The lower limit is 40.98 percent X 278 units = 113 units that materially failed to meet HUD's housing quality standards.
- The point estimate is 50.91 percent X 278 units = 142 units that materially failed to meet HUD's housing quality standards.
- The upper limit is 60.84 percent X 278 units = 169 units that materially failed to meet HUD's housing quality standards.

Using the lower limit of the estimate of the number of units and the average housing assistance payment, we estimate that the Authority will annually spend \$499,008 (113 units X \$368 average payment X 12 months) for units that materially fail to meet HUD's housing quality standards. This estimate is presented solely to demonstrate the annual amount of program funds that will be correctly paid over the next year on decent, safe, and sanitary housing if the Authority implements our recommendation. While these benefits would recur indefinitely, we were conservative in our approach and only included the initial year in our estimate.

We statistically selected 65 of the Authority's program households to review using data mining software from the 1,817 active program households as of April 2, 2008. The 65 household files were selected to determine whether the Authority inspected all units annually to assure that they met HUD's housing quality standards. Our sampling criteria used a 90 percent confidence level, 50 percent estimated error rate, and precision of plus or minus 10 percent.

Out sampling results determined that 25 of 65 households (38.46 percent) had 31 late housing quality standards inspections between January 1, 2006, and February 29, 2008. As of January 2008, the Authority received total monthly administrative fees of \$77,339. An estimated 10 percent of the administrative fees are paid to ensure that inspections are performed in a timely manner in accordance with HUD's requirement. Therefore, the Authority will improperly receive \$92,807 (\$77,339 X 10 percent X 12 months) in administrative fees over the next year for the ineffective enforcement of annual inspections. This estimate is presented solely to demonstrate the annual amount of administrative fees that will be properly received over the next year if the Authority implements our recommendation. 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 between April and August 2008 at the Authority's offices located at 200 North 11th Street, Springfield, Illinois. The audit covered the period January 1, 2006, through February 29, 2008, but was expanded as determined necessary.

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

INTERNAL CONTROLS

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

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

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

Relevant Internal Controls

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

- Program operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Relevance and reliability of data – Policies, procedures, and practices that management has implemented to provide reasonable assurance that operational and financial information used for decision making and reporting externally is relevant and reliable and fairly disclosed in reports.
- Compliance with laws and regulations – Policies and procedures that management has implemented to provide reasonable assurance that program implementation is in accordance with laws, regulations, and provisions of contracts or grant agreements.
- Safeguarding of assets and resources – Policies and procedures that management has implemented to prevent or promptly detect unauthorized acquisition, use, or disposition of assets and resources.

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 Weakness

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

- The Authority lacked adequate procedures and controls to ensure compliance with HUD's requirements and/or its program administrative plan regarding housing quality standards inspections and timeliness of annual unit inspections (see finding).

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	\$55,047	
1C		\$499,008
1F	<u>4,723</u>	
1G		<u>92,807</u>
Totals	<u>\$59,770</u>	<u>\$591,815</u>


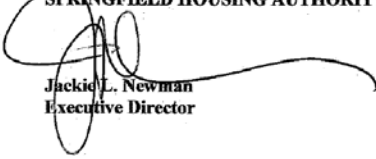
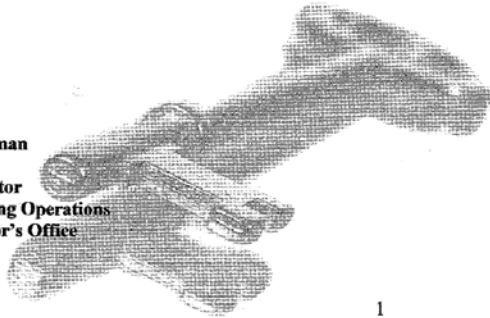
- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or federal, state, or local policies or regulations.
- 2/ Recommendations that funds be put to better use are estimates of amounts that could be used 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 not inspected annually and, instead, will expend those funds in accordance with HUD's requirements. 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

	SPRINGFIELD HOUSING AUTHORITY	200 North 11th Street, Springfield, IL 62703 Phone 217.753.5757 Fax 217.753.5799 www.springfieldhousingauthority.org
Changing lives one key at a time		
September 23, 2008		
U. S. Department of Housing and Urban Development Office of the Inspector General for Audit, Region V Nikita Irons, Assistant Regional Inspector General 477 Michigan Avenue, Room 1780 Detroit, Michigan 48226-2592		
RE: Springfield Housing Authority – Response to Findings		
Dear Ms. Irons:		
In follow up to the Office of Inspector General's correspondence dated September 11, 2008 relative to the findings during the on-site review and in accordance with HUD and OIG regulations, the Springfield Housing Authority respectfully submits a formal response to the audit findings as presented on September 11, 2008 for your review. In addition, the Springfield Housing Authority has provided supporting documentation through exhibits to further sustain the formal responses made.		
Thank you for your review and consideration of the enclosed documents. Should you have any questions and/or concerns relative to the attachments, please contact me directly at (217) 753-5757 ext. 206.		
Sincerely,		
SPRINGFIELD HOUSING AUTHORITY		
		
Jackie L. Newman Executive Director		
Attachments		
Cc Tim Schweizer, SHA Board Chairman SHA Board of Commissioners Melissa Huffstedler, Deputy Director Debra Hereford, Director of Housing Operations OIG Audit File – Executive Director's Office		
		
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Comment 1

RESPONSE TO OIG AUDIT FINDINGS

OIG Recommendation A Certify, along with the owners of 43 program units cited in the finding, that the applicable housing quality standards violations have been repaired.

Management Response: Agree

Action Plan All of the 52 inspections (43 owners) have been addressed in accordance with the Springfield Housing Authority policy. (See Attachment 1)

- All landlords and participants were mailed notices of the repairs that need to be made, immediately upon completion of the OIG inspection findings.
- The landlords have 30 days to make the corrections to the unit before they are abated.
- Thus far, four (4) of the OIG inspected units have already been re-inspected and passed. (39 re-inspections remain)
- One (1) unit no longer has a Section 8 tenant residing there (although we did mail a notice to the landlord of the repairs, in case they plan to house another Section 8 tenant in their unit).
- The remaining 47 re-inspections are scheduled for October 1, 8, 9, 10, 14, 15 & 16, 2008.

OIG Recommendation B Reimburse its program \$55,817 from nonfederal funds (\$51,126 for housing assistance payments and \$4,691 in associated administrative fees) for the 28 units that materially failed to meet HUD's housing quality standards.

Management Response: Agree

As a result of monies being paid in the amount of \$55,817 for units that materially failed to meet HUD's housing quality standards, the Springfield Housing Authority will request to enter into a repayment agreement with a time line and a monthly amount that would be agreeable to both the HUD and the Springfield Housing Authority that would not place a financial hardship on the Agency.

OIG Recommendation C Implement adequate procedures and controls too ensure all units meet housing quality standards to prevent \$499,008 in program funds from being spent on units that are in noncompliance with the standards.

Ref to OIG Evaluation

Auditee Comments

Comment 2

Management Response: Agree

Action Plan

The Springfield Housing Authority is conducting quality control inspections weekly, to ensure inspected units meet housing quality standards. The Springfield Housing Authority is on track to complete quality control inspections on 5% of the annual units under contract, per the Housing Authority's administrative plan. To date, 82 quality control inspections have been completed for 2008. (See Attachment 2)

OIG Recommendation D Ensure that all inspectors are properly trained and familiar with the housing quality standards and local codes and apply them appropriately.

Management Response: Agree

Action Plan

The Section 8 Housing Quality Standards (HQS) Inspectors have received training and passed the HQS examination on June 30, 2004 (See Attachment 3). The Section 8 HQS Inspectors are scheduled to attend additional trainings this year.

- 1) HCV – Housing Quality Standards Training. This training is scheduled for October 1-3, 2008, provides information on general room standards, kitchens, bathrooms, electricity, plumbing, and security, including the lead-based paint regulations. Day 3 involves an on-site inspection and analysis of inspection results focusing on the four SEMAP indicators that relate to HQS inspections. (See Attachment 4)
- 2) Building Codes in Illinois Seminar. This training is scheduled for November 12, 2008 and will enable the inspectors to stay current on recent changes in Illinois building codes, prevent building code violations, clarify rules and regulations, etc. (See Attachment 5)
- 3) The SHA will continue to provide annual training updates for the Section 8 HQS Inspectors and Management Staff.

OIG Recommendation E Ensure that it performs its required supervisory quality control inspections in accordance with the Authority's program administrative plan to verify that its inspectors conduct accurate and complete inspections, and consistently apply HUD's housing quality standards.

Management Response: Agree

Action Plan

The Springfield Housing Authority is currently on track to complete quality control inspections on 5% of the annual units under contract, per the Housing

Comment 3

Comment 4

Ref to OIG Evaluation

Auditee Comments

Comment 5

	<p>Authority's administrative plan. To date, 82 quality control inspections have been completed for 2008. (See Attachment 2)</p>
OIG Recommendation F	Reimburse its program \$4,723 from nonfederal funds in associated administrative fees for the 25 households that were more than 30 days late in receiving their annual inspections.
Management Response:	Agree
	<p>As a result of monies being paid in the amount of \$4,723 for the 25 households that were more than 30 days late in receiving their annual inspection, the Springfield Housing Authority will request to enter into a repayment agreement with a time line and a monthly amount that would be agreeable to both HUD and the Springfield Housing Authority that would not place a financial hardship on the Agency.</p>
OIG Recommendation G	Implement adequate procedures and controls to ensure that program units are inspected at least annually to meet HUD's requirements to prevent \$264,210 in administrative from being improperly received over the next year.
Management Response	Agree
Action Plan	<p>The Springfield Housing Authority has printed a list of all section 8 participants to be used as a checklist. Daily, the Section 8 Inspectors are required to check off every annual inspection that has been completed, to ensure all participants have had an annual inspection. (See Attachment 6) This list will be cross checked weekly for quality control purposes by the Section 8 manager and monthly by the Director of Housing Operations to ensure effectuation.</p> <p>Through this OIG Audit, it was discovered that some of the inspections were lost. The Section 8 Specialist will file the original inspection in the tenant file and the Administrative Assistant to Section 8 will photocopy every inspection completed and maintain a separate locked file for each month and fiscal year.</p>
Recommendations	We recommend that the director of HUD's Chicago Office of Public Housing withhold 10 percent, or a percentage acceptable to the Office of Public Housing, of the program administrative fees, which could total as much as \$92,807 over one year, until the Authority has implemented adequate procedures and controls to ensure that program units are inspected at least annually to meet HUD's requirements.

Ref to OIG Evaluation

Auditee Comments

Comment 6

Management Response Disagree

Action Plan:

The Springfield Housing Authority (SHA) is on track to satisfying its Corrective Action Plan requirements on or before the 12-31-08 deadline date.

- The SHA has entered into a corrective action plan with HUD in July 2008.
- To date, we've completed 106 inspections
- SHA is committed to continuing to ensure that all of the units are inspected annually and timely.
- On the 3/31/2008 PIC Late HQS Report, there were 229 late inspections
- Currently, as of the 8/31/2008 PIC Late HQS Report, there are 123 late inspections ([See Attachment 7](#))

OIG Evaluation of Auditee Comments

- Comment 1** The Authority should provide supporting documentation to HUD's staff showing that all of the housing quality standards violations noted in its program units were repaired. HUD's staff will work with the Authority to resolve the recommendation.
- Comment 2** The Authority's actions should improve its procedures and controls regarding its inspection process to ensure that all units meet HUD's housing quality standards, if fully implemented. The Authority should provide supporting documentation to HUD's staff, who will work with the Authority, to resolve the recommendation.
- Comment 3** The Authority's plan to provide its inspectors with additional and on-going housing quality standards training should improve its inspection process to ensure that all units meet HUD's housing quality standards, if fully implemented. The Authority should provide additional supporting documentation to HUD's staff, who will work with the Authority, to resolve the recommendation.
- Comment 4** The Authority's actions should improve its procedures and controls regarding its inspection process to ensure that all units meet HUD's housing quality standards, if fully implemented. The Authority should provide additional supporting documentation to HUD's staff, who will work with the Authority, to resolve the recommendation.
- Comment 5** The Authority's proposed actions do not ensure that its program units will be inspected at least annually. The Authority should provide supporting documentation to HUD's staff, who will work with the Authority, to resolve the recommendation.
- Comment 6** The Authority's corrective action plan with HUD does not require the Authority to implement adequate procedures and controls to ensure that its program units will be inspected at least annually. The action plan only requires the Authority to upload inspections into HUD's Public and Indian Housing Information Center system within two months of completion. The Authority should provide supporting documentation that its procedures and controls have been implemented to HUD's staff, who will work with the Authority, to resolve the recommendation.

Appendix C

HUD'S REGULATIONS AND THE AUTHORITY'S PROGRAM ADMINISTRATIVE PLAN

HUD's regulations at 24 CFR 982.401 require that all program housing meet HUD's housing quality standards performance requirements both at commencement of assisted occupancy and throughout the tenancy.

HUD's regulations at 24 CFR 982.404 require that owners of program units maintain the units in accordance with HUD's housing quality standards. If the owner fails to maintain the dwelling unit in accordance with HUD's housing quality standards, the authority must take prompt and vigorous action to enforce the owner's obligations. The authority's remedies for such breach of the housing quality standards include termination, suspension, or reduction in housing assistance payments and termination of the housing assistance payments contract. The authority must not make any housing assistance payments for a dwelling unit that fails to meet the housing quality standards unless the owner corrects the defect within the period specified by the authority and the authority verifies the correction. If a defect is life threatening, the owner must correct the defect within 24 hours. For other defects, the owner must correct them within 30 calendar days.

HUD's regulations at 24 CFR 982.405(a) require that public housing authorities 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's regulations at 24 CFR 982.153 state that that the public housing authority must comply with the consolidated annual contributions contract, the application, HUD regulations and other requirements, and its program administrative plan.

Section 8, part J, of the Authority's program administrative plan states that the Authority performs supervisor inspections on at least 5 percent of the total number of units that were under lease during the Authority's previous fiscal year. These inspections are completed to ensure housing quality standards compliance and consistent inspection determinations.