



Issue Date December 12, 2008
Audit Report Number 2009-AO-0001

TO: Deborah Hernandez, Deputy Assistant Secretary, Office of Field Operations, PQ

FROM: *Rose Capalungan*
Rose Capalungan, Regional Inspector General for Audit, New Orleans, Gulf Coast Region, GAH

SUBJECT: HUD's Receiver Did Not Provide Adequate Management Oversight to Ensure That the Housing Authority of New Orleans Complied with HUD's Requirements When Performing Its Housing Choice Voucher Program, Disaster Voucher Program, and Public Housing Operations

HIGHLIGHTS

What We Audited and Why

At the request of two United States Senators, we initiated an audit of the U.S. Department of Housing and Urban Development's (HUD) administration of the Housing Authority of New Orleans (Authority). Our audit objective was to determine whether HUD's receiver provided adequate management oversight to ensure the Authority complied with HUD's requirements. Specifically, to determine whether HUD's receiver ensured that the Authority's (1) Housing Choice Voucher Program and Disaster Voucher Program (voucher program) units complied with housing quality standards, (2) public housing units were in good repair, (3) voucher program tenants were eligible to participate in the voucher programs, (4) voucher program assistance was calculated and paid accurately, and (5) Section 8 waiting list was properly maintained.

This report is the first of three reports to be issued at the request of the two United States Senators, regarding the HUD receiver's management of the Authority.

What We Found

HUD's receiver did not provide adequate management oversight to ensure that the Authority complied with HUD's requirements when operating its voucher program and public housing operations. Specifically, HUD's receiver

- (1) Did not ensure that eight of ten sample voucher program units complied with HUD's housing quality standards;
- (2) Did not ensure that six of nine sample public housing units were in good repair; and
- (3) Did not ensure that the Authority used a rent reasonableness system to avoid excessive payments to landlords, properly calculated or paid voucher program tenant rents, and maintained a proper waiting list for its Section 8 program.

What We Recommend

We recommend that the Deputy Assistant Secretary, Office of Field Operations, require the receiver to ensure that the Authority conducts not only annual inspections on all of its voucher program units but also all of the supervisory quality control inspections required by its administrative plan, implements a process to routinely review the performance of its public housing managers and the physical condition of its public housing units to ensure compliance with HUD's requirements, develops and implements a method to assess rent reasonableness to owners, properly calculates and pays rent assistance, and maintains a proper waiting list that complies with HUD's requirements for its Section 8 applicants.

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 a copy of the draft report to the Deputy Assistant Secretary, Office of Field Operations on October 31, 2008 for official comments and discussed the report with her at an exit conference on November 17, 2008. She provided a written response on December 5, 2008.

The Deputy Assistant Secretary's written response did not dispute the audit report and outlined the steps that HUD's receiver has been taking to correct the findings. The complete text of the written response, along with our evaluation of that response, can be found in appendix B of this report.

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BACKGROUND AND OBJECTIVES

The Housing Authority of New Orleans (Authority) is a state-created public agency governed by a board of commissioners. The Authority's mission is to provide safe, sanitary, and affordable housing for low-income residents in the New Orleans, Louisiana, area. Although the primary goal is to provide housing, the Authority also provides programs to empower residents to become self-sufficient by providing social services, education, job training, and employment opportunities.

HUD took control of the Authority in 2002 because the Authority had performed poorly almost continuously since 1979. Prior to the takeover, HUD had been involved in the Authority's administration since the mid 1990's. To accomplish the takeover, HUD replaced the Authority's governing body with two HUD managers - an administrative receiver to control the day-to-day operations of the Authority and a one-member board of commissioners responsible for reviewing and approving policies, procedures and contracts. Since 2002, there have been eight HUD receivers and four HUD commissioners. Therefore, HUD effectively controls all of the Authority's operations.

The Authority administers more than 12,000 vouchers in its Housing Choice Voucher Program and its Disaster Voucher Program (voucher program) and houses more than 1,700 tenants in its public housing developments. It has six major public housing developments and a number of scattered sites. Four of its public housing developments are undergoing partial or full demolition. The Authority has received more than \$361 million from HUD to operate its voucher programs and public housing programs since 2005.

HUD measures how well the Authority operates its housing programs through two performance systems – the Section 8 Management Assessment Program (SEMAP) and the Public Housing Assessment System (PHAS).

SEMAP measures the performance of public housing agencies that administer the Section 8 Housing Choice Voucher Program. After HUD took control in 2002, the Authority increased its performance as measured by the SEMAP from a “troubled performer” (the lowest performance level) in 2002 to a “high performer” (the highest performance level) in 2005.

HUD's Real Estate Assessment Center measures the performance of public housing agencies that operate public housing units through a PHAS score. A PHAS score is a combination assessment of the public housing agency's physical and financial conditions, its management performance, and its residents' satisfaction. In 2005, the Authority received an overall performance rating of “troubled”, the lowest rating available.

Following Hurricane Katrina in 2005, HUD waived requirements for SEMAP and PHAS assessments for 2006 and 2007.

Our audit objective was to determine whether HUD provided adequate management oversight to ensure that the Authority complied with HUD's requirements when operating its voucher programs and public housing operations. Specifically, we wanted to determine whether the receiver ensured that the Authority

- (1) Maintained its voucher program and public housing units in compliance with HUD's standards,
- (2) Ensured its voucher tenants were eligible to participate in its voucher programs,
- (3) Accurately calculated and paid its housing assistance payments, and
- (4) Properly maintained its Section 8 waiting list.

RESULTS OF AUDIT

Finding 1: The Receiver Did Not Ensure That Eight of Ten Sample Housing Choice Voucher Program and Disaster Voucher Program Units Complied with Housing Quality Standards

HUD's receiver did not ensure that eight of ten randomly-selected Housing Choice Voucher Program and Disaster Voucher Program (voucher program) units met minimal housing standards¹ because the receiver placed a higher priority on housing displaced tenants instead of ensuring units were qualified to house those tenants. As a result, the Authority housed at least eight tenant families in substandard voucher program units.

Eight of Ten Randomly-Selected Voucher Program Units Failed with Significant Deficiencies

The Authority's quality control inspector failed ten of ten voucher program units that we randomly selected and reviewed with him. Eight of the units had significant deficiencies, including fire, electrical, and security hazards; water and sewer leaks; improperly installed smoke alarms; and disturbed paint surfaces in units with children under age six. See schedule at Appendix D for a list of specific failures.

Three of the units had not been inspected within 12 months prior to the review. Three of the units had passed inspection within three months prior to the review. Two of the units had significant deficiencies that would have existed at the prior inspection. For example, the Authority's quality control inspector failed the following unit on May 22, 2008, less than two months after its most recent passed inspection on March 31, 2008. The unit was in poor condition, and many of the deficiencies would have existed during the prior inspection.

¹ See Appendix C item (3) and (9) for the federal regulation requiring Housing Choice Voucher Program and Disaster Voucher Program units to meet housing quality standards throughout their assisted tenancy.



In the picture above left, the front of the unit shows graffiti from the house-to-house searches following hurricane Katrina more than two years earlier in September 2005. Further, some of the wood trim surrounding the front door had been replaced but not painted, and the porch floor boards were loose. In the picture above right, some sheetrock in the utility room at the rear of the same unit had been replaced, while other sheetrock showing evidence of mold had not been replaced. Also, there was a missing outlet cover.

Other exterior and interior housing quality standards deficiencies in this unit included loose floorboards in the living room, broken window locks, chipping and peeling paint on the window sills, an inoperable stove, mold and water stains on ceilings, a leaking water valve on the water heater, missing handrails, and an insufficient heat source in the unit.

Some Units Were Not Inspected Annually, and the Authority Did Not Perform All of the Required Quality Control Inspections

The receivers placed a higher priority on housing displaced tenants instead of ensuring that units were qualified to house those tenants. Further, Authority managers claimed that before September 2007, they did not have sufficient staff to perform all of the inspections required by HUD. The receiver also claimed that HUD had waived the annual inspection requirement, but did not provide any documentation to support such a waiver. Consequently, the Authority's Inspections Department was limited to conducting only emergency, complaint, and move-in (initial) inspections. During the summer of 2007, the receiver contracted with an inspection contractor to help the Authority with the housing quality standards inspections. The inspection contractor was responsible for performing move-in and annual inspections, while the Authority continued to perform emergency and complaint inspections in house. The Authority's

inspections department also began performing supervisory quality control inspections in September 2007, but, according to one of its Section 8 department managers, it performed them on only 1 or 2 percent of the initial and annual inspections conducted by the contractor, instead of the 10 percent required by the Authority's administrative plan².

As a result of the lack of annual inspections and the insufficient number of quality control inspections, the Authority housed at least eight of its voucher program tenant families in units that did not meet minimal standards for decent, safe, and sanitary housing.

Recommendations

We recommend that the Deputy Assistant Secretary, Office of Field Operations, require the receiver to ensure that the Authority's inspection department

- 1A. Ensure that its contractor inspects all voucher program units annually, and that it performs supervisory quality control inspections on at least 10 percent of the units inspected by the contractor as required by the Authority's administrative plan.
- 1B. Ensure that the 10 sample units are made decent, safe, and sanitary.

² See Appendix C, item (11) for excerpts from the Authority's Administrative Plan requiring the Authority to perform quality control inspections on 10 percent of its inspected units.

Finding 2: The Receiver Did Not Ensure That Six of Nine Sample Public Housing Units Were in Good Repair

HUD's receiver did not ensure that six of nine randomly-selected public housing units were in good repair³ because the receiver placed a higher priority on housing displaced tenants instead of ensuring units were in good repair. As a result, the Authority housed at least six public housing tenant families in indecent and unsanitary public housing units.

Six of Nine Randomly-Selected Public Housing Units Were Not in Good Repair

Six of nine randomly selected public housing units were not in good repair. The units contained significant deficiencies, including evidence of serious rat infestation, loose or missing handrails, deteriorated paint both inside and outside units, and indoor water and sewer leaks. See schedule at Appendix E for a list of specific failures.



In the picture above left, the stairs at the entrance to one of the apartment buildings at the Iberville public housing complex did not have handrails and had been undermined by rats. In the picture above right, the rats had chewed a hole into a second story balcony doorstep. Also, the doorstep had badly deteriorated paint.

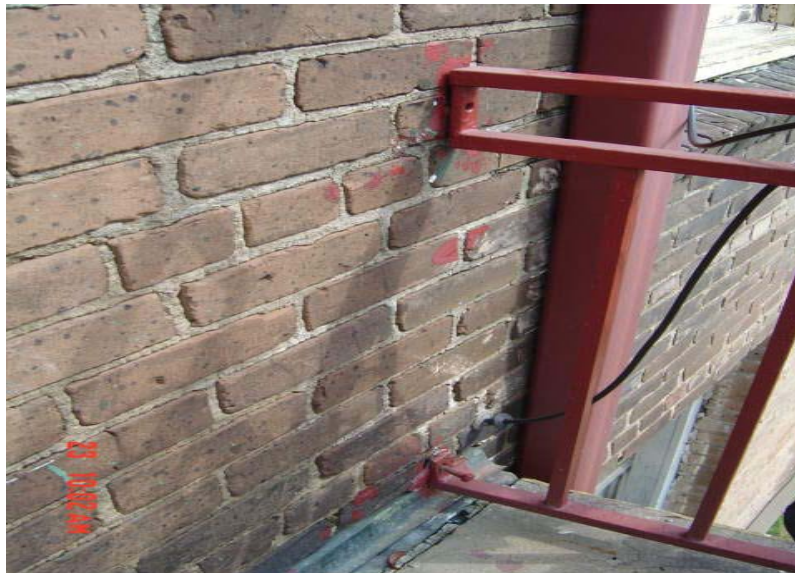
At Iberville, there was a serious rat infestation. There were rat holes and tunnels along some of the building foundations. Many of the foundation accesses were missing grates, potentially allowing the rats into the buildings. We did not observe any rat traps or poisons during our visit to Iberville.

³ See Appendix C, item (1) for the federal regulation requiring public housing units to be in good repair.



In the picture above left, there was a long-standing sewer leak in a stairwell in one of the Iberville apartment buildings. In the picture above right, the sewer leak had caused significant rust on the stairs under it. The stairwell was shared by a tenant whose unit we reviewed on May 27, 2008, and her next door neighbor.

When we reviewed the unit, the tenant told us that she had reported the leak three times to the Iberville management office. She complained that it smelled bad every time someone flushed the toilet upstairs. We found that the unit's file contained an active work order for a water leak for this unit dated January 23, 2008, more than four months before our review. It was classified as a routine priority. Iberville's manager could not explain why the work order had not been completed.



The picture above shows unsecured rails on a second story balcony at one of the BW Cooper public housing apartments. The upper rail is completely

disconnected from the wall, and the lower rail is being loosely held by a loose screw.



The pictures above show chipping and peeling paint on the window and doorstep of a second unit that we reviewed at the BW Cooper public housing apartment complex.

The Authority did not Inspect Its Public Housing Units

The Authority did not perform inspections of its public housing. The Director of Management in the Property Management and Operations Department told us that the Authority did not have an inspection process or any other quality control measure to ensure public housing units were decent, safe, and in good repair. He said that prior to Hurricane Katrina, housing counselors performed inspections, but that after Hurricane Katrina, there were not enough staff to perform them. He also said that the Authority is training maintenance staff to perform inspections of public housing units in the future.

Recommendations

We recommend that the Deputy Assistant Secretary, Office of Field Operations, require the receiver to

- 2A. Develop and implement a process through which the Authority routinely reviews its public housing managers, including random inspections of public housing units, to ensure that they comply with HUD's requirements.

- 2B. Ensure that the deficiencies in the six sample units are corrected in accordance with the policy established by the Authority.

Finding 3: The Receiver Did Not Ensure the Authority Used a Rent Reasonableness System

The receiver did not require the Authority to use a rent reasonableness system⁴ because the receiver emphasized housing displaced tenants after Hurricane Katrina and did not consider rent reasonableness determinations to be a priority. As a result, the Authority could not be sure that its Housing Choice Voucher Program and Disaster Voucher Program (voucher program) units were not being rented at a rate higher than that of unassisted comparable units in the New Orleans area.

The Authority Did Not Use a Rent Reasonableness System

The Authority did not use a rent reasonableness system to ensure that rents for voucher program units were comparable to rents for similar unassisted units. A review of 13 voucher program tenant files showed that there were no rent reasonableness reviews for the units occupied by those tenants. Federal regulations require public housing agencies to use a rent reasonableness system and to consider location, quality, size, unit type and age of the unit, as well as amenities, housing services, maintenance, and owner-provided utilities when comparing units. The receiver and the Authority's managers confirmed that the Authority did not have a rent reasonableness system and that there was a need for such a system. However, rent reasonableness was not a priority when the Authority was housing displaced tenants after Hurricane Katrina.

As a result of a perceived shortage of rental housing following the disaster in 2005, the Authority established separate payment standard amounts up to 120 percent of the published fair market rent through December 31, 2007. However, as a result of not using a rent reasonableness system, the Authority might have paid higher rates for its voucher program units than tenants would have paid for comparable unassisted units in the New Orleans area.

Recommendation

We recommend that the Deputy Assistant Secretary, Office of Field Operations, require the receiver to

⁴ Appendix C, items (7) and (8) require the public housing agency to use a rent reasonableness system, and prohibit the agency from paying more for assisted units than tenants would pay for comparable unassisted units in the area.

- 3A. Develop a method to assess rent reasonableness to owners by considering at least the location; quality; size; unit type and age; and any amenities, housing services, maintenance, and utilities to be provided by the owner in accordance with the lease.

Finding 4: The Receiver Did Not Ensure That the Authority Correctly Calculated and/or Paid Housing Assistance for Housing Choice Vouchers and Disaster Vouchers

The Authority did not properly calculate or pay assistance for at least five of the thirteen randomly-selected Housing Choice Voucher Program and Disaster Voucher Program (voucher program) tenants whose files we reviewed. This occurred because the Authority did not have a system to detect tenants who vacated their units, and it did not follow HUD's requirements to implement new rent calculation methods as of January 1, 2008 for some Disaster Voucher Program tenants⁵. As a result, in March 2008, the Authority overpaid at least \$3,569 for three tenants who had vacated their units and overpaid at least \$1,200 in assistance for two Disaster Voucher tenants.

The Authority Paid Assistance for at Least Three Tenants Who Had Vacated Their Units

During March 2008, the Authority paid \$3,569 in assistance to property owners for three vacant voucher program units. One of the tenants had vacated her unit in December 2007, three months before the review. The Authority did not detect the erroneous payments because it did not have a system to identify vacated units.

The Authority Overpaid Assistance for Some Disaster Voucher Program Families after January 2008

The Authority did not conduct reexaminations of family income and recalculations of rent on January 1, 2008 as required by HUD regulations for all Disaster Voucher Program families who were previous participants in the Housing Choice Voucher Program. Of the 13 voucher program files reviewed, 10 families either were classified or had formerly been classified as Disaster Voucher Program participants. Of the 10 families, five were categorized as pre-disaster voucher participants, meaning that they were in the Housing Choice Voucher Program prior to Hurricane Katrina. The remaining five families were either pre-disaster public housing, project-based Section 8, or homeless. Authority managers claimed that they did not have the staff to perform all of the reexaminations and recalculations for the pre-disaster voucher participants. Instead, the Authority initiated a flat \$50 per month tenant portion of the rent, effective January 1, 2008.

⁵ See Appendix C, item (10) for HUD's requirements to recalculate housing assistance for Disaster Voucher Program participants as of January 1, 2008.

As a result, the Authority probably overpaid assistance for most of the pre-disaster voucher participants from January 1, 2008, until the performance of income verifications for each of them. For example, two of the five pre-disaster voucher participants had sufficient information in their files to allow us to recalculate their assistance. We determined that the Authority overpaid at least \$1,200 in assistance for the two participants. There was not sufficient information in the remaining files to recalculate the assistance for the remaining three tenants.

Recommendations

We recommend that the Deputy Assistant Secretary, Office of Field Operations, require the receiver to

- 4A. Ensure that landlords repay March 2008 assistance that they received for three tenants who had vacated their units. Such assistance totaled \$3,569 for March 2008.
- 4B. Develop and implement a quality control review process for its monthly housing assistance payments to help it detect and correct any identified discrepancies in a timely manner. Such a quality control program could include increased coordination between inspectors and case managers to identify vacated units during inspections.
- 4C. Ensure that assistance payments for pre-disaster voucher participants who are in the Disaster Voucher Program are immediately recalculated, based on family income verification.

Finding 5: The Receiver Did Not Ensure That the Authority Maintained Its Waiting List in Accordance with Federal Regulations

The Authority did not maintain all of the waiting list information required by HUD because the information was duplicated in the applicants' files. As a result of the information missing from the waiting list, the Authority cannot reasonably ensure that participants will be selected in accordance with its admission policies when selections from the waiting list resume.

The Section 8 Waiting List Lacked Information

The Authority's pre-Hurricane Katrina waiting list contained more than 9,700 applicants, but lacked some information required by federal regulations⁶. The list contained some critical information such as the applicant's name, Social Security number, a client number, and address; however, it lacked other required information including the family unit size, the date and time of the application, any qualifications for preferences, and the racial or ethnic designation of the head of household. Without this information, the Authority cannot reasonably ensure that participants will be selected in an equitable manner when it resumes selecting participants from the waiting list.

The Authority's managers claimed that the missing information was duplicated in the applicant's files, so they did not need to include it on the waiting list.

The Authority is Updating the Waiting List, But Does not Know When It Will Issue New Vouchers

The Authority's management said that a new waiting list should be established by the first quarter of 2009. Its Voucher Programs Administrator claimed to have completed purging the old (pre-disaster) waiting list by August 2008, and to be trying to hire a contractor to open the waiting list for new applicants. However, Authority management stated that the Authority had not received additional funding for new vouchers.

⁶ See Appendix C, item (2) for the data that HUD requires to be in the waiting list.

Recommendation

We recommend that the Deputy Assistant Secretary, Office of Field Operations, require the receiver to

- 5A. Ensure that the Authority includes family unit sizes, dates and times of applications, qualifications for local preferences, and any demographical data required by federal regulations in its revised waiting list.

SCOPE AND METHODOLOGY

We conducted our audit at the Authority and the HUD Office of Inspector General (OIG) office in New Orleans, Louisiana. We performed our audit work between April and September 2008.

To accomplish the objective, we selected a representative non-statistical random sample of 13 Section 8 tenants from the Authority's March 2008 housing assistance payment register. We reviewed Section 8 tenant files for tenant eligibility and the accuracy of housing assistance payment calculations. Further, we accompanied the Authority's Section 8 quality control inspector on a review of 10 of the 13 units associated with the tenant files and interviewed the tenants when available. Three of the tenants had vacated their units; therefore, we did not participate in inspections of the units. HUD's Housing Quality Standards (HQS) were used during the inspections and all deficiencies were associated with the property standards.

Finally, we selected a representative non-statistical random sample of 10 public housing tenants from the Authority's public housing tenant listing, inspected nine of the ten public housing units, and interviewed the occupants when available. One of the tenants had vacated the unit; therefore, we did not inspect the unit. We used the Uniform Physical Condition Standards (UPCS) during our inspections and all defects were associated with the property standards.

In addition to the inspections and file reviews, we (1) interviewed various senior HUD and Authority officials, contractor staff, and other Authority staff; (2) reviewed the Authority's Section 8 administrative plan, its contract with its inspection contractor, the *Code of Federal Regulations*, waivers, and other applicable documentation relevant to the Authority's housing operations; and (3) analyzed the Authority's March 2008 housing assistance payment register.

Our audit period covered January 1, 2006, through March 15, 2008. We expanded this period as 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 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 objectives:

- Controls over program operations – Policies and procedures that management has implemented to reasonably ensure that Section 8 units comply with HUD's housing quality standards; policies and procedures that management has implemented to reasonably ensure that public housing units are in good repair; policies and procedures that management has implemented to reasonably ensure that voucher recipients are eligible to participate in the Authority's Section 8 program; and policies and procedures that management has implemented to ensure the accuracy of housing assistance payment calculations.
- Controls over the validity and reliability of data – Policies and procedures that management has implemented to reasonably ensure that valid and reliable data within the management information system are obtained, maintained, and fairly disclosed in reports.
- Compliance with laws and regulations – Policies and procedures that management has implemented to reasonably ensure that Section 8 and public housing operations comply with HUD's laws and regulations.
- Safeguarding resources – Policies and procedures that management has implemented to reasonably ensure that HUD-disbursed funds 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 items are significant weaknesses:

- The receiver did not ensure that eight of ten sample Housing Choice Voucher Program and Disaster Voucher Program units complied with housing quality standards (finding 1).
- The receiver did not ensure that six of nine Authority's public housing units were in good repair (finding 2).
- The receiver did not ensure the Authority used a rent reasonableness system (finding 3).
- The receiver did not ensure that the Authority correctly calculated and/or paid housing assistance for Housing Choice Vouchers and Disaster Vouchers (finding 4).
- The receiver did not ensure that the Authority maintained its waiting list in accordance with applicable federal regulations (finding 5).

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS

Recommendation number	Ineligible 1/
4A	\$3,569

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.

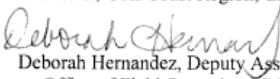
Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

MEMORANDUM FOR: Rose Capalungan, Regional Inspector General for Audit, New Orleans, Gulf Coast Region, GAH

FROM: 
Deborah Hernandez, Deputy Assistant Secretary,
Office of Field Operations, PQ

SUBJECT: HUD's Receiver Did Not Provide Adequate Management Oversight to Ensure That the Housing Authority of New Orleans Complied with HUD's Requirements When Performing Its Housing Choice Voucher Program, Disaster Voucher Program, and Public Housing Operations

This memorandum responds to the above-referenced draft audit report submitted to the Office of Public and Indian Housing (PIH) via e-mail on October 31, 2008. In preparing this response, the PIH Office of Field Operations has consulted with the New Orleans HUD Receiver.

The draft audit declared that "HUD's receiver did not provide adequate management oversight to ensure that the Authority complied with HUD's requirements when operating its voucher program and public housing operations." This declaration was based on five findings:

1. The Receiver did not ensure that eight (8) of ten (10) sample Housing Choice Voucher Program and Disaster Voucher Program units complied with housing quality standards
2. The Receiver did not ensure that six (6) of nine (9) sample public housing units were in good repair
3. The Receiver did not ensure the authority used a Rent Reasonableness System
4. The Receiver did not ensure that the authority correctly calculated and/or paid housing assistance for Housing Choice Vouchers and Disaster Vouchers
5. The Receiver did not ensure that the authority maintained its waiting list in accordance with federal regulations

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The report cites two main reasons for its findings: (1) "The receiver placed a higher priority on housing displaced tenants", and (2) lack of management and tracking systems.

Management Response:

HUD took HANO into administrative receivership in February 2002, after an experimental partnership between HUD, the City of New Orleans, and Xavier and Tulane Universities failed to turn around the failing housing authority. HANO had been identified as seriously deficient since 1979, and many previous approaches to reform had failed. Initial efforts at recovery under HUD receivership were significantly set back by Hurricane Katrina, which damaged or destroyed much of HANO's property. In addition to the damage to physical assets, HANO has had to cope with the loss of many staff due to hurricane-forced relocation, difficulty locating and contacting displaced former residents, files destroyed by floodwaters, and significant legal challenges to its redevelopment program. However, since Katrina, HUD and the Executive Administrator have aggressively worked to ensure the stability and the agency's eventual return to local control.

At the time of the storm, a \$700 million redevelopment program was underway with five of HANO's ten conventional housing sites under construction. Desire and St. Thomas (River Garden) were both being redeveloped under the HOPE VI program by private developers and HANO was self-developing the Fischer, Florida and Guste developments.

After an initial period of assessment and evaluation of its inventory following Hurricane Katrina, HANO began the process of recovering and repairing developments that experienced minor damage. By December 2005, 500 families had returned to Guste, Fischer and River Garden (formerly St. Thomas). As of November 1, 2008, more than 2,200 families have returned to these sites as well as to Iberville, B.W. Cooper and several scattered sites, while HANO continues to repair and reoccupy approximately 2,800 units. HANO resumed construction at Fischer and Guste within two months of the storm, and there are now 123 newly-completed affordable units at Fischer and 82 recently completed affordable units at Guste.

In addition, HANO has been vigorously addressing the recovery and redevelopment of its conventional and scattered sites by developing site-based plans which are guided by the Agency's overriding goal to provide well-managed, well-maintained, high-quality housing for low-income families. HANO's redevelopment plan will provide approximately 7,900 housing opportunities by the end of the recovery schedule, including 3,200 public housing units, 2,300 other affordable rentals (tax credit and/or Section 8 project-based voucher units), 500 affordable homeowner units, close to 1,000 market rate rentals, and 900 market rate homeowner units. HANO is in the process of redeveloping four major public housing properties damaged by Hurricane Katrina: B.W. Cooper, C.J. Peete, St. Bernard and Lafitte. Preliminary discussions are also underway regarding the major rehabilitation of the Iberville public housing site. To date, HANO has made great strides towards implementing each of these four redevelopment projects. Demolition of more than 3,900 of the old dilapidated units has been completed to make way for the new developments. Other efforts to revitalize communities include redevelopment of the former St. Thomas and Desire sites. HANO through its developer has reconstructed the hurricane-damaged Abundance Square (73 units) and Treasure Village (34 units) and

Ref to OIG Evaluation

Auditee Comments

Comment 1

reconstruction is in progress on 158 units at Savoy Place I. At River Garden, (formerly St. Thomas), Construction Site I comprised of 296 mixed income units was completed in July 2005. Redevelopment resumed quickly at River Garden in the aftermath of Katrina, and to date, construction has been completed on 57 new units of elderly housing and 37 historic affordable rental units. Additional construction is now underway on 73 affordable and market rate homeowner units and on River Garden Construction Site II which will be comprised of 310 mixed income rental units.

Significant progress has also been made in the administration of the Housing Choice Voucher Program. New systems and procedures have been implemented to ensure compliance with federal requirements and HANO policies and procedures. Since hurricane Katrina the program has grown steadily and as of October 31, 2008, there were a total of 7,082 vouchers under lease. This includes 6,800 Housing Choice Vouchers, 95 Disaster Vouchers, and 187 port-outs. Efforts are also ongoing to restore HANO's inventory of project-based voucher units with a focus on facilitating the re-occupancy of rehabilitated units as they return on line.

As HANO continues to rebuild its inventory it must be recognized that the highest priority must be on the persons that we serve. Therefore, we acknowledge and agree with the OIG conclusion that one of the main reasons for the Findings are that "The Receiver placed a higher priority on housing displaced tenants". Considering the devastation caused by hurricane Katrina and the dire need to house families, HUD stands by its decision to place a priority on housing families. The fact is that since 2005 HANO has worked aggressively to provide previously assisted families with housing stability during the hurricane displacement period by providing Katrina Disaster Housing Assistance Program and Disaster Voucher Program rental subsidies. Working with HUD, HANO began locating its residents shortly after the hurricane to determine their housing status and their desire to return to New Orleans. To date over 4,660 public housing residents have been contacted and assisted under HANO's Disaster Relocation Assistance Program and HANO's programs are back on track.

Under the leadership of Karen Cato-Turner, Executive Administrator, HANO continues to rebuild and stabilize the agency. Ms. Cato-Turner has been and will continue to be effective in addressing the day to day activities and concerns of the Agency. These activities include tasks associated with the mandatory conversion to Asset Management; personnel restructuring, implementation of an all employee skills assessment and training program, administration of public housing and voucher programs; repair and re-occupancy of public housing units; and providing/identifying homeownership, educational and self-sufficiency opportunities to clients. HUD is confident that the Agency will be fully restored and returned to local control in FYE 2010.

In response to specific findings identified in the report, please note the following:

- The Housing Choice Voucher Program (HCVP) has developed and implemented processes to ensure that the current inspections contractor receives an Annual Inspections database every two (2) months to ensure each unit under contract is inspected annually.

Ref to OIG Evaluation

Auditee Comments

- The Housing Choice Voucher Program, upon receipt of the IG findings, began immediately addressing the conditions found in each unit. Two (2) of the ten (10) units sampled subsequently had the Housing Assistance Payment (HAP) contracts cancelled, five (5) of the ten (10) units passed a June 23, 2008 re-inspection and the remaining three (3) units failed the June 23, 2008 re-inspection and were placed on abatement. The three (3) units placed on abatement were re-inspected from July 10, 2008 through August 26, 2008. All three (3) units passed the re-inspection.
- The Authority selected The Nelrod Company to develop a rent-reasonableness system.
- The Housing Choice Voucher Program has purged its pre-disaster wait list and written a scope of services for a third-party to re-establish the wait list in accordance with all Federal requirements.

The Authority's maintenance staff began conducting inspections of all units and curing deficiencies, including rodent abatement.

Responses to IGA Recommendations (Pages 8, 12, 14, 16, and 18):

Section 8 Housing Choice Voucher Program

1A. Ensure that its contractor inspects all voucher program units annually, and that it performs supervisory quality control inspections on at least 10 percent of the units inspected by the contractor as required by the Authority's administrative plan.

Response: The Housing Choice Voucher Program has developed and implemented processes to ensure that the current inspections contractor receives an Annual Inspections database every two (2) months to ensure each unit under contract is inspected annually. The HCVP in-house Inspectors, will schedule 10 percent of the total lease up number for Quality Control inspections. Currently there are over 7,000 units under contract, 700 Quality Control (QC) inspections must be completed on or before December 31, 2008. In the future, once the 700 QC inspections are completed, HCVP inspectors will inspect 30 units monthly. The number of QC inspections will increase/decrease to maintain the required 10% threshold.

The HCVP program reaffirms its commitment to maintaining annual re-certifications for every program participant, annual inspections for every contracted unit, accurate PIC reporting, and timely financial submissions through VMS – all of which are mandated by HUD. While we focus on the above referenced mandates, plans and staffing adjustments have been made to begin the 2009 calendar year in full compliance with all Federal HCVP program requirements. This includes but is not limited to: (1) staffing and training an internal quality assurance team, (2) converting to a more effective software system, (3) establishing a Customer Relations Department to focus on providing quality customer service, (4) use of new rent reasonableness system, (5) ongoing staff training, (6) and fully staffing the program.

Comment 2

Ref to OIG Evaluation

Auditee Comments

Comment 3

1B. Ensure that the 10 sample units are made decent, safe, and sanitary.

Response: The Housing Choice Voucher Program, upon receipt of the IG findings, began immediately addressing the conditions found in each unit. Two (2) of the ten (10) units sampled subsequently had the Housing Assistance Payment (HAP) contracts cancelled, five (5) of the ten (10) units passed a June 23, 2008 re-inspection and the remaining three (3) units failed the June 23, 2008 re-inspection and were placed on abatement. The three (3) units placed on abatement were re-inspected from July 10, 2008 through August 26, 2008. All three (3) units passed the re-inspection. Please see the attachment titled "HCVP Unit Inspections" for specific information related to each unit in question. The Authority will continue to execute quality control measures and conduct annual inspections to ensure that the contracted units remain decent, safe, and sanitary. Additionally, the Authority has created a tenant "complaint inspection" process that allows the client to request an inspection at anytime during the contract period.

Low-Rent Public Housing Program

Comment 4

2A. Develop and implement a process through which the Authority routinely reviews the performance of its public housing managers and the physical condition of its public housing units, to ensure that they comply with HUD's requirements.

Response: The Housing Authority of New Orleans has been challenged to maintain its inventory in good repair due to the age and obsolescence of its units. Many of the Authority's public housing developments had suffered years of neglect and under the HUD receivership were slated for redevelopment. The problem and delay in addressing the inventory was exacerbated by the effects of Hurricane Katrina. In an attempt to house residents and help them recover from the effects of the disaster, HANO dedicated the bulk of its maintenance staff to unit turnover for re-occupancy efforts. This precluded the agency from adequately performing routine and cyclical maintenance. The Authority has embarked upon an unprecedented redevelopment program that will transform four (4) obsolete public housing developments into new and vibrant mixed income communities. Additionally, for the past several months, the Authority has aggressively inspected public housing units in its inventory to ensure they are decent, safe and sanitary.

The Executive Administrator also restructured management staff in order to implement the new Asset Management Business Model for Public Housing. This will allow for more transparency, a higher level of checks and balances, and provide the Authority's senior management staff with information used to assess the performance of their public housing managers. Under this new asset management model, public housing managers are transformed into asset managers. As asset managers they are responsible for the day to day management of developments and their associated units. The Asset Managers will report to the Director of Asset Management who is responsible for oversight of all public housing units in the authority's portfolio and for making recommendations on what to do with the assets. The Authority is in the process of creating an operations manual for the Asset Managers. To ensure that the physical condition of the units complies with HUD standards, the Authority will implement the following:

Ref to OIG Evaluation

Auditee Comments

Comment 5

1. Asset Managers will conduct bi-weekly meetings with on-site maintenance staff to ensure that the routine and cyclical maintenance plan is being followed (a copy of the routine and cyclical maintenance plan is attached). They will also review Work Order reports to ensure compliance.
2. As a part of their weekly responsibilities, Asset Managers must monitor the Maintenance Work Order system to ensure that maintenance work orders are generated and closed out timely. If discrepancies are found, they will immediately address them with the on-site maintenance staff. Determining the causes and what corrective actions are needed in order to reduce and eliminate the discrepancies will be discussed during the bi-weekly meetings. If a pattern persists, the Asset Managers must bring the issues to the attention of the Director of Asset Management for action.
3. In order to monitor the performance of the Asset Managers and for Quality Control purposes, monthly, the Director of Asset Management will audit 10% of the monthly work orders. The selected work orders will be randomly generated from the Authority's Management and Information System. Another assessment tool that will be used to review the performance of the Asset Managers is to review the development's Physical score generated by the Public Housing Assessment System (PHAS). The physical score is generated by a third party inspection of the public housing units for compliance with HUD's standards.

2B. Ensure that the deficiencies in the six sample units are corrected in accordance with the policy established by the Authority.

Response: Upon receipt of the findings in May of 2008, the Director of Maintenance and Modernization went to the properties to ensure the deficiencies, listed in the Auditors report, were addressed. Specifically, the following action was taken:

1. Iberville Development:

It should be noted that the Iberville development is obsolete and in need of major rehabilitation. Currently, the HANO is managing major redevelopment plans at four public housing sites. Once construction is underway at these sites plans will be implemented to address the Iberville site.

- a. The hand rail repairs were completed in June of 2008
- b. The sewer leaks were corrected on May 28 and June 11, 2008
- c. The Authority's maintenance staff began baiting and abatement for the rodent infestation on June 1, 2008. A pest control contract is currently being negotiated.
- d. The Management Office's air conditioning leak was repaired in June 2008.

Ref to OIG Evaluation

Auditee Comments

2. Cooper Development:

It should be noted that the B.W. Cooper public housing site is being redeveloped into a mixed-income community. The inspected buildings/units have been approved for demolition and are slated to be demolished.

- a. The window panes, loose balcony railing and other general maintenance issues such as peeling paint, weather stripping, burnt out light bulbs, and loose plumbing fixtures were repaired on May 23, 2008.

3. Guste Homes:

- a. There were no Health or Safety issues identified, however, the air conditioning closet lock was repaired in May of 2008.

4. Scattered Sites:

- a. There were no Health or Safety issues identified, however, the general maintenance issues including weather stripping peeling and chipping paint, door latches, grass and debris were corrected in June of 2008.

5. Fischer Development:

It should be noted that the concern identified by the OIG was the result of poor housekeeping. The tenant has since been evicted for failure to adhere to a previously housekeeping agreement.

- a. On May 23, 2008 the following items were completed:
 - Replaced two missing hallway smoke detectors
 - Replaced HVAC thermostat cover
 - Replaced hallway light and cover
- b. It was determined that tenants were responsible for removing the smoke detectors. The tenants were counseled and placed on probation.

3A. Develop a method to assess rent reasonableness to owners by considering at least the location; quality; size; units type and age; and any amenities, housing services, maintenance, and utilities to be provided by the owner in accordance with the lease.

Response: The devastation caused by Hurricane Katrina effectively eliminated the ability to use an adequate number of comparables in a rent reasonableness review because of the limited number of available rental units, therefore; the Authority was unable to conduct rent reasonableness reviews. With market conditions having improved remarkably over the past 2 years, the Authority is working with a contractor (the Nelrod Company) to develop a rent-reasonableness system. The Authority's goal is to implement a rent reasonableness system by January 1, 2009. The contract calls for the Nelrod Company to work with the Authority to

Comment 6

Ref to OIG Evaluation

Auditee Comments

Comment 7

design/develop the system, ensure system functionality, and train staff to ensure usability.

4A. Ensure that landlords repay March 2008 assistance that they received for three tenants who had vacated their units. Such assistance totaled \$3,569 for March 2008.

4B. Develop and implement a quality control review process for its monthly housing assistance payments to help it detect and correct any identified discrepancies in a timely manner. Such a quality control program could include increased coordination between inspectors and case managers to identify vacated units during inspections.

4C. Ensure that assistance payments for pre-disaster voucher participants who are in the Disaster Voucher Program are immediately recalculated, based on family income verification.

Response to 4A, 4B, 4C:

The Housing Choice Voucher Program uses a process where units are inspected upon initial lease-up and at least once annually. If a unit is determined to be vacant, Entergy (utility provider) is contacted to determine the date of service interruption which is used as a reference for the date the unit is vacated. Once the reference date is established, the client and the owner are contacted to confirm the actual date that the unit was vacated. Subsequently, HAP contracts are cancelled and any overpaid HAP is re-captured. In cases where an owner was overpaid, the HCVP's Compliance staff sends notification to the owner/agent requesting repayment. If the owner/agent does not comply with the request, the overpayments will be recouped by withholding payments from other (same owner) units under contract. If the owner no longer has unit(s) under contract, the HCVP forwards supporting documentation to HANO's Legal Department to pursue litigation. The overpayment amounts were recaptured by the Authority. A detailed transaction report for the recaptured amounts will be provided.

Given the number of Disaster Voucher Program (DVP) families to be converted to HCVP by the January 2008 deadline, the Agency using its Administrative Plan policies, with the authorization of the HUD PIH Office of Public Housing and Voucher Programs, and in consultation with the HUD Executive Administrator, converted all pre-disaster HCVP families with a minimum rent payment of \$50. This process allowed HANO to meet the required conversion deadline and schedule re-examinations for all program participants, which were not required under DVP, for the 2008 calendar year. As a result, every program participant will have a current re-certification completed by December 31, 2008. This will ensure that accurate tenant rent portions have been determined and clients and owners have been given proper notification. It will also ensure that all HAP contract amounts have been calculated in accordance with all HCVP regulations.

5A. Ensure that the Authority includes family unit sizes, dates and times of applications, qualifications for local preferences, and any demographical data required by federal regulations in its revised waiting list.

Response: All federally required information (family unit sizes, local preference qualifications,

Comment 8

Ref to OIG Evaluation

Auditee Comments

etc.) was utilized in the establishment of HANO's wait list in 2001. This data, provided during the application process, was the basis for the formation of the pre-disaster wait list. As the Authority moves from disaster recovery to normalized programmatic operations, the Housing Choice Voucher Program has purged its pre-disaster wait list and written a scope of services for a third-party to re-establish the wait list in accordance with all Federal requirements. The new wait list will be incorporated into the Agency's new software system (YARDI) which will allow for compliant wait list management. It is anticipated that the Authority will have a new wait list established and the YARDI system in place by March 31, 2009. Depending on the Agency's funding allocation, resumption of the issuance of new vouchers will commence within sixty (60) days after establishment of the new wait list.

OIG Evaluation of Auditee Comments

Comment 1 HUD acknowledged and agreed with our conclusion that after the hurricanes, it had placed a higher priority on rebuilding damaged units and housing displaced tenants than ensuring that Housing Choice Voucher program and public housing units were in livable condition, rent reasonableness was in place, calculation of housing assistance payments was accurate, and the waiting list was manageable. HUD expressed confidence in the current receiver, who it says continues to rebuild and stabilize the Authority. HUD also expressed confidence that the Authority will be fully restored and returned to local control by the end of fiscal year 2010.

Comment 2 In the response, HUD said that the Authority was taking steps to ensure that the contracted inspector receives a list of units needing inspection every two months and that its quality control inspectors perform the required number of quality control inspections.

We recognize that HUD may be requiring the Authority to take these steps to correct the deficiencies; however, we have not performed any tests to evaluate their effectiveness.

Comment 3 In the response, HUD said that after being made aware of the conditions in the 10 sample Housing Choice Voucher program units, the Authority immediately reinspected the units and cancelled contracts or abated assistance as necessary. Further, HUD said that the Authority had created a tenant complaint inspection process to allow tenants to request an inspection at any time.

We acknowledge that HUD required the Authority to take prompt action to correct the deficiencies and involved the tenants in alleviating future problems. However, we did not review the units after the corrections and have not evaluated the effectiveness of the complaint inspection process.

Comment 4 In the response, HUD said that the maintenance problems in public housing arose because the Authority concentrated its maintenance staff on reoccupancy efforts instead of routine and cyclical maintenance. However, HUD stated that the Authority has been inspecting public housing units for the past several months to ensure that they are decent, safe, and sanitary. Further, HUD stated that the current receiver has restructured staff to implement the new asset management business model. New procedures are to include regular meetings between managers and maintenance staff to discuss and review work reports, incorporating maintenance work order reviews in the asset managers' job responsibilities, and random audits of monthly work orders.

We recognize that HUD is requiring the Authority to take these steps to correct the deficiencies; however, we have not performed any tests to evaluate their effectiveness.

Comment 5 In the response, HUD said that upon receipt of the findings in May 2008, the Authority reviewed the six deficient public housing units and corrected deficiencies and evicted tenants as appropriate.

We acknowledge that HUD required the Authority to take prompt action to correct the deficiencies and evict problem tenants. However, we did not review the units after the corrections.

Comment 6 In the response, HUD said that the Authority is working with a contractor to develop a rent reasonableness system and that it should be implemented by January 1, 2009.

We recognize that HUD is requiring the Authority to take this step to correct the deficiency. We have not performed any tests to evaluate the effectiveness of the new rent reasonableness system.

Comment 7 In the response, HUD said that the Authority had recaptured the overpayment amounts and that every program participant would have a current recertification completed and all assistance payment contract amounts recalculated in accordance with Housing Choice Voucher program regulations by December 31, 2008.

We recognize that HUD is requiring the Authority to take these steps to correct the deficiencies. We have not performed any tests to confirm the recapture or evaluate whether all of the Housing Choice Voucher program assistance payments will be accurate by December 31, 2008.

Comment 8 In the response, HUD said that all of the required information was used in the establishment of the 2001 waiting list. HUD stated that the old waiting list had been purged and the new waiting list would be reestablished in accordance with federal requirements. HUD estimated that the waiting list would be established by March 2009 and that new vouchers could be issued within 60 days after the new waiting list if the funding was available. HUD stated that the new waiting list would be in its new software system, which allows for compliant waiting list management.

We recognize that HUD believes that the new waiting list will contain all of the required information and that, using the new software system, the Authority will be able to select participants from the waiting list in an equitable manner. However, we have not performed any tests to confirm the contents of the new waiting list or the capabilities of the new software system.

Appendix C

CRITERIA

(1) Federal Regulations at 24 CFR (*Code of Federal Regulations*) 5.703

HUD housing must be decent, safe, sanitary and in good repair. Owners of housing described in §5.701(a), mortgagors of housing described in §5.701(b), and PHAs [public housing agencies] and other entities approved by HUD owning housing described in §5.701(c), must maintain such housing in a manner that meets the physical condition standards set forth in this section in order to be considered decent, safe, sanitary and in good repair. These standards address the major areas of the HUD housing: the site; the building exterior; the building systems; the dwelling units; the common areas; and health and safety considerations.

(a) Site. The site components, such as fencing and retaining walls, grounds, lighting, mailboxes/project signs, parking lots/driveways, play areas and equipment, refuse disposal, roads, storm drainage and walkways must be free of health and safety hazards and be in good repair. The site must not be subject to material adverse conditions, such as abandoned vehicles, dangerous walks or steps, poor drainage, septic tank back-ups, sewer hazards, excess accumulations of trash, vermin or rodent infestation or fire hazards.

(b) Building exterior. Each building on the site must be structurally sound, secure, habitable, and in good repair. Each building's doors, fire escapes, foundations, lighting, roofs, walls, and windows, where applicable, must be free of health and safety hazards, operable, and in good repair.

(c) Building systems. Each building's domestic water, electrical system, elevators, emergency power, fire protection, HVAC, and sanitary system must be free of health and safety hazards, functionally adequate, operable, and in good repair.

(d) Dwelling units. (1) Each dwelling unit within a building must be structurally sound, habitable, and in good repair. All areas and aspects of the dwelling unit (for example, the unit's bathroom, call-for-aid (if applicable), ceiling, doors, electrical systems, floors, hot water heater, HVAC (where individual units are provided), kitchen, lighting, outlets/switches, patio/porch/balcony, smoke detectors, stairs, walls, and windows) must be free of health and safety hazards, functionally adequate, operable, and in good repair. (2) Where applicable, the dwelling unit must have hot and cold running water, including an adequate source of potable water (note for example that single room occupancy units need not contain water facilities). (3) If the dwelling unit includes its own sanitary facility, it must be in proper operating condition, usable in privacy, and adequate for personal hygiene and the disposal of human waste. (4) The dwelling unit must include at least one battery-operated or hard-wired smoke detector, in proper working condition, on each level of the unit.

(e) Common areas. The common areas must be structurally sound, secure, and functionally adequate for the purposes intended. The basement/garage/carport, restrooms, closets, utility, mechanical, community rooms, day care, halls/corridors, stairs, kitchens, laundry rooms, office, porch, patio, balcony, and trash collection areas, if applicable, must be free of health and safety hazards, operable, and in good repair. All common area ceilings, doors, floors, HVAC, lighting, outlets/switches, smoke detectors, stairs, walls, and windows, to the extent applicable, must be free of health and safety hazards, operable, and in good repair. These standards for common areas apply, to a varying extent, to all HUD housing, but will be particularly relevant to congregate housing, independent group homes/residences, and single room occupancy units, in which the individual dwelling units (sleeping areas) do not contain kitchen and/or bathroom facilities.

(f) Health and safety concerns. All areas and components of the housing must be free of health and safety hazards. These areas include, but are not limited to, air quality, electrical hazards, elevators, emergency/fire exits, flammable materials, garbage and debris, handrail hazards, infestation, and lead-based paint. For example, the buildings must have fire exits that are not blocked and have hand rails that are undamaged and have no other observable deficiencies. The housing must have no evidence of infestation by rats, mice, or other vermin, or of garbage and debris. The housing must have no evidence of electrical hazards, natural hazards, or fire hazards. The dwelling units and common areas must have proper ventilation and be free of mold, odor (e.g., propane, natural gas, methane gas), or other observable deficiencies. The housing must comply with all requirements related to the evaluation and reduction of lead-based paint hazards and have available proper certifications of such (see 24 CFR part 35). (g) Compliance with State and local codes. The physical condition standards in this section do not supersede or pre-empt State and local codes for building and maintenance with which HUD housing must comply. HUD housing must continue to adhere to these codes.

(2) Federal Regulations at 24 CFR 982.204

The PHA must select participants from the waiting list in accordance with admission policies in the PHA administrative plan.

Organization of the waiting list. The PHA must maintain information that permits the PHA to select participants from the waiting list in accordance with the PHA admission policies. The waiting list must contain the following information for each applicant listed: (1) Applicant name; (2) Family unit size (number of bedrooms for which family qualifies under PHA occupancy standards); (3) Date and time of application; (4) Qualification for any local preference; (5) Racial or ethnic designation of the head of household.

(3) Federal Regulations at 24 CFR 982.401

All program housing must meet the HQS [housing quality standards] performance requirements both at commencement of assisted occupancy, and throughout the assisted tenancy.

(4) Federal Regulations at 24 CFR 982.405

The PHA must (1) inspect the unit leased to a family prior to the initial term of the lease, at least annually during assisted occupancy, and at other times as needed, to determine if the unit meets the HQS; (2) conduct supervisory quality control HQS inspections; and (3) consider complaints and any other information brought to the attention of the PHA.

(5) Federal Regulations at 24 CFR 982.503

Establishing payment standard amounts - The PHA may establish the payment standard amount for a unit size at any level between 90 percent and 110 percent of the published FMR [fair market rent] for that unit size. HUD approval is not required to establish a payment standard amount in that range (“basic range”). The PHA may establish a separate payment standard amount within the basic range for a designated part of an FMR area. The PHA must request HUD approval to establish a payment standard amount that is higher or lower than the basic range. HUD has sole discretion to grant or deny approval of a higher or lower payment standard amount. Paragraphs (c) and (e) of this section describe the requirements for approval of a higher payment standard amount (“exception payment standard amount”).

HUD approval of exception payment standard amount - At HUD’s sole discretion, HUD may approve a payment standard amount that is higher than the basic range for a designated part of the fair market rent area (called an “exception area”).

(6) Federal Regulations at 24 CFR 982.505

Use of payment standard - A payment standard is used to calculate the monthly housing assistance payment for a family. The “payment standard” is the maximum monthly subsidy payment.

Amount of monthly housing assistance payment - The PHA shall pay a monthly housing assistance payment on behalf of the family that is equal to the lower of: (1) The payment standard for the family minus the total tenant payment; or (2) The gross rent minus the total tenant payment.

(7) Federal Regulations at 24 CFR 982.507

PHA determination - (1) The PHA may not approve a lease until the PHA determines that the initial rent to owner is a reasonable rent.

(2) The PHA must re-determine the reasonable rent: (a) Before any increase in the rent to owner; (b) If there is a five percent decrease in the published FMR in effect 60 days before the contract anniversary (for the unit size rented by the family) as compared with the FMR in effect 1 year before the contract anniversary; or (c) If directed by HUD.

(3) The PHA may also re-determine the reasonable rent at any other time.

(4) At all times during the assisted tenancy, the rent to owner may not exceed the reasonable rent as most recently determined or re-determined by the PHA.

Comparability - The PHA must determine whether the rent to owner is a reasonable rent in comparison to rent for other comparable unassisted units. To make this determination, the PHA must consider: (1) The location, quality, size, unit type, and age of the contract unit; and (2) Any amenities, housing services, maintenance and utilities to be provided by the owner in accordance with the lease.

Owner certification of rents charged for other units - By accepting each monthly housing assistance payment from the PHA, the owner certifies that the rent to owner is not more than rent charged by the owner for comparable unassisted units in the premises. The owner must give the PHA information requested by the PHA on rents charged by the owner for other units in the premises or elsewhere.

(8) FR (*Federal Register*)-5018-N-02

Section 982.503(b) imposes a cap on the amount a PHA may establish as its payment standard amount at 110 percent of the published fair market rent (FMR). In order to expand the housing available to families displaced by Hurricane Katrina, PHAs in disaster areas may establish separate payment standard amounts up to 120 percent of the published FMR. Higher exception payment standards above 120 percent may be requested through the expedited waiver process, but must be justified by rental housing data. In all cases, the actual gross rent for the unit leased by the family may not exceed what is charged for comparable unassisted units in the area.

(9) PIH (Public and Indian) Notice 2006-12

The PHA must inspect the unit leased to a family prior to the initial term of the lease, at least annually during assisted occupancy, and at other times as needed, to determine that the units meets the HQS. The HQS for the DVP are the same HQS used by the PHA for the regular housing choice voucher program at 24 CFR part 982.401 with the following exception. Section 982.401(d) provides, among other things, the requirement for adequate space for the family. With respect to space, this section provides that each dwelling unit must have at least one bedroom or living/sleeping room for each two persons. The PHA may, with consent of the family, exempt units from this requirement on a case-by-case basis.

(10) PIH (Public and Indian) Notice 2007-17

Until January 1, 2008, the monthly DVP housing assistance payment for any DVP participant family continues to equal the lesser of: (1) the monthly gross rent; or (2) the applicable PHA payment standard amount established for the PHA's regular voucher program in accordance with 24 CFR 982.503.

Housing assistance payments for all DVP families must be recalculated in accordance with regular voucher program rules effective January 1, 2008. The PHA must conduct an examination of family income in order to adjust the housing assistance payment to reflect the family's payment of the family share of rent based on normally applicable voucher program requirements effective January 1, 2008.

(11) The Authority's Section 8 Administrative Plan (Section 10)

The following type of inspections will be conducted as required:

Annual - an inspection conducted on a property prior to its re-certification date

Re-inspection - an inspection of a property which failed its annual inspection

24 Hour Re-inspection - an inspection on a property which had a failing item considered a 24 hour emergency situation

RTA/Initial - inspection on a property in which the tenant has selected and is requesting approval of a new unit

Complaint - inspection on a property which has been requested by the resident or other involved party due to perceived problems with the property

Abatement Cure - inspection on a property where abatement has commenced but is still within the 30 day window prior to termination

Re-instatement Inspection - inspection in which the contract was terminated but a determination has been made to re-instate the contract

Quality Assurance (QA) - 10% re-inspection by a supervisor of units previously inspected

QA Re-inspection - re-inspection on a failed QA

Vacate inspection - a move out inspection conducted because the owner is entitled to a special claim.

Appendix D

HOUSING CHOICE VOUCHER PROGRAM AND DISASTER VOUCHER PROGRAM INSPECTION FINDINGS

Sample Number	Significant Deficiencies					Prior Inspection Date	Comments
	A	B	C	D	E		
1							Vacant, Not Inspected
2		X		X		05-31-2007	
3						02-29-2008	No Significant Deficiencies
4							Vacant, Not Inspected
5			X	X	X	02-11-2008	Significant Deficiencies Would Have Existed During Prior Inspection
6		X	X			12-18-2007	
7							Vacant, Not Inspected
8	X	X	X	X	X	11-02-2007	
9		X				09-01-2006	Unit Not Inspected At Least Annually
10	X	X	X		X	10-11-2007	
11	X	X		X	X	03-31-2008	Significant Deficiencies Would Have Existed During Prior Inspection
12		X		X	X	08-22-2006	Unit Not Inspected At Least Annually
13						09-22-2006	No Significant Deficiencies; Unit Not Inspected At Least Annually
Totals	3	7	4	5	5		

Key:

A - Electrical hazards including missing outlet covers and improper use of extension cords

B - Smoke alarm inoperable and/or improperly installed

C - Drainage leak or other plumbing issue

D - Disturbed paint surfaces

E - Safety and security hazards including, windows/doors not opening properly, missing locks and loose hand rails

Appendix E

PUBLIC HOUSING INSPECTION FINDINGS

<u>Development</u>	<u>Auditor Observation</u>	<u>A</u>	<u>B</u>
<u>Iberville</u>			
Common Areas	Extensive rat infestation	X	
	Open grates on foundation accesses	X	
	Missing handrails on risers	X	
	Leaking ceiling in main office hallway	X	
	Buckets in main office hallway	X	
	Water stains on fluorescent light fixtures		X
	Peeling paint on window/door frames		X
	Blocked downspout		X
	Graffiti on building exteriors		X
Sample Unit 1	Overcrowding - five persons in a two-bedroom unit	X	
	Window missing from shared stairwell	X	
	Light fixtures missing throughout unit		X
	Burn marks and melted wax on top of refrigerator		X
	Hole chewed into door frame on balcony		X
	Strike plate missing from bathroom door		X
	Bathroom doorframe cracked		X
	Cracked plaster on bedroom ceiling		X
Sample Unit 2	Sewer leak in shared stairwell	X	
	Rusted steps under sewer leak in shared stairwell		X
	Bare wood doorframe at balcony		X
	Worn paint on inside steps		X
<u>B W Cooper</u>			
Common Areas	Peeling paint on window/door frames and metalwork		X
Sample Unit 3	Broken window panes at entrance door	X	
	Balcony railing loose	X	
	Ceiling open in stairwell		X
	Weather stripping needed around door		X
	Loose cold water knob in tub		X
Sample Unit 4	Stairwell light fixtures did not work, bulbs burned out		X

<u>Guste Homes</u>			
Common Areas	No defects noted		
Sample Unit 5	Air conditioning closet would not unlock		X
Sample Unit 6	No defects noted		
Sample Unit 7	Vacant, unit not inspected		
<u>Cambronne</u>			
Common Areas	Grass needed cutting		X
	Weeds growing along roofs of two apartment buildings		X
	Debris in the yard		X
	Extensive rust and peeling paint on stairs		X
Sample Unit 8	Front and rear screen doors missing latches		X
	Front door needs weather stripping		X
	Stove vent hood missing filter		X
<u>Scattered Site</u>			
Common Areas	Hole in exterior wall needs sealing		X
Sample Unit 9	Lack of weather stripping on front door		X
<u>Fischer</u>			
Common Areas	Both common areas and yards needed mowing		X
Sample Unit 10	Upstairs hallway lights inoperable. Hallway at top of stairs was very dark.	X	
	Two smoke detectors disabled	X	
	Both bathrooms missing towel racks		X
	Significant roach infestation		<u>X</u>
	Cover missing from thermostat		<u>X</u>
	Covers missing from overhead light		<u>X</u>
	Dirty carpet and burn imprint from an iron		<u>X</u>
	Inoperable stove burner		<u>X</u>

Key:

A - Health or safety issue

B - General maintenance issue