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Audit Report Number 2011-PH-1013

TO: Balu K. Thumar, Acting Director, Office of Public Housing, Newark Field Office, 2FPHI

//signed//

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

SUBJECT: The Housing Authority of the City of Camden, NJ, Did Not Ensure That Its Section 8 Housing Choice Voucher Program Units Met Housing Quality Standards

HIGHLIGHTS

What We Audited and Why

We audited the Housing Authority of the City of Camden's administration of its housing quality standards inspection program for its Section 8 Housing Choice Voucher program as part of our fiscal year 2010 audit plan. The audit objective was to determine whether the Authority ensured that its program units met the U.S. Department of Housing and Urban Development's (HUD) housing quality standards.

What We Found

The Authority did not ensure that its program units met housing quality standards as required. Of 17 units inspected, 16 did not meet HUD's housing quality standards. Moreover, 10 of the 16 units were in material noncompliance with housing quality standards. The Authority spent \$29,791 in program and administrative funds for these 10 units. In addition, it did not properly identify life-threatening violations, conduct timely reinspections or maintain documentation to show that owners made repairs within specified time limits, and

abate assistance payments to owners for units that did not meet housing quality standards.

What We Recommend

We recommend that HUD require the Authority to (1) ensure that housing units inspected during the audit are repaired to meet HUD's housing quality standards; (2) reimburse its program from non-Federal funds for the improper use of \$29,791 in program and administrative funds for units that materially failed to meet HUD's housing quality standards; and (3) develop and implement adequate controls to ensure that program units meet housing quality standards, inspectors are periodically provided training, quality control inspections are thorough, and the results are used to improve the program. We also recommend that HUD require the Authority to revise and update its administrative plan to ensure that violations are properly categorized and repairs are completed within the prescribed time limits and that it abates housing assistance payments in accordance with HUD 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 or directives issued because of the audit.

Auditee's Response

We provided a draft audit report to the Authority and HUD officials on June 13, 2011. We discussed the audit results with the Authority and HUD officials throughout the audit and at an exit conference on June 22, 2011. The Authority provided a written response to our draft report on June 29, 2011. It agreed with the recommendations in the report. The complete text of the Authority's response can be found in appendix B of this report.

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BACKGROUND AND OBJECTIVE

The Housing Authority of the City of Camden was established in 1938 under Federal and State housing laws for the purpose of engaging in the development, acquisition, and administrative activities of the low-income housing program and other programs with similar objectives for low- and moderate-income families residing in Camden, NJ. The Authority is governed by a five-member board of commissioners. The board appoints an executive director to manage the day-to-day operations of the Authority. The executive director is Dr. Maria Marquez. The Authority's main administrative office is located at 2021 Watson Street, Camden, NJ.

Under the Section 8 Housing Choice Voucher program, the U.S. Department of Housing and Urban Development (HUD) authorized the Authority to provide leased housing assistance payments to 1,255 eligible households. HUD authorized the Authority the following financial assistance for housing choice vouchers for fiscal years 2008 through 2010:

Authority fiscal year	Number of vouchers authorized	Annual budget authority
2008	1,255	\$9,218,366
2009	1,255	8,004,880
2010	1,255	10,342,595
Total		\$27,565,841

HUD regulations at 24 CFR (Code of Federal Regulations) 982.405(a) require public housing authorities to perform unit inspections before the initial move-in and at least annually. The authority must inspect the unit leased to the 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.

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

RESULTS OF AUDIT

Finding: Controls Over Housing Quality Standards Were Inadequate

The Authority did not adequately enforce HUD's housing quality standards. Of 17 program housing units inspected, 16 did not meet HUD's housing quality standards, and 10 materially failed to meet housing quality standards. The Authority's inspectors did not observe or report 151 violations, which existed at the units when they conducted their inspections. In addition, the Authority did not properly identify life-threatening violations, conduct timely reinspections or maintain documentation to show that owners made repairs within specified time limits, and abate assistance payments to owners for units that did not meet housing quality standards. This condition occurred because the Authority's inspectors had not received formal training since May 2000, its quality control inspection process was insufficient, its inspectors relied on certificates of occupancy issued by the City of Camden rather than conducting thorough unit inspections, and its administrative plan needed to be updated. As a result, the Authority spent \$29,791 in program and administrative funds for 10 units that materially failed to meet HUD's housing quality standards, subjected program participants to unsafe living conditions, and paid owners for units that did not meet HUD's minimum housing quality standards.

Housing Units Did Not Meet HUD's Housing Quality Standards

We statistically selected 22 units from unit inspections passed by the Authority's inspectors during the period January 1 to June 30, 2010. The 22 units were selected to determine whether the Authority ensured that the units in its program met housing quality standards. We inspected 17¹ of the selected units between September 1 and September 3, 2010.

Of the 17 units inspected, 16 (94 percent) had 151 housing quality standards violations. Additionally, 10 of the 16 units (63 percent) were considered to be in material noncompliance since they had many violations that predated the Authority's last inspection and were not identified by the Authority's inspectors, thus creating unsafe living conditions. The 10 units had 87 violations that existed before the Authority's last inspection. HUD regulations at 24 CFR 982.401 require that all program housing meet HUD's housing quality standards at the beginning of the assisted occupancy and throughout the tenancy. The following table categorizes the 151 housing quality standards violations in the 16 units that failed the housing quality standards inspections.

¹ We inspected only 17 units because the tenants or owners failed to show up for the inspections of 2 units, a tenant had moved from 1 unit, and we did not inspect 2 units because of time constraints.

Category of violations	Number of violations	Number of units	Percentage of units ²
Illumination and electricity	67	13	76%
Structure and materials	33	6	35%
Access	17	7	41%
Site and neighborhood conditions	13	7	41%
Space and security	7	6	35%
Smoke detectors	6	6	35%
Food preparation and refuse disposal	4	2	12%
Sanitary facilities	2	2	12%
Sanitary conditions	1	1	6%
Thermal environment	1	1	6%
Total	151		

We presented our inspection results to the Authority and the Director of HUD's Office of Public Housing, Newark field office, during the audit.

Housing Quality Standards Violations Were Identified

The following pictures illustrate some of the violations we noted while conducting housing quality standards inspections at the Authority's leased housing units.



Inspection #16 - The double keyed deadbolt lock poses a trapping hazard. This violation was not identified during the Authority's March 23, 2010, inspection.

² The percentage is calculated by dividing the number of units by 17 units. For example, illumination and electricity 13 units/17units = 76 percent.



Inspection #7 - There is no railing, no handrail, and no cover over the basement steps. This violation was not identified during the Authority's June 7, 2010, inspection.



Inspection #14 - There is a hole above the rear door. The hole allows vermin/wind into the wall. This violation was not identified during the Authority's April 28, 2010, inspection.



Inspection #18 - The broken concrete walk to the unit is a tripping hazard. This violation was not identified during the Authority's March 2, 2010, inspection.



Inspection #10 - The missing junction box cover is a potential shocking hazard. This violation was not identified during the Authority's April 1, 2010, inspection.

Violations Were Not Properly Identified and Corrected Within Prescribed Time Limits

The Authority did not properly categorize violations and ensure that corrections were made within the required timeframe. HUD regulations at 24 CFR 982.404 require that owners correct all life-threatening violations within no more than 24

hours. The Authority's administrative plan reiterated this requirement. We analyzed the inspection reports for 11 of the 22 units in our discovery sample that had failed the Authority's previous inspection initially before passing inspection and determined that the Authority's inspectors did not properly categorize 16 life-threatening violations related to 7 units, such as missing and inoperable smoke alarms, missing outlet covers, inoperable oven, and exposed wires in a bathroom light, as 24-hour violations. Consequently, repairs were not made within 24 hours as required, which unnecessarily subjected program participants to unsafe living conditions.

Additionally, HUD regulations at 24 CFR 982.404 require that owners correct all non-life-threatening violations within no more than 30 calendar days or any authority-approved extension. HUD's Housing Choice Voucher Guidebook 7420.10G states that reinspection or housing authority verification that failed items have been corrected is required. Promptly following inspection, notices to correct routine violations should be issued and should state a date for compliance that allows time for corrections to be made and verification can be obtained within a 30-day timeframe. Our analysis of the series of inspection reports for the 11 units showed that in all 11 instances, the Authority did not schedule the reinspection within 30 days and the inspection files contained no documentation to demonstrate that the owners completed the necessary repairs within the 30-day period or an Authority-approved extension. The Authority stated that scheduling had been a problem because it had only two inspectors and they had been spending an increasing amount of time commuting between inspections because voucher holders had been seeking housing outside of the city limits.

The Authority Did Not Abate Housing Assistance Payments as Required

In the 11 files noted above, the Authority did not abate the housing assistance payment to the owners, although 30 calendar days had passed since the Authority's inspection failed the unit and there was no evidence that the Authority had approved an extension. HUD regulations at 24 CFR 982.404 state that a housing authority must not make housing assistance payments for a dwelling unit that fails to meet housing quality standards, unless the owner corrects the defect within the period specified by the housing authority and the housing authority verifies the correction. The Authority's administrative plan stated that when a unit failed to meet housing quality standards and the owner was responsible for completing the necessary repairs in the period specified by the Authority, the assistance payment to the owner would be abated for every day of noncompliance. The administrative plan also stated that abatement would be effective from the day after the date of the failed inspection. As a result, the Authority made housing assistance payments totaling \$6,600 to the owners for the 11 units when they did not meet housing quality standards.

The Authority Did Not Have Adequate Procedures and Controls Over Its Inspection Program

Although HUD regulations at 24 CFR 982.401 and the Authority's administrative plan required the Authority to ensure that its program units met housing quality standards, it failed to do so because its inspectors had not received formal training since May 2000, its quality control inspection process was insufficient, and it relied on certificates of occupancy issued by the City rather than conducting thorough unit inspections. In addition, its administrative plan needed to be revised and updated.

Inspectors Needed Training

The Authority did not ensure that its two housing inspectors were equipped with the knowledge they needed to perform complete inspections to assess compliance with HUD's housing quality standards. The inspectors had last received formal training in May 2000. Since that time, the HUD Office of Inspector General (OIG) had issued many reports addressing problems with compliance with housing quality standards. As a result, the inspectors were unaware of trends in the program, and they overlooked violations. The inspectors stated that they overlooked some violations that we identified because they were unaware that the deficiencies were violations of the standards. For example, the inspectors stated that in some instances, they noted the double-keyed deadbolt locks but did not identify them as violations.

The Quality Control Inspection Process Was Not Sufficient

The Authority's quality control inspector did not thoroughly reinspect units. Rather than perform a thorough reinspection, the quality control inspector followed up on deficiencies identified on the most recent inspection report. Section 10.9 of HUD's Housing Choice Voucher Guidebook 7420.10G states that units must be reinspected. As a result of the Authority's failure to thoroughly reinspect its units, violations that were not detected by the inspector were also not detected in the quality control inspection. Also, although the quality control inspector stated that feedback was given to the inspectors on their work, the Authority did not maintain documentation to demonstrate that the results were used to improve the program.

Inspectors Relied on Certificates of Occupancy Issued by the City

The Authority's inspectors relied on certificates of occupancy issued by the City rather than conducting thorough unit inspections. The City inspected rental units before each new tenancy, and the Authority inspected the units after the City

issued its certificate. The inspectors stated that because the City passed the units and issued a certificate, they did not thoroughly inspect the units. As a result, violations of housing quality standards were undetected.

The Authority's Administrative Plan Needed To Be Updated

The Authority's administrative plan was incomplete and needed to be updated. For example, the plan stated that the Authority would reinspect inoperable smoke detectors the day after it informed either the owner or the family of the violation. It did not address the Authority's reinspection of other emergency repair items. The administrative plan did not delineate the Authority's process for determining when a reinspection was not necessary because it could document verification of repairs through other means and in those instances, what documentation it would accept as adequate to demonstrate that the repairs were made. HUD's Housing Choice Voucher Guidebook 7420.10G states that reinspection or housing authority verification that failed items have been corrected is required.

The Authority Began Taking Corrective Action

We discussed these issues with the Authority during the audit. It agreed with our audit results and began initiating corrective action. It began updating its administrative plan and created an abatement log and a more detailed quality control inspection log. It also informed us that it planned to hire a part time housing inspector to assist with housing quality standards compliance and reorganize its Section 8 Housing Choice Voucher program department in July 2011. Because the Authority was taking corrective action to improve its program, based on the results of our discovery sample of inspections, we decided not to perform any additional unit inspections.

Conclusion

The Authority's program participants were subjected to many housing quality standards violations which created unsafe living conditions, and the Authority did not properly use its program funds when it failed to ensure that its program units met HUD's housing quality standards as required. In accordance with HUD regulations at 24 CFR 982.152(d), HUD is permitted to reduce or offset program administrative fees paid to a public housing authority if it fails to perform its administrative responsibilities correctly or adequately, such as not enforcing HUD's housing quality standards.

The Authority disbursed \$28,635 in housing assistance payments to owners and received \$1,156 in program administrative fees for the 10 units that materially

failed to meet HUD's housing quality standards. The Authority needs to (1) develop and implement controls to ensure that program units meet housing quality standards, inspectors are periodically provided training, quality control inspections are thorough, and the results are used to improve the program; (2) revise and update its administrative plan; and (3) develop a plan to augment its team of inspectors to meet demand as needed.

Recommendations

We recommend that the Acting Director of HUD's Office of Public Housing, Newark field office, require the Authority to

- 1A. Certify that the housing quality standards violations have been corrected in the 16 units cited in this finding.
- 1B. Reimburse its program \$29,791 from non-Federal funds (\$28,635 for housing assistance payments and \$1,156 in associated administrative fees) for the 10 units that materially failed to meet HUD's housing quality standards.
- 1C. Develop and implement controls to ensure that program units meet housing quality standards, inspectors are periodically provided training, quality control inspections are thorough, and the results are used to improve the program.
- 1D. Revise and update its administrative plan to address controls for ensuring that violations are properly categorized and repairs are completed within the prescribed time limits, and it abates housing assistance payments in accordance with HUD requirements. Also, address procedures for reinspecting emergency repair items other than inoperable smoke detectors, and delineating the basis for accepting owner verification of repairs rather than reinspection and the types of documentation needed to support owner verification of repairs.
- 1E. Develop and implement controls to ensure that it complies with its revised administrative plan.
- 1F. Develop a plan to augment its team of inspectors so that inspections are conducted when the full-time inspectors are unavailable or when there is a surge in inspection workload.

SCOPE AND METHODOLOGY

To accomplish our objective, we reviewed

- Applicable laws, regulations, the Authority's administrative plan, HUD's program requirements at 24 CFR Part 982, and HUD's Housing Choice Voucher Guidebook 7420.10G.
- The Authority's inspection reports, computerized databases including housing quality standards inspection data and housing assistance payment data, accounting records, annual audited financial statements for 2008 and 2009, tenant files, policies and procedures, board meeting minutes, and organizational chart.
- HUD's monitoring reports for the Authority.

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

To achieve our audit objective, we relied in part on computer-processed data in the Authority's database. We used the computer-processed data to select a sample of housing units to inspect. Although we did not perform a detailed assessment of the reliability of the data, we did perform a minimal level of testing and found the data to be adequate for our purposes.

We statistically selected 22 of the Authority's program units as a discovery sample to inspect from a universe of 455 units that passed the Authority's housing quality standards inspections between January 1 and June 30, 2010. We used the U.S. Army Audit Agency Statistical Sampling System software to determine the size of our discovery sample. We selected the sample units using the U.S. Department of Health and Human Services Rats-Stats Sampling System software. We selected 22 units to determine whether the Authority's program units met housing quality standards. The sampling criteria for the discovery sample used a 90 percent confidence level and a 10 percent estimated error rate.

We inspected only 17 units because the tenants or owners failed to show up for the inspections of 2 units, a tenant had moved from 1 unit, and we did not inspect 2 units because of time constraints. We inspected the units between September 1 and September 3, 2010. Of the 17 units inspected, 16 failed and 1 passed our inspection. We considered 10 of the 16 failed units to be in material noncompliance with housing quality standards. We determined that the 10 units were in material noncompliance because they had 87 violations that existed before the Authority's last inspection, creating unsafe living conditions. All units were ranked, and we used auditors' judgment to determine the material cutoff line. We did not test additional samples because the Authority was taking corrective action to improve its program based on the results of our discovery sample.

We performed onsite audit work from July 15 through September 16, 2010, and temporarily suspended our audit work from September 2010 to January 2011 due to the need to reallocate audit resources to address other emerging high-priority audit issues. We resumed the onsite

audit work on January 31, 2011, and it continued through June 3, 2011, at the Authority's office located at 114 Boyd Street, Camden, NJ. The audit covered the period January 2009 through June 2010 but was expanded when necessary to include other periods.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. The audit included tests of internal controls that we considered necessary under the circumstances.

INTERNAL CONTROLS

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

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

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined that 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.
- Validity and reliability of data – Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.
- Compliance with laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

Significant Deficiency

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

- The Authority lacked sufficient procedures and controls to ensure that unit inspections complied with HUD regulations and that program units met minimum housing quality standards, violations were properly identified, and assistance payments to owners of units that did not meet housing quality standards were properly abated.

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS

Recommendation number	Ineligible 1/
1B	\$29,791

- 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



HOUSING AUTHORITY OF THE CITY OF CAMDEN

2021 WATSON STREET, CAMDEN, NEW JERSEY 08105
TELEPHONE: (856) 968-2700 FAX: (856) 968-2754

Deborah Person-Polk
*Board of Commissioners
Chairperson*

Maria Marquez, Ph.D.
Executive Director

Jose' Martinez, Jr. June 29, 2011
Vice- Chairperson

Andres Camacho
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John P. Buck
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U.S. Department of Housing and Urban Development
Wanamaker Building
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Patricia Gibson
Commissioner

Deborah Keys
Commissioner

Re: Housing Choice Voucher Program

Dear Mr. Buck:

Alan Miller
Commissioner

Attached please find the responses and actions taken by the HACC pursuant to the Draft Audit Report PH 10 0021, Housing Authority of the City of Camden's Housing Choice Voucher Program.

Delores Showell
Commissioner

If you should have any further questions or concerns, please contact me at 856.968.2775.

Sincerely,

Maria Marquez, Ph.D.
Executive Director

c: Tracie Herrick, Director of Section 8
File

THE HOUSING AUTHORITY OF THE CITY OF CAMDEN

OIG HQS RECOMMENDATIONS

- 1A. Certify that the housing quality standards violations have been corrected in the 16 units cited in this finding.**

Response:

The HACC has/will take the following action based on the above recommendation:

- The HACC will continue to require Certificates of Occupancy (CO's) from the landlords to ensure units are registered with the City as required; however, we will not rely on the CO's for ensuring local code compliance.
- The HACC will develop a certification, to be signed by the landlords of the 16 units which failed the OIG's HQS inspection, verifying deficiencies have been corrected. The certifications will be attached to the OIG's inspection report and the HACC's reinspection of correction report.
- The HACC will conduct Quality Control inspections of a sample of units to ensure that each inspector is conducting accurate and complete inspections and that there is consistency in the application of HQS. We currently perform 15 – 20 Quality Control inspections per month. The total number of Quality Control inspections per month will be increased by 8 additional inspections. An analysis of each Quality Control inspection will be performed and documented on developed worksheets. A summary of the analysis will be provided to the Executive Director monthly along with the newly developed Quality Control Inspection Log.
- The HCV Program Supervisor attended training to obtain her HQS Certification. In addition, all inspectors will receive updated training in the immediate future and will continue to receive training as determined appropriate.

- 1B. Reimburse its program \$29,791 from non-Federal funds (\$28,635 for housing assistance payments and \$1,156 in associated administrative fees) for the 10 units that materially failed to meet HUD's housing quality standards.**

Response:

The HACC has/will take the following action based on the above recommendation:

- The HACC will pay the \$29,791.00 from its Pre-2004 Administrative fee Equity of \$64,378.00 therefore leaving a balance of \$34,587.00

- 1C. Develop and implement controls to ensure that program units meet housing quality standards, inspectors are periodically provided training, quality control inspections are thorough, and the results are used to improve the program.**

Response:

The HACC has/will take the following action based on the above recommendation:

- The HACC has developed and implemented a new log for inspections (attached) in order to clearly and accurately track all unit inspections status. New notices of deficiencies to clients/landlords developed to clearly outline timeframes and consequences of non-compliance.

- 1D. Revise and update its administrative plan to address controls for ensuring that violations are properly categorized and repairs are completed within the prescribed time limits, and it abates housing assistance payments in accordance with HUD requirements. Also, address procedures for reinspecting emergency repair items other than inoperable smoke detectors, and delineating the basis for accepting owner verification of repairs**

The HACC has/will take the following action based on the above recommendation:

- The HACC has completed a draft revision to the HQS section of its Administrative Plan.

- 1E. Develop and implement controls to ensure that it complies with its revised administrative plan.**

The HACC has/will take the following action based on the above recommendations

- The HACC has developed and implemented a new log for inspections (attached) in order to clearly and accurately track all unit inspections status. New notices of deficiencies to clients/landlords developed to clearly outline timeframes and consequences of non-compliance

- 1F. Develop a plan to augment its team of inspectors so that inspections are conducted when the full-time inspectors are conducted when the full-time inspectors are unavailable for when there is a surge in inspection workload.**

The HACC has/will take the following action based on the above recommendation:

- The HACC is determining a plan of action to improve inspection scheduling and follow up to ensure program compliance. The Director and Supervisor of the HCV program will conduct inspections as necessary in addition to the Quality Control inspections and a part time inspector will be employed to assist with ensuring 24 hours health and safety and other failed violations are corrected within established timeframes.