



**New York City Housing Authority,
New York, NY**

**Housing Choice Voucher Program
Housing Quality Standards**



Issue Date: May 1, 2014

Audit Report Number: 2014-NY-1003

TO: Luigi D'Ancona
Director, Office of Public and Indian Housing, New York, 2APH

//SIGNED//

FROM: Edgar Moore
Regional Inspector General for Audit, New York-New Jersey, 2AGA

SUBJECT: The New York City Housing Authority, New York, NY, Did Not Always Ensure
That Its Housing Choice Voucher Program Units Met HUD's Housing Quality
Standards

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the New York City Housing Authority's administration of its Housing Choice Voucher program to ensure that its units met HUD's housing quality standards.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 212-264-4174.



May 1, 2014

The New York City Housing Authority, New York, NY, Did Not Always Ensure That Its Housing Choice Voucher Program Units Met HUD's Housing Quality Standards

Highlights

Audit Report 2014-NY-1003

What We Audited and Why

We audited the New York City Housing Authority's administration of its Section 8 Housing Choice Voucher program to ensure that its units met the U.S. Department of Housing and Urban Development's (HUD) housing quality standards. We selected the Authority based on indicators from HUD monitoring reports, such as the Authority's overall Section 8 Management Assessment Program performance rating modified to standard for fiscal years 2009 and 2010. Our objective was to determine whether the Authority ensured that its Housing Choice Voucher program units met HUD's housing quality standards.

What We Recommend

We recommend that HUD require the Authority to (1) immediately certify that the violations cited for the remaining 41 units have been corrected, (2) reimburse its program \$92,576 from non-Federal funds, (3) implement procedures and controls to ensure that program units meet housing quality standards, (4) seek HUD approval to incorporate HUD and local city codes into the Authority's Housing Choice Voucher program inspection checklists and administrative plan, and (5) increase the quality of unit inspections conducted daily by the Authority's inspectors to help ensure the identification of 24-hour violations.

What We Found

The Authority did not always ensure that its Housing Choice Voucher program units met HUD's housing quality standards. Of the 119 units inspected, 99 did not meet HUD's housing quality standards. Further, 24 of the 99 units were in material noncompliance with HUD standards. The Authority disbursed \$85,546 in housing assistance payments and received \$7,030 in administrative fees for these 24 units. This condition occurred because Authority officials did not adequately conduct unit inspections and implement procedures and controls to adequately ensure that program units met housing quality standards. As a result, tenants were subjected to inadequately maintained units, which created unsafe living conditions. We estimate that over the next year if the Authority does not implement our recommendations, HUD will potentially pay more than \$148 million in housing assistance for units that materially fail to meet HUD's housing quality standards.

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BACKGROUND AND OBJECTIVE

The United States Housing Act of 1937 established the Federal framework for government-owned affordable housing and was amended by the Quality Housing and Work Responsibility Act of 1998. The New York City Housing Authority was created in 1934 and provides affordable housing for low- and moderate-income residents throughout the five boroughs of New York City. It is the largest public housing authority in the United States. The Authority administers a Section 8 Housing Choice Voucher program, which it refers to as the citywide Section 8 Leased Housing Program. The U.S. Department of Housing and Urban Development (HUD) provides funding for rental subsidies for those tenants eligible for the Section 8 Housing Choice Voucher program. The Authority is governed by a board of directors, which oversees the activities of the Authority, and the board chairperson is appointed by the mayor. The board meets to vote on contracts, resolutions, policies, motions, rules, and regulations.

The Authority's portfolio consists of 178,914 units in the public housing program within 2,596 buildings throughout New York City. As of January 1, 2013, the Authority's Section 8 Housing Choice Voucher program consisted of 92,561 rented units, of which 1,749 were portability voucher units located outside New York City. Additionally, there are 225,000 residents in Section 8 units and 31,436 participating private landlords.

With approval from HUD, the Authority converted certain public housing units, located in 21 State and city developments, to the tenant-based assistance Section 8 Housing Choice Voucher program. On June 19, 2008, a memorandum of understanding was entered into by the New York City Department of Housing Preservation and Development and the Authority, setting forth the mutual understanding for housing quality standards inspection services to be performed by the Department for the Authority's units located in these State and city developments. Of the 119 units inspected, 6 were located in these developments.

The following table illustrates the funding authorized by HUD and disbursed by the Authority for fiscal years 2012 and 2013.

Fiscal year	Authorized funds	Disbursed funds
2013	\$ 936,142,788 ¹	\$ 936,142,788
2012	\$ 991,054,505	\$ 953,333,730

This report is the second of two reports on the Authority's administration of its Section 8 Housing Choice Voucher program.

The objective of the audit was to determine whether the Authority ensured that its Section 8 Housing Choice Voucher program units met HUD's housing quality standards.

¹ The amount authorized for fiscal year 2013 is as of December 21, 2013. Authorized amounts for fiscal year 2012 consist of calendar months January through December.

RESULTS OF AUDIT

Finding: The Authority Did Not Always Ensure That Its Housing Choice Voucher Program Units Met HUD's Housing Quality Standards

The Authority did not always ensure that its Housing Choice Voucher program units met HUD's housing quality standards. Of the 119 program housing units inspected, 99 did not meet HUD's housing quality standards, and 24 materially failed to meet HUD's standards. This condition occurred because Authority officials did not adequately implement procedures and controls to ensure that program units met housing quality standards. As a result, the Authority disbursed \$85,546 in housing assistance payments and received \$7,030 in administrative fees for the 24 units that materially failed to meet HUD's housing quality standards. If the Authority does not implement improved controls to ensure that all units meet housing quality standards, we estimate that it will pay more than \$148 million in housing assistance for units that materially fail to meet HUD's standards over the next year.

Housing Units Did Not Meet HUD's Housing Quality Standards

We statistically selected 119 units from a universe of 12,006 program units that passed an Authority housing quality standards inspection during the period December 1, 2012, to January 31, 2013. The 119 units were selected to determine whether the Authority ensured that the units in its Housing Choice Voucher program met HUD's housing quality standards. We inspected the 119 units from April 2 to May 2, 2013.

Of the 119 program units inspected, 99 (83 percent) had 314 housing quality standards violations. Additionally, 24 of the 99 units (24 percent) were in material noncompliance with housing quality standards because they had 56 violations, 35 of which predated the Authority's last inspection and were not identified by the Authority's inspectors, creating unsafe living conditions. We noted all violations in our inspection, however only those that were serious and we determined were preexisting based on their nature were considered materially noncompliant.² The nature of the deficiencies was taken into account in determining whether violations were preexisting. For example, severely rotted

² We concluded that a material deficiency exists if (1) the condition causing the deficiency created unsafe living conditions, (2) the deficiency was a preexisting condition, (3) the condition existed but was not noted in a prior inspection, or (4) the Authority deferred maintenance that should have failed the unit.

wood from water leakage would not occur within a few months. HUD regulations at 24 CFR (Code of Federal Regulations) 982.401(a)(3) require that all program housing meet housing quality standards performance requirements both at commencement of assisted occupancy and throughout the assisted tenancy.

The following table categorizes the 314 housing quality standards violations in the 99 units that failed our housing quality standards inspections.

Type of deficiency	Number of violations	Number of units	Percentage of units
Electrical	162	78	66%
Smoke detectors	41	35	29%
Fire exits – blocked egress	38	38	32%
Mold-mildew	17	17	14%
Windows	13	10	8%
Other hazards	13	13	11%
Interior doors – trapping hazard	11	11	9%
Other interior hazards – fire hazard	10	9	8%
Security – doors-windows	7	7	6%
Evidence of infestation	2	2	2%
Total	314		

In addition, 77 of the 99 units (78 percent) had life-threatening health and safety violations, which HUD requires to be corrected within 24 hours. Examples of such health and safety violations include unsecured covers on fuse boxes, broken ground fault circuit interrupters, missing breakers in breaker panel boxes, missing basement smoke detectors, missing covers on electrical outlets and panel boxes exposing live wiring, and egress to fire escape completely or partially blocked. Further, 24 of the 77 units materially failed to meet HUD’s housing quality standards.

We notified officials from the Authority and HUD’s New York Office of Public Housing of the life-threatening health and safety violations daily throughout our inspection process. Regulations at 24 CFR 982.404 require that owners correct life-threatening defects within no more than 24 hours. Authority officials disagreed that the 24-hour health and safety violations identified were 24-hour violations. They stated that these violations were routine failures and informed us that they would issue housing quality standards failed letters and apply the 30-day cure timeframe to have landlords correct the violations found by our inspections. We consider nonfunctional smoke and carbon monoxide detectors, blocked

secondary egress windows and doors, exposed live wires, missing outlet covers and switch plates, and inoperable locks on windows and doors with access into the unit from the street level as life-threatening deficiencies that should be corrected within no more than 24 hours when found.

The 24 units that materially failed our housing quality standards inspections had 56 24-hour violations that are categorized in the table below.

Type of deficiency	Number of 24-hour violations	Number of units	Percentage of units
Electrical	19	12	50%
Smoke detectors	18	15	63%
Fire exits – blocked egress	10	10	42%
Other interior hazards – fire hazard	4	3	13%
Other hazards	2	2	8%
Windows	1	1	4%
Interior doors – trapping hazard	1	1	4%
Security – doors-windows	1	1	4%
Total	56		

The following photographs illustrate some of the violations noted during housing quality standards inspections of the 24 units that materially failed to meet HUD’s housing quality standards.



The picture above shows a hole in the unit ceiling above the bathtub. According to the tenant, the hole was patched up by the landlord but continued to leak at times.



The picture above shows an exposed, uncapped gas line in the kitchen next to an electrical outlet. This is considered a fire hazard.



The picture above shows a hasp and lock on the door of the left front bedroom. This type of lock is considered a potential trapping hazard. This unit contained additional violations, such as a smoke detector mounted 27 inches from the ceiling, which was more than the 12-inch requirement, and an unsecured cover on the junction box.



The picture above shows an air conditioning unit not properly secured to the window, which posed a potential falling hazard. Also, there was an open space between the air conditioning unit and the window frame, which presented a falling hazard for a child under the age of 6.



The picture above shows a ground fault circuit interrupter in the bathroom, which did not trip because it was painted over. This unit contained additional violations, such as a light fixture hanging from the wires and not properly secured to the ceiling; excessive grease on the kitchen stove, walls, and cabinets; overcircuited outlets; and a rear window that would not stay up.



The picture above shows an improperly mounted unit smoke detector. The smoke detector was mounted 41 inches from the ceiling, which was more than the 12-inch requirement, and is considered a possible fire hazard.



The picture above shows a missing damper on the boiler flue in the basement of a single-family home, which allowed carbon monoxide to reenter the house.



The picture above shows the results of a water leak rotting the wood above the bathroom window.



The picture above shows a missing outlet cover in the unit living room. In addition, the outlet was not secured to the junction box.



The picture above shows a broken light switch by the entrance to the unit with exposed contacts in the box. According to the tenant, this switch had been broken for at least 6 months. The unit was inspected by the Authority on January 24, 2013, and by our inspector on April 25, 2013.



The picture above shows a broken prong sticking out of an outlet in the kitchen. The broken prong had an electrical current.



The picture above shows possible mold and mildew stains on the unit bathroom ceiling.



The picture above shows a missing cover on the breaker box panel in the kitchen. A piece of wood was used to cover the exposed wiring in the breaker box, which presented a potential electrical shock hazard. There was also a 2-year-old child residing in the house.

The following photograph illustrates a building violation noted during housing quality standards unit inspections.



The picture above shows an unsecured cover on a disconnect box with exposed wiring and contacts in the building basement garbage room. The laundry room for tenants was located in the basement.

The Authority Needs To Improve Its Housing Quality Standards Inspections

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 it lacked adequate procedures and controls. Authority procedures require inspectors to use a handheld device preloaded with Global Bay System software. Inspectors transfer the completed inspection data electronically from the handheld unit to the Authority's inspection system. From this system, inspection reports and notices to tenants, owners, and landlords can be printed automatically. Authority officials informed us that they followed HUD's housing quality standards and selected local New York City building codes when conducting inspections. However, our review of the Authority's inspection reports noted inconsistencies among the inspectors, including not following HUD's requirements and selected local city building codes; thus, the inspections were not uniformly performed. Further, the Authority's revised administrative plan, dated January 2011, provided the guidelines and performance standards for conducting required housing quality standards inspections. However, the Authority's administrative plan did not detail the selected local city building codes that officials said they followed, such as those pertaining to child window guards and mounting specifications for smoke detectors.

In addition, Authority inspectors were required to inspect 25 units per day. In comparison, for our inspections, an 8-hour workday allowed for only five to six units to be properly inspected per day, including travel time, within the five boroughs of New York City. Each of our inspections took approximately 30 minutes to complete. Based on the amount of time required, the Authority inspectors would need more than 12 hours per day to sufficiently inspect 25 units. Therefore, 25 units could not have been properly inspected within an 8-hour workday. Consequently, Authority inspectors were required to inspect far too many units within their scheduled work hours and in their haste, did not thoroughly inspect the units. During our inspections, we were informed by several tenants that Authority inspectors did not thoroughly walk through units, going into each room and testing such items as the outlets or windows. As a result, Authority inspectors missed violations or were not aware that some deficiencies were violations under HUD requirements, thus creating unsafe living conditions for the tenants.

There were units that Authority inspectors passed, which failed our inspections due to material violations. Some of the violations that caused these units to fail consisted of improperly installed smoke detectors more than 12 inches from the ceiling, outlets painted and plastered over, missing outlet covers, window guards blocking access from the window to the fire escape, and no alternative means of egress from the unit, all of which violated HUD's standards. The Authority needs

to implement standardized procedures and controls to ensure that its inspection system and administrative plan include HUD's requirements and local city building codes so that the uniformity and quality of inspections will be adequate. Thus, officials should request HUD approval to revise their administrative plan to include a section on following local city building codes. In addition, the number of units required to be inspected daily should be reduced to ensure that inspections can be thoroughly conducted.

Health and Safety Violations Were Not Corrected in a Timely Manner

We notified Authority and HUD officials of the 77³ units containing life-threatening health and safety violations that HUD regulations require to be corrected within 24 hours. For units containing violations, Authority procedures require that an NE-1 letter, Letter to Owner, be sent to unit owners notifying them of hazardous conditions, along with an NE-2 form, Certification of Completed Repairs, which is to be signed by the landlord and tenant upon the correction of the violations. After we completed our onsite audit work and upon request, Authority officials provided us with documentation, the NE-1 letters sent to owners, and the NE-2 forms received from the landlords and tenants, certifying that the violations for 58 of the 77 units had been corrected.

As detailed below, the health and safety violations were not corrected in a timely manner. We attribute this deficiency to officials' not immediately notifying all of the unit owners about the 24-hour violation and to officials' belief that some items identified required a 30-day cure instead of a 24-hour cure. HUD requires life-threatening health and safety violations to be corrected within 24 hours. Further, there was no evidence to support that the violations associated with 23 percent of the 77 units containing violations had been corrected (see chart on page 17). Based on our analysis of the NE-1 letters and NE-2 forms, we determined that it took approximately 14 days for Authority officials to obtain certification from the owners that the violations had been corrected. As a result, tenants were subjected to serious health and safety violations for periods much longer than required.

For the 77 units containing health and safety violations, analysis of the NE-1 letters disclosed that the letters for five units were dated 1 day before our scheduled inspection, causing us to question the accuracy of these dates and whether officials immediately notified all of the unit owners about the 24-hour violations. Only the owners associated with 41 of the 77 units were notified within 1 day after the violations were identified. Further, owners associated with

³ During our inspections, we notified Authority and HUD officials of a total of 76 units containing life-threatening health and safety violations requiring correction within 24 hours. Upon further analysis of our completed inspection reports, we identified an additional unit containing health and safety violations. We later notified Authority and HUD officials that a total of 77 units contained 24-hour violations.

8 of the 77 units were notified up to 5 days after we made officials aware of the violations. A total of 22 of the NE-1 letters were missing dates; thus, there was no evidence to support when Authority officials notified approximately 29 percent of the owners. Although the NE-1 letters were sent as a result of our inspections, the letters stated that Authority staff had inspected the unit and premises. Lastly, there was no evidence to support that the owner associated with the remaining unit had been notified of the violations.

NE-1 letters	Number of units	Percentage
Mailed 1 day before our inspection	5	7%
Mailed within		
1 day	41	53%
2 days	4	5%
3 days	0	0%
4 days	3	4%
5 days	1	1%
Missing date	22	29%
Missing evidence that owner was notified of violation	1	1%
Total	77	100%

For the 77 units containing health and safety violations, analysis of the NE-2, Certification of Completed Repair, forms disclosed that there was no evidence to support that the violations associated with 25 percent of the 77 units containing violations had been corrected. Specifically, only 58 of the NE-2 forms (75 percent) were returned to the Authority, signed by both the landlord and tenant, certifying that the violation had been corrected.

NE-2 forms	Number of units	Percentage
Signed by landlord and tenant	58	75%
Missing certifying signatures	1	1%
Missing evidence that violation had been corrected	18	24%
Total	77	100%

Contrary to HUD regulations requiring exigent health and safety violations to be corrected within 24 hours, it took approximately 14 days for Authority officials to

obtain certification from the owners that the violations had been corrected. This average is based on information obtained from the certified NE-2 forms associated with 59 of the 77 units containing 24-hour violations.⁴ For the remaining 18 units, there was no evidence to support that the violations had been corrected.

Length of time for violations to be corrected	Number of units	Percentage
Within		
24 hours	0	0%
10 days	20	26%
20 days	30	39%
30 days	7	9%
60 days	2	3%
Missing evidence that violation had been corrected	18	23%
Total	77	100%

Conclusion

Authority officials did not always ensure that the Authority’s Housing Choice Voucher program units met HUD’s housing quality standards. This condition occurred because Authority officials did not adequately implement procedures and controls to ensure that program units met housing quality standards. As a result, tenants were subjected to inadequately maintained units, which created unsafe living conditions. 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 adequately perform its administrative responsibilities, such as not enforcing HUD’s housing quality standards. The Authority disbursed \$85,546 in housing assistance payments and received \$7,030 in program administrative fees for the 24 units that materially failed to meet HUD’s housing quality standards. If the Authority implements controls to ensure that all units meet housing quality standards, we estimate that at least \$148 million in future housing assistance payments will be spent for units that are decent, safe, and sanitary.

⁴ Using the NE-2 certification forms signed by the landlords and tenants associated with a total of 59 units, we determined that a cumulative total of 848 days had elapsed after Authority officials notified owners of the violations (848 days divided by 59 equals 14.3 days).

Recommendations

We recommend that the Director of HUD's New York Office of Public Housing instruct Authority officials to

- 1A. Immediately certify, along with the owners of the remaining 41 units (99-58) cited in this finding that failed our inspections, that the housing quality standards violations identified in this review have been corrected.
- 1B. Reimburse HUD \$92,576 from non-Federal funds, representing \$85,546 for housing assistance payments and \$7,030 in associated administrative fees, for the 24 units that materially failed to meet HUD's housing quality standards.
- 1C. Implement procedures and controls and provide an analysis of the Authority's inspection protocol and the means to improve the inspection process, as well as goal dates for implementing the corrective actions, to ensure that program units meet housing quality standards, thereby ensuring that an estimated \$148,060,576 in future program funds is expended for units that are decent, safe, and sanitary.
- 1D. Request HUD approval to incorporate specific local city building codes into the Authority's Section 8 Housing Choice Voucher program administrative plan.
- 1E. Customize the Global Bay System inspection checklists to include both HUD's requirements and local city building codes approved by HUD, thereby ensuring that proper inspections are conducted on a uniform basis.
- 1F. Increase the quality of each inspection by reducing the number of unit inspections conducted daily by the Authority's inspectors to ensure that a thorough inspection is performed that can identify 24-hour violations.

SCOPE AND METHODOLOGY

Our audit generally covered the period December 1, 2012, through January 31, 2013, and was expanded when necessary. We performed our fieldwork from March 14 through July 24, 2013, at the Authority's office located at 90 Church Street, New York, NY, and at selected units scattered throughout the five boroughs of New York City, consisting of the Bronx, Brooklyn, Manhattan, Queens, and Staten Island.

To accomplish our audit objective, we

- Reviewed applicable laws, regulations, HUD handbooks, HUD notices, and the Authority's administrative plan.
- Obtained an understanding of the Authority's policies and procedures related to unit inspections.
- Interviewed HUD field office and Authority officials.
- Obtained and reviewed the Authority's unit and building inspection reports and data from its Siebel computer system.
- Evaluated internal controls and reviewed computer controls to identify potential weaknesses related to our objective. We relied in part on computer-processed data primarily for obtaining background information on the Authority's Section 8 Housing Choice Voucher program. We performed a minimal level of testing and found the data to be adequate for our purposes.

We selected a statistical sample of 120 of the Authority's program units to inspect from a universe of 12,006 program units that passed an Authority-administered housing quality standards inspection between December 1, 2012, and January 31, 2013. Although 120 units were initially statistically selected for inspection, we were unable to obtain admittance to one unit. As a result, for statistical purposes, we could not apply a substitute with the same statistical strata identifier. Therefore, the sample size was reduced to 119 units. We inspected the selected units between April 2 and May 2, 2013, to determine whether the Authority's program units met HUD's housing quality standards. We performed inspections with a representative from the Authority. Of the 119 units inspected, 6 were located in State and city developments in which the New York City Department of Housing Preservation and Development conducted the unit inspections for the Authority.

We selected a statistical sample of these Section 8 rental units for inspection to assess conformity to HUD's housing quality standards. To select these sample units, we systematically selected these units within a 10-strata sample design. This design allowed us to control for variation in the size of the housing assistance payment and the type of inspection. Before conducting our inspections, we tested this sample design with various rates of error to confirm that a reliable

answer could be obtained with this sample design and that the confidence intervals, as specified, would provide an accurate probabilistic projection of units affected and dollar amounts involved.

We calculated the amount of housing assistance payments made to the landlords for the period between the date on which the unit passed the Authority-administered inspection and our inspection. Based on the housing assistance subsidies associated with the units we inspected in our stratified sample, we can say that at least \$148 million in housing assistance payments will be paid over the next year on rental units that do not meet housing quality standards unless the changes we recommend are made. We computed this number by averaging the housing assistance payment amounts spent on units with significant housing quality standards failures across the units we inspected. Units that passed our inspection were included in the average as a zero dollar finding. Taking the average housing assistance dollars spent on failing units (\$201.17), deducting a margin of error and applying it to 12 months of housing assistance payments over the Authority's 92,561 rental units, we are 95 percent confident that the amount of housing assistance subsidies spent on inadequate units amounted to at least \$148 million, and it could be more. Calculations are shown below:

$(\$201.17 - 1.659 \times \$40.89) \times N = \$133.3 \times 92,561 \text{ units} \times 12 \text{ months} = \$148,060,576$ per year in housing assistance payments that could be put to better use.

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(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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.
- Compliance with laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.
- Safeguarding resources – Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.
- Reliability and validity 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.

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 the 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:

- Authority officials did not implement adequate controls to ensure that program objectives were met and that they complied with laws and regulations and safeguarded resources when the Authority's Housing Choice Voucher program units did not meet housing quality standards, the Authority's inspection checklists and administrative plan did not include HUD requirements and local city building codes, and inspectors were not provided adequate time to thoroughly perform inspections (see finding).

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

Recommendation number	Ineligible 1/	Funds to be put to better use 2/
1B	\$92,576	
1C		\$ 148,060,576
Total	<u>\$92,576</u>	<u>\$148,060,576</u>

- 1/ Ineligible cost are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.
- 2/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, if the Authority implements our recommendations, it will stop incurring program costs for units that are not decent, safe, and sanitary and, instead, will expend those funds for units that meet HUD's standards, thereby putting more than \$148 million in program funds to better use. Once the Authority successfully improves its controls and ensures that inspectors are given adequate time to perform inspections, this will be a recurring benefit. Our estimate reflects only the initial year of this benefit.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments



NEW YORK CITY HOUSING AUTHORITY
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SHOLA OLATOYE
CHAIR & CHIEF EXECUTIVE OFFICER

March 28, 2014

Edgar Moore
Regional Inspector General for Audit
U.S. Department of Housing and Urban Development
Office of Audit
26 Federal Plaza, Room 3430
New York, NY 10278

Dear Mr. Moore:

This letter is in response to the Draft Audit Report on the New York City Housing Authority's ("NYCHA") Housing Quality Standard ("HQS") inspections, issued by your office on March 6, 2014. We reviewed the draft report and our responses are detailed beginning on page two of this document.

We are pleased to report that the NYCHA has addressed most of HUD OIG recommendations through a series of business improvement initiatives focused on HQS inspections. NYCHA made numerous enhancements to the inspection process in 2013, and administered training to staff to ensure consistent application of HQS standards. Subsequent to your audit report, HUD completed a HUD/REAC Housing Quality Control inspections review. In their report dated February 11, 2014, HUD noted there were only 4 cases out of 55 where HUD disagreed with the outcome of inspections performed by NYCHA. We are satisfied that the outcome of this assessment, validates NYCHA's progress toward improving the quality of inspections.

Should you require additional information, please feel free to contact me via email, at cathy.pennington@nychanyc.gov, or by phone, at 212-306-3420.

Sincerely,


Cathy Pennington
Executive Vice President
Leased Housing

Copy: Cecil House, General Manager, NYCHA
Brenda Keating, Director of Audit, NYCHA
George Davis III, Mayor's Office of Operations
Luigi D'Ancona, Director, HUD New York Regional Office
Christopher Ingram, Director, HUD Housing Management Division

Comment 1

Ref to OIG Evaluation

Auditee Comments

**NEW YORK CITY HOUSING AUTHORITY
LEASED HOUSING DEPARTMENT**

**Response to HUD OIG Audit on NYCHA's
Housing Quality Standard Inspections
March 28, 2014**

A. NYCHA RESPONSE TO HUD OIG FINDING

1. **HUD OIG FINDING:** The Authority did not always ensure that its housing choice voucher program units met HUD's Housing Quality Standards.

NYCHA Response: There was a considerable time lapse of several months between the time unit inspections were conducted by NYCHA and the time HUD OIG conducted their inspections. The time lag between NYCHA and HUD OIG inspections ranged from 3 to 5 months. Some of the conditions noted by HUD OIG may not have been present at the time NYCHA conducted the inspection.

In addition, NYCHA inspectors are trained to conduct a visual inspection of items they can observe or physically access. NYCHA inspectors do not move furniture or heavy items to access areas; nor are they expected to inspect areas that are inaccessible to tenants. Staff who accompanied HUD OIG noted that the HUD OIG appraiser often times moved furniture and accessed spaces that were inaccessible to tenants.

- a. **HUD OIG Comment:** "...77 of the 99 units (78 percent) had 24-hour exigent health and safety violations, which HUD requires to be corrected within 24 hours".

NYCHA Response: NYCHA disagrees with this finding because HUD does not specifically define emergency fail items (24-hour violations). HUD guidance, found in Chapter 10 of the Housing Choice Voucher Guidebook states, "The PHA should establish the definition of deficiencies that will be considered emergency fail items and should put a procedure in place to record, track, and close violations within 24 hours of inspection or take abatement action."

Consistent with HUD guidelines, NYCHA policy defines the following failures as 24-hour violations: 1. Gas Leaks; 2. Smoking/Sparking Electrical Outlets or Wiring; 3. Building Structural Hazard; and 4. Fire Damage. As a result, several items cited by HUD OIG did not meet NYCHA's definition of a 24-hour violation and were treated as routine general health and safety violations.

Based on NYCHA's policy, 17 of the 99 units (or 17%) had 24-hour exigent health and safety violations at the time of the HUD OIG inspection, not 77 as cited.

Comment 2

Comment 3

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Auditee Comments

Comment 4

2. **HUD OIG OBSERVATION:** The Authority needs to improve its Housing Quality Standards inspections.

a. **HUD OIG Comment:** "...Authority inspectors were required to inspect 25 units per day."

NYCHA Response: NYCHA acknowledges that during the audit period, inspectors had a workload of 25 inspections per day. In 2013, NYCHA reduced the workload to 18 – 20 inspections per day. Historically, NYCHA inspectors experience a tenant-not-at-home rate of 20%, which reduces the actual number of inspections performed daily to approximately 14 to 16. In addition, NYCHA implemented changes to the system to make inspection scheduling more efficient. Inspections are now scheduled by census tract, block, and lot numbers, significantly reducing travel time. Given the enhancements in scheduling and reduced workload, NYCHA is confident it can conduct thorough inspections.

b. **HUD OIG Comment:** "...Authority inspectors were required to inspect far too many units and in their haste, did not thoroughly inspect the units. During our inspections, we were informed by several tenants that the Authority inspectors did not thoroughly walk through units, going into each room and testing such items as outlets and windows. As a result, Authority inspectors missed violations or were not aware that some deficiencies were violations under HUD requirements".

NYCHA Response: The HUD OIG appraiser did not shadow NYCHA inspectors and we are unable to confirm the accuracy of information tenants provided. However, NYCHA has reduced the number of inspections assigned per day to ensure that inspectors have adequate time to complete thorough inspections.

3. **HUD OIG FINDING:** Health and safety violations were not corrected in a timely manner.

a. **HUD OIG Comment:** "A total of 22 NE-1 letters were missing dates, thus there was no evidence to support when Authority officials notified approximately 29 percent of owners."

NYCHA Response: NYCHA acknowledges that 22 created violation notices (NE-1) were missing send dates. However, it is important to note that 21 owners returned the enclosed inspection certification (NE-2) within the required timeframe and the remaining case was re-inspected by NYCHA. Dates of when each of the 21 certifications were returned and the date the re-inspection was conducted are in NYCHA's system. This information serves as documentation that notices were actually mailed to owners.

b. **HUD OIG Comment:** The table on page 15 cites one (1) case that is "missing evidence that the owner was notified of violation" via an NE-1 notice.

NYCHA Response: It was determined that the unit was vacant at the time of the HUD OIG inspection. Therefore, notification was not required.

In addition, NYCHA was notified about conditions for one particular unit on February 14, 2014 via email—well over 10 months after the inspection was conducted by the HUD OIG appraiser. NYCHA elected to re-inspect the unit to assess conditions instead of

Comment 5

Comment 6

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Comment 6

sending a violation notice. NYCHA scheduled a re-inspection of the unit, which took place on February 25, 2014. The unit failed HQS inspection for routine, non-life threatening violations. However, an owner certification was subsequently submitted on March 13, 2014 confirming the repairs.

Comment 7

- c. HUD OIG Comment: "Contrary to regulations requiring exigent health and safety violations to be corrected within 24 hours, it took approximately 14 days for Authority officials to obtain certification from owners that the violations were corrected."

NYCHA Response: As previously stated, HUD OIG noted 24-hour violations that are not consistent with NYCHA's local HQS policy. NYCHA abates units with violations in accordance with HUD regulations. For violations deemed as life threatening emergencies, NYCHA's policy is to abate such units within 24-hours and re-inspect units to confirm repairs have been made. NYCHA does not accept owner certifications for 24-hour violations.

Comment 1

B. RESPONSE TO HUD OIG RECOMMENDATIONS

- 1. HUD OIG Recommendation 1A: Immediately certify, along with owners of the remaining 40 units (99-59) cited in this finding that failed our inspections, that the housing quality standard violations identified in this review have been corrected.

NYCHA Response: NYCHA has followed-up on all 40 units cited as part of this recommendation. All violations have been corrected by the owner or abated by NYCHA.

Comment 8

- 2. HUD OIG Recommendation 1B: Reimburse HUD \$92,576 from non-Federal funds, representing \$85,546 for housing assistance payments and \$7,030 in associated administrative fees, for the 24 units that materially failed to meet HUD's Housing Quality Standards.

NYCHA Response: NYCHA requests reconsideration of any reimbursement for housing assistance payments and associated administrative fees; or requests HUD to consider a significant reduction of the stated reimbursement amount based on corrective action already taken.

Comment 1

- 3. HUD OIG Recommendation 1C: Implement procedures and controls to ensure that program units meet housing quality standards, thereby ensuring that an estimated \$148,606,576 in future program funds is expended for units that are decent, safe, and sanitary.

NYCHA Response: NYCHA is continuously improving the inspection process through a series of initiatives. Recent enhancements include:

- Updated HQS failure codes to add new codes, revise language to detail violation type and severity, and clarify the party responsible for addressing violations. (November 2013)
- Improved the inspection scheduling process. Inspections are now scheduled by census tract, block, and lot numbers, reducing travel time. (November 2013)
- Reduced inspectors' assigned workload from 25 inspections per day to 18 – 20 inspections. (November 2013)
- Hired a contractor to administer HQS training to all inspectors. 85% of inspectors received an HQS certification. (January 2013)

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Comment 1

- Developed a six module training on HQS that focused on inspection methodology, HQS protocol, and NYCHA procedures. The training was administered over a 4 week period. (April 2013)
- Issued enhanced inspection tools to inspectors, such as retractable batons, heat guns, and tape measures, to standardize the inspection process. (April 2013)
- Enhanced online self-service to provide owners with more information on inspections, such as results and status of owner certifications.

Additionally, subsequent to the HUD OIG audit, HUD completed a separate HUD/REAC Housing Quality Control inspections review. HUD’s report dated February 11, 2014, noted there were only 4 cases out of 55 (or 7%) where HUD disagreed with the outcome of HQS inspections performed by NYCHA. This assessment validates the efforts NYCHA has made on improving the inspection process through standardization of HQS requirements.

Excerpt from the HUD Report dated February 11, 2014:

tab listing each fail and inconclusive item identified. In the very few cases where HUD noted a fail item that was not determined to be a fail by the PHA inspector, this was shared with the PHA inspector at the time and is noted on tab 2 of the spreadsheet. Please

Sample of Comparative Results from the HUD Report dated February 11, 2014:

Unit Address	HQS Category (and Federal HQS)	General Description	PHA HQS (Pass/Fail)	Federal HQS (Pass/Fail)
1 Glencar Ave, Apt 1C	General Health and Safety: Other Interior Hazards	Missing knockout cover and missing junction box cover plate in laundry room	Fail	Fail
1 Glencar Ave, Apt 1C	Kitchen: Electrical Hazards	GFI cover missing; exposed wires	Fail	Fail
114 Rosehill Terrace	Heating and Plumbing: Safety of Heating Equipment	Incorrectly installation of gas line and flue	Fail	Fail
114 Rosehill Terrace	General Health and Safety: Other Interior Hazards	Damaged junction box with exposed wires for hot water heater in basement	Fail	Fail
114 Rosehill Terrace	Building Exterior: Condition of Stairs, Rails, and Porches	Missing hand railing/guardrail, broken/missing steps near utility room entrance and near stair. Inspector recorded under section 8.10 instead.	Fail	Fail
114 Rosehill Terrace	Building Exterior: Condition of Roof and Gutters	Missing downspout/gutter with damaged to siding; water penetration observed	Fail	Fail
114 Rosehill Terrace	Building Exterior: LBP - If no. > 20 sq. ft. of total exterior surface area?	Peeling paint > 20 SF on porch and railing, exterior porch and railing	Pass	Fail
119 SOUTH 11TH AVE, 1st Floor	General Health and Safety: Evidence of Infestation	Roaches/mice droppings in kitchen, bathroom	Fail	Fail
119 SOUTH 11TH AVE, 1st Floor	General Health and Safety: Interior Stairs and Common Halls	Missing hand railing at stair to basement, inspector incorrectly recorded under section 6.2	Fail	Fail
119 SOUTH 11TH AVE, 1st Floor	Building Exterior: Condition of Roof and Gutters	Damaged soffit and missing downspout; water penetration is observed	Fail	Fail
119 SOUTH 11TH AVE, 1st Floor	Heating and Plumbing: Water Supply	Missing pressure discharge pipe; inspector was informed but did not record this item. Mechanical room	Pass	Fail

4. HUD OIG Recommendation 1D: Incorporate local city building codes into the Authority’s Section 8 Housing Choice Voucher program administrative plan.

Comment 9

NYCHA Response: HUD does not require PHAs to inspect to local housing codes. As per guidance found in HUD’s HQS guidebook in Chapter 10, “HUD may grant approval for a PHA to use acceptable criteria variations which apply standards contained in local housing codes or other codes adopted by the PHA or because of local climatic or

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Comment 9

geographical conditions". Additional guidance in this chapter states, "In order to keep assisted units from having to meet higher standards than units in the unassisted market, PHAs should be cautious and thoughtful when requesting HUD approval of a higher standard than HQS. Though adopted into local law, local codes, are often not consistently enforced among all units, or are enforced only when complaints are made. Sometimes, certain aspects of a local code are not enforced at all. If the PHA adopts local code requirements, housing choice may be restricted in these instances." NYCHA has, however, included several local codes (e.g., window guards) in its inspection process.

Additionally, NYCHA updated its Housing Choice Voucher Administrative plan in 2013, which was approved by HUD. The revised Administrative plan includes comprehensive information on performance standards, violations, and new certification standards that allow owners to submit a signed certification of repairs for all violations except 24-hour violations. The Administrative plan also details NYCHA's HQS suspension and reinstatement policy, along with definitions on tenant caused failures and tenant no access.

- 5. **HUD OIG Recommendation 1E:** Customize the Global Bay inspection checklist to include both HUD's requirements and local city building codes, thereby ensuring that proper inspections are conducted on a uniform basis.

Comment 1

NYCHA Response: HUD does not require PHAs to inspect to local housing codes, as described in our response to Recommendation 1D. However, in 2013, NYCHA updated its inspection software to be consistent with HQS guidelines. Language on codes was also revised to detail violation type and severity, and to clarify the party responsible for addressing violations.

- 6. **HUD OIG Recommendation 1F:** Increase the quality of each inspection by reducing the quantity of unit inspections conducted daily by the Authority's inspections to ensure that a thorough inspection is performed that can identify 24-hour violations.

Comment 1

NYCHA Response: NYCHA concurs and, as previously mentioned, has already reduced the number of inspections assigned from 25 inspections per day to 18 – 20 inspections.

- 7. **HUD OIG Recommendation 1G:** Provide the HUD New York Office of Public Housing with an analysis of the Authority's inspection protocol and the means to improve the inspection process as well as goals for implementing corrective actions.

Comment 10

NYCHA Response: As part of our follow-up to this audit, NYCHA will schedule a meeting with the local HUD office to discuss the Authority's inspection protocol, as well as next steps.

NYCHA recommends that this recommendation be merged with HUD OIG recommendation 1C.

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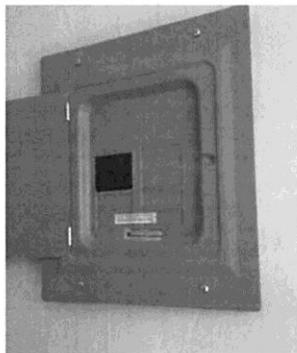
Comment 1

Exhibit 1: Examples of Repairs Made by Owners

Example 1: The unit failed on 4/29/2013 for a cover on electrical box, located in hall, which was used as junction box and was not secure. A follow-up inspection conducted by NYCHA shows that the deficiency was addressed. No other HQS deficiencies were found in the unit.



Example 2: The unit failed on 4/25/2013 for exposed wiring in a fuse box located in hall. A follow-up inspection shows that the deficiency was addressed. There were no other HQS deficiencies found in the unit during the inspection.



OIG Evaluation of Auditee Comments

- Comment 1** The corrective actions taken by Authority officials are responsive to our recommendations.
- Comment 2** Authority officials contend that due to a considerable lapse in time, some of the conditions noted by HUD OIG may not have been present at the time the Authority conducted its inspections and Authority inspectors conduct visual inspections and do not move furniture or access areas inaccessible to tenants. It should be noted that in addition to interviewing the tenants and reviewing the Authority's latest inspection reports, the HUD OIG appraiser used his professional knowledge and experience to determine whether a housing quality standards violation existed before the last inspection conducted by Authority officials. As shown in the photographs in this report, it is clear that some of the deficiencies existed at the time of the Authority's inspections. As is our practice when conducting housing quality standards audits, we were conservative in our determination of preexisting conditions. In addition, the HUD OIG appraiser inspected areas readily accessible and used by the tenants, such as basement laundry rooms. Areas that were not readily accessible to the tenant were not inspected, other than to review boiler or elevator certificates. According to the Housing Choice Voucher program guidebook, Chapter 10-Housing Quality Standards (HQS), heating system inspections are often required by local or State authorities, especially for large multifamily buildings. If the heating system has passed inspection from the inspecting authority within the past 2 years, the authority may accept this as proof of heating equipment safety. Also, the elevator servicing the unit must be working safely. A current city or State inspection certificate suffices to determine the working condition of the elevator.
- Comment 3** Authority officials disagree that 77 of the 99 units had 24-hour life threatening (exigent) health and safety violations because HUD guidance does not specifically define emergency fail items and allows the Authority to define what deficiencies will be considered "emergency." We disagree with the Authority's treatment of such violations as routine general health and safety violations. According to 24 CFR 982.404(a)(3)-Housing Quality Standards (HQS), if a defect is life threatening, the owner must correct the defect within no more than 24 hours. Therefore, officials should consider reassessing their list of life-threatening violations.
- Comment 4** Authority officials have reduced the number of required inspections to 18-20 inspections per day, and inspections are now scheduled by census tract, block, and lot numbers, which significantly reduces travel time. The Authority should provide documentation to HUD to support the implemented changes to its inspection system. However, the actions of Authority officials are responsive to our finding.

- Comment 5** Authority officials agree with the finding that 22 violation notices (NE-1 forms) were missing send dates. Officials further contend that 21 owners returned the NE-2 certifications within the required timeframe. However, our review determined that only 75 percent of the NE-2 certification forms pertaining to the 77 units containing health and safety violations were returned and that it took approximately 14 days for Authority officials to obtain the certifications from the owners that the violations had been corrected. Authority officials should certify to HUD that the housing quality violations identified in this review have been corrected.
- Comment 6** Authority officials assert that the one unit missing the certifying signature on the NE-1 form was vacant at the time of our inspection and that they were notified via email of another unit containing violations 10 months after the HUD OIG inspection. The assertion regarding the vacant unit is false as we did inspect the unit, and were provided access to the unit by the tenant; thus, the unit was not vacant. As for the email notification 10 months later regarding the other unit, we admit that the email somehow fell through the cracks. However, as the Authority officials state, the unit failed their inspection conducted on February 25, 2014. We are confident that this report accurately and fairly depicts the conditions we found in the units when we performed our inspections. We suggest that Authority officials provide documentation to HUD to support that the owner of the building was notified of the violations identified during the February 25, 2014, reinspection and that the repairs were made on March 13, 2014, as claimed.
- Comment 7** Authority officials state that we noted 24-hour violations that were not consistent with their local housing quality standards policy. We disagree with the Authority's treatment of such violations as routine general health and safety violations. As mentioned in comment 3 above, according to 24 CFR 982.404(a)(3)-Housing Quality Standards (HQS), if a defect is life threatening, the owner must correct the defect within no more than 24 hours.
- Comment 8** Authority officials request reconsideration of any reimbursement for the housing assistance payments and associated administrative fees or a significant reduction of the stated reimbursement amount based on the corrective actions taken. During the audit resolution process with HUD, the Authority officials' request will be taken into consideration. However, we remind officials that in accordance with Federal regulations, the Authority must not make any housing assistance payments for a dwelling unit that fails to meet housing quality standards and that HUD is permitted to reduce or offset any administrative fees paid to a public housing authority if it fails to perform its administrative responsibilities correctly or adequately under the program, such as not enforcing HUD's housing quality standards.
- Comment 9** Authority officials state that HUD does not require public housing authorities to inspect for local housing codes and that HUD may grant approval for use of acceptable criteria variations contained in local housing codes. When we

conducted our inspections, Authority officials provided us with the local city building codes, which were used as part of the unit inspections. We have since revised recommendation 1D to state that the Authority should be instructed to request HUD approval to incorporate local city building codes into its administrative plan, thus ensuring that those adopted local city building codes are enforced and consistently applied throughout the inspection process.

Comment 10 Authority officials plan to meet with HUD to discuss their inspection protocol and recommend that audit recommendations 1C and 1G be combined. We have taken the officials' recommendation into consideration and have embedded recommendation 1G into recommendation 1C.