



# Fairmont-Morgantown Housing Authority, Fairmont, WV

## Housing Choice Voucher Program



**To:** Russell DeSouza, Acting Director, Office of Public Housing, Baltimore Field Office, 3BPH

**From:** //signed//  
David E. Kasperowicz, Regional Inspector General for Audit, Philadelphia Region, 3AGA

**Subject:** The Fairmont-Morgantown Housing Authority, Fairmont, WV, Did Not Always Ensure That Its Program Units Met Housing Quality Standards and That It Accurately Calculated Housing Assistance Payment Abatements

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 Fairmont-Morgantown Housing Authority's housing quality standards inspection program. This is the second of two reports to be issued on the Authority.

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 website. 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 215-430-6734.



**Audit Report Number: 2018-PH-1002**

**Date: February 16, 2018**

**The Fairmont-Morgantown Housing Authority, Fairmont, WV, Did Not Always Ensure That Its Program Units Met Housing Quality Standards and That It Accurately Calculated Housing Assistance Payment Abatements**

## Highlights

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### What We Audited and Why

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We audited the Fairmont-Morgantown Housing Authority's Housing Choice Voucher program because (1) we received a complaint alleging that the Authority did not follow program requirements, (2) the Authority administered 1,117 vouchers and received more than \$5.2 million in funding for fiscal year 2016, and (3) we had not audited its program. Our audit objectives were to determine whether the Authority ensured that its Housing Choice Voucher program units met the U.S. Department of Housing and Urban Development's (HUD) housing quality standards and abated housing assistance payments as required. This is the second of two reports issued on the Authority's program.

### What We Found

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The Authority did not always conduct adequate inspections to ensure that its program units met housing quality standards, and it did not always accurately calculate housing assistance payment abatements. Of 68 program units inspected, 63 did not meet HUD's housing quality standards. Further, 22 of the 63 were in material noncompliance with HUD's standards. The Authority disbursed \$27,737 in housing assistance payments and received \$1,489 in administrative fees for these 22 units. We estimate that over the next year, if the Authority does not implement adequate procedures to ensure that its program units meet housing quality standards, HUD will pay more than \$1.2 million in housing assistance for units that materially fail to meet HUD's standards. Additionally, the Authority did not always accurately calculate housing assistance payment abatements for units that failed its inspections. It incorrectly calculated the abatement amount for 13 of 37 units reviewed. As a result, HUD made ineligible housing assistance payments totaling \$3,822 that should have been abated, and unit owners did not receive \$267 in housing assistance payments that should not have been abated.

### What We Recommend

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We recommend that HUD require the Authority to (1) certify, along with the owners of the 63 units cited in this finding, that the applicable housing quality standards violations have been corrected; (2) reimburse its program \$29,226 from non-Federal funds for the 22 units that materially failed to meet HUD's housing quality standards; (3) develop and implement procedures and controls to monitor the inspection process to ensure that program units meet HUD's standards; (4) reimburse its program \$3,822 for payments that should have been abated; and (5) reimburse five owners \$267 for excess payments that it improperly abated.

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# Background and Objectives

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The Fairmont-Morgantown Housing Authority is a quasi-governmental agency that administers the Housing Choice Voucher program for four counties in West Virginia: Marion, Monongalia, Preston, and Taylor. This program provides rental assistance to low-income families, the elderly, and the disabled to enable them to afford decent, safe, and sanitary housing in the private market through Federal funds from the U.S. Department of Housing and Urban Development (HUD). A five-member board of commissioners governs the Authority. The Authority's offices are located at 103 12<sup>th</sup> Street, Fairmont, WV.

Under the Section 8 Housing Choice Voucher program, HUD authorized the Authority to provide tenant-based leased housing assistance payments to 1,117 eligible households in fiscal years 2016 and 2017. HUD authorized the Authority the following financial assistance for housing choice vouchers for fiscal years 2016 and 2017.

Year	Annual budget authority
2016	\$5,218,631
2017	5,954,270

As of January 1, 2017, HUD regulations at 24 CFR (Code of Federal Regulations) 982.405(a) required public housing agencies to perform unit inspections before move-in and at least biennially. The agency must inspect the unit leased to the family before the term of the lease, at least biennially during assisted occupancy, and at other times as needed to determine whether the unit meets housing quality standards.

The Authority's program staff performs inspections of the Authority's Housing Choice Voucher program units.

Our audit objectives were to determine whether the Authority ensured that its Housing Choice Voucher program units met HUD's housing quality standards and abated housing assistance payments as required.

# Results of Audit

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## **Finding: Housing Quality Standards Inspections Were Inadequate and Abatement Amounts Were Not Always Accurately Calculated**

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The Authority did not always conduct adequate inspections to enforce HUD's housing quality standards. Of 68 program housing units inspected, 63 did not meet HUD's housing quality standards, and 22 materially failed to meet HUD's standards. The Authority's program staff did not identify or report 348 violations that existed at the 22 units when conducting inspections. Also, the Authority did not always accurately calculate housing assistance payment abatements. These conditions occurred because the Authority's staff failed to follow HUD's requirements and policies and procedures in the Authority's administrative plan and was not always aware of requirements. As a result, the Authority disbursed \$27,737 in housing assistance payments<sup>1</sup> and received \$1,489 in administrative fees<sup>2</sup> for the 22 units that materially failed to meet HUD's housing quality standards. Additionally, it did not abate payments totaling \$3,822 for units that did not meet housing quality standards and made excessive abatements totaling \$267. Unless the Authority improves its inspection program and ensures that all units meet housing quality standards, we estimate that it will pay more than \$1.2 million in housing assistance over the next year for units that materially fail to meet housing quality standards.

### **Housing Units Did Not Always Meet HUD's Housing Quality Standards**

We statistically selected 68 units from a universe of 260 program units that passed an Authority-administered housing quality standards inspection between April 4 and August 4, 2017. These 68 units were selected to determine whether the Authority ensured that the units in its Housing Choice Voucher program met housing quality standards. We inspected the 68 units from September 11 to September 21, 2017.

Of the 68 units inspected, 63 (93 percent) had 678 housing quality standards violations, including 131 violations that needed to be corrected within 24 hours because they posed a serious threat to the safety of the tenants.<sup>3</sup> Additionally, 22 of the 63 units (35 percent) were in material noncompliance with housing quality standards because they had 348 violations that predated the Authority's last inspection. These violations were not identified by Authority staff, creating unsafe living conditions. HUD regulations at 24 CFR 982.401 require that all program housing meet housing quality standards performance requirements both at the beginning of the assisted

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<sup>1</sup> The total questioned amount for each housing unit was based on the days between the Authority's inspection and our inspection, multiplied by the daily housing assistance payment.

<sup>2</sup> The total questioned amount for each housing unit was based on the months between the Authority's inspection and our inspection, multiplied by the Authority's monthly administrative fee. Since the Authority's program staff spends about 40 percent of its time on inspections and the rest of its time on other program tasks, we prorated the reported administrative fees to reflect this relationship.

<sup>3</sup> We provided a list of the 24-hour violations to the Authority daily at the end of our inspections. The Authority took appropriate action to correct the 24-hour violations as we identified them.

occupancy and throughout the assisted tenancy. The following table breaks down the 678 housing quality standards violations by key aspect type in the 63 units that failed our inspections.

Seq. No.	Key aspect <sup>4</sup>	Number of violations	Number of units <sup>5</sup>	Percentage of units <sup>6</sup>
1	Structure and materials	250	56	82
2	Interior air quality	115	40	59
3	Site and neighborhood	81	37	54
4	Illumination and electricity	55	27	40
5	Smoke detectors	53	30	44
6	Space and security	43	18	26
7	Food preparation and refuse disposal	27	22	32
8	Access	23	17	25
9	Sanitary condition	14	12	18
10	Sanitary facilities	10	8	12
11	Thermal environment	7	5	7
	<b>Total</b>	<b>678</b>		

During the audit, we provided our inspection results to the Authority and the Director of HUD’s Baltimore Office of Public Housing.

The following photographs illustrate some of the violations noted during our housing quality standards inspections in the 22 units that materially failed to meet HUD’s standards.

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<sup>4</sup> Regulations at 24 CFR 982.401 categorize housing quality standards performance and acceptability criteria into 13 key aspects. Only 11 key aspects are listed in the table because we identified no violations related to key aspects of water and lead-based paint.

<sup>5</sup> This is the number of units, out of the 68 we inspected, where we found violations for each key aspect. We included violations of the Authority’s requirement for window screens as part of the interior air quality aspect.

<sup>6</sup> This is the percentage of units we inspected where we found violations for each key aspect. For example, 56 units, or 82 percent, of the 68 units inspected had structure and materials violations.



Inspection 42: There was possible mold and mildew on the wall behind the stove. The tenant stated that this had been cleaned and repainted several times but kept returning. The Authority did not identify this violation during its May 8, 2017, inspection.



Inspection 55: There was a torn refrigerator seal. The Authority did not identify this violation during its June 24, 2017, inspection.



Inspection 64: There was an improper extension cord outlet connection. The extension cord ran through the wall of the closet to provide a receptacle. The Authority did not identify this violation during its June 13, 2017, inspection.



Inspection 25: The sewer cleanout in the basement was open and covered with pasteboard. Water and sewage were bubbling up. The Authority did not identify this violation during its May 17, 2017, inspection.



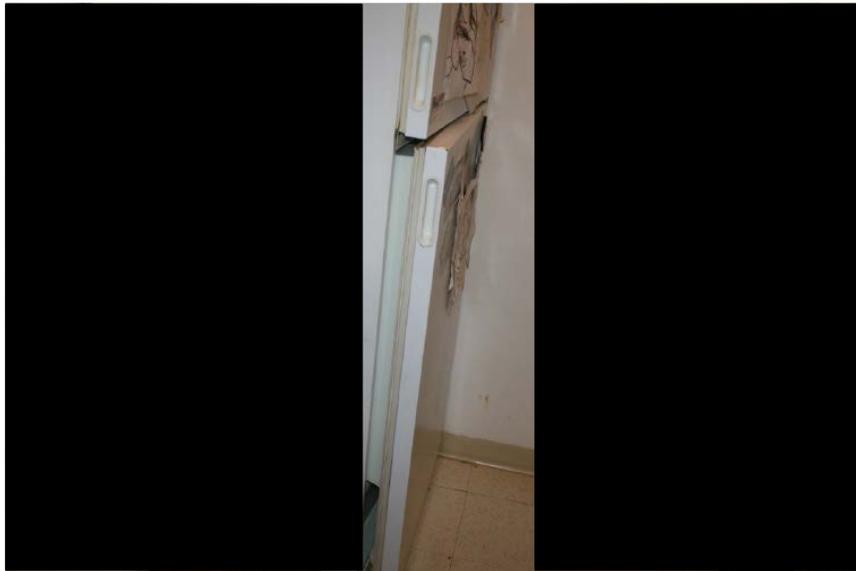
Inspection 39: An improperly sloped furnace pipe prohibited fumes from venting properly. The Authority did not identify this violation during its April 7, 2017, inspection.



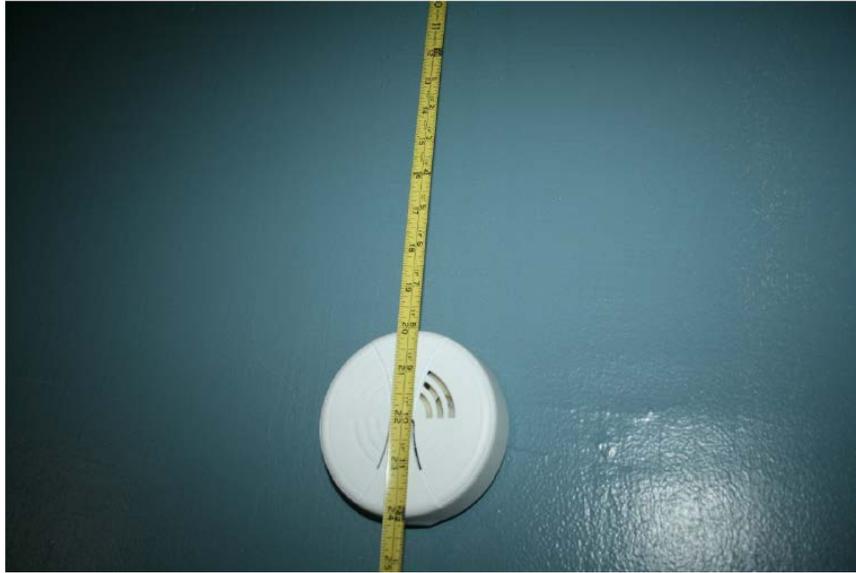
Inspection 39: This is an additional photo showing the improper slope of the furnace pipe. Because the pipe was not properly sloped, harmful fumes from the furnace could be prevented from exiting the building.



Inspection 34: There was a cutting hazard. The washing machine was missing its top, exposing sharp edges. The Authority did not identify this violation during its April 4, 2017, inspection.



Inspection 12: The refrigerator door did not close properly. The Authority did not identify this violation during its April 12, 2017, inspection.



Inspection 71: The smoke detector was not properly mounted. Smoke detectors should be no less than 4 inches from the ceiling but no more than 12 inches from the ceiling. It was 20 inches from the ceiling. The Authority did not identify this violation during its May 18, 2017, inspection.



Inspection 54: The compressor unit was mounted on a metal support attached to the unit's exterior wall. The support had sharp edges and corners. The Authority did not identify this violation during its April 4, 2017, inspection.

### **The Authority's Housing Quality Standards Inspection Process Was Not Effective**

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 did not always meet those standards. The Authority's inspection process was not effective because its staff (1) did not thoroughly inspect units and (2) was unaware that some deficiencies were housing quality standards violations.

The Authority's staff did not thoroughly inspect units. Staff members did not identify obvious violations, such as improperly connected flue pipes, exposed sewage, missing covers on junction boxes, and missing window screens. Staff members did not determine whether windows had screens as required. The staff stated that they were unaware of the Authority's requirement for windows to have screens.

The Authority's staff lacked training. The Authority primarily trained its six program staff that were involved with inspections through on the job training. The on the job training was not effective. The Authority began taking corrective action to improve its housing quality standards program during the audit by providing an outside contractor training session to its program staff<sup>7</sup> in August 2017.

### **The Authority Did Not Always Properly Abate Housing Assistance Payments**

We selected 37 units participating in the program during the period January 1, 2016, to August 4, 2017, to determine whether the Authority properly calculated abatement amounts. The Authority incorrectly calculated the abatement amount for 13 of the 37 units. Regulations at 24 CFR 982.404(a) require the Authority to ensure that the housing units and premises are maintained in accordance with HUD's housing quality standards and if not, the Authority is required to abate housing assistance payments to the owners until requirements are met. Section 10.6 of HUD's Housing Choice Voucher Guidebook 7420.10G requires the Authority to provide written notification to the owner of the deadline for making repairs. It also states that abatements must begin on the first of the month following the determination that the housing quality standards violations were not corrected within the Authority-specified period for making repairs. Section 12.7 of the Authority's administrative plan states that the Authority will end the abatement the day the unit passes inspection. Additionally, Section 10.9 of Guidebook 7420.10G states the housing authorities should have policies and procedures for receiving and processing requests from owners requesting additional time to make repairs, including the conditions under which extensions will be granted.

The Authority did not properly abate housing assistance payments for nine units totaling \$3,314 because it did not have (1) documentation to support its extension of the deadlines, including written notification to the owner, and (2) policies and procedures stating the conditions under which Authority staff could grant extensions of time for owners to make repairs. Further, the Authority did not fully abate payments for four units totaling \$508 when owners completed repairs after the deadline. As a result, the Authority made ineligible housing assistance payments totaling \$3,822 for the 13 units. Finally, the Authority made excessive abatements totaling \$267 on payments to five owners because it did not use the correct number of days in its abatement calculation. These conditions occurred because the Authority lacked policies and procedures for granting extensions and staff were unaware of the requirements for properly abating payments.

### **Conclusion**

The Authority's program participants were subjected to housing quality standards violations that created unsafe living conditions. The Authority did not properly use its program funds when it

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<sup>7</sup> Eight employees attended the training including all six program staff (the manager and five clerks) as well as the Authority's current executive director and a housing rehabilitation specialist.

inspected and passed program units that did not meet HUD's housing quality standards and its own requirements. In accordance with 24 CFR 982.152(d), HUD is permitted to reduce or offset program administrative fees paid to a public housing agency if it fails to perform its administrative responsibilities correctly or adequately, such as not enforcing HUD's housing quality standards. The Authority disbursed \$27,737 in housing assistance payments and received \$1,489 in program administrative fees for 22 units that materially failed to meet HUD's housing quality standards. In addition, it did not always correctly calculate housing assistance payment abatements, which resulted in its making ineligible payments totaling \$3,822 and excessive abatements totaling \$267. Since the Authority did not develop and implement controls to ensure that all units met housing quality standards, we estimate that more than \$1.2 million in housing assistance payments will be spent for units that are not decent, safe, and sanitary. Our methodology for this estimate is explained in the Scope and Methodology section of this report.

### **Recommendations**

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

- 1A. Certify, along with the owners of the 63 units cited in this finding, that the applicable housing quality standards violations have been corrected.
- 1B. Reimburse its program \$29,226 from non-Federal funds (\$27,737 for housing assistance payments and \$1,489 in associated administrative fees) for the 22 units that materially failed to meet HUD's housing quality standards.
- 1C. Develop and implement procedures and controls to ensure that program units meet housing quality standards and inspectors are adequately trained to perform inspections, thereby ensuring that an estimated \$1,241,550 in program funds is spent for units that are decent, safe and sanitary.
- 1D. Reimburse its program \$3,822 from non-Federal funds for housing assistance payments that should have been abated.
- 1E. Reimburse five owners \$267 for the excess housing assistance payments it abated.
- 1F. Develop and implement policies and procedures to ensure that extensions granted to owners to make repairs after failed inspections comply with HUD regulations.
- 1G. Develop and implement controls to ensure that abatements are properly calculated and procedures in its administrative plan are followed.
- 1H. Train its staff on the proper abatement of housing assistance payments.

# Scope and Methodology

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We conducted the audit from April 2017 through January 2018 at the Authority's office located at 103 12<sup>th</sup> Street, Fairmont, WV, and our office located in Pittsburgh, PA. The audit covered the period January 1, 2016, through April 15, 2017, but was expanded through August 2017 to include (1) the universe of program units that passed an Authority-administered housing quality standards inspection and (2) housing assistance payment abatements processed by the Authority, as noted below.

To accomplish our objective, we reviewed

- Applicable laws, regulations, the Authority's administrative plan, HUD's program requirements at 24 CFR Part 982, HUD's Housing Choice Voucher Guidebook 7420.10G, and other guidance.
- The Authority's inspection reports; computerized databases, including housing quality standards inspections and abatements, housing assistance payments, and tenant data; audited financial statements for fiscal years 2015 and 2014; and other program records.
- HUD's monitoring reports for the Authority.

We also interviewed Authority employees, HUD staff, and program participants.

To achieve our audit objectives, we relied in part on computer-processed data from the Authority's computer system. 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 68 program units to inspect from a universe of 260 program units that passed an Authority-administered housing quality standards inspection between April 4 and August 4, 2017. These inspections were performed by the Authority's program staff. We selected a sample size of 68 units to inspect, based on a one-sided confidence level of 95 percent and a likelihood of error range from 10 to 50 percent. We inspected the 68 units from September 11 to September 21, 2017, to determine whether the units met housing quality standards. We used statistical sampling because each sampling unit was selected without bias from the audit population, thereby allowing the results to be projected to the population. An Authority employee accompanied us on 67 of 68 inspections. We provided the results of the 68 inspections to the Authority for action during the audit.

We determined that 22 of the 68 units (32 percent) materially failed to meet HUD's housing quality standards. We determined that these units were in material noncompliance because they had 348 violations that existed before the Authority's last inspection, which created unsafe living

conditions. All units were ranked according to the severity of the violations, and we used the auditor's judgment to determine the material cutoff.

We estimate, with a one-sided confidence level of 95 percent, that at least 23 percent of the 260 units were in material noncompliance with housing quality standards. By averaging the housing assistance payments made for substandard housing across all 260 units that passed an Authority inspection and deducting for a statistical margin of error, we estimate, with a one-sided confidence interval of 95 percent, that the amount of monthly housing assistance payment dollars spent on substandard housing passed by the Authority during the sample period was \$96 per unit. We projected the results to the universe by multiplying the \$96 per unit monthly housing assistance payment for substandard housing by 1,081 (the total number of vouchers that the Authority had leased up as of August 2017), yielding a total of \$103,463<sup>8</sup> per month. Multiplying the monthly amount of \$103,463 by 12 months yields an annual total of more than \$1.2 million in housing assistance payments for substandard housing that passed an Authority inspection. This amount is presented solely to show the annual amount of program funds that could be put to better use on decent, safe, and sanitary housing if the Authority implements our recommendations. While these benefits would recur indefinitely, we were conservative in our approach and included only the initial year in our estimate.

We reviewed a total of 37 units to determine whether the Authority correctly abated housing assistance payments. For the period April 4 to August 4, 2017, the Authority inspected units and failed 100 of them. We reviewed 12 of the 100 units because the Authority did not reinspect them for more than 30 days. We also reviewed the 25 abatements that the Authority made during the period January 1, 2016, to August 4, 2017. Although this sample of 37 units did not allow us to project the results to the population, it was sufficient to meet the audit objective.

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 objectives.

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<sup>8</sup> The actual calculation includes cents; \$95.71 multiplied by 1,081 equals \$103,462.51 or \$103,463 rounded.

# Internal Controls

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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 objectives:

- Effectiveness and efficiency of 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 applicable laws and regulations – Policies and procedures that management has implemented to reasonably ensure that program participants comply with program 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 Deficiencies**

Based on our review, we believe that the following items are significant deficiencies:

- The Authority did not implement procedures and controls to ensure that program units met housing quality standards.
- The Authority did not implement controls to ensure that it accurately calculated housing assistance payment abatements.

# Appendixes

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## Appendix A

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**Schedule of Questioned Costs and Funds To Be Put to Better Use**

<b>Recommendation number</b>	<b>Ineligible 1/</b>	<b>Funds to be put to better use 2/</b>
1B	\$29,226	
1C		\$1,241,550
1D	3,822	
1E		267
<b>Totals</b>	<b>33,048</b>	<b>1,241,817</b>

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.
- 2/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. 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 spend those funds for units that meet HUD's standards, thereby putting more than \$1.2 million in program funds to better use. Once the Authority successfully improves its controls, this will be a recurring benefit. Our estimates reflect only the initial year of this benefit. Also, the Authority will use \$267 in program funds to reimburse owners for days when their units complied with housing quality standards.

## Appendix B

### Auditee Comments and OIG's Evaluation

#### Ref to OIG Evaluation

#### Auditee Comments

 <b>The Fairmont-Morgantown Housing Authority</b> HomeOwnership Center	<small>103 12th Street, PO Box 2738 Fairmont, WV 26555-2738 Fairmont (304)363-0860 Morgantown (304)291-1660 Toll Free (800)637-7464 Fax (304)366-0469 www.fmhousing.com</small>
<p>January 29, 2018</p> <p>Mr. David E. Kasperowicz Regional Inspector General for Audit Wanamaker Building 100 Penn Square East, Suite 10205 Philadelphia PA 19107-3380</p> <p>Dear Mr. Kasperowicz,</p> <p>Re: The Fairmont-Morgantown Housing Authority Response to Audit Finding</p> <p>Dear Mr. Kasperowicz,</p> <p>Attached please find the Fairmont-Morgantown Housing Authority's (FMHA) response to the findings from the audit conducted by the Office of the Inspector General on the Housing Choice Voucher Program (HCV). The Board of Commissioners and the staff of FMHA are committed to the delivery of a well-managed program, as well as the delivery of the highest quality service to our HCV participants and to HUD. Audit recommendations are received with the end goal of improving our overall operations.</p> <p>If there are any questions regarding the responses or if any additional information is needed, please contact me at 304-363-0860 ext. 104.</p> <p>Sincerely,</p> <p> Christal Crouso Executive Director</p> <p>Attachments: Response to Finding</p> <p>Cc: Debra Darby Russell De Souza Emma Middleton Board of Directors Debbie Yelich Duane Makef</p> <p style="text-align: right;"></p>	

## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

	 <p>103 12th Street, PO Box 2738 Fairmont, WV 2 Fairmont (304) Morgantown (304) Toll Free (800) Fax (304) www.fmhc</p> <p><b>The Fairmont-Morgantown Housing Authority</b> HomeOwnership Center</p> <p>The Fairmont-Morgantown Housing Authority Housing Choice Voucher Program <u>Response to Finding</u></p> <p><b>Finding:</b> Housing Quality Standard (HQS) Inspections were inadequate and abatement amounts were not always accurately calculated.</p> <p><b>FMHA Response:</b> Each of the three statements and conclusions will be responded to individually below.</p> <p><b>Statement 1</b> <b>Statement 1:</b> Housing units did not always meet HUD's Housing Quality Standards. <b>Conclusion:</b> The Authority's program participants were subjected to housing quality standards violations that created unsafe living conditions. The Authority did not properly use its program funds when it inspected and passed program units that did not meet HUD's housing quality standards and its own requirements. <b>FMHA Response:</b> FMHA disagrees that 63 of 68 units inspected failed as a result of FMHA not properly inspecting units. This statement should be clarified to state "at the time of the OIG inspection the units failed to meet housing quality standards." In some instances approximately 5 months had passed since FMHA's original inspection. There is not always evidence provided that units did not <i>initially</i> meet HQS standards by FMHA especially relating to extension cords, bugs, weather seals, and other items that can change over time. It should also be noted that often times during initial inspections, the units are empty in the absence of furniture or tenant belongings. A significant amount of these HQS items were beyond the control of FMHA and were due to tenant or landlord issues and should not be noted as FMHA failures.</p> <p><b>Statement 2</b> <b>Statement 2:</b> The Authority's Housing Quality Standards inspection process was not effective. <b>Conclusion:</b> The Authority's inspection process was not effective because its staff (1) did not thoroughly inspect units and (2) The Authority staff lacked training (Page 13). <b>FMHA Response:</b> (1) FMHA agrees there is room for improvement, but maintains that HQS inspections by nature are often subjective to the inspector. In some instances, OIG inspector's conclusions were above HQS regulations such as electrical conditions and neighborhood conditions. HQS inspections regarding electrical issues are very vague. In reference to neighborhood conditions, FMHA service area has a number of older communities with many of its streets needing redevelopment or improvement. HCV participants have free housing choice in deciding to live in older, more rural homes. FMHA inspectors will consider neighborhood conditions to properties immediately adjacent to the unit where OIG inspectors would consider homes several lots away. This type of subjectivity accounted for 81 violations in neighborhood conditions.</p>
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Comment 1

Comment 2

Comment 3

## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

Comment 4

(2) FMHA stresses on the job training through field experience supplemented with classroom training from industry contractors. All staff has received additional training from an industry contractor and has received certificates of completion. FMHA has also modified its Administrative Plan and has scheduled regular staff training times for Administrative Plan reviews.

Comment 5

#### Statement 3

**Statement 3:** The Authority did not always properly abate housing assistance payments.

**Conclusion:** It (The Authority) did not always correctly calculate housing assistance payment abatements, which resulted in its making ineligible payments totaling \$3,822 and excessive abatements totaling \$267.

**FMHA Response:** FMHA acknowledges some documentation issues in a few instances. FMHA will be adjusting the Administrative Plan to alleviate this issue.

Comment 6

#### Recommendations

**Recommendation 1A:** Certify, along with the owners of the 63 units cited in this finding, that the applicable housing quality standards violations have been corrected.

**FMHA Response:** FMHA has already begun working on this and will work with HUD for clarity as needed.

**Recommendation 1B:** Reimburse its Program; \$29,226 from non-Federal funds (\$27,737 for housing assistance payments and \$1,489 in associated administrative fees) for the 22 units that materially failed to meet HUD's housing quality standards.

**FMHA Response:** FMHA will work with the local HUD field office on this issue.

**Recommendation 1C:** Develop and implement procedures and controls to ensure that program units meet housing quality standards and inspectors are adequately trained to perform inspections, thereby ensuring that an estimated \$1,241,550 in programs funds is spent for units that are decent, safe and sanitary.

**FMHA Response:** All FMHA inspectors participate in a minimum of one month of on-the-job-training. Inspectors are paired with long term trained inspectors who provide peer training and mentoring. In 2017 all FMHA HCV employees completed HQS training from an industry contractor and received certificates of completion. FMHA will continue to improve training opportunities for inspections. FMHA maintains that HQS inspections are subjective in nature and can vary between inspectors. There are also noted differences between industry contractors for training.

Comment 4

Comment 2

**Recommendation 1D:** Reimburse its program \$3,822 from non-Federal funds for housing assistance payments that should have been abated.

**FMHA Response:** FMHA will work with the local HUD field office on this issue.

## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

Comment 7

**Recommendation 1E:** Reimburse five owners \$267 for the excess housing assistance payments it abated.

**FMHA Response:** FMHA will make said payments.

**Recommendation 1F:** Develop and implement policies and procedures to ensure that extensions granted to owners to make repairs after failed inspections comply with HUD regulations.

**FMHA Response:** FMHA will implement additional policies and procedures to ensure compliance with this issue.

Comment 8

**Recommendation 1G:** Develop and implement controls to ensure that abatements are properly calculated and procedures in its administrative plan are followed.

**FMHA Response:** FMHA has implemented quality control measures to ensure accuracy in these issues noted.

Comment 7

**Recommendation 1G:** Train its staff on the proper abatement of housing assistance payments.

**FMHA Response:** FMHA will provide additional training to staff.

Comment 9

**Other FMHA Commentary:**

FMHA takes great pride in providing quality services to our participants and to the community that we serve. During interviews and meetings with the OIG auditors, the findings and recommendations were described to FMHA as typical of other HCV programs across the country. We maintain that HQS inspections are subjective in nature and that industry training contractors offer varying opinions on issues related to HQS.

Comment 10

FMHA also strongly objects to the publication of pictures as part of the OIG report. Even though pictures are labeled by inspection number, identifying features may still exist that jeopardizes the confidentiality and privacy of the HCV participants.

Comment 11

FMHA, its Board of Commissioners, and staff will work with our local HUD field office to make our HCV excel.

## OIG Evaluation of Auditee Comments

Comment 1 The Authority disagreed that 63 of the 68 units that we inspected failed inspection as a result of it not properly inspecting units. It believes that a more accurate statement is that units failed to meet housing quality standards at the time of our inspections. It asserted that there is not always evidence provided that units did not initially meet the standards especially relating to extension cords, bugs, weather seals, and other items that can change over time. It also noted that often times during initial inspections, the units are empty. It asserted that a significant amount of the violations that we identified were beyond its control and were caused by either the tenant or landlord.

As stated in the audit report, we inspected 68 units and 63 of them failed our inspection. The existence of a single violation, regardless of the cause, resulted in the unit failing our inspection. We determined that 22 of the 63 units were in material noncompliance with housing quality standards because they had 348 violations that predated the Authority's last inspection, meaning that the Authority's inspectors did not identify them during their inspections. We were conservative in our approach and used our professional knowledge, tenant interviews, the Authority's latest inspection reports, and the facts and circumstances surrounding violations in determining whether they existed before the last passed inspection conducted by the Authority. Some violations were easily determined to have existed at the time of the Authority's inspection. In the event that we could not reasonably make a determination of when a violation occurred, we did not categorize it as preexisting. HUD regulations require that all program units meet housing quality standards performance requirements at the beginning of the assisted occupancy and throughout the assistance tenancy. All violations that we identified during our inspections need to be corrected.

Comment 2 The Authority agreed that there is room for improvement in its program but maintained that housing quality standards inspections are subjective and that our inspector's conclusions were sometimes above housing quality standards regulations, such as electrical conditions and neighborhood conditions. We appreciate the Authority's acknowledgement that it can improve its program. Although inspections involve some judgment, in no instance did we apply a higher standard than was required by HUD regulations. We used the applicable HUD regulations and the requirements in the Authority's administrative plan as our criteria for conducting our inspections.

Comment 3 The Authority stated that its service area has a number of older communities and its participants decide to live in older, more rural homes. It asserted that its inspectors consider neighborhood conditions on properties immediately adjacent to a unit, whereas, our inspector would consider homes several lots away. It asserted that we subjectively considered homes several lots away in identifying 81 neighborhood condition violations.

We agree that an older housing stock presents challenges for the Authority. HUD regulations at 24 CFR 982.401(l) require the site and neighborhood to be free from dangers to the health, safety and general welfare of the occupants, including items such as: adverse environmental conditions that are either natural or manmade such as dangerous walks or steps; poor drainage; sewage hazards; excessive accumulations of trash; and fire hazards. The Authority's assertion that we subjectively considered homes several lots away in identifying 81 neighborhood condition violations is inaccurate. All of the violations that we categorized as site and neighborhood violations were either on the properties where the units we inspected were located or the immediately adjacent lot owned by the same landlord. All of the violations were in common areas accessible to all tenants. For example, these were the most common types of violations we found: 16 violations at a community center in an apartment complex; 15 violations related to sidewalks around properties; 14 violations at shared laundry facilities in apartment complexes; 12 violations related to the accumulation of trash on properties; and 10 violations related to the condition of shared refuse containers.

- Comment 4 The Authority stated that it stresses on the job training supplemented through classroom training from industry contractors. All staff have received additional training from an industry contractor and received certificates of completion. It has also modified its administrative plan and has scheduled regular staff training times for administrative plan reviews. As stated in the audit report, during the audit, the Authority began taking corrective action to improve its program by providing outside contractor training to its staff in August 2017. In addition to that training, the Authority should use the results of this audit to train its staff. As part of the audit resolution process, HUD will evaluate the Authority's corrective actions to determine whether they satisfy the recommendation.
- Comment 5 The Authority acknowledged some documentation issues in a few instances and stated that it will adjust its administrative plan to alleviate the issue. As part of the audit resolution process, HUD will evaluate the Authority's corrective actions to determine whether they satisfy the recommendation.
- Comment 6 The Authority indicated that it has begun taking corrective action and will work with HUD for clarity as needed. As part of the audit resolution process, HUD will work with the Authority and evaluate its corrective actions to determine whether they satisfy the recommendation.
- Comment 7 The Authority indicated that it will take action to address the recommendation. As part of the audit resolution process, HUD will evaluate the Authority's corrective actions to determine whether they satisfy the recommendation.
- Comment 8 The Authority stated that it has implemented quality control measures to ensure that abatements are properly calculated and procedures in its administrative plan are followed. We commend the Authority for being proactive. As part of the audit resolution process, HUD will evaluate the Authority's corrective actions to determine whether they satisfy the recommendation.

- Comment 9 The Authority stated that during interviews and meetings with the auditors, the finding and recommendations were described as typical of other programs across the country. Our audits generally identify problems with enforcing housing quality standards. The extent of the problems is affected by the condition of the housing stock and management's ability to deal with its challenges. Our audit reports frequently include findings with ineligible costs because auditees did not enforce HUD's housing quality standards.
- Comment 10 The Authority stated that housing quality standards inspections are subjective in nature and that industry training contractors offer varying opinions on issues related to housing quality standards. We agree that some judgment is involved. In addition to the training it has already provided to its staff, the Authority should use the results of this audit to train the staff.
- Comment 11 The Authority objected strongly to the inclusion of photos in the report because it could jeopardize the confidentiality and privacy of the program participants. We routinely include photos in our final reports to illustrate the violations we noted during our inspections. However, in response to the Authority's concern, for the final report, we removed five photos and redacted a photo that were in the draft report.