



Issue Date July 30, 2009

Audit Report Number 2009-PH-1011

TO: Dennis G. Bellingtier, Director, Office of Public Housing, Pennsylvania State Office, 3APH

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

SUBJECT: The Wilmington Housing Authority, Wilmington, Delaware, Did Not Ensure That Its Section 8 Housing Choice Voucher Program Units Met Housing Quality Standards

HIGHLIGHTS

What We Audited and Why

We audited the Wilmington Housing Authority's (Authority) administration of its housing quality standards inspection program for its Section 8 Housing Choice Voucher program as part of our fiscal year 2009 audit plan. The audit objective was to determine whether the Authority adequately administered its Section 8 housing quality standards inspection program to ensure that its program units met housing quality standards in accordance with U.S. Department of Housing and Urban Development (HUD) requirements.

What We Found

The Authority did not adequately administer its inspection program to ensure that its program units met housing quality standards as required. We inspected 60 housing units and found that 52 units did not meet HUD's housing quality standards. Moreover, 37 of the 52 units materially failed to meet housing quality standards. The units had significant health and safety violations that the

Authority's inspectors did not observe or report during their last inspection. The Authority spent \$66,934 in program and administrative funds for these 37 units.

We estimate that over the next year if the Authority does not implement adequate procedures and controls to ensure that its program units meet housing quality standards, HUD will pay more than \$1.9 million in housing assistance on units with material housing quality standards violations.

What We Recommend

We recommend that the Director of HUD's Pennsylvania State Office of Public Housing require the Authority to ensure that housing units inspected during the audit are repaired to meet HUD's housing quality standards, reimburse its program from nonfederal funds for the improper use of \$66,934 in program and administrative funds for units that materially failed to meet HUD's housing quality standards, and implement adequate procedures and controls to ensure that in the future, program units meet housing quality standards to prevent an estimated \$1.9 million from being spent annually on units that materially fail to meet HUD's housing quality standards.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

Auditee's Response

We provided our discussion draft audit report to the Authority on June 18, 2009. We discussed the audit results with the Authority during the audit and at an exit conference on July 7, 2009. The Authority provided written comments to our draft report on July 10, 2009. The complete text of the Authority's response, along with our evaluation of that response, can be found in appendix B of this report.

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BACKGROUND AND OBJECTIVE

The Wilmington Housing Authority (Authority) was created in March 1938 when the Delaware State Board of Housing determined that there was a need for a housing authority in the city of Wilmington. The Authority is governed by an eight-member board of commissioners. The current executive director is Frederick Purnell. The Authority's main administrative office is located at 400 North Walnut Street, Wilmington, Delaware.

Under the Section 8 Housing Choice Voucher program, the Authority makes rental assistance payments to landlords on behalf of eligible low-income families. The U.S. Department of Housing and Urban Development (HUD) compensates the Authority for the cost of administering the program through administrative fees.

HUD authorized the Authority to provide leased housing assistance payments for 1,427 eligible households. HUD authorized the Authority the following financial assistance for fiscal years 2006 through 2008:

Authority fiscal year	Annual budget authority	Disbursed
2006	\$8,592,513	\$8,592,513
2007	\$9,701,262	\$9,701,262
2008	\$9,670,371	\$9,670,371
Totals	\$27,964,146	\$27,964,146

HUD regulations at 24 CFR [*Code of Federal Regulations*] 982.305(a)(2) state that the public housing authority may not give approval for the family of the assisted tenancy or execute a housing assistance contract until the authority has determined that the unit has been inspected by the authority and meets HUD's housing quality standards.

HUD regulations at 24 CFR 982.405(a) require public housing authorities to perform unit inspections before the initial move-in and at least annually. The authority must inspect the unit leased to the family before the term of the lease, at least annually during assisted occupancy, and at other times as needed to determine whether the unit meets housing quality standards.

The audit objective was to determine whether the Authority adequately administered its Section 8 housing quality standards inspection program to ensure that its program units met housing quality standards in accordance with HUD requirements. As part of this audit, we also reviewed the Authority's waiting list procedures. Minor findings noted in relation to the Authority's waiting list procedures were separately communicated to the Authority in a letter, dated July 10, 2009.

RESULTS OF AUDIT

Finding: Controls over Housing Quality Standards Were Inadequate

The Authority did not adequately enforce HUD's housing quality standards. Of 60 program units selected for inspection, 52 did not meet HUD's housing quality standards, and 37 materially failed to meet housing quality standards. The Authority's inspectors did not observe or report 373 health and safety violations which existed at the units when they conducted their inspections. The deficiencies occurred because the Authority did not ensure that its inspectors had sufficient knowledge of housing quality standards requirements and consistently followed the requirements. The Authority also did not implement an effective quality control inspection process. As a result, it spent \$66,934 in program and administrative funds on units that materially failed to meet HUD's housing quality standards and, consequently, were not decent, safe, and sanitary. By implementing adequate procedures and controls the Authority could ensure that its program units meet HUD's housing quality standards to prevent an estimated \$1.9 million in program funds from being spent annually on units that materially fail to meet housing quality standards.

Section 8 Tenant-Based Housing Units Were Not in Compliance with HUD's Housing Quality Standards

We statistically selected 60 units from unit inspections passed by the Authority's inspectors during the period August 2008 to January 2009. The 60 units were selected to determine whether the Authority ensured that the units in its program met housing quality standards. We inspected the selected units between February 17 and February 26, 2009.

Of the 60 units inspected, 52 (87 percent) had 719 housing quality standards violations. Additionally, 37 of the 60 units (62 percent) were considered to be in material noncompliance because they had significant health and safety violations that predated the Authority's last inspection and were not identified by the Authority's inspectors and/or repaired. The 37 units had 373 health and safety violations that existed before the Authority's last inspection report and were not identified by the Authority's inspectors. HUD regulations at 24 CFR 982.401 require that all program housing meet HUD's housing quality standards at the beginning of the assisted occupancy and throughout the tenancy.

The following table categorizes the 719 housing quality standards violations in the 52 units that failed the housing quality standards inspections.

Category of violations	Number of violations	Number of units
Electrical	224	47
Security	122	42
Interior stairs	46	29
Smoke detectors/carbon monoxide detectors	31	18
Stairs, rails, and porches	30	22
Heating, ventilation, and plumbing	29	22
Exterior surfaces	29	22
Stove, oven, and refrigerator	28	23
Other interior hazards	28	13
Floor conditions	26	18
Other potentially hazardous features	26	18
Windows	21	11
Roof and gutters	11	10
Toilet	10	9
Ceiling conditions	9	6
Site and neighborhood conditions	9	5
Wall condition	8	5
Sink and cabinets	8	5
Evidence of infestation	7	7
Tub/shower	4	4
Space for preparation, storage, and serving of food	3	3
Foundation	3	3
Lead-based paint	3	2
Electricity/illumination	2	2
Interior air quality	1	1
Garbage and debris	1	1
Total	719	

We presented the results of the housing quality standards inspections to the Authority and to the Director of HUD’s Pennsylvania State Office of Public Housing.

Housing Quality Standards Violations Were Identified

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



Inspection V38083: Flue pipe is rusted/disconnected from the furnace and is releasing fumes into the basement. This violation was not identified during the Authority's January 6, 2009, inspection.



Inspection V21104: Cover is missing on junction box. This violation was not identified during the Authority's December 18, 2008, inspection.



Inspection V20045: Electrical connection is made outside of the junction box. This violation was not identified during the Authority's September 5, 2008, inspection.



Inspection V20039: Basement stairs need a handrail. This violation was not identified during the Authority's January 26, 2009, inspection.



Inspection V51089: Mold is present from a water leak. This violation was not identified during the Authority's August 25, 2008, inspection.

The Authority Did Not Have Adequate Procedures and Controls

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 did not ensure that its housing inspectors had sufficient knowledge of housing quality standards requirements and consistently followed the requirements. It also did not implement an effective quality control inspection process.

The Authority's Housing Inspectors Did Not Have Sufficient Knowledge of Housing Quality Standards and Did Not Always Follow Housing Quality Standards Requirements

The Authority's housing inspectors were either not aware of applicable housing quality standards requirements or disregarded the requirements. As a result, they missed or overlooked several housing quality standards violations. For example, one inspector did not know that missing knockout plugs were an issue until we brought it to the inspector's attention during the audit. Also, two inspectors and the quality control inspector were not aware that railings were required for porches, balconies, and stoops more than 30 inches above the ground. In another example, the Authority failed a unit for not having a handrail on the front steps (which its inspectors missed for three years) and later passed the unit with a comment calling for the installation of the handrail. However, when we inspected the unit a little over a month after the Authority passed the unit, the handrail was

absent; therefore, the unit failed the inspection. In addition, the Authority failed a unit for having a dead bolt lock on a bedroom door and later passed the unit with a comment calling for the removal of the locking device. However, when we inspected the unit within a month and a half of the Authority's passing the unit, the bedroom door had a keyed dead bolt lock; therefore, the unit failed the inspection. The Authority's Section 8 coordinator acknowledged that the units should have failed the inspections because the violations were health- and safety-related. She stated that the audit showed that the inspectors had not performed inspections correctly and that the Authority would focus on improving its inspections process based on what it learned from our audit.

The Authority's inspectors had not all received adequate training. One of the Authority's three inspectors took housing quality standards training twice in 2004 and 2009 but failed the related examination both times. Also, the Authority's Section 8 coordinator, who was given that position in 2001, had also been the quality control inspector since January 2006 but did not take housing quality standards training until February 2009. HUD's Housing Choice Voucher Guidebook 7420.10G states that quality control reinspections should be conducted by staff trained in the public housing authority's inspection standards and those staff members should receive the same guidance as other authority inspectors on inspection policies and procedures.

The Authority needs to ensure that all of its inspectors are equipped with the knowledge they need to perform inspections in accordance with housing quality standards requirements and consistently follow the requirements.

The Authority Did Not Implement an Effective Quality Control Inspection Process

The Authority did not implement an effective quality control process as a tool to ensure that inspections were performed in compliance with HUD's housing quality standards. The Authority's administrative plan states that the purpose of quality control inspections is to ensure that each inspector conducts accurate and complete inspections and that there is consistency in the application of the housing quality standards. Also, HUD's Housing Choice Voucher Guidebook 7420.10G states that the results of the quality control inspections should be provided as feedback on inspectors' work, which can be used to determine whether individual performance or general housing quality standards training issues need to be addressed.

The Authority's quality control inspector previously provided the inspectors with written documentation on the results of the quality control inspections; however, she stated that she had stopped this practice more than a year earlier and began to verbally communicate the information to inspectors due to time constraints. However, although we noted one instance in which an inspector was suspended for not properly performing inspections, we did not find sufficient evidence to

show that quality control results were communicated to the inspectors or used as a tool for improving inspectors' performance.

Conclusion

The Authority's tenants were subjected to health- and safety-related violations, and the Authority did not properly use its program funds when it failed to ensure that its program units complied with HUD's housing quality standards. In accordance with HUD regulations at 24 CFR 982.152(d), HUD is permitted to reduce or offset any program administrative fees paid to a public housing authority if it fails to perform its administrative responsibilities correctly or adequately, such as not enforcing HUD's housing quality standards. The Authority disbursed \$60,637 in housing assistance payments to landlords and received \$6,297 in program administrative fees for the 37 units that materially failed to meet HUD's housing quality standards. If the Authority implements procedures to ensure that its inspectors are equipped with the knowledge/training they need to perform inspections in compliance with HUD requirements and implements an effective quality control program, we estimate that more than \$1.9 million in future housing assistance payments will be spent for units that are 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 Pennsylvania State Office of Public Housing require the Authority to

- 1A. Verify that the owners of the 52 program units cited in this finding have repaired the units containing housing quality standards violations.
- 1B. Reimburse HUD's program \$66,934 from nonfederal funds (\$60,637 for housing assistance payments and \$6,297 in associated administrative fees) for the 37 units that materially failed to meet HUD's housing quality standards.
- 1C. Ensure that its housing inspectors are equipped with the knowledge they need to perform inspections in compliance with HUD's housing quality standards and implement an effective quality control process to prevent \$1,928,850 in program funds from being spent on units that do not comply with the standards.

SCOPE AND METHODOLOGY

We performed on-site audit work from October 2008 through May 2009 at the Authority's main administrative office located at 400 N. Walnut Street, Wilmington, Delaware, and at the Authority's Section 8 office located at 1400 Todds Lane, Wilmington, Delaware. The audit covered the period October 2006 through February 2009 but was expanded when necessary to include other periods.

To accomplish our objective, we reviewed

- Applicable laws, regulations, the Authority's administrative plan, HUD's program requirements at 24 CFR Parts 982 and 985, and HUD's Housing Choice Voucher Guidebook 7420.10G.
- The Authority's accounting records, annual audited financial statements for 2006 and 2007, tenant files, computerized databases, board meeting minutes, organizational chart, and program annual contributions contract.
- HUD's monitoring reports for the Authority.

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

To achieve our audit objective, we relied in part on computer-processed data in the Authority's database. 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 60 of the Authority's program units to inspect from 531 unit inspections passed by the Authority's inspectors during the period August 2008 to January 2009. We selected the sample with the assistance of a computer specialist who computed the sample size using attribute methodology and used a random number generator to compute a random sample. The 60 units were selected to determine whether the Authority's program units met housing quality standards. The sampling criteria used a 90 percent confidence level, 50 percent estimated error rate, and precision of plus or minus 10 percent.

Our sampling results indicated that 52 of 60 program units selected for inspection did not meet HUD's housing quality standards. We ranked all the failed units based on the significance of the violations, from the most serious health and safety violation that predated the Authority's most recent inspection to the least serious, and determined that 37 units (62 percent) materially failed to meet HUD's housing quality standards. Materially failed units were those with at least one health and safety violation or exigent (24-hour) health and safety violation that predated the Authority's previous inspections. We used auditor judgment to determine the material cutoff line.

Projecting our sample review results of the 37 units (62 percent) that materially failed housing quality standards inspections indicates that 328 or 61.67 percent of the total population of 531 units would materially fail to meet housing quality standards. The sampling error is plus or

minus 9.72 percent. There is a 90 percent confidence that the frequency of occurrence of program units materially failing housing quality standards inspections lies between 51.94 and 71.39 percent of the population. This equates to an occurrence of between 275 and 379 units of the 531 units in the population. We used the most conservative number, which is the lower limit or 275 units.

We analyzed the applicable Authority databases and estimated that the average annual housing assistance payment per recipient in our sample universe was \$7,014. We used the period October 2007 through September 2008 to determine the average annual housing assistance payment of \$7,014. Using the lower limit of the estimate of the number of units and the estimated average annual housing assistance payment, we estimate that the Authority will spend \$1,928,850 (275 units times \$7,014 estimated average annual housing assistance) annually for units that are in material noncompliance with HUD's housing quality standards.

Our estimates are presented solely to demonstrate 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 only included the initial year in our estimate.

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

INTERNAL CONTROLS

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

- Program operations,
- Relevance and reliability of information,
- Compliance with applicable laws and regulations, and
- Safeguarding of assets and resources.

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

Relevant Internal Controls

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

- Program operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Validity and reliability of data – Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.
- Compliance with laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.

We assessed the relevant controls identified above.

A significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

Significant Weakness

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

- The Authority lacked sufficient procedures and controls to ensure that unit inspections complied with HUD regulations and that program units met minimum housing quality standards.

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	\$66,934	
1C		\$1,928,850

- 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 subsidy 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 recommendation, it will cease to incur 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 approximately \$1.9 million in program funds to better use. Once the Authority successfully implements our recommendation, 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



Frederick S. Purnell, Sr., Executive Director
Bernadette P. Winston, Chairwoman

Martin Luther King, Jr.
Administration Building

400 Walnut Street
Wilmington, Delaware 19801

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July 10, 2009

John P. Buck
Regional Inspector General for Audit, Philadelphia Region, 3AGA
U.S. Department of Housing and Urban Development
Wanamaker Building, 100 Penn Square East
Philadelphia, PA 19107-3380

Dear Mr. Buck:

SUBJECT: Summary Response to OIG Draft Audit for Section 8 HCV Program

Please find attached the Wilmington Housing Authority's (WHA) response to the subject audit conducted by HUD's Office of Inspector General.

While we do not concur with some of the justification to support the draft audit finding, we agree that there is room for improvement in the implementation of the HCV program as it relates to HQS and Quality Control inspections. To that end, WHA has already begun the process of strengthening our focus on Quality Control (QC), particularly as it relates to our understanding of and compliance with Housing Quality Standards (HQS).

WHA would like to thank the OIG team assigned to the audit for their efforts to assist us with improving our HCV program. We look forward to working with the OIG and HUD public housing staff to ensure that WHA continues to provide decent, safe and sanitary housing for our HCV program participants.

Sincerely,

A handwritten signature in dark ink, appearing to read "Frederick S. Purnell, Sr.", written over a horizontal line.

Frederick S. Purnell, Sr.
Executive Director

Enclosures

Copy: Dennis G. Bellingtier, Director, Office of Public Housing, PA State Office, 3APH, w/ attachments
Jennie A. Swager, Auditor, U.S. Department of HUD/OIG, w/ attachments
Karen Spellman, w/o attachments
Donna Starkey-Ford, w/o attachments

**WILMINGTON HOUSING AUTHORITY
SUMMARY RESPONSE TO OIG DRAFT AUDIT
FOR COMPLIANCE OF THE SECTION 8 HCV PROGRAM
JULY 8, 2009**

FINDING: CONTROLS OVER HOUSING QUALITY STANDARDS WERE INADEQUATE

Comment 1

While WHA agrees that HQS violations were present in some of the units that were included in the OIG review, we strongly disagree that all of the conditions cited during the OIG review and deemed "pre-existing" were present at the time of the Authority's last inspection of the property. In some cases the WHA inspection occurred more than 200 days prior to the OIG inspection. This is particularly important when you consider that the basis for the \$60,637 of payments to landlords that the OIG now wants to deem "ineligible" and force WHA to repay to HUD is calculated by simply multiplying the number of days between the original WHA inspection and the subsequent OIG inspection by a "per day" amount based on the monthly HAP payment.

Comment 1

With reference to the claim that WHA inspectors failed to identify 373 health and safety violations, no meaningful support was provided to substantiate most of these violations other than tenant explanations and the expertise of the appraiser performing the inspections. It is our position that both the tenant and the appraiser have an interest in taking the position that certain conditions were pre-existing. One to avoid the possibility of charges being assessed for tenant damages and the other to protect ongoing work with the OIG by supporting his original assessments

Comment 2

To illustrate our position, we referred to a unit at 2911 N. Market Street, Apt #2. The OIG inspector cited the "outlet cover broken/missing in the bedroom" as a pre-existing condition (EXHIBIT A). WHA responded to this by pointing out that 182 days had passed since our inspection of said unit. The photo clearly shows that the outlet cover is on the floor immediately to the right of the outlet. It is unlikely that the WHA inspector would have missed something so obvious and even more unlikely that the outlet cover remained in that spot for over 5 months! The photo clearly shows an abundance of items, including boxes, in the immediate vicinity of the outlet that could have knocked the cover plate off at any time.

Comment 3

Another example can be found at 602 West 23rd Street wherein the OIG inspector cited "fuse/disconnect box cover not secure" (EXHIBIT B). The attached photo clearly shows that the fuse box cover is securely in place with hinges top and bottom. It is not LOCKED, but the code does not require it to be. It is intact and totally functional. It is our understanding that the door was opened for the purposes of taking the picture. Further, the OIG inspector refers to the HCV Guidebook Chapter 10-9 which states that the "PHA must be satisfied that the electrical system is free of

hazardous conditions, including exposed, un-insulated or frayed wires, improper connections, improper insulation or ground any component of the system, overloading of capacity, or wires lying in or located near standing water or other unsafe places.” The photo clearly shows that none of these conditions exist. It should also be noted that WHA inspected this unit 172 days prior to the OIG inspection.

Comment 4

Our final example is at 21 W. 29th Street where the OIG inspector cited WHA for a “torn refrigerator seal” as an HQS violation (EXHIBIT C). The HCV Guidebook clearly states, “The refrigerator must be of adequate size for the family and capable of maintaining a temperature low enough to keep food from spoiling. The PHA may reject the size of the refrigerator only if it clearly cannot serve the needs of the family. For example, a counter-top or compact type would not meet the needs of a family of four. The freezer space must be present and working, and the equipment must present an electrical hazard.”

Comment 4

In accordance with the HCV Guidebook, to deem the refrigerator seal a violation of the standard, there must be evidence of spoiled food or that the internal temperature in the refrigerator is above 40 degrees. A broken seal is not a violation; the affects of the broken seal may constitute a violation if there is a definite increase in temperature above 40 degrees. The HCV Guidebook does not address “potential”. Further, WHA inspected this unit 187 days prior to the OIG inspection. If the unit was not cooling properly for more than 5 months after our inspection, is it not reasonable to think there would be evidence of that such as odors, condensation, or food spoilage? None of these conditions were noted by the OIG inspector.

Comment 5

WHA submitted an itemized response to those items we felt were questionable as being present during the WHA inspection or were an inappropriate interpretation of the HQS requirements (Appendix 1 and 1A). The response from the OIG’s office was to reject ALL items questioned and make no adjustments to the calculations of ineligible costs derived from the flawed approach. Based on the examples above and the detailed responses provided to the OIG’s office on these items, WHA feels the determination of ineligible cost is miscalculated and excessive.

SECTION 8 TENANT-BASED HOUSING UNITS WERE NOT IN COMPLIANCE WITH HUD'S HQS

Comment 6

All units approved by WHA for participation in our HCV program receive an initial inspection and annual inspections as required by HUD regulations. The conditions of the units at the time of inspection were cited and documented in accordance with HUD form 52580. We agree that there was some discrepancy between the inspections performed by WHA staff and the OIG; however, it is our position that tenant interviews and the time lapse between inspections gave an inaccurate reflection of the Authority's capacity, understanding and application of the HQS standard.

Comment 6

Although we understand that it is not the objective of the OIG during these audits to distinguish between tenant-caused violations and pre-existing conditions, we would like to note for the record that tenant interviews are not a reliable or valid source to substantiate either the timing or the cause of a violation because of the potential penalty to the tenant. As you know, HCV Program participants are charged a fee by the landlord for any tenant caused damages to the unit. Consequently, residents are not likely to readily admit that they caused the damage but instead will insist that the damage always existed.

Comment 7

Follow-up actions have been taken on all of the units cited during the inspections, including the correction of all health and safety violations and the 37 units that had material violations.

Comment 7

After careful review and consideration of the violations cited during the audit, we concede that many of our properties lack the required grounding conductor the OIG inspector identified. This is due to a recent revision of the standard coupled with the aging housing stock within the City of Wilmington.

Comment 7

To address the issue, a mailing will be sent by the end of July 2009 to existing landlords to install grounding conductors in all outlets within their units. Perspective landlords will be required to make corrections prior to entry in the HCV program.

Comment 8

Comment 9

Comment 10

THE AUTHORITY DID NOT HAVE ADEQUATE PROCEDURES AND CONTROLS

The Authority's Housing Inspectors Did Not Have Sufficient Knowledge of Housing Quality Standards and Did Not Always Follow Housing Quality Standard Requirements

WHA's last review conducted by HUD was the Consolidated Review in June 2007 which consisted of both the Public Housing Program and the HCV Program. No substantive HQS findings were cited.

All staff, which includes the Section 8 Chief, the Section 8 Coordinator and three HQS Inspectors, received HQS training throughout their tenure of employment as follows:

Donna Starkey-Ford – Section 8 Chief
Certified Section 8 Administrator 3/08/1998 (Nan McKay)

Kathi Hoerner-McGinnes – Section 8 Coordinator
Certified Section 8 Administrator 3/08/1998 (Nan McKay)
HQS Training 02/13/2009 (NAHRO)

Harry Marrero – HQS Inspector
HQS Training 09/19/1997 (Nan McKay), 9/17/2000 (NAHRO), 2/13/2009 (NAHRO)
Advanced Inspector Specialist 02/19/2003

Walter Gilbert – HQS Inspector
HQS Training 2005 and 02/19/2009 (NAHRO)

John DiVincenzo – HQS Inspector
HQS Training 04/18/2007 (NAHRO)

We agree that one inspector has had problems passing the exam. We are in the process of scheduling a re-exam within the next three months. To ensure proper handling of his inspections, expanded quality control reviews will be targeted for his area until the outcome of his exam is received. This particular inspector is a certified BOCA inspector, formally employed by the City of Wilmington's Department of License and Inspection.

In addition to the formal training, the Housing Authority has implemented in-house training to facilitate compliance and consistency in regards to HQS and other appropriate HUD regulations within the Section 8 department. Each inspector has copies of the HQS Handbook, HCV Guidebook, local code and WHA's Administrative Plan; all of which are included in the in-house training as reference and guidance material.

Comment 11

The Authority Did Not Implement an Effective Quality Control Inspection Process

WHA's HQS Quality Control Program is also an inherent component in our management of the WHA Housing Choice Voucher Program. This effort is designed to ensure that all inspections are in compliance with HQS and that all processes and procedures are in compliance with HUD regulations and Board approved policies.

Comment 11

Staff that was interviewed failed to understand some of the questions as presented during the OIG audit, and; therefore, inaccurate information was given. Staff provided information pertaining to the number of QC inspections performed beginning with the start date of the OIG audit to the date the information was requested. When, in fact, what was being requested was the number of QC inspections performed for the year targeted for the OIG audit. We have since provided the correct information for your review.

Comment 11

The Section 8 Coordinator is assigned to perform QC inspections which are consistent with the formula imposed by HUD that requires 16 for the first 600 and one per 100 after the 600. Units that failed during the QC inspection are then referred to the original inspector via the 52580 form with a summary report form which details each of the deficiencies cited during the QC inspection. All follow-up and close-out is performed and documented by the inspector which enables him to become familiar with the fact that there was a deficiency in his original inspection. Deficiencies that were inappropriately called by one or more inspector are reviewed periodically with staff during monthly staff meetings. Attached is a sample of a QC inspection for your review.

Comment 11

WHA has recently upgraded its HQS QC program by expanding the sample size of its random selection for quality control purposes. Deficiencies cited under the quality control will be used to enlighten staff during in-house training exercises to further educate and promote consistency.

Comment 12

CONCLUSION

Despite our objections to certain components of the OIG review, we do feel that the review was conducted in a professional manner with consideration given by all OIG staff involved for the ongoing workload of WHA staff. We feel that a lot of helpful information has been provided to us that will serve to enhance our Housing Choice Voucher program and assist us in providing a quality program to the residents of Wilmington Delaware.

EXHIBIT A – 2911 N Market Street, Apt. 2

Outlet cover broken/missing in the bedroom



EXHIBIT B – 602 W 23rd Street

Fuse/disconnect box cover not secure



EXHIBIT C – 21 W 29th Street

Refrigerator door seal torn (2 pictures)



OIG Evaluation of Auditee Comments

- Comment 1** The conclusions in the audit report are supported by audit work performed in accordance with generally accepted government auditing standards. We were conservative in our approach and used our professional knowledge, tenant interviews and the Authority's latest inspection reports in determining whether a housing quality standards violation existed prior to the last passed inspection conducted by the Authority. Also, we used a conservative methodology and used our judgment to only require repayment of housing assistance payments on units with preexisting violations significant enough that we determined they could cause harm to the tenants. In addition, as explained during the audit, for the units with significant preexisting violations, we did not calculate any ineligible housing assistance payments for the first 30 days after the Authority's last inspection to account for the abatement process. Therefore, we believe our methodology and the evidence we obtained provide a reasonable basis for our findings and conclusions based on our audit objective
- Comment 2** In regards to the unit located at 2911 N. Market Street, Apt. #2, the missing outlet cover in the bedroom was cited as a violation but was not classified as a pre-existing condition. The issue we cited as a pre-existing condition was actually a broken outlet cover in the living room which we determined was preexisting based on the expertise of our inspector. According to HUD's Housing Choice Voucher Guidebook 7420.10G, section 10.3, badly cracked outlets or cover plates are unacceptable.
- Comment 3** In regards to the unit located at 602 W. 23rd Street, HUD's Housing Choice Voucher Guidebook 7420.10G, section 10.3, states that exposed fuse box connections are not acceptable. The picture clearly shows exposed contacts inside the fuse box that the tenant could come in contact with. Also, wire connections within the fuse box are exposed and not secured inside a junction box. The cover on the fuse box must be secured by a small lock, wire or bolt and nut to protect the tenant from an electrical shock hazard. The concern here is about the safety of the tenant and not the functionality of the fuse box.
- Comment 4** When we determined that a specific refrigerator door seal was torn such as in the unit located at 21 W. 29th Street, we reasonably concluded that the refrigerator was unable to maintain the proper interior temperature. The door seal is torn in two places at the top and bottom right side of door. The photo clearly shows that the seal is torn and has been allowing condensation for a considerable time as evidenced by the rust showing around the refrigerator frame. Condensation (water puddle) can be seen on the floor indicating a leaking seal. The fact that the seal is allowing condensation to accumulate on the floor indicates the refrigerator is running excessively and would not be cooling properly. HUD's Housing Choice Voucher Guidebook 7420.10 G, section 10.3, states that the refrigerator must be of adequate size for the family and capable of maintaining a temperature low enough to keep food from spoiling. The guidebook includes an example for

clarification which states the refrigerator must be able to maintain temperature above 32 °F, but generally below 40 °F to keep food from spoiling. The guidebook further states that proper temperatures are difficult to maintain if door seals are removed or broken.

- Comment 5** We reviewed the itemized response which the Authority provided during the audit and determined that no adjustments to our results were warranted. In fact, we provided the Authority information on housing quality standards requirements for certain deficiencies we noted that the Authority did not consider housing quality standards violations. As stated above, our audit conclusions are supported by audit work performed 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. Also, our calculation of ineligible costs was derived from a conservative approach. Therefore we disagree with the Authority's assertion that our determination of ineligible costs is miscalculated and excessive.
- Comment 6** We used our professional knowledge, tenant interviews and the Authority's latest inspection reports in conservatively determining whether a housing quality standards violation existed prior to the last passed inspection conducted by the Authority. All units were ranked, and we used auditors' judgment to determine the material cutoff line. We were very conservative in our approach and we believe that the audit evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit objective.
- Comment 7** We are encouraged that the Authority has taken action on all the units cited in the inspections and that the grounding conductor requirement will be addressed with existing and prospective landlords.
- Comment 8** Our review was conducted independently, therefore, we cannot comment on the results of other reviews.
- Comment 9** HUD's Housing Choice Voucher Guidebook 7420.10G states that quality control reinspections should be conducted by staff trained in the public housing authority's inspection standards and those staff members should receive the same guidance as other inspectors on inspection policies and procedures. The Section 8 coordinator/quality control inspector did not take her first housing quality standards training until February 2009.
- Comment 10** We are encouraged to know that the inspector will be scheduled to retake the examination and that the Authority plans to take measures to target expanded quality control reviews for the inspector's areas in the interim. We are also encouraged by the Authority's statement that it has implemented supplementary in-house training.

Comment 11 Our conclusions pertaining to the Authority's quality control process pertain to how the results were used and not the number of inspections performed. As discussed in the report, we did not find sufficient evidence to show that the quality control results were communicated to the inspectors or used as a tool to improve their performance.

Comment 12 The Authority was very cooperative and professional throughout the audit engagement. We commend the Authority for creating a favorable environment for conducting the audit. We are encouraged to know that the Authority looks to use the results of this audit to better its programs.