



# Orange County Housing Authority, Santa Ana, CA

## Housing Choice Voucher Program Housing Quality Standards



**To:** Marcie P. Chavez, Director, Los Angeles Office of Public Housing, 9DPH  
**//SIGNED//**

**From:** Tanya E. Schulze, Regional Inspector General for Audit, Region IX, 9DGA

**Subject:** The Orange County Housing Authority, Santa Ana, CA, Did Not Always Ensure That Housing Units Met HUD's Housing Quality Standards

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the Orange County Housing Authority's housing quality standards inspections of Housing Choice Voucher program-funded housing units.

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

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

If you have any questions or comments about this report, please do not hesitate to call me at 213-534-2471.



**Audit Report Number: 2016-LA-1003**

**Date: April 21, 2016**

**The Orange County Housing Authority, Santa Ana, CA, Did Not Always Ensure That Housing Units Met HUD's Housing Quality Standards**

## Highlights

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### What We Audited and Why

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We audited the Orange County Housing Authority's Housing Choice Voucher program's housing quality standards primarily due to the Orange County district attorney's investigation into allegations that Authority inspectors conducted personal business during the work day. These allegations resulted in concerns that inspections may not have been thorough to ensure housing units met HUD standards. Our objective was to determine whether the Authority conducted its inspections in accordance with U.S. Department of Housing and Urban Development (HUD) rules and requirements.

### What We Found

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The Authority's inspections did not adequately enforce HUD's housing quality standards. Of the 80 housing units inspected, 42 were in material noncompliance with HUD standards. For those units, the Authority's inspectors failed to report 229 deficiencies that existed when they conducted their last inspections. This condition occurred because the inspectors did not have current and consistent training to ensure that housing units complied with housing quality standards. In addition, it did not have a complete quality control review process in place to ensure inspections of units met HUD standards. As a result, some tenants lived in housing that was not up to HUD standards, and the Authority disbursed \$217,916 in housing assistance payments for these 42 units. Unless the Authority provides training to its inspectors and ensures that all of its housing units materially meet minimum housing quality standards, we estimate that over the next year, HUD will pay more than \$48.6 million in housing assistance for units that are materially noncompliant with HUD standards.

### What We Recommend

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We recommend that the Director of HUD's Los Angeles Office of Public Housing require the Authority to (1) reimburse its program \$217,916 from non-Federal funds for the 42 units that materially failed to meet HUD standards; (2) certify that the identified deficiencies have been corrected for the units cited; (3) ensure that its inspectors are provided up-to-date and consistent training on conducting inspections, which will prevent more than \$48.6 million in program funds from being spent on housing that does not meet HUD standards over the next year; and (4) develop and implement quality controls, which ensure that housing complies with HUD standards.

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# Background and Objective

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The U.S. Department of Housing and Urban Development (HUD) designated the Orange County Housing Authority as a public agency in 1971 and authorized it to provide housing assistance for low-income families, which include families with children, the elderly, and people with disabilities, residing within the 31 cities and unincorporated areas of Orange County, CA, excluding the cities of Santa Ana, Garden Grove, and Anaheim. The Authority's mission is to provide safe, decent, and sanitary housing conditions for very low-income families and to manage resources efficiently.

The goal of the Housing Choice Voucher program is to provide safe, decent, and sanitary housing at an affordable cost to low-income families. To accomplish this goal, program regulations set forth basic housing quality standards, which all housing units must meet before assistance can be paid on behalf of a family and at least annually throughout the term of the assisted tenancy. These standards define standard housing and establish the minimum criteria necessary for the health and safety of program participants (appendix C).

HUD is moving from housing quality standards to uniform physical condition standards for public housing agencies to use when inspecting program-funded housing units.

The Authority is a division within Orange County Community Services that administers federally funded programs to provide monthly rental assistance to qualified tenants in privately owned rental housing. It is divided into three sections under the direction of a division manager:

1. Occupancy and Residency Section
2. Rental Assistance Section
3. Special Housing Programs Section

In 2015, the Authority administered about 10,622 program-funded housing units and disbursed more than \$114 million in funding to provide housing assistance to eligible participants.

The objective of the audit was to determine whether the Authority conducted its housing quality standards inspections in accordance with HUD rules and requirements.

# Results of Audit

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## **Finding: The Authority Did Not Always Ensure That Housing Units Met Housing Quality Standards**

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The Authority did not always ensure that its program-funded housing units met HUD's housing quality standards. Of 80 units inspected, 69 failed to meet HUD's minimum standards, and 42<sup>1</sup> were in material noncompliance with the standards. For the 42 units in material noncompliance, the Authority's inspectors failed to report 229 deficiencies that existed when they conducted their last inspections. These deficiencies occurred because the Authority did not provide current and consistent training to its inspectors to ensure that program-funded housing units complied with housing quality standards. In addition, the Authority did not maintain a complete quality control inspection process that ensured inspections of units complied with HUD standards. As a result, some tenants lived in units that did not meet HUD standards, and the Authority disbursed \$217,916 in housing assistance payments for the 42 units in material noncompliance with HUD standards. Unless the Authority provides training to its inspectors and ensures that all of its housing units materially meet minimum housing quality standards, we estimate that over the next year, HUD will pay more than \$48.6 million in housing assistance for units in material noncompliance with the standards.

### **Housing Quality Standards Not Met**

We statistically selected 80<sup>2</sup> housing units from a universe of 1,154 program-funded units that had passed an Authority housing quality standards inspection between May 1 and July 31, 2015. The 80 units were selected to determine whether the Authority ensured that its program-funded units met minimum housing quality standards. We inspected the units from October 20 to December 14, 2015. We performed the inspections within 3 to 7 months after the Authority performed its inspections.

Contrary to 24 CFR (Code of Federal Regulations) 982.401(a)(3) (appendix C), 42 of the 80 units inspected (53 percent) failed and were in material noncompliance with housing quality standards. These units were in material noncompliance for having at least three deficiencies, which created living conditions that were not decent, safe, and sanitary for tenants. We determined some of these deficiencies were caused by the tenants; however, these units still failed HUD housing standards. The 42 units had a total of 229 deficiencies (appendix D).

Contrary to the Authority's 2015 administrative plan (appendix C), the units identified had deficiencies, such as (1) conditions that jeopardized the security of the housing unit, including

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<sup>1</sup> An additional 27 of 80 units failed but were not materially deficient. The remaining 11 units passed with no deficiencies.

<sup>2</sup> Our methodology for the statistical sample is explained in the Scope and Methodology section of this audit report.

windows and doors on the first floor that do not lock; (2) electrical problems or conditions that could result in shock or fire; and (3) conditions that presented an imminent possibility of injury.

The following table lists the top 5 deficiencies identified among the 42 units that were materially noncompliant with HUD standards.

| Type of deficiency   | Number of deficiencies | Number of housing units |
|--|------------------------|-------------------------|
| Interior debris and unsafe storage                             | 51                     | 32                      |
| Kitchen sinks, cabinets, stoves, duct systems, and countertops | 33                     | 23                      |
| Exterior, foundation, and site conditions                      | 31                     | 14                      |
| Doors and door locks   | 24                     | 18                      |
| Windows and window locks                                       | 22                     | 14                      |

### **Types of Deficiencies**

The following photographs illustrate some of the deficiencies noted during housing quality standards inspections of the 42 units that materially failed to meet HUD standards. Most of the deficiencies were categorized as interior debris and unsafe storage; kitchen sinks, cabinets, stoves, duct systems, and countertops; exterior, foundation, and site conditions; door and door locks; and windows and window locks.

#### Interior Debris and Unsafe Storage

A total of 51 deficiencies were found in the 32 housing units that materially failed to meet HUD’s housing quality standards.



The picture above shows a housing unit with personal items that restricted access to the window. In addition, the tenant's personal items surrounded oxygen tanks, which created a safety issue for the tenant and others in the building. The Authority's own inspection checklist states that the inside and outside of the housing unit must be free from accumulated clutter. If the tenant's personal items blocked access to the window, emergency crews would not be able to rescue tenants from potential emergencies. Two weeks before OIG's inspections, the fire department inspected and failed the housing unit for the same deficiencies.

Kitchen Sinks, Cabinets, Stoves, Duct Systems, and Countertops

A total of 33 deficiencies were found in the 23 housing units that materially failed to meet housing quality standards.



The picture above shows a stove vent system that was not properly sealed. The Authority's administrative plan states that this issue would be considered life threatening as it presents an imminent possibility of injury to the tenant. The lack of a properly sealed stove vent is a safety issue that could result in a fire.

#### Exterior, Foundation, and Site Conditions

A total of 31 deficiencies were found in the 14 housing units that materially failed to meet HUD's housing quality standards.



The picture above shows a housing unit yard that the owner used as a personal storage space for debris. The Authority's own inspection checklist states the inside and outside of the unit must be free of accumulated garbage, debris, and clutter. The Authority's administrative plan states that this issue would be considered life threatening as it presents an imminent possibility of injury to the tenant. The owner's use of the yard for debris posed a health and safety concern for the tenant and family. Further, the tenant did not have full access to the unit.

#### Doors and Door Locks

A total of 24 deficiencies were found in the 18 housing units that materially failed to meet HUD's housing quality standards.



The picture above shows an exterior door to a housing unit with a bottom lock that did not work. The Authority's administrative plan; HUD Handbook 7420.10G, chapter 10; and 24 CFR 982.401(d)(2)(iv) state that the exterior doors of a housing unit must be lockable. Specifically, HUD Handbook 7420.10G Chapter 10.3 Performance Requirements and Acceptability Standards for space and security acceptability criteria state that door surfaces must be in sufficient condition to support the installation and proper operation of door locks. In addition, the Housing Choice Voucher Housing Quality Standards Master Book Chapter 3: Electricity and Security Section 2: Space and Security used by the Authority states all locks should be operable and fastened securely for exterior doors. The administrative plan states that this issue would be considered life threatening as it would jeopardize the security of the housing unit. In this case, a bottom lock to an exterior door that does not work would result in a failed inspection of the unit.

#### Windows and Window Locks

A total of 22 deficiencies were found in the 14 housing units that materially failed to meet HUD's housing quality standards.



The picture above shows a window without a locking device. Regulations at 24 CFR 982.401(d)(2)(iii) and HUD Handbook 7420.10G, chapter 10, require that housing unit windows that are accessible from the outside be lockable. In addition, the training manual states that windows must be lockable. The Authority's administrative plan states that this issue would be considered life threatening as it would jeopardize the security of the housing unit. If a window does not have the required lock, there is a safety concern for the tenant and family.

#### **Lack of Current and Consistent Training**

The Authority did not provide current and consistent training to its inspectors to ensure that inspections conducted on its program-funded units complied with HUD standards. The Authority had not provided its inspectors training on HUD standards since 2007. Subsequent training courses did not provide specific information on HUD's housing quality standards. In August and December 2010, the Authority sent 6 of its 16 inspectors to a housing quality standards training course presented by an outside vendor. In June 2014, it provided inspectors an online refresher course on HUD standards. The inspectors had completed other training courses in the areas of mobility process, bed bugs, and lead-based paint. In 2015, there was no record of the Authority providing its inspectors with housing quality standards training. As a result, Authority inspectors incorrectly passed units that did not meet the required standards.

### **Inadequate Quality Control Process**

The Authority did not maintain a complete quality control process that ensured inspections of housing units met HUD standards. A quality control inspection is a reinspection of randomly selected housing units by a supervisor or other qualified individual to ensure that housing quality standards inspections were conducted correctly and uniformly. The Authority is required to inspect a specific number of units within the year. In this case, it randomly selected 94 units for quality control reviews. We found that 43 of these quality control inspections lacked the required information, such as whether the unit passed or failed the quality control review. We also found that 40 of the inspection reports did not have the required signatures to certify that the inspector had completed the quality control inspection. As a result, inspectors were not provided with complete and accurate feedback about their performance to ensure that housing units met HUD's housing quality standards.

### **Conclusion**

The deficiencies described above occurred because the Authority failed to provide current and consistent training and a complete quality control review to its inspectors. The lack of current and consistent training and a complete quality control review did not ensure that program-funded housing units met housing quality standards. In addition, these causes allowed tenants to live in units that were not safe and decent conditions. As a result, the Authority spent \$217,916 in housing assistance payments on 42 housing units (appendix D) that were in material noncompliance.

Unless the Authority improves its inspection program to ensure compliance with HUD standards, HUD will spend more than \$48.6 million in housing assistance on units in material noncompliance with the standards over the next year.

### **Recommendations**

We recommend that the Director of the Los Angeles Office of Public Housing require the Authority to

- 1A. Reimburse its program from non-Federal funds \$217,916 for the 42 units that materially failed to meet HUD's housing quality standards
- 1B. Certify that the identified failed housing quality standards items have been corrected for the units cited in this report or take appropriate administrative action.
- 1C. Ensure that its inspectors are provided up-to-date and consistent training on conducting inspections, which will prevent \$48,665,810 in program funds from being spent on units that are in material noncompliance with HUD standards over the next year.
- 1D. Develop and implement quality controls to ensure that its Housing Choice Voucher program-funded units comply with HUD standards.

# Scope and Methodology

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We performed our audit work at the Authority's office in Santa Ana, CA, from September 21, 2015, to February 19, 2016. Our review covered the period July 1, 2014, to July 31, 2015, and was expanded as necessary.

To accomplish our objective, we

- Reviewed and analyzed the Authority's policies, procedures, internal controls, and financial records relating to the program;
- Reviewed applicable HUD regulations and requirements;
- Reviewed HUD's monitoring reports, annual plan, and consolidated annual contributions contract;
- Reviewed files, such as housing quality standards inspection reports, housing assistance payment registers, quality control inspection reports, and tenant files and data;
- Interviewed Authority staff; and
- Conducted on-site inspections of statistically sampled housing units.

We inspected a statistical sample of 80 housing units. The units were selected from a universe of 1,154 Housing Choice Voucher program-funded rental units that passed the Authority's inspections from May 1 through July 31, 2015. We selected recently completed inspections to determine whether the Authority's inspection staff adequately inspected and correctly passed program-funded units. 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.

Based on the statistical sample of 80, we found that 42 of the units had material housing quality standards deficiencies but passed an Authority inspection. Using a confidence interval of 95 percent, we projected that at least 43.6 percent of the units had material deficiencies. Extending this amount to the monthly count of 8,902 occupied units on the Authority's program, we can say that at least 3,884 units would have material housing quality standards deficiencies, despite having passed Authority inspections.

Based on the average housing assistance paid for the 80 units, less a deduction to account for a statistical margin of error, we can say with a confidence interval of 95 percent that the average amount of monthly housing assistance spent on units that did not meet HUD standards was

\$455.57 per unit. Extending this amount to the 8,902 units over 12 months yields at least \$48.6 million in housing assistance paid per year for substandard housing.

We relied in part on data maintained by the Authority. We performed an assessment of the reliability of the data and found the data to be reasonably reliable for our 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 objective.

# 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 objective:

- Effectiveness and efficiency of program operations – Policies and procedures implemented to ensure effective and efficient operations of the Authority's housing quality standards inspections.
- Reliability of financial information – Policies and procedures implemented to reasonably ensure that valid and reliable information is obtained, maintained, and fairly disclosed in its housing quality standards inspection reports, and
- Compliance with applicable laws and regulations – Policies and procedures implemented to ensure that housing quality standards inspections are consistent with applicable HUD requirements.

We assessed the relevant controls identified above.

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

## Significant Deficiency

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

- The Authority did not provide current and consistent training to ensure that program-funded housing units complied with HUD's housing quality standards (finding).

# 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> |
|------------------------------|----------------------|---|
| 1A                           | \$217,916            |   |
| 1C                           |                      | \$48,665,810                            |
| <b>Totals</b>                | <b>\$217,916</b>     | <b>\$48,665,810</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 housing units that are not decent, safe, and sanitary. Instead, it will put more than \$48.6 million on housing units that meet HUD's standards. (See the Scope and Methodology section of the report for the calculation.) Once the Authority improves its training and controls, 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

Comment 1

Comment 2

|   |  |
|---|--|
|  <p>ORANGE COUNTY<br/><b>Community Resources</b><br/><i>Our Community. Our Commitment.</i></p>  |  |
| <p><b>STEVE FRANKS</b><br/>DIRECTOR<br/>OC COMMUNITY RESOURCES</p>  | <p>April 5, 2016</p>   |
| <p><b>JENNIFER HAWKINS, DVM</b><br/>DIRECTOR<br/>OC ANIMAL CARE</p>   | <p>Tanya E. Schultze<br/>Regional Inspector General for Audit, Region IX, 9DGA<br/>Office of Audit (Region 9)<br/>611 W. Sixth Street, Suite 1160<br/>Los Angeles, CA 90017</p>  |
| <p><b>RENEE RAMIREZ</b><br/>INTERIM DIRECTOR<br/>OC COMMUNITY SERVICES</p>  | <p>Re: Audit Report for Orange County Housing Authority</p>  |
| <p><b>JULIA BIDWELL</b><br/>INTERIM DIRECTOR<br/>HOUSING COMMUNITY<br/>DEVELOPMENT &amp; HOMELESS<br/>PREVENTION</p>  | <p>Dear Ms. Schultze,</p> <p>The Orange County Housing Authority (OCHA) prepared the following comments regarding Audit Report Number 2016-LA-100X. The stated objective of the audit was to determine whether the OCHA conducted inspections in accordance with the U.S. Department of Housing and Urban Development (HUD) rules and guidelines. The OCHA inspections sampled in the audit were performed from May 1, 2015 to July 31, 2015.</p>  |
| <p><b>STACY BLACKWOOD</b><br/>DIRECTOR<br/>OC PARKS</p>   | <p>OCHA is committed to the safety of assisted households and compliance with HUD requirements. Although OCHA acknowledges that most of the 229 deficiencies deviate from HQS, the severity of the items listed as "material deficiencies" especially those that were designated as requiring "24 hour" corrective action require further clarification from HUD. Our comments related to this are listed under <a href="#">Recommendation 1A</a>.</p>   |
| <p><b>HELEN FRIED</b><br/>COUNTY LIBRARIAN<br/>OC PUBLIC LIBRARIES</p>  | <p>OCHA was challenged during 2015, when ten inspection positions were vacant for a significant period. All of the supervisors (3 positions) retired within the first three months of the year and the team leaders (3 positions) left the agency about that time, along with four inspectors. The capability to maintain the prior level of quality controls was significantly impacted. Results of the audit findings are not reflective of current operations in OCHA and the Authority will implement corrective actions as recommended in this audit in collaboration with direction from the Director of the Los Angeles HUD Office of Public Housing.</p> |
| <p style="text-align: center;"><b>ORANGE COUNTY<br/>HOUSING AUTHORITY</b></p> <p style="text-align: center;">1770 NORTH BROADWAY<br/>SANTA ANA, CA 92706-2642<br/>PHONE: 714.480.2700<br/>FAX: 714.480.2945</p> <div style="text-align: center;">  <p>OC Community Services</p> </div> | <p><u>Recommendation 1A. is for OCHA to reimburse its program for the 42 units that materially failed HQS.</u> OCHA will reimburse HUD as directed by the LA HUD Office.</p> <p>With regard to this recommendation, OCHA has asked the OIG team for further clarification of a number of the failed items for the following reasons: <u>Interpretations of "24 hour" and "required" HQS standards.</u></p>   |

**Ref to OIG  
Evaluation**

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In 2014, CGI Federal performed a quality assurance inspection review of OCHA assisted units on behalf of REAC. OCHA received written guidance regarding identification of "exigent health and safety", "24 hour", "life threatening" and "emergency repair" items. According to the Deputy Assistant Secretary, "HUD has developed a standardized list of life-threatening and emergency conditions CGI will use when they conduct the quality assurance inspections." That list is as follows:

1. Missing entry door.
2. Waterlogged/damaged ceilings, walls or floors in imminent danger of potential collapse.
3. Major plumbing leaks or flooding.
4. Natural or LP gas leaks or fumes.
5. Electrical problems which could result in shock or fire.
6. Presence of a non-working air conditioner or lack of adequate ventilation when the outside temperature has reached 90 degrees Fahrenheit.
7. Utilities not in service (such as Electricity, Gas, (LP/Natural), Water, or Oil).
8. No running hot water.
9. Structural Integrity Condition - A condition exist where the building, or component of the building is in imminent danger of potential collapse.
10. Absence of a functioning toilet if only one toilet.
11. Lack of at least one functional smoke detector on each floor.
12. Conditions that present the imminent possibility of serious injury (for example, broken glass or any other exposed sharp edges).
13. Building lacks an alternative means of exit in case of fire.

Comment 3

OCHA used this recent guidance provided to identify the most serious health and safety risks and items requiring "24 hour" correction. In contrast, most of the "24 hour" HQS failed items identified by the OIG audit did not meet this level of severity.

For example, page 9 of the Audit report has a picture of an exterior door and cites the HUD regulation that "doors must be lockable".

There is a statement that "the bottom lock did not work". However, there is a deadbolt upper lock that apparently did work, and as such, this will satisfy the HQS requirement.

OCHA requests guidance and information from HUD on "24 Hour" and "Required" deficiencies identified by the OIG with references to applicable HQS regulations.

Comment 4

HQS violations which likely occurred after the OCHA inspection was conducted.

The condition at the time of the OCHA staff inspection is a major consideration in requiring a reimbursement of Housing Assistance Payments (HAP).

For example, the OIG noted the following deficiency in Unit E3: "personal miscellaneous items within 24 inches of the gas water heater". This unit was inspected by OCHA on May 13, 2015. The tenant did not move in until May 14, and therefore OCHA's inspector could not have observed personal items in the unit and this would not have been an HQS deficiency.

**Ref to OIG  
Evaluation**

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OCHA asked for consideration of such timing concerns in the case of 14 units, which had indications that the deficiencies were likely not present at the time of OCHA's inspection.

Tenant-caused violations

HUD Guidebook, Chapter 10 (10-34) provides the following guidance for tenant vs. owner violations: "Inspectors must identify the party responsible for each HQS violation listed on the inspection instrument so that proper notice can be sent to the owner and/or tenant for the appropriate items. This precludes abatement of owner rent when the violation(s) is the responsibility of the tenant. Housing assistance payments are never abated for tenant deficiencies."

In cases of tenant-caused deficiencies, OCHA must provide the tenant 30 days to remedy the violation, since this is a violation of tenant obligations under the program (unless the conditions were an immediate threat to health and safety). If the tenant does not correct the deficiency, a termination would be initiated, requiring another 30 day notice and the tenant could request an informal hearing. This process would add between two and three months of HAP that OCHA would be required to pay following an inspection that has tenant-caused deficiencies.

Family preference should be considered in determination of acceptability.

Housing Choice Voucher Program Guidebook, Chapter 10 (page 10-2) makes reference to a concern about using higher housing quality standards for assisted units than is used for the unassisted market. If OCHA is to meet its mission of assisting qualified households to rent affordable housing, it must employ a reasonable level of HQS that is compatible with market rentals and will not further restrict housing options available to them. At least two units inspected by the OIG need consideration because the recommended corrective action will require owners modify structural items that have not been an issue for other tenants.

- Unit J: "Various locations at the site (unit building) have uneven cement. Iron stairwell presents high potential of tripping hazard". This is a situation where OCHA would refer to the HUD HCVP Handbook (page 10-2) where "inspector judgement and tenant preference may need to be considered". Replacement of uneven cement and a functional stairwell may not be a concern to the assisted tenant and contrarily impact the owner who may require the tenant to move rather than to make these modifications.
- Unit J2 has one remaining deficiency that has not been corrected: "Entry walkway into living room is a 7-1/2 inch step drop, which is a serious defect which presents a danger of tripping and falling". OCHA considers this a tenant preference item because the remedy would require the owner to modify the original construction. If the owner refuses, the tenant will have to relocate.

Recommendation 1B. Certify that the identified failed HQS items have been corrected.

At this time, 179 of the 229 deficiencies have been corrected and OCHA assisted tenants in Housing Unit F and R2 (which had a combined 20 deficiencies) to relocate. Staff is working with owners and tenants to correct the remaining 30 items identified in the Audit.

Comment 5

Comment 6

**Ref to OIG  
Evaluation**

Comment 7

Comment 8

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Recommendation 1C. Ensure that its inspectors are provided up-to-date and consistent training on conducting inspections.

Five new inspection staff are scheduled to attend a HUD inspection training in Anaheim on April 19, and another four inspection staff will attend "HQS Best Practices" training in San Bernardino on the same day. In addition, OCHA will document updated training plans for housing inspectors to include

New Inspector Training

- HUD Program requirements
- OCHA Policies
- Field Training
- Training logs for each inspector
- 

Annual Refresher Training for all Inspectors and Supervisors

- HUD Program requirements
- Input from LA HUD Office
- Result of QA reviews will be incorporated into annual refresher
- OCHA Policies
- Sign-in sheets for all attendees

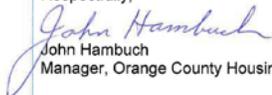
Recommendation 1D. Develop and implement quality controls.

OCHA has established a quality control inspection plan to be performed by supervisors and team leaders. Implementation to begin May 1, 2016. Quality Control Plan includes:

- Sampling plan for QA inspections
- Assigned Responsibility for OCHA Quality Control Reviews
- Revised QA procedures
- Centralized review and reporting of QA findings

We extend our appreciation to you and the audit team and appreciate the opportunity to provide comments regarding the findings and recommendations. OCHA is firmly committed to ensure that housing for our assisted households is safe and meets the requirements of HQS, and that HAP funds are only used for units that meet these standards. We will work closely with the Los Angeles office of HUD to report progress and obtain feedback and recommendations related to the recommendations in this audit. If you have any questions, please contact me at (714) 480-2830.

Respectfully,

  
John Hambuch  
Manager, Orange County Housing Authority

C: Marcy Chavez, Director of PIH, HUD L.A. office

## OIG Evaluation of Auditee Comments

- Comment 1 We acknowledge the Authority's commitment to providing safety to its program participants. However, we disagree that the identified deficiencies deviate from housing quality standards. Our inspections followed the requirements stated in the Authority's Housing Choice Voucher Program Administrative Plan. The Authority's administrative plan section on housing quality standards is based on HUD rules and requirements such as those included in appendix C. As a result, the identified deficiencies are within HUD standards.
- We acknowledge the challenges that the Authority faced with staffing shortage that affected its ability to conduct inspections of program-funded units. However, the Authority can take the appropriate actions to ensure that units meet HUD standards.
- Comment 2 The CGI Federal report was part of HUD's move from housing quality standards inspections to uniform physical condition standards for public housing agencies to use when inspecting program-funded housing units. As a result, the mentioned checklist from the report does not pertain to the current use of housing quality standards inspections by the Authority. As a result, we based our inspection of the units using the Authority's own 2015 Housing Choice Voucher Program Administrative Plan. According to the administrative plan, the Authority established the criteria for deficiencies that are considered life threatening and need correction within 24 hours of being identified by the inspector. In addition, we used HUD rules and requirements to determine whether the deficiencies were considered life-threatening conditions that must be corrected within 24 hours of the inspection. Throughout our review, we informed the Authority of the deficiencies identified as life threatening that needed to be corrected within 24 hours of the inspections.
- Comment 3 We disagree with the Authority's assessment that the cited exterior door met HUD requirements with only a functional deadbolt upper lock. The Authority's administrative plan states that the door must be lockable and does not give exceptions. Further, HUD Handbook 7420.10G Chapter 10.3 Performance Requirements and Acceptability Standards for space and security states that door surfaces must be in sufficient condition to support the installation and proper operation of door locks. In addition, the Housing Choice Voucher Housing Quality Standards Master Book Chapter 3: Electricity and Security Section 2: Space and Security for lock for exterior doors specified that all locks should be operable and fastened securely to the door. Since the bottom lock to the exterior door of the unit was not lockable, it was considered a deficiency that contributed to that unit failing HUD standards.

- Comment 4 We understand that there were tenant-caused deficiencies that factored into the units failing HUD standards and have added that acknowledgement in the report. However, the Authority is responsible for ensuring that units meet HUD standards. In addition, the cited tenant-caused deficiencies were not the only determining factor that made the units in question materially deficient. During our inspections, there were identified owner-caused deficiencies that factored into our determination of whether the units materially failed HUD standards.
- Comment 5 While families in the program have preferences to reside at the units, the Authority must ensure that units meet HUD standards. In accordance with the Authority's administrative plan, the inspector identified deficiencies at the units with conditions that present imminent possibility of injury were considered life threatening. In addition, the Housing Choice Voucher Program Guidebook Chapter 10.3 Performance Requirements and Acceptability Standards for structure and materials acceptability criteria state that "the condition and equipment of interior and exterior stairs, halls, porches, and walkways must not present the danger of tripping and falling." Further, the site and neighborhood acceptability criteria state that "the site and neighborhood may not be subject to serious adverse natural or manmade environmental conditions, such as dangerous walks or steps..." Based on these HUD requirements, we determined that deficiencies such as uneven cement and iron stairwell and entry walkway with a 7 ½ step drop at two units presented imminent possibilities of injury that would be considered life threatening to the participants.
- Comment 6 We appreciate and commend the Authority for being proactive in addressing the failed housing quality standard items identified during the review.
- Comment 7 We commend the Authority for being proactive in ensuring that its inspectors are provided up-to-date and consistent training on conducting inspections.
- Comment 8 We appreciate and commend the Authority for taking action to ensure that it develops and implements a quality control inspection plan. By developing and implementing this plan, the Authority will ensure that inspections of program-funded units meet HUD standards.

## Appendix C

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### Criteria

The following sections of 24 CFR Part 982, HUD Handbook 7420.10G, the consolidated annual contributions contract, the Authority's administrative plan, Housing Choice Voucher Housing Quality Standards Master Book, and the Authority's checklist were relevant to our review of the Authority's housing quality standards inspections of program-funded housing units.

#### **24 CFR Part 982 – Section 8, Tenant Based Assistance Housing: Housing Choice Voucher Program**

24 CFR 982.305(a), *Program requirements*. The PHA [public housing agency] may not give approval for the family of the assisted tenancy, or execute a HAP [housing assistance payments] contract, until the PHA has determined that all the following meet program requirements:

- (1) The unit is eligible;
- (2) The unit has been inspected by the PHA and passes HQS [housing quality standards];

24 CFR 982.401(a)(3). All program housing must meet the HQS performance requirements both at commencement of assisted occupancy, and throughout the assisted tenancy.

24 CFR 982.401(a)(4)(i). In addition to meeting HQS performance requirements, the housing must meet the acceptability criteria stated in this section, unless variations are approved by HUD.

24 CFR 982.404(a), *Owner obligation*.

- (1) The owner must maintain the unit in accordance with HQS.
- (2) If the owner fails to maintain the dwelling unit in accordance with HQS, the PHA must take prompt and vigorous action to enforce the owner obligations. PHA remedies for such breach of the HQS include termination, suspension or reduction of housing assistance payments and termination of the HAP contract.
- (3) The PHA must not make any housing assistance payments for a dwelling unit that fails to meet the HQS, unless the owner corrects the defect within the period specified by the PHA and the PHA verifies the correction. If a defect is life threatening, the owner must correct the defect within no more than 24 hours. For other defects, the owner must correct the defect within no more than 30 calendar days (or any PHA-approved extension).

24 CFR 982.401(d)(2)(iii). Dwelling unit windows that are accessible from the outside, such as basement, first floor, and fire escape windows, must be lockable (such as window units with sash pins or sash locks, and combination windows with latches). Windows that are nailed shut are

acceptable only if these windows are not needed for ventilation or as an alternate exit in case of fire.

24 CFR 982.401(d)(2)(iv). The exterior doors of the dwelling unit must be lockable. Exterior doors are doors by which someone can enter or exit the dwelling unit.

### **Consolidated Annual Contributions Contract**

#### **10. HUD Requirements**

- a. The HA [housing agency] must comply, and must require owners to comply, with the requirements of the U.S. Housing Act of 1937 and all HUD regulations and other requirements, including any amendments or changes in the law or HUD requirements.
- b. The HA must comply with its HUD-approved administrative plan, and HUD-approved program funding applications.
- c. The HA must use the program forms required by HUD.
- d. The HA must proceed expeditiously with the programs under this consolidated ACC [annual contributions contract].

#### **11. Use of Program Receipts**

- a. The HA must use program receipts to provide decent, safe, and sanitary housing for eligible families in compliance with the U.S. Housing Act of 1937 and all HUD requirements. Program receipts may only be used to pay program expenditures.

### **Orange County Housing Authority Administrative Plan, Housing Choice Voucher Program, Adopted 1-27-2015**

Chapter 8, Housing Quality Standards and Rent Reasonableness Determinations

#### **8-I.B. Additional Local Requirements**

##### **Clarifications of HUD Requirements**

As permitted by HUD, OCHA [the Authority] has adopted the following specific requirements that elaborate on HUD standards.

##### ***Windows***

Windows shall be operational and clear of obstructions that would prevent ingress and egress.

##### ***Doors***

All exterior doors must be weather-tight to avoid any air or water infiltration, be lockable with no interior key lock, have no holes, have all trim intact, and have a threshold.

8.I.C. Life Threatening Conditions [24 CFR 982.404(A)]

- Any condition that jeopardizes the security of the unit including locking windows and doors on the first floor.
- Electrical problems or conditions that could result in shock or fire.
- Conditions that present the imminent possibility of injury.

**Orange County Housing Authority Checklist, Most Common Reasons a Unit Fails Inspection**

Orange County Housing Authority will not make housing assistance payments on a unit that fails Housing Quality Standards inspections. To help you continue to receive rental assistance and to avoid interruption of payments to the landlord, we have provided a list of the most common items that fail a unit at inspection but it is not a complete list. It is to your benefit to take the time to go through the list and check each item before the Inspector comes out for the inspection appointment.

Checklist

- Keyed locks on interior doors are not acceptable.
- The unit must be free of accumulation of garbage, debris and clutter both inside and outside the unit.
- If you reside in a house the yard must be maintained.

**HUD Handbook 7420.10, Housing Choice Voucher Program Guidebook, Chapter 10, Housing Quality Standards  
10.3 Performance Requirements and Acceptability Standards  
Space and Security  
*Acceptability Criteria***

- Dwelling unit windows that are accessible from the outside must be lockable.
- Exterior doors to the unit must be lockable.

Unit windows located on the first floor, at the basement level, on a fire escape, porch, or other outside space that can be reached from the ground and that are designed to be opened must have a locking device.

Doors leading to the outside and common hallways, fire escapes, and porches or otherwise accessible from the ground must have locks. No specific type of lock is required.

Window and door surfaces (including the door frame) must be in sufficient condition to support the installation and proper operation of window and door locks.

## **Structure and Materials**

### *Acceptability Criteria*

- The condition and equipment of interior and exterior stairs, halls, porches, and walkways must not present the danger of tripping and falling.

## **Site and Neighborhood**

### *Acceptability Criteria*

- The site and neighborhood may not be subject to serious adverse natural or manmade environmental conditions, such as dangerous walks or steps, instability, flooding, poor drainage, septic tank back-ups or sewer hazards, mudslides, abnormal air pollution, smoke or dust, excessive noise, vibration, or vehicular traffic, excessive accumulations of trash, vermin, or rodent infestation, or fire hazards.

## **Housing Choice Voucher Housing Quality Standards Master Book, April 1, 2015**

### **Chapter 3 Electricity and Security, Section 2: Space and Security**

#### **GENERAL SECURITY REQUIREMENTS**

- These areas must be lockable:
  - Unit's windows which are accessible from the outside (HUD states that a lockable combination storm/screen window with a non-lockable inside window is acceptable)
  - Unit's exterior doors that provide access to or egress from the unit.

#### **Lock for Exterior Doors**

- The requirements are:
  - All locks should be operable and fastened securely to the door.

## Appendix D

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### Schedule of Questioned Costs for Materially Noncompliant Housing Units

| Housing unit | Number of deficiencies | Total <sup>3</sup> |
|--------------|------------------------|--------------------|
| A            | 6                      | \$5,752            |
| B            | 4                      | \$7,292            |
| C            | 12                     | \$3,132            |
| D            | 3                      | \$3,328            |
| F            | 16                     | \$1,964            |
| G            | 3                      | \$2,070            |
| I            | 6                      | \$5,208            |
| J            | 5                      | \$4,795            |
| K            | 3                      | \$3,644            |
| L            | 4                      | \$3,512            |
| M            | 10                     | \$6,312            |
| N            | 4                      | \$7,084            |
| O            | 6                      | \$5,255            |
| P            | 5                      | \$1,032            |
| Q            | 4                      | \$192              |
| S            | 8                      | \$10,230           |
| T            | 4                      | \$6,515            |
| V            | 6                      | \$6,345            |
| W            | 7                      | \$3,336            |
| Z            | 3                      | \$8,874            |
| I2           | 3                      | \$840              |
| J2           | 11                     | \$5,760            |
| K2           | 3                      | \$4,236            |
| L2           | 3                      | \$4,836            |
| M2           | 3                      | \$5,850            |
| N2           | 4                      | \$4,975            |
| O2           | 6                      | \$4,860            |

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<sup>3</sup> The total questioned amount for each housing unit is based on months between the Authority's inspection and our inspection, multiplied by the monthly housing assistance payment.

| Housing unit  | Number of deficiencies | Total            |
|---------------|------------------------|------------------|
| P2            | 3                      | \$6,090          |
| Q2            | 6                      | \$12,901         |
| R2            | 4                      | \$8,610          |
| T2            | 8                      | \$3,504          |
| W2            | 3                      | \$12,018         |
| A3            | 3                      | \$3,925          |
| B3            | 3                      | \$3,270          |
| D3            | 3                      | \$3,996          |
| E3            | 3                      | \$4,599          |
| G3            | 7                      | \$2,090          |
| L3            | 8                      | \$4,730          |
| M3            | 6                      | \$6,185          |
| N3            | 4                      | \$5,275          |
| P3            | 6                      | \$6,168          |
| Q3            | 10                     | \$7,326          |
| <b>Totals</b> | <b>229</b>             | <b>\$217,916</b> |