



# Chester Housing Authority, Chester, PA

## Housing Choice Voucher Program



**To:** Monica Hawkins, Director, Office of Public Housing, Pennsylvania State Office,  
3APH  
//signed//

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

**Subject:** The Chester Housing Authority, Chester, PA, Did Not Always Ensure That Its  
Program Units Met 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 Chester Housing Authority's Housing Choice Voucher program.

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

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

If you have any questions or comments about this report, please do not hesitate to call me at 215-430-6734.



**Audit Report Number: 2017-PH-1007**

**Date: September 28, 2017**

**The Chester Housing Authority, Chester, PA, Did Not Always Ensure That Its Program Units Met Housing Quality Standards**

## Highlights

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### What We Audited and Why

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We audited the Chester Housing Authority's Housing Choice Voucher program because (1) it recently regained control of its operations after 20 years in receivership, (2) it had 1,566 vouchers and received more than \$14.9 million in fiscal year 2016, and (3) we had not audited its program. Our audit objective was to determine whether the Authority ensured that its Housing Choice Voucher program units met the U.S. Department of Housing and Urban Development's (HUD) housing quality standards.

### What We Found

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The Authority did not always conduct adequate inspections to ensure that its program units met housing quality standards. Of 65 program units inspected, 61 did not meet HUD's housing quality standards. Further, 22 of the 61 were in material noncompliance with housing quality standards. The Authority disbursed \$44,214 in housing assistance payments and received \$2,391 in administrative fees for these 22 units. We estimate that over the next year, if the Authority does not implement adequate procedures to ensure that its program units meet housing quality standards, HUD will pay more than \$2.6 million in housing assistance for units that materially fail to meet those standards.

### What We Recommend

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We recommend that HUD require the Authority to (1) certify, along with the owners of the 61 units cited in this finding, that the applicable housing quality standards violations have been corrected; (2) reimburse its program \$46,605 from non-Federal funds for the 22 units that materially failed to meet HUD's housing quality standards; and (3) develop and implement procedures and controls to monitor the inspection process to ensure that program units meet housing quality standards.

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# Background and Objective

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The Chester Housing Authority was chartered in 1937. The Authority’s mission is to provide quality, safe, and affordable housing for low- and moderate-income households in a discrimination-free environment. Today, it manages approximately 2,400 units, including 800 public housing units in 10 developments and nearly 1,600 housing choice vouchers. Its main office is located at 1111 Avenue of the States, Chester, PA.

In 1989, Authority residents filed a class-action lawsuit alleging that the Authority’s deplorable conditions had allowed for “de facto demolition” of the area’s public housing. As a result, in August 1994, a United States District Court judge appointed a receiver to replace the executive director and oversee the Authority’s operations. In 2005, the judge hired a new executive director. This executive director continues to serve in this role. On December 31, 2014, the judge issued an order that returned control of the Authority to its appointed board of commissioners. The Authority remains governed by a board of commissioners consisting of five members.

Under the Housing Choice Voucher program, the U.S. Department of Housing and Urban Development (HUD) authorized the Authority to provide leased housing assistance payments to 1,566 eligible households in fiscal years 2015 and 2016, respectively. HUD authorized the Authority the following financial assistance for housing choice vouchers for fiscal years 2015 and 2016.

Year	Annual budget authority
2015	\$14,949,423
2016	14,990,801

As of April 2016, HUD regulations at 24 CFR (Code of Federal Regulations) 982.405(a) required public housing agencies to perform unit inspections before move-in and at least biennially. The agency must inspect the unit leased to the family before the term of the lease, at least biennially during assisted occupancy, and at other times as needed to determine whether the unit meets housing quality standards.

In 2015, the Authority hired a contractor to perform housing quality standards inspections and quality control inspections for its Housing Choice Voucher program. The contract was for a 1-year period with an option to renew the contract for up to two additional 1-year periods. The contractor provided three inspectors to conduct inspections of the Authority’s Housing Choice Voucher program units.

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

# Results of Audit

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## **Finding: Housing Quality Standards Inspections Were Inadequate**

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The Authority did not always conduct adequate inspections to enforce HUD's housing quality standards. Of 65 program housing units inspected, 61 did not meet HUD's housing quality standards, and 22 materially failed to meet HUD's standards. The Authority's contracted inspectors did not identify or report 217 violations that existed at the 22 units when they conducted their inspections. These conditions occurred because the Authority's contracted inspectors who performed housing inspections, including quality control inspections, did not thoroughly inspect units and the Authority did not adequately monitor the performance of its inspectors to ensure that its program units met HUD's standards. As a result, it disbursed \$44,214 in housing assistance payments and received \$2,391 in administrative fees for the 22 units that materially failed to meet HUD's housing quality standards. Unless the Authority improves its inspection program and ensures that all units meet housing quality standards, we estimate that it will pay more than \$2.6 million in housing assistance for units that materially fail to meet housing quality standards over the next year.

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

We statistically selected 65 units from a universe of 126 program units that passed an Authority-administered housing quality standards inspection between October 19, 2016, and February 20, 2017. The 65 units were selected to determine whether the Authority ensured that the units in its Housing Choice Voucher program met housing quality standards. We inspected the 65 units between March 27 and April 12, 2017.

Of the 65 housing units inspected, 61 (94 percent) had 441 housing quality standards violations, including 93 violations that needed to be corrected within 24 hours because they posed a serious threat to the safety of the tenants. Additionally, 22 of the 61 units (36 percent) were in material noncompliance with housing quality standards because they had 217 violations that predated the Authority's last inspection. These violations were not identified by the Authority's contracted inspectors, creating unsafe living conditions. HUD regulations at 24 CFR 982.401 require that all program housing meet housing quality standards performance requirements, both at the beginning of the assisted occupancy and throughout the assisted tenancy. The following table breaks down the 441 housing quality standards violations in the 61 units that failed our inspections.

Seq. no.	Key aspect <sup>1</sup>	Number of violations	Number of units	Percentage of units <sup>2</sup>
1	Structure and materials	154	45	69
2	Illumination and electricity	114	46	71
3	Smoke detectors	55	30	46
4	Interior air quality	32	24	37
5	Sanitary facilities	26	19	29
6	Food preparation and refuse disposal	21	18	28
7	Access	11	7	11
8	Sanitary condition	9	7	11
9	Site and neighborhood	9	8	12
10	Lead-based paint	7	4	6
11	Space and security	2	2	3
12	Thermal environment	1	1	2
	<b>Total</b>	<b>441</b>		

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

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

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<sup>1</sup> Regulations at 24 CFR 982.401 break down housing quality standards performance and acceptability criteria into 13 key aspects. Only 12 key aspects are listed in the table because we identified no violations related to the key aspect of water supply.

<sup>2</sup> This is the percentage of the 65 sample units that we determined had the identified violations. For example, the 45 units that had structure and materials violations were 69 percent of the 65 sample units inspected.



Inspection 4: The mud and puddle were identified in the basement near the water heater. The Authority did not identify this violation during its November 18, 2016, inspection.



Inspection 5: The handrail in the basement stairway was missing. The Authority did not identify this violation during its November 4, 2016, inspection.



Inspection 11: The foundation walls leaked, leaving puddles and silt on the basement floor. The Authority did not identify this violation during its January 12, 2017, inspection.



Inspection 25: The caulk joint on the bathtub had possible mold. The Authority did not identify this violation during its December 27, 2016, inspection.



Inspection 32: An unsecured electric panel on a basement wall had no cover on it. The Authority did not identify this violation during its January 17, 2017, inspection.



Inspection 34: A drain in the basement leaked on the wall and floor. The Authority did not identify this violation during its January 18, 2017, inspection.



Inspection 38: The smoke detector in the 2<sup>nd</sup> floor hall was installed too low on the wall. The Authority did not identify this violation during its November 14, 2016, inspection.



Inspection 49: The boiler flue was corroded next to the chimney and had a hole in it. The Authority did not identify this violation during its November 1, 2016, inspection.



Inspection 50: An old fuse box on the basement ceiling was used as a junction box but had no cover plate. The Authority did not identify this violation during its December 27, 2016, inspection.



Inspection 51: The floor in the basement bathroom vanity was moisture damaged and collapsed. The Authority did not identify this violation during its November 28, 2016, inspection.



Inspection 60: A corroded furnace flue had holes in it. The Authority did not identify this violation during its November 1, 2016, inspection.

### **The Authority Needs To Improve Its Housing Quality Standards Inspection Process**

Although HUD regulations at 24 CFR 982.401 and the Authority's administrative plan required the Authority to ensure that its program units met housing quality standards, it did not always do so because it lacked procedures and controls over the inspection process. Its contracted inspectors did not thoroughly inspect units and the Authority did not adequately monitor the performance of its inspectors to ensure that its program units met HUD's standards. The following paragraphs provide details.

- The inspectors did not thoroughly inspect units. Two of the three contracted inspectors that performed inspections for the Authority informed us that they had no prior housing inspection experience. They stated that the contractor hired them in October 2016 and provided them 16 hours of online training. They stated that they were not aware that some deficiencies were violations such as missing handrails and missing covers on junction boxes. They also stated that they missed some violations, such as corroded flue pipes and leaks in basements. These inspectors inspected 17 of the 22 units (77 percent) from our sample that materially failed to meet HUD's housing quality standards.
- At least one of the inspectors who performed quality control inspections did not identify all housing quality standards violations in the units. The inspector conducted a quality control inspection on 4 units that we also inspected as part of our sample of 65 units. Two of the four units passed our inspection. The other two units had at least one preexisting violation that was not identified by the inspector who performed the quality control inspection.
- The Authority did not adequately monitor the performance of its inspectors. Although the Authority's administrative plan addressed the monitoring of its inspection contractor, its policy and procedures did not address a methodology for reviewing the contractor's inspections to ensure that its program units met HUD's housing quality standards. The

Authority stated that it used the monitoring tools identified in the administrative plan to determine whether a particular contract deliverable was met, such as operating the call center, scheduling inspections, notifying the landlords and tenants of appointments, conducting inspections, and entering inspection results into the Authority's computer system. It used self-generated reports to ensure that inspections were completed in a timely manner; collect inspection data, such as the date of the last inspection and the last passed inspection; and determine the status of inspections (open or closed). It also used monthly reports produced by the contractor on call center activity, the total number of inspections conducted, and a listing of units with more than 15 deficiencies.

### **Conclusion**

The Authority's program participants were subjected to housing quality standards violations that created unsafe living conditions during their tenancy. The Authority did not properly use its program funds when it inspected and passed program units that did not meet HUD's housing quality standards. In accordance with 24 CFR 982.152(d), HUD is permitted to reduce or offset program administrative fees paid to a public housing agency if it fails to perform its administrative responsibilities correctly or adequately, such as not enforcing HUD's housing quality standards. The Authority disbursed \$44,214 in housing assistance payments and received \$2,391 in program administrative fees for 22 units that materially failed to meet HUD's housing quality standards. Since the Authority did not develop and implement controls to ensure that all units meet housing quality standards, we estimate that more than \$2.6 million in future housing assistance payments will be spent for units that are not decent, safe, and sanitary. Our methodology for this estimate is explained in the Scope and Methodology section of this report.

### **Recommendations**

We recommend that the Director of HUD's Pennsylvania State Office of Public Housing direct the Authority to

- 1A. Certify, along with the owners of the 61 units cited in the finding, that the applicable housing quality standards violations have been corrected.
- 1B. Reimburse its program \$46,605 from non-Federal funds (\$44,214 for housing assistance payments and \$2,391 in associated administrative fees) for the 22 units that materially failed to meet HUD's housing quality standards.
- 1C. Develop and implement procedures and controls to monitor the inspection process to ensure that program units meet housing quality standards, thereby ensuring that an estimated \$2,668,680 in program funds is spent for units that are decent, safe, and sanitary.

# Scope and Methodology

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We conducted the audit from September 2016 through August 2017 at the Authority's offices located at 1111 Avenue of the States, Chester, PA, and our offices located in Philadelphia, PA. The audit covered the period January 2015 through August 2016, but was expanded to include the universe of program units that passed an Authority-administered housing quality standards inspection during the period October 2016 through February 2017.

To accomplish our objective, we reviewed

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

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

To achieve our audit objective, we relied in part on computer-processed data from the Authority's computer system. Although we did not perform a detailed assessment of the reliability of the data, we did perform a minimal level of testing and found the data to be adequate for our purposes.

We statistically selected 65 program units to inspect from a universe of 126 program units that passed an Authority-administered housing quality standards inspection between October 19, 2016, and February 20, 2017. These inspections were conducted by one of the Authority's three contracted inspectors. We selected a sample size of 65 units to inspect, based on a 1-sided 95 percent confidence interval and a simulated error rate ranging from 13 to 15 percent in 1 percent increments and 15 percent to 50 percent in 5 percent increments. We inspected the 65 units between March 27 and April 12, 2017, to determine whether the Authority's program units met housing quality standards. We used statistical sampling because each sampling unit was selected without bias from the audit population, thereby allowing the results to be projected to the population. An Authority-contracted inspector accompanied us on all 65 inspections.

We determined that 22 of the 65 units (34 percent) materially failed to meet HUD's housing quality standards. We determined that these units were in material noncompliance because they had 217 violations that existed before the Authority's last inspection, which created unsafe living

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

We estimate, with a 1-sided confidence level of 95 percent, that at least 23.82 percent of the 126 units were in material noncompliance with housing quality standards. By averaging the housing assistance payments made for substandard housing across all 126 units that passed an Authority inspection and deducting for a statistical margin of error, we estimate, with a 1-sided confidence interval of 95 percent, that the amount of monthly housing assistance payment dollars spent on substandard housing passed by the Authority during the sample period was \$178 per unit. We projected the results to the universe by multiplying the \$178 per unit monthly housing assistance payment for substandard housing by 1,247 (the total number of vouchers that the Authority had leased up as of February 2017), yielding a total of \$222,390<sup>3</sup> per month. Multiplying the monthly amount of \$222,390 by 12 months yields an annual total of more than \$2.6 million in housing assistance payments for substandard housing that passed an Authority inspection. This amount is presented solely to show the annual amount of program funds that could be put to better use on decent, safe, and sanitary housing if the Authority implements our recommendations. While these benefits would recur indefinitely, we were conservative in our approach and included only the initial year in our estimate.

We 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.

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<sup>3</sup> The actual calculation includes cents; \$178.34 multiplied by 1,247 equals \$222,389.98 or \$222,390 rounded.

# Internal Controls

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

- effectiveness and efficiency of operations,
- reliability of financial reporting, and
- compliance with applicable laws and regulations.

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

## **Relevant Internal Controls**

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

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

We assessed the relevant controls identified above.

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

## **Significant Deficiency**

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

- The Authority did not implement procedures and controls to ensure that program units met housing quality standards.

# Appendixes

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## Appendix A

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**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	\$46,605	
1C		\$2,668,680

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.
- 2/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, if the Authority implements our recommendations, it will stop incurring program costs for units that are not decent, safe, and sanitary and, instead, will spend those funds for units that meet HUD's standards, thereby putting more than \$2.6 million in program funds to better use. Once the Authority successfully improves its controls, this will be a recurring benefit. Our estimates reflect only the initial year of this benefit.

# Appendix B

## Auditee Comments and OIG's Evaluation

Ref to OIG  
Evaluation

### Auditee Comments

Comment 1

Comment 1

Comment 1

Comment 2



**CHESTER**  
HOUSING AUTHORITY  
*Building Community*

Board of Commissioners  
Shela Church  
Chair  
Tonya D. Warren  
Catherine A. Faminola  
Sheridon D. Jones, Jr.  
Roderick T. Powell

Steven A. Fischer  
Executive Director  
Alay M. Zisimos  
General Counsel

August 3, 2017

**VIA FIRST CLASS MAIL AND EMAIL TRANSMISSION ONLY**

David Kasperowicz  
Regional Inspector General for Audit  
Wanamaker Building  
100 Penn Square East, Suite 10205  
Philadelphia, Pennsylvania 19107

Dear Mr. Kasperowicz:

Thank you for your investment of time and effort in our Housing Choice Voucher Program. Outlined below is the Chester Housing Authority's written response to the OIG draft report emailed to the Chester Housing Authority on July 19, 2017 for the HQS OIG Audit completed March 28- April 11, 2017.

In both the pre-closeout meeting and closeout meeting on August 2, 2017, the Chester Housing Authority noted several concerns with the finding of material non-compliance in the sampled units and the subsequent calculation of monies owed for non-compliance. We respectfully assert the final report should be modified for the following reasons:

- 1. No Empirical Data to Indicate Pre-existing Condition**

The OIG inspector rated 69 out of 73 units failed at the moment in time the inspection was conducted, without any empirical data to indicate whether a condition existed 120+ days earlier or was a result of the living conditions, stress placed on the properties being lived in, or whether the tenant caused the damage/deficiency to the property. The OIG process leaves us to subjective speculation as to the moment in time the deficiency was created and by whom.
- 2. Sample Drawn Outside of 90 day threshold**

Under the Section 8 Management Assessment Program, housing agencies must test inspector application of the housing quality standards by conducting quality control inspections within 90 days of the unit passing inspection. The CHA conducts quality control of Ten percent of its inspected units which exceeds the number required under SEMAP.

The HUD OIG review that was conducted in Chester from approximately March 28<sup>th</sup> through April 11, 2017 used a data sample of units that on average was greater than 120+ days since the last date a full inspection was conducted. The OIG acknowledged that the sample was outside of HUD's prescribed timeline but indicated that in order to get a valid sample size they proceeded forward without regard for the impact on the results of the inspections that in many cases were 5+ months old.

The outcomes of the Quality Assurance protocols are neither indicative of the knowledge of the housing quality standards and local codes nor the quality of the inspections. The outcomes are representative of the moment in time inspection conducted against conditions

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## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

Comment 3

that exist on the date of the QA not 120+ days earlier. A quality assessment of the inspection protocol utilized by Chester in a real-time environment would draw significantly different results than inspections that are 120+ days later.

Comment 4

The OIG commented in our closeout meeting that the extended timeframe for the sample is not problematic as the Housing Authority is responsible for the units to be in compliance throughout the term of the assisted lease. That is incorrect. The HA is required to inspect at least biennially and apply Housing Quality Standards and local code at the time of the inspection and ensure that noted deficiencies are completed within the compliance period or HA approved extension. The owner, not the CHA is responsible for ensuring the units meet housing quality standards at all times. The HA is also required to conduct complaint inspections should repairs not be addressed by the owner. As noted, by multiple rounds of tenant surveys there is no indication that owners are not responding to maintenance requests. If repairs are requested or deficiencies noted, they are made. Furthermore, the OIG's administrative review of the Chester Housing Authority's Housing Choice Voucher Program did not find missed inspections or failure to close noted deficiencies or abate housing assistance payments.

Comment 5

### 3. The Comingling of HQS and UPCS Inspection Standards

Comment 6

Additionally, the inspection protocol invoked by the OIG was one that included various Inspection Regulations (HQS and UPCS) mingled with personal opinion in many instances (could or may leak, not actively leaking) and ignored the City Code Enforcement Standards that are applied by the City before any participant can move into a rental property within the City of Chester. Specifically, Chester City Code inspects to and allows "open grounds" in homes where it previously existed. This code means that HUD/OIG is setting a higher standard that would significantly reduce the choice a family has in the houses offered in the HCVP program. The city issues a Certificate of Occupancy prior to any unit being submitted to Chester Housing Authority for voucher assistance. That standard has always been honored by CHA and continues to be an option for the Landlord when they repair required nonfunctioning outlets.

Comment 7

Comment 6

The co-mingling of different Inspection Standards in the OIG review resulted in many other instances of units being rated "failed" by the OIG when in reality if only the HQS Standard were invoked the unit would have been in a passing status.

Comment 8

a. HQS standards state that any hole in the wall greater than 8"X11" is a deficiency. The OIG inspection noted very small holes in the exterior of the building as a failing item.

Comment 9

b. HQS standards for exterior roof and gutter systems state (Page 99 of the HUD Guidebook) "Fail only if there are signs of damage to the interior of the home". The OIG Inspector failed units without regard for this standard and used subjective statements "may cause, could cause" as the criteria for failing deficiencies.

Comment 10

c. HQS standards state that if the Inspector notes an active leak in the home in the ceiling area it should be noted as a leaking roof. If the damage to the ceiling is not active and poses no danger then it is acceptable. The OIG audit conducted did not adhere to this HQS process in most instances. If there was a dried water stain on the ceiling and not moisture evident the inspector for the OIG failed the property.

## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

Comment 10

d. If there is damage to the exterior of the building and the inspector sees corresponding damage to the interior walls or floors then the inspector will note the deficiency. If the inspector does not see corresponding damage then the inspector will pass or has the option to Pass with Comment.

Comment 6

In the review of the inspections' electrical issues identified it was noted numerous times that the OIG Inspector invoked the UPCS inspection protocol in determining the units' status.

Comment 6

In our review we noted that 20 out of the 65 units we reviewed were failed for this deficiency. HUD's own protocol states that if the agency has a City Code Enforcement inspection that passed a unit they can rely on that inspection as complete.

Comment 6

HUD OIG also invoked a UPCS inspection protocol as it relates to meter boxes. In our review, we noted that in 18 Units the OIG Inspector noted the "cover not secure" or "cover not secure could be manually opened". In HQS the covers are allowed to be removed, in UPCS the covers are required to be zip tied so they cannot be manually opened. The combination of the OIG's Inspector ignoring HUD's notices and invoking UPCS as a standard for the inspected units resulted in 38 times units were failed when in fact they were in a passing status under existing code.<sup>1</sup>

Comment 11

#### 4. Failure to Follow HUD Directives for the Housing Choice Voucher Program

The OIG failed to incorporate HUD's own directives in the process of assessing the inspection protocol quality. HUD's PIH notice 2015-6 states that due to funding restrictions and in an effort to ease the burden of costs for the agency two opportunities were set forth:

a. An agency can go to Biennial inspections on the property.

b. An agency can invoke a self-certification program for Landlords to confirm the repairs to the property have been completed and the property is in a decent, safe, and sanitary condition on the date of the certification.

Comment 11

The OIG's audit rates the QA process based on the moment in time inspection without regard for the fact that the agency/inspection staff is not responsible for the certification and therefore cannot be held responsible for whether the property met the standards set forth in HQS after the Landlord certified the completion of required work.

<sup>1</sup> Chester Code Enforcement:

Per Article 406 - Receptacles, Cord Connectors and Attachment Plugs- (Caps)  
Section 406.3 General Installation Requirements  
Receptacle outlets shall be located in branch Circuits in accordance with Part III, Article 210. General Installation requirements shall be in accordance with 406.3 (A) through (F).  
(3) Non-Grounding Type Receptacles Where attachment to a non-grounding grounding conductor does not exist in the receptacle enclosure, the installation shall comply with (D) (3) (a), or (D) (3) (c).  
(a). A non-grounding type receptacle(s) shall be permitted to be replaced with another non-grounding type receptacle(s)  
(c). A non-grounding type receptacle shall be permitted with a grounding type receptacle(s) where supplied by a Ground Fault Interrupter. Grounding type receptacles supplied through the ground fault interrupter shall be mark "GFI Protected" and "No Equipment Ground". An equipment grounding conductor shall not be connected between the grounding type receptacles.

## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

Comment 12

Comments 7 and 12

Comment 6

Comment 6

Comment 13

Comment 13

Comment 13

Comment 13

#### 5. Other variables impacting outcomes

The housing stock and the conditions of the stock are a result of two variables.

##### Variable #1

The first variable is the age of the housing stock and the resultant fix for deficiencies (old weighted windows are not just a sash replacement), or plaster wall that might bulge if moisture were introduced but repair is to dry the product and repaint not tear out the plaster versus later building materials such as sheetrock which would be ripped out and replaced.

##### Variable #2

The Chester City Code accounts for the age of the stock versus the HQS a protocol that does not consider the age of the housing stock nor the resultant repair options. Chester City Code does anticipate and accommodate the age of the housing stock specifically in this example as it relates to electrical outlets as well as HUD's own PIH notice 2010-10 address the open ground as acceptable.

Neither of these variables are documented in any objective manner and therefore are just a moment in time reflection of the condition of the property. Additionally, the inspection protocol invoked by the OIG was one that included various Inspection Regulations (HQS and UPCS) mingled with personal opinion in many instances (could or may leak, not actively leaking) and ignored the City Code Enforcement Standards that are applied by the City before any participant can move into a rental property within the City of Chester. Specifically, Chester City Code inspects to and allows "open grounds" in homes where it previously existed.

This code means that HUD/OIG is setting a higher standard that would significantly reduce the choice a family has in the houses offered in the HCVP program. The city issues a Certificate of Occupancy prior to any unit being submitted to Chester Housing Authority for voucher assistance. That standard has always been honored by CHA and continues to be an option for the Landlord when they repair required nonfunctioning outlets.

#### Analysis to Determine Pre-existing Conditions

In completing our analysis, we looked at the likelihood of pre-existing versus new deficiencies created since the original inspection date to better gauge the outcome of the QA inspection. Without a perfect system for either, the OIG nor our inspectors are able to determine the following:

- 1) If a vacant unit passed an initial and the OIG inspection failed for cable wires strung across the floor, we can be confident that the Tenant initiated the wire after they moved into the home.
- 2) If a unit passed an initial and the OIG inspection failed for broken windows it is reasonable to presume that it is a Tenant caused damage, 120+ days later or the Tenant would have complained to get the window fixed.
- 3) This same logic holds true when we see slow drains, broken window sashes, broken hinges and doors, mold on bathroom sinks and bathmats, washer and dryers (owned by the Tenant) not properly connected, light fixtures broken, etc.
- 4) PECO meter boxes are property of PECO and units that are tampered with (whether

## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

Comment 6

to steal electricity or short the meter reading capability) are not within the responsibility and/or accountability of the agency or inspector.

When we applied that logic to the model we found that indeed 38 units empirically passed. The remaining 31 units are then subjected to local and HUD prescribed HQS electrical standards and HQS Acceptability Standards and the remaining units would be reduced by 25 units.

Comment 14

We are left with a small number of units that did indeed have a HQS deficiency and we were able to definitively identify that wiring in the basement is an area of improvement that can be addressed (knockout plugs in junction boxes, spliced wires, etc. noted 9 times) and that continued/heightened awareness of flue conditions on petroleum burning units (2 instances of corroded flues). These two areas of concern have already been addressed with the Inspectors who manage Chester Housing Authority's HCVP inspections. We will include the specific review in our QA protocol for all future QAs in Chester.

Comment 6

Based on our extensive review of the deficiencies noted as failures we found many deficiencies cited that were in fact items that HQS terms **tenant preference** and these should have been passed with comment. In addition, units failed for **UPCS inspection protocol** deficiencies, units failed but met local and HUD electrical code, **initial** units failed due to **tenant caused deficiencies**, and the annual inspections **with self-certification** by the landlord not the agency/inspection staff should be exempted.

Comment 6

Comment 3

Comment 2

With the removal of these various units there are 11 units that had failures where it is impossible to determine when a flue rusted to a point of creating a hole (2 times) and/or when maintenance did electrical work and did not close the junction box or left an open splice.

#### Proposed Modification

Comment 15

With those 11 units in limbo it would be reasonable to include these units in the OIG finding. However, it is also important to note that the timing of correction if properly cited would also allow an initial 30 day time frame for corrective action and extension if requested. Therefore, the entire HAP for that period would not have been improperly issued nor needs to be returned as stated in the report. As 11 units represent less than 1% of our total funding, the CHA asserts that approximately \$14,000 is an appropriate modification to the amount due.

Comment 16

Comment 17

Attached please find a detailed analysis of the OIG inspection findings.

Sincerely,



Steven A. Fischer  
Executive Director

cc: Ronald Floyd, Assistant Regional Director, OIG  
Gregory Burgwald, OIG

## OIG Evaluation of Auditee Comments

Comment 1 The Authority asserted that we rated 69 of 73 units failed at the moment in time the inspection was conducted, without any empirical data to indicate whether a condition existed 120 days earlier or was a result of the living conditions, stress placed on the properties being lived in, or whether the tenant caused the deficiency to the property. The Authority also asserted that our review that covered the period March 28 through April 11, 2017, used a data sample of units that on average was greater than 120 days since the last full inspection was conducted. It also asserted that we acknowledged that the sample was outside of HUD's prescribed timeline to obtain a valid sample size, but proceeded without regard for the impact on the results of the inspections that in many cases were 5 or more months old.

As shown in the report, we inspected 65 units. Of the 65 units inspected, 61 did not meet HUD's housing quality standards, meaning that they failed our inspection because we identified at least one violation, and 22 materially failed to meet HUD's standards. We determined that the 22 units were in material noncompliance because they had 217 violations that existed before the Authority's last inspection, which created unsafe living conditions. The average time between our inspection and the Authority's previous inspection was 105 days, and we performed 27 of the 65 inspections (42 percent) within 90 days. The Housing Choice Voucher Program Guidebook, 7420.10G, does in fact require the Authority's sample to be no older than 3 months. However, although this is a requirement for public housing authorities under the Section 8 Management Assessment program, our audit was not intended to follow the self-assessment process under that program. We performed our audit in much greater detail and broader scope than a housing authority does in its self-assessment. To obtain a representative sample of whether the Authority properly inspected units, we statistically selected from a 4-month period or 8 percent (126 passed inspections of 1,566 assisted units) of the total units participating in the Authority's program. Also, in conjunction with our inspections, we took photographs of violations, interviewed tenants, and reviewed the Authority's latest inspection reports to help us determine whether a housing quality standards violation existed before the last passed inspection conducted by the Authority or whether it was identified on the last passed inspection conducted by the Authority and was not corrected. As indicated by the photographs in the report, some deficiencies were easily determined to have existed at the time of the Authority's inspection. We were conservative in our determination of preexisting conditions.

Comment 2 The Authority claimed that the outcomes of our inspections were neither indicative of their knowledge of the housing quality standards and local codes nor the quality of the Authority-administered inspections. It claimed that the outcomes of our inspections were representative of the moment in time inspection

conducted against conditions that existed on the date of the inspection, not 120 or more days earlier.

As shown in the report, we inspected 65 units. Of the 65 units inspected, 61 failed our inspection because they had at least one violation. We determined that the Authority did not observe or report 371 violations which existed at the 61 units when it conducted its most recent inspection. We were conservative in our approach and used our professional knowledge, tenant interviews, and the Authority's latest inspection reports in determining whether a violation existed before the last passed inspection conducted by the Authority. In the event that we could not reasonably make that determination, we did not categorize the violation as preexisting.

- Comment 3 The Authority stated that we incorrectly commented at the exit conference that it was responsible for units to be in compliance throughout the term of the assisted lease. It stated that the owner, not the Authority is responsible for ensuring the units meet housing quality standards at all times. We disagree that our comment was incorrect and that the Authority is not responsible for ensuring that units meet housing quality standards at all times. Regulations at 24 CFR 982.401(a)(3) required that all program housing must meet the housing quality standard performance requirements both at commencement of assisted occupancy, and throughout the assisted tenancy. Owners are responsible for ensuring units meet housing quality standards. The Authority is responsible to measure and enforce compliance with the standards whenever it inspects a unit including when special inspections such as ours are performed.
- Comment 4 The Authority asserted that there was no indication that owners were not responding to maintenance requests through multiple rounds of tenant surveys. We agree that there was no indication that owners were not responding to maintenance requests based on the tenant surveys. Although during the exit conference the Authority stated that for the last 92 inspections it completed, it received an 18 percent response rate on the tenant surveys. However, it provided no documentation to support these statements.
- Comment 5 The Authority claimed that our audit did not find missed inspections or failure to close noted deficiencies or abate housing assistance payments. We agree. However, as shown in the report, we found that the Authority did not always conduct adequate inspections to enforce HUD's housing quality standards.
- Comment 6 The Authority asserted that our inspection protocol included various inspection regulations mingled with personal opinion and ignored the City's code enforcement standards. Contrary to the Authority's assertion, we used HUD regulations at 24 CFR 982.401, the Authority's Administrative Plan, HUD's Housing Choice Voucher Program Guidebook 7420.10G, and the City of Chester's codified ordinances as the underlying criteria to identify housing quality

standards violations. We performed our inspections accurately and appropriately applied HUD's housing quality standards. We did not apply the Uniform Physical Condition Standards (UPCS) when inspecting the housing units.

Comment 7 The Authority asserted that City code allowed “open grounds” in homes where it previously existed. It also asserted that we set a higher standard. There is a key distinction between the acceptability criteria for two-pronged versus three-pronged outlets. Two-pronged ungrounded systems and outlets are in fact acceptable under housing quality standards as long as the outlet is in proper operating condition. However, all of the ungrounded outlets the audit cited as violations were three-pronged outlets. We did not test any two-pronged outlets. A three-pronged outlet that is not in proper operating condition (e.g., ungrounded) and not functioning as designed is a potential hazard and a violation of housing quality standards. Regulations at 24 CFR 982.401(f)(2), when referring to outlets in both sections (ii) and (iii), specifically state that outlets must be in proper operating condition. Although inspections involve some judgment, in no instance did we apply a higher standard than was required by HUD regulations.

Comment 8 The Authority asserted that housing quality standards state that any hole in the wall greater than 8 inches by 11 inches is a deficiency. It further stated that we noted very small holes in the exterior of the building as a failing item.

We reviewed the regulations at 24 CFR Part 982, the guidance contained in HUD's Housing Choice Voucher Program Guidebook 7420.10G, and the Housing Choice Voucher Program inspection form but could not identify criteria that defined a hole in a wall greater than 8 inches by 11 inches as a deficiency. The standards state that the exterior wall structure and surface must not have any serious defects such as serious leaning, buckling, sagging, large holes, or defects that may result in air infiltration or vermin infestation. We identified a hole in a wall as a violation in only 2 units that we inspected. In one unit, an exterior wall was missing a large section of stucco. In the other unit, a hole at the wall base in the bathroom had a steel wool plug in it. The tenant stated that the steel wool was placed in the hole to prevent vermin from entering the bathroom. These 2 units had 10 and 8 total violations respectively.

Comment 9 The Authority asserted housing quality standards state that exterior roof and gutter systems should be failed only if there are signs of damage to the interior of the home. The Authority claimed that we failed units without regard for this standard and used subjective statements such as “may cause” or “could cause” as the criteria for citing the deficiencies.

We reviewed the regulations at 24 CFR Part 982, the guidance contained in HUD's Housing Choice Voucher Program Guidebook 7420.10G, and the Housing Choice Voucher Program inspection form but could not identify criteria that stated exterior roof and gutter systems should be failed only if there are signs of

damage to the interior of the home. We identified violations pertaining to roofs and gutters in four units. In one unit we observed blistered paint on the bedroom ceiling that may still have water in it from the recent rain, and a roof leak in the front bedroom. At one unit we cited the downspout as a violation because it was not properly attached. It was very loose and could detach possibly causing injury to the tenant or others. At another unit the lack of a gutter allowed water to run from the roof into the wall. The second floor window below this section of roof had water damage above the window frame and on the window sill. Another unit had roof and gutter issues. A downspout was missing. It was evident that a downspout had been installed. In this unit we also identified a water stain on the ceiling in the second floor dining area. The tenant stated that the roof leaks. These 4 units had from 6 to 24 total violations each.

- Comment 10 The Authority asserted housing quality standards state that if the inspector notes an active leak in the home in the ceiling area, it should be noted as a leaking roof. If the damage to the ceiling is not active and poses no danger, then it is acceptable. The Authority asserted that if there was a dried water stain on the ceiling and no moisture evident, we failed the property.

We reviewed the regulations at 24 CFR Part 982, the guidance contained in HUD's Housing Choice Voucher Program Guidebook 7420.10G, and the Housing Choice Voucher program inspection form but could not identify a reference to active leaks in ceilings and stains on ceilings. However, according to the inspection form, regarding ceiling condition, severe bulging is a violation. In two units we observed a sagging or bulging plaster ceiling caused by prior leaks. In one unit we observed loose and peeling wall paint caused by leaks. In one unit we observed blistered paint on the bedroom ceiling that may still have water in it from the recent rain, and a leaky roof in the front bedroom. In one unit the dining area showed signs of a leak on the ceiling. The tenant stated that the roof leaks during strong storms. These 5 units had from 6 to 18 total violations each.

- Comment 11 The Authority asserted that we failed to consider HUD's directives in our inspection process. It stated that HUD Notice 2015-6 addressed funding restrictions and in an effort to ease the burden of costs for public housing agencies two options were provided: an agency could perform biennial inspections on program units or an agency could use a self-certification program for owners to confirm that repairs to the property had been completed and the property was in a decent, safe, and sanitary condition on the date of certification. It also stated that we evaluated its process based on moment in time inspections without considering that it is not responsible for a property complying with housing quality standards after an owner has certified that work to address violations has been completed.

We believe that the Authority was referring to PIH Notice 2016-05. This Notice states that the biennial inspections provision was put into place to enable public

housing agencies to expend (1) relatively fewer resources inspecting units that perform consistently well or are typically inspected by more than one oversight entity and (2) relatively more resources inspecting other units. Adoption of this provision is at the Authority's discretion. The Notice also states that while the biennial inspections provision was intended to offer administrative relief to public housing agencies, it was not intended to do so at the expense of decent, safe, and sanitary housing. HUD encourages public housing agencies to consider factors, such as the record of the unit itself, in deciding whether to employ biennial inspections.

Regulations at 24 CFR 982.401(a)(3) required that all program housing must meet the housing quality standard performance requirements both at commencement of assisted occupancy, and throughout the assisted tenancy. Our most recent inspections of 65 units showed that 61 did not meet HUD's housing quality standards because they had 441 violations. For 11 of the 65 units that we inspected, the most recent action related to the Authority's last passed inspection was a self-certification from the owner that violations identified by the Authority were corrected. These self-certifications were included in the inspection information that we used to conduct our inspections. Although all 11 of these units failed our inspection, none of the violations that we identified in these units were violations that the owner had certified were corrected. The Authority needs to address the violations that we identified during our inspections. Since we determined that the Authority did not observe or report 371 violations which existed at the 61 units when it conducted its most recent inspection, the Authority should evaluate whether its decision to perform biennial inspections is detrimental to ensuring that families have decent, safe, and sanitary housing.

- Comment 12 The Authority contended that we did not consider the age of the housing stock and its impact on the condition of the housing units. We agree that older housing stock presents challenges for the Authority. However, HUD regulations at 24 CFR 982.401 require that all program housing meet housing quality standards performance requirements, both at the beginning of the assisted occupancy and throughout the assisted tenancy without regard to the age of the housing stock.
- Comment 13 The Authority claimed that for units that passed its initial inspection it was reasonable to conclude that the tenant was responsible for cable wires strung across the floor, broken windows, slow drains, broken window sashes, broken hinges and doors, mold on bathroom sinks and bathmats, washer and dryers (owned by the tenant) not properly connected, and broken light fixtures. It also stated that electric company meter boxes are not within the responsibility of the Authority or its inspector.

We understand that violations can occur after the last inspection conducted by the Authority. We inspected 13 units for which the Authority's last passed inspection was an initial inspection. Two of the units passed our inspection and 11 failed.

We considered only 3 of the 11 units to be in material noncompliance with housing quality standards. We identified no instances of slow drains, broken window sashes, mold, or broken light fixtures in any of the 11 units. 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 before the last passed inspection conducted by the Authority. In the event that we could not reasonably make that determination, we did not categorize the violation as preexisting.

- Comment 14 The Authority agreed that wiring in basements and the condition of flue pipes on petroleum burning units were violations of housing quality standards and that it had already addressed these violations with its inspectors. It stated that it would review these areas during future quality control inspections. We commend the Authority for recognizing the need for improvement and taking action to improve its inspection process. As part of the audit resolution process, HUD will evaluate the Authority's corrective actions to ensure that they satisfy our recommendation.
- Comment 15 The Authority stated that according to its analysis, our finding should address only 11 units that were in material noncompliance with housing quality standards. It also stated that since the 11 units represent less than 1 percent of the total funding, it should repay approximately \$14,000 to its program. As stated in the audit report, we found that 22 units were in material noncompliance with housing quality standards. (The Authority included 8 of these 22 units in its determination that 11 units should have been addressed in the finding. We did not find the other three units in the Authority's determination to be in material noncompliance with housing quality standards.) The Authority disbursed \$44,214 in housing assistance payments and received \$2,391 in program administrative fees for these 22 units. Since these payments were ineligible, the Authority needs to reimburse its program \$46,605 (\$44,214 for housing assistance payments and \$2,391 in associated administrative fees). Eight of the 11 that the Authority agreed should be in the finding we identified as in material noncompliance. The other three we did not consider to be in material noncompliance.
- Comment 16 The Authority stated that an initial 30-day timeframe is allowed for corrective action by owners and that the timeframe can be extended if requested. It contended that our calculation of ineligible housing assistance payments for the units that materially failed to meet HUD's housing quality standards did not consider the 30-day timeframe for corrective action. We did consider the 30-day timeframe in our calculation. We did not include the first 30 days after the date of the Authority's inspection in our calculation of ineligible housing assistance payments.
- Comment 17 The Authority's written response to the audit report included a detailed analysis totaling 76 pages to support assertions it made in its written response. Because the content of the analysis was addressed in the written response, we did not

include the analysis in the final report. The detailed analysis is available upon request.