



Issue Date	March 29, 2007
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Audit Report Number	2007-AT-1005
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TO: Olga I. Saez, Director, Public and Indian Housing, San Juan Field Office,
4NPH

FROM: *James D. McKay*
James D. McKay, Regional Inspector General for Audit, 4AGA

SUBJECT: The Puerto Rico Department of Housing, San Juan, Puerto Rico,
Did Not Effectively Administer Its Section 8 Housing Program

HIGHLIGHTS

What We Audited and Why

As part of the U.S. Department of Housing and Urban Development (HUD), Office of the Inspector General's (OIG) strategic plan, we audited the Puerto Rico Department of Housing (authority) Section 8 Housing Choice Voucher program. Our audit objectives were to determine whether Section 8 units met housing quality standards in accordance with HUD requirements and whether the authority properly determined housing assistance subsidies.

What We Found

Of the 66 units inspected, 63 (95 percent) did not meet minimum housing quality standards, and 23 of those were in material noncompliance. As a result, Section 8 program funds were not used efficiently and effectively to provide units that were decent, safe, and sanitary; and the authority made housing assistance payments for units that did not meet standards. We estimate that over the next year, the authority will disburse housing assistance payments of more than \$2.6 million for units in material noncompliance with housing quality standards if it does not implement adequate controls.

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The authority overhoused 29 tenants and miscalculated Section 8 assistance because it did not have effective controls in place to ensure that its staff assigned the correct voucher size and calculated the correct assistance payment. As a result, it made overpayments and underpayments totaling \$5,767.

What We Recommend

We recommend that the director of the Office of Public Housing require the authority to inspect all of the 63 units that did not meet minimum housing quality standards to verify that the landlords took appropriate corrective actions to make the units decent, safe, and sanitary. If appropriate actions were not taken, the authority should abate the rents or terminate the tenants' vouchers. The director should also require the authority to ensure that the errors in tenant files are corrected and reimburse HUD \$5,451 and the tenants \$316 for the identified errors that affected the assistance payments. We also recommend that the director require the authority to establish and implement controls to ensure that it follows HUD requirements so that assistance payments are correct and to prevent an estimated \$2.6 million from being spent on units that are in material noncompliance with standards.

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

Auditee's Response

We discussed the findings with the authority and HUD officials during the audit. We provided a copy of the draft report to authority officials on February 22, 2007, for their comments and discussed the report with the officials at the exit conference on March 5, 2007. The authority provided its written comments to our draft report on March 7, 2007. In its response, the authority generally agreed with the findings.

The complete text of the authority's response can be found in appendix B of this report.

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BACKGROUND AND OBJECTIVES

The Puerto Rico Department of Housing (authority) was created by Act No. 97 of June 10, 1972. Through a secretary appointed by the governor, the authority is engaged in the implementation of the governmental policy related to the public housing. This includes, among other things, the acquisition, sale, lease and operation of public housing projects and land development to provide housing for the benefit of low income and moderate-income families. The primary source of funds to carry out the government's public housing program is the federal government subsidies and grants.

The authority also administers approximately 8,000 housing choice vouchers in Puerto Rico. The annual assistance payments and administrative fees approach \$47 million. The authority is the largest recipient of Section 8 funds in Puerto Rico, and it is divided into nine regional offices throughout Puerto Rico. Tenant files are maintained at each regional office. The authority's central office is located at 889 San Patricio Avenue, San Juan, Puerto Rico.

The objectives of our audit were to determine whether the authority's Section 8 units met housing quality standards in accordance with U.S. Department of Housing and Urban Development (HUD) requirements and whether the authority correctly determined housing assistance subsidies.

RESULTS OF AUDIT

Finding 1: Housing Quality Standards Were Not Adequately Enforced

The authority did not adequately enforce HUD's housing quality standards. Of the 66 units inspected, 63 (95 percent) did not meet minimum housing quality standards, and 23 of those were in material noncompliance. This noncompliance occurred because the authority's management did not implement adequate internal controls over its inspection process and did not have adequate procedures for conducting quality control inspections. As a result, Section 8 program funds were not used efficiently and effectively to provide units that were decent, safe, and sanitary; and the authority made housing assistance payments for units that did not meet standards. Based on the sample, we estimate that over the next year, the authority will disburse housing assistance payments of more than \$2.6 million for units in material noncompliance with housing quality standards if it does implement adequate controls.

Health and Safety Hazards Were Predominant

From the authority's 2,070 program units that passed inspection between May and July 2006, we statistically selected 66 units for inspection. The 66 units were inspected to determine whether the authority ensured that its program units met housing quality standards. Of the 66 units, 63 (95 percent) had 386 housing quality standards violations. The following table lists the most frequently occurring violations for the 63 units.

Type of deficiency	Number of deficiencies	Number of units	Percentage of units
Illumination and electrical	160	53	80
Structure and materials	75	33	50
Water supply	55	37	56
Smoke detectors	30	30	45
Sanitary facilities	24	19	28

Additionally, 23 of the 63 failed units were in material noncompliance with housing quality standards. Appendix D provides details on the 23 units.

The most prevalent deficiencies were electrical hazards, including exposed wiring, missing outlet covers, improper wiring of water heaters, inoperable outlets, and unshielded electrical wires.



Electrical connection with exposed wires, creating an electrical shock hazard.



Breaker panel with no internal fixed cover and with exposed electrical contacts, creating an electrical shock hazard.



Improper wiring of water heater with exposed wire connections, creating an electrical shock hazard. In addition, the pressure relief valve has no discharge pipe. The deficiency was not reported by the authority during its June 1, 2006, inspection.



Electrical outlet and surface-mounted wire inside shower stall, creating an electrical shock hazard. This deficiency was not reported by the authority during its June 16, 2006, inspection.

We also found other health and safety hazards, including water leaks, stairs or porches needing handrails, deficient septic tank, and unsafe bathrooms.



Peeling paint and serious water leak on living room ceiling.



Raw sewage spill from defective septic tank in the back of the dwelling unit.



Entrance stairs have no handrail. This deficiency was not reported by the authority during its May 8, 2006, inspection.



Rusted out hole in bathroom tub, creating a cutting hazard. This deficiency was not reported by the authority during its June 12, 2006, inspection.

The Inspection Process Was Inadequate

The authority is required by HUD and its administrative plan to inspect Section 8 units at least once a year to ensure that the properties meet minimum conditions for compliance with standards. HUD requires and the authority's administrative plan provides minimum conditions that must exist for a unit to be considered decent, safe, and sanitary. Each unit must meet minimum housing quality standards for the entire period of tenancy.

We found 254 deficiencies that existed at the time of the authority's most recent inspection, but the inspectors did not identify or did not report them. Damage from water leaks, missing guardrails, and improper electrical installations were some of the deficiencies not reported by inspectors. Authority inspectors informed us that some of the deficient inspections were attributed to oversight or their unfamiliarity with HUD requirements. As a result, authority inspectors improperly passed units that did not meet the required standards.

The authority's quality control inspection process was also ineffective and inadequate. Quality control inspections were not performed across all of its regional offices. As a result, the authority's reinspected sample did not represent a cross section of neighborhoods and inspectors as required by HUD. This noncompliance occurred because the authority did not establish adequate policies, procedural guidelines, and performance standards for conducting required quality control inspections.

Conclusion

Because the authority did not implement adequate internal controls, it made housing assistance payments for units that did not meet housing quality standards. The authority did not maintain adequate controls to ensure that inspections met HUD requirements. Management must emphasize the importance of housing quality standards and implement policies and procedures which ensure that it complies with HUD requirements and gives tenants the opportunity to live in decent, safe, and sanitary conditions. By making the necessary improvements, we estimate that the authority will prevent more than \$2.6 million in Section 8 funds from being spent on units that are in material noncompliance with standards.

Recommendations

We recommend that the director of the Office of Public Housing

- 1A. Require the authority to inspect the 63 units that did not meet minimum housing quality standards to verify that the owners took appropriate corrective actions to make the units decent, safe, and sanitary. If appropriate actions were not taken, the authority should abate the rents or terminate the housing assistance payment contracts.

- 1B. Require the authority to develop and implement an internal control plan which ensures that units meet housing quality standards and inspections (including quality control) meet HUD requirements to prevent more than \$2.6 million from being spent on units that are in material noncompliance with standards.
- 1C. Require the authority to perform quality control inspections in accordance with HUD requirements and document the inspections and feedback provided to inspectors to correct recurring inspection deficiencies noted.
- 1D. Monitor the authority's performance in the administration of its Section 8 Housing Choice Voucher program. If the authority fails to improve and fulfill its administrative responsibilities, consider imposing sanctions in accordance with 24 CFR [*Code of Federal Regulations*] 982.152(d).

Finding 2: Ineffective Management Controls Resulted in Overhoused Tenants and Miscalculated Assistance Payments

The authority did not comply with HUD requirements. It overhoused 29 tenants and miscalculated Section 8 assistance. This noncompliance occurred because the authority did not have effective controls in place to ensure that its staff assigned the correct voucher size and calculated the correct assistance payment. As a result, it made overpayments and underpayments totaling \$5,767.

The Authority Established Subsidy Standards

HUD requires the authority to adopt a written administrative plan that establishes local policies for administering the program in accordance with HUD requirements. The authority must comply with HUD regulations and administer the program in accordance with the administrative plan. It must also establish subsidy standards that determine the number of bedrooms needed for families of different size and composition. The subsidy standards must provide for the smallest number of bedrooms needed to house a family without overcrowding.

The authority's Section 8 administrative plan requires staff to assign the voucher size to a participant based on the established minimum and maximum number of persons in a household. The table below shows the authority's subsidy standards during the review period.

Voucher Size	Minimum number of persons	Maximum number of persons
1	1	2
2	2	3
3	3	6
4	4	8
5	5	10

The Authority Overpaid and Underpaid Section 8 Assistance

The authority overpaid assistance for tenants who resided in units larger than the authority's subsidy standards allow (overhousing), and it overpaid and underpaid assistance due to calculation errors.

Overhoused tenants - The authority had 450 potentially overhoused tenants out of the 8,108 Section 8 active tenants. We reviewed a sample of 70 vouchers of tenants who appeared to be overhoused to determine whether there was acceptable justification for issuing a voucher larger than the authority's administrative plan allowed. For 41 vouchers, the authority assigned the correct voucher size, but it overhoused 29 tenants in our sample. The authority overpaid assistance totaling \$3,230 to 8 of the 29 overhoused tenants. The authority did not overpay for the remaining 21 tenants as they either had larger vouchers than necessary while occupying appropriate size units or occupied larger units that cost less than the allowable subsidy amount.

The authority overhoused tenants because it did not downgrade 29 vouchers at its annual reexamination for tenants who had experienced a change in family composition. During the annual reexamination, the authority's housing counselors are responsible for reviewing the current family composition and applying the correct subsidy standards to the household. Tenant families experiencing a change in household size and composition during the interim that warrants a smaller voucher size are required to be downgraded at the next annual reexamination. The authority's regional supervisors are responsible for reviewing all of the annual reexaminations conducted by staff. The supervisors' review process was not effective because these tenants should have been identified as overhoused and their vouchers downgraded at the annual reexamination.

Calculation errors - A further review of the same 70 sampled tenant files showed that the authority made utility allowance and payment standard errors in 21 of them, 13 of which resulted in overpayments and underpayments totaling \$2,537. The authority did not overpay or underpay for the remaining eight tenants, as the gross rents were less than the correct payment standard. Appendix E provides details on the 13 tenant files.

The authority miscalculated assistance payments because its staff did not use appropriate utility allowances or payment standards. A regional supervisor attributed the deficiencies to oversight and to belated notifications from the central office on changes to the fair market rents published by HUD.

Conclusion

The authority overpaid \$5,451 and underpaid \$316 in housing assistance payments because it did not have effective controls in place to ensure that its staff assigned the correct voucher size and calculated the correct assistance payment. Management must emphasize the importance of the certification process and implement policies and procedures to ensure that it complies with HUD requirements and prevent future housing assistance overpayments.

Recommendations

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We recommend that the director of the Office of Public Housing require the authority to

- 2A. Reimburse its program \$5,451 (\$3,230 in overhoused tenants and \$2,221 in calculation errors) from nonfederal funds for the overpayment of housing assistance cited in this finding.
- 2B. Reimburse the applicable households \$316 from its program funds for the underpayment of housing assistance cited in this finding.¹
- 2C. Review the remaining 380 potentially overhoused tenants, determine the appropriateness of the housing assistance disbursed, and repay the Section 8 Housing Choice Voucher program from nonfederal funds any amounts determined ineligible.
- 2D. Implement adequate procedures and controls to ensure its calculations regarding tenants' housing assistance payments and voucher size are correct as required by HUD.

¹ The authority's administrative plan lacks procedural guidelines for dealing with the underpayment of housing assistance to tenants.

SCOPE AND METHODOLOGY

Our audit objectives were to determine whether Section 8 units met housing quality standards in accordance with HUD requirements and whether the authority correctly determined housing assistance subsidies. To accomplish our objectives, we did the following:

- Reviewed applicable laws, regulations, and other HUD program requirements.
- Reviewed the authority's Section 8 policies, procedures, and administrative plan.
- Interviewed HUD and authority management and staff.
- Reviewed the authority's latest independent public accountant report and HUD program monitoring reviews.
- Obtained a download of the authority's Section 8 housing stock for the Housing Choice Voucher program as of August 2, 2006.²
- Selected a statistical sample of units for inspection from the authority's Section 8 housing stock for Housing Choice Voucher program participants as of August 2, 2006.
- Reviewed previous authority inspection reports.
- Inspected 66 units with authority inspectors to determine whether the units met housing quality standards. We performed the inspections from August 30 to September 1, 2006, and from October 16 to October 27, 2006.
- Selected a sample of 70 participant files to determine whether the authority correctly calculated housing assistance subsidies.

We statistically selected a sample of the authority's program units to inspect from the 2,070 units that passed its inspections conducted from May through July 2006. We used the U.S. Army Audit Agency's Statistical Sampling software to calculate the sample size. Based on a confidence level of 90 percent, a precision level of 10 percent, and an assumed error rate of 50 percent, the software returned a statistical sample of 66 units. We used Microsoft Excel software to select a random sample from the 2,070 units and to generate 54 additional sample units to be used as replacements if needed.

We used statistical sampling because each sampling unit is selected without bias from the audit

² To achieve our audit objectives, we relied in part on computer-processed data contained in the authority's database. Although we did not perform a detailed assessment of the reliability of the data, we did perform a minimal level of testing and found the data to be adequate for our purposes.

population, thereby allowing the results to be projected to the population.

We inspected 12 of the replacement units because 12 of the primary units were no longer being subsidized, the tenants had moved to new units, or the unit was not accessible. We selected the replacement units in succession until the required 66 units were inspected.

Our sampling results indicated that 23 of the 63 failed units were in material noncompliance with housing quality standards. We based our assessment on prior authority inspection reports, tenants' comments, and our observation and judgment of the condition of the unit during the inspection. We judged units to be in material noncompliance with housing quality standards because of the overall poor condition of the unit and/or because one of the fail conditions (health and safety) was a preexisting condition that either was not identified or not reported at the time of the authority's last inspection and/or a violation that threatened the living conditions of the tenants.

Projecting the results of the 23 units that were in material noncompliance with housing quality standards to the population yields the following:

The lower limit is 25.36 percent x 2,070 units = 524 units in material noncompliance with housing quality standards.

The point estimate is 34.85 percent x 2,070 units = 722 units in material noncompliance with housing quality standards.

The upper limit is 44.34 percent x 2,070 units = 917 units in material noncompliance with housing quality standards.

To calculate our estimate of funds to be put to better use, we determined the authority's average housing assistance payment for all 2,070 units as of August 2, 2006. We then multiplied the authority's average monthly payment per unit (\$416) by the lower minimum of 524 units determined to be materially noncompliant to arrive at a monthly estimate, which we then annualized. Using the lower limit of the estimate of the number of units and the average monthly housing assistance payment, we estimated that the authority will annually spend at least \$2,615,808 (524 units x \$416 average monthly payment x 12 months) for units that are in material noncompliance with housing quality standards. This estimate is presented solely to demonstrate the annual amount of Section 8 funds that could be put to better use on decent, safe, and sanitary housing if the authority implements our recommendations. While these benefits would recur indefinitely, we were conservative in our approach and only included the initial year in our estimate.

We identified 450 potentially overhoused tenants from the 8,108 active vouchers the authority had during our audit period. We defined an overhoused tenant voucher as any voucher that did not have the minimum number of household members required by the authority's payment standards for voucher size. We reviewed the files of 70 potentially overhoused tenants to determine whether there was acceptable justification for assigning vouchers larger than the authority's administrative plan allowed, and when there was no justification, we calculated the overpayments.³ The same sampled tenant files were also examined to determine whether the authority properly determined the assistance amount, and when errors were found, we calculated the overpayment or underpayment. We used nonstatistical sampling, as it was impractical to review all 450 cases in the population. The results apply only to items selected and cannot be projected to the universe or population.

We conducted our fieldwork from August through November 2006 at the authority's central offices in San Juan, Puerto Rico, and at the Bayamon, Caguas, Carolina, and San Juan regional offices. Our audit period was from July 1, 2004, through June 30, 2006, but we expanded the period as needed to accomplish our objectives.

We conducted the audit in accordance with generally accepted government auditing standards.

³ Our selection was based on the tenants with an admission date after June 30, 2004.

INTERNAL CONTROLS

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

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

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

Relevant Internal Controls

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

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

We assessed the relevant controls identified above.

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

Significant Weaknesses

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

- The authority did not have adequate internal controls to ensure that Section 8 units met housing quality standards (see finding 1).
- The authority did not have adequate internal controls to detect overhoused tenants and miscalculated Section 8 assistance (see finding 2).

APPENDIXES

Appendix A

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

<u>Recommendation number</u>	<u>Ineligible 1/</u>	<u>Funds to be put to better use 2/</u>
1B		\$2,615,808
2A	\$5,451	
2B	—	<u>316</u>
Totals	<u>\$5,451</u>	<u>\$2,616,124</u>

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 polices 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. This includes reductions in outlays, deobligation of funds, withdrawal of interest subsidy costs, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings which are specifically identified. In this instance, if the authority implements our recommendations, it will cease to incur Section 8 costs for units that are not decent, safe, and sanitary and, instead, will expend those funds for units that meet HUD's standards. Once the authority successfully improves its controls, this will be a recurring benefit. Our estimate reflects only the initial year of this benefit. By implementing recommendation 2B, funds unnecessarily paid by a tenant are returned to that household for a more appropriate use.

Appendix B

AUDITEE COMMENTS



March 2nd, 2007

Mr. James D. McKay
Regional Inspector General for Audit
U.S. Department of Housing and Urban Development
Region 4, Office of Inspector General
Office of Audit, Box 42
Richard B. Russell Federal Building
75 Spring Street, SW, Room 330
Atlanta, GA 30303-3388

RE: Puerto Rico Department of Housing
Section 8 Housing Choice Voucher Program
Audit Report Draft

Dear Mr. McKay:

As requested on your letter dated February 22nd, 2007, we hereby present Puerto Rico Department of Housing – Housing Choice Voucher Program’s comments to draft review for audit conducted from August through November 2006.

Comments on Finding 1: Housing Quality Standards were not adequately enforced.

Puerto Rico Department of Housing - Housing Choice Voucher Program [PRDH-HCVP] is required by regulation to inspect each unit before its admission to the program and thereafter at least once every twelve months. The responsibility for the maintenance of each unit is shared between the owner and the tenant. Between periods of inspections both parts are responsible for notifying the PRDH-HCVP of any deficiencies on the units and it is the owner’s obligation to correct them within the required term.

The PRDH-HCVP provides service to all seventy eight (78) municipalities throughout the Island, through nine (9) regional offices. Each regional office is provided from one to four inspectors who conduct the required HQS inspections. In addition, the required five percent (5%) spot check inspections and any other special inspection requested by participants and/or landlords are conducted by our inspectors. As a corrective action, due to our priors meeting with OIG auditors, we have required that the five percent spot check inspections are conducted not by the staff, but by the

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Regional Supervisor. Also, we already started the re-inspection of the 63 units that did not meet minimum housing quality standards as stated by OIG auditors.

In addition, and as a result of some recommendations by OIG auditors, we have established a rigorous follow-up strategy, through the implementation of a detailed weekly report that allows central office personnel to conduct a meticulous follow up for all failed inspections conducted, in order to assure that the owner or the tenant correct any deficiencies notified within the time frame period required. [See Exhibit A] If such correction is not conducted, payment is abated, a voucher must have been issued or benefits are terminated, depending on the particular situation. The action taken is verified through the database.

Due in part that the Housing Choice Voucher Program was on a "TROUBLED" category (SEMAP), since 2001, the PRDH-HCVP created a Quality Control Unit that has allowed the program to increase its performance. In order to achieve a more rigorous compliance with Housing Quality Standards, by the end of this fiscal year the PRDH will start any process necessary to create a HQS Enforcement Unit that will be responsible for the direct supervision of the continuous compliance with housing quality standards. This specialized unit will have two to three inspectors and a Supervisor, which will report directly to the program's Director or the Assistant Secretary, depending on the final analysis. These units will supervise the aforementioned follow-up strategy (the implementation of a detailed weekly report that allows central office personnel to conduct a meticulous follow up for all failed inspections) and the "spot check" inspections that will be conducted by the regional supervisors.

In addition, PRDH will be recruiting four additional inspectors to be assigned to several of our regional offices in order to provide adequate staff for such duty.

Regional inspectors will be provided with additional instruments to allow them to perform the best inspection possible. They were recently provided with excellent training on housing quality standard and as auditors commented during their visit, the inspectors have adequate knowledge of the regulatory requirements. Also, the PRDH will provide additional economic incentives to these staff, which must consequently create a good atmosphere for our inspectors and their correspondent daily performance. All of the above actions should provide for the PRDH-HCVP to ensure that units meet housing quality standards.

Comments on Finding 2: Ineffective Management Controls Resulted in Overhoused Tenants and Miscalculated Assistance Payments

Draft audit report shows that out of 70 files examined a total of 8 files reflected an overpayment totaling \$3,230 due to the absence of effective controls to ensure the assignment of the correct voucher size and correct calculation of assistance payment.

It is the Program's standard operating procedures, that after completion of the process for a new admission and each annual recertification for every family, the regional staff must conduct quality control review of 100% of the files. Due to this

finding, the Program Director has given precise instruction to the Quality Control Unit Director that this procedure should not be oversight by the unit when conducting quality control audits.

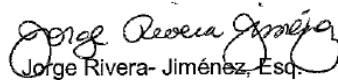
During the past year, five of our nine regional Supervisors retired or resigned to their position, this situation provoked a lack direct supervision on some aspects of the program. We are currently in the process of interviewing candidates for such positions. It is our understanding that with the proper supervision from the regional supervisors and the quality control unit, this kind of findings will not occur in the future. Also, Program Director is conducting conferences at each regional office to assure compliance with such requirement (100% quality control review).

Let me assure you that the Housing Choice Voucher Program of the Puerto Rico Department of Housing is a very important tool in our mission to provide decent and safe affordable housing to low income families in Puerto Rico. As we mentioned before, by the year 2001, the Program was under the "TROUBLED" category and the majority of the personnel didn't have the tools neither the proper training to successfully manage the Housing Choice Voucher Program. By this date, the Housing Choice Voucher Program, thanks to the tremendous effort of the employees and the current management, is under "STANDARD" category.

My staff and I appreciate all the effort, cordiality, professionalism and excellent communication that auditors shared with the Program's officials during the process of this audit. The support and orientation provided, especially in the inspections process, is strongly appreciated.

Sincerely,

PUERTO RICO DEPARTMENT OF HOUSING


Jorge Rivera- Jiménez, Esq.
Secretary

CC Mr. Michael A. Rivera, CFE
Assistant Regional Inspector General For Audit
U.S. Department of Housing and Urban Development
Office of Inspector General

Mrs. Olga Sáez
Director
U.S. Department of Housing and Urban Development
San Juan Field Office, Office of Public Housing



Secretaría de Subsidio de Vivienda y Desarrollo Comunitario
 Programa de Vales para la Libre Selección de Vivienda
 Informe HGS Enforcement

Oficina Regional de _____
 Semana de _____

Participante	SS Participante	Dirección de la Unidad	Fecha Inspección Fall	Fecha de Reinspección	Fecha que caduca extensión, si alguna	Resultado u Acción Tomada (pago, retención de pago o saneamiento)	Nombre del Inspector	Observaciones
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								

Firma Supervisor(a) _____
 Fecha _____

Appendix C

CRITERIA

Federal Regulations at 24 [Code of Federal Regulations] 982.54(c)

The authority must administer the program in accordance with its administrative plan.

Federal Regulations at 24 CFR [Code of Federal Regulations] 982.152(d)

HUD may reduce or offset any administrative fee to the public housing authority, in the amount determined by HUD, if the public housing authority fails to perform its administrative responsibilities correctly or adequately under the program.

Federal Regulations at 24 [Code of Federal Regulations] 982.401(a)(3)

All program housing must meet housing quality standards performance requirements, both at commencement of assisted occupancy and throughout the assisted tenancy.

Federal Regulations at 24 [Code of Federal Regulations] 982.402(b)(1)

The subsidy standards determined by the authority must provide for the smallest number of bedrooms needed to house a family without overcrowding.

Federal Regulations at 24 [Code of Federal Regulations] 985.3(e)

The sample for quality control inspections is to be drawn to represent a cross section of neighborhoods and the work of a cross section of inspectors.

Appendix D

SCHEDULE OF UNITS IN MATERIAL NONCOMPLIANCE WITH HOUSING QUALITY STANDARDS

File number	Types of violations**				
	Illumination and electrical	Structure and materials	Water supply	Sanitary facilities	Smoke detectors
BA-0573	9	3	1	0	0
BA-0429	7	2	1	0	0
BA-0920	3	3	0	0	1
CA-1269	3	3	4	0	0
CA-0627	4	3	1	1	0
SJ-0293	2	7	4	0	0
SJ-1231	0	2	3	1	1
AR-0598	3	3	0	0	1
AR-0776	1	3	4	0	1
AR-0969	4	2	1	0	1
BA-T9-1137	6	1	1	0	0
PI-CA-0096	4	0	1	1	1
CA-1513	3	0	1	2	1
CA-1339	2	2	0	2	0
PI-HU-0034	6	6	2	0	1
HU-N-0049	7	0	1	1	0
CG-0217	4	0	1	1	1
CG-0308	4	0	0	2	1
PC-0041	3	0	0	1	0
CG-0100	4	2	1	1	0
MA-0273	3	6	2	0	1
SJ-1610	4	1	0	1	1
CA-T9-0518	4	0	2	0	0

** The table does not indicate all violations we found in the unit. We only included the most frequently occurring and serious violations.

Appendix E

SCHEDULE OF VOUCHERS WITH MISCALCULATED HOUSING ASSISTANCE PAYMENTS

Tenant case number	Housing assistance overpaid	Housing assistance underpaid
SJ-N-0017	\$304	
BA-N-0201	152	
AG-0045		\$12
BA-0488	534	
AG-0194	32	
SJ-T7-0759	485	
BA-1333	32	
AG-0228		24
CG-R-0126	44	
SJ-0416		40
PC-0462		240
SJ-0399	30	
CA-0115	<u>608</u>	
Total	<u>\$2,221</u>	<u>\$316</u>

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