



Issue Date
September 24, 2008

Audit Report Number
2008-CH-1013

TO: Robert E. Nelson, Director of Public Housing Hub, 5FPH

FROM: 
Heath Wolfe, Regional Inspector General for Audit, 5AGA

SUBJECT: The Highland Park Housing Commission, Highland Park, Michigan, Lacked Adequate Controls Over Unit Conditions and Maintenance Program

HIGHLIGHTS

What We Audited and Why

We audited the Highland Park Housing Commission's (Commission) Public Housing program (program). The audit was part of the activities in our annual audit plan. We selected the Commission based upon its fiscal year 2005 independent auditor's report that identified it as having a high-risk program. Our objectives were to determine whether the Commission effectively maintained its program units in accordance with the U.S. Department of Housing and Urban Development's (HUD) requirements and appropriately used its program operating subsidies. This is the second of two audit reports on the Commission's program.

What We Found

The Commission did not maintain 45 of 46 program units statistically selected for inspection in good repair, order, and condition. There were 705 deficiencies in the 45 units (average of 14.69 deficiencies per unit) including 43 hazards that HUD requires to be corrected within 24 hours. Based on our statistical sample, we estimate that HUD will pay more than \$283,000 in program operating subsidies over the next year for the Commission's units that are not maintained in good repair, order, and condition.

The Commission lacked an effective maintenance process to ensure that program unit deficiencies were identified and repaired in a timely manner. It did not have

an approved maintenance policy, failed to implement a preventive maintenance program, did not complete work orders in accordance with HUD's requirements and or/its maintenance policy, and failed to turn around program units in a timely manner. In addition, the Commission inappropriately received more than \$29,000 in excess program operating subsidies for seven units that were vacant for more than 12 months. We estimate that the Commission will not receive nearly \$116,000 in household payments over the next year due to program units being vacant for more than 30 days.

What We Recommend

We recommend that the Director of HUD's Detroit Office of Public Housing require the Commission to reimburse its program from nonfederal funds for the improper use of funds, provide support or reimburse its program from nonfederal funds for the unsupported payments, and implement adequate procedures and controls to address the findings cited in this audit report. These procedures and controls should help to ensure that nearly \$400,000 in program funds is spent according to HUD's requirements.

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 issued because of the audit.

Auditee's Response

We provided our inspection review results and supporting schedules to the Director of HUD's Detroit Office of Public Housing and the Commission's executive director during the audit. We also provided our discussion draft audit report to the Commission's executive director, its board chairperson, and HUD's staff during the audit. We held an exit conference with the Commission's executive director on August 28, 2008.

We asked the Authority's executive director to provide comments on our discussion draft audit report by September 15, 2008. The executive director provided written comments, dated September 15, 2008. The executive director generally agreed with our findings and recommendations. The complete text of the written comments, along with our evaluation of that response, can be found in appendix B of this report except for 37 pages of documentation that was not necessary for understanding the Authority's comments. To ensure compliance with the Privacy Act, we redacted the addresses of tenants cited in the Authority's comments prior to including the comments in this audit report. A complete copy of the Authority's comments plus the documentation was provided to the Director of HUD's Detroit Office of Public Housing.

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BACKGROUND AND OBJECTIVES

The Highland Park Housing Commission (Commission) is a public housing agency established by the City of Highland Park, Michigan (City), on March 16, 1970. The Commission is a division of the City's Community Development Department and is governed by a five-member board of commissioners (board) appointed by the City's mayor to five-year staggered terms. The board's responsibilities include overseeing the Commission's operations as well as the review and approval of its policies. The board appoints the Commission's executive director, who serves as the board's secretary. The executive director is responsible for fulfilling the goals and objectives established by the board.

The Commission administers a Public Housing program (program) funded by the U.S. Department of Housing and Urban Development (HUD) through program operating subsidies. The Commission provides assistance to low-income individuals seeking decent, safe, and sanitary housing. It manages 198 federally assisted program units in one complex and scattered sites. It received more than \$1.1 million in program operating subsidies from February 2006 through December 2007.

HUD issued the results of its Public Housing Assessment System management operations certifications on September 10, 2007, scoring the Commission's program as substandard at less than 60. On November 16, 2007, HUD issued the results of its initial assessment review. The assessment was to determine the conditions of the Commission's operations for fiscal year 2006 and serve as a basis for developing a memorandum of agreement. As a result, HUD executed a memorandum of agreement with the Commission, effective October 1, 2007, requiring the Commission to improve its program performance. HUD and the Commission executed an amended memorandum of agreement in February 2008. The amended agreement addresses the Commission's unit conditions and its maintenance program. On March 13, 2008, HUD released the Commission's program performance for fiscal year 2007, scoring the Commission as 14 and maintaining the Commission's status as a troubled housing authority.

Our objectives were to determine whether the Commission effectively maintained its program units in accordance with applicable requirements and appropriately used its program operating subsidies. This is the second of two audit reports on the Commission's program.

RESULTS OF AUDIT

Finding 1: The Commission's Program Units Were Not in Good Repair, Order, and Condition

The Commission did not maintain its program units in good repair, order, and condition. Of the 46 program units statistically selected for inspection, 45 were not in good repair, order, and condition. We identified 705 deficiencies, including 43 hazards that HUD requires to be corrected within 24 hours, in 26 units. The deficiencies existed because the Commission failed to exercise proper supervision and oversight of its program unit inspections. It also lacked adequate procedures and controls to ensure that its program units met HUD's uniform physical condition standards (standards). As a result, more than \$46,000 in program operating subsidies was not used efficiently and effectively, and program households lived in units that were not in good repair, order, and condition. Based on our statistical sample, we estimate that over the next year, HUD will pay more than \$283,000 in subsidies for program units that are not maintained in good repair, order, and condition.

The Commission Did Not Maintain Program Units in Good Repair, Order, and Condition

From the 139 program units occupied as of January 16, 2008, we statistically selected 46 program units for inspection using data mining software. We inspected the 46 units from January 25 through February 5, 2008, to determine whether the Commission ensured that its units met HUD's standards.

Of the 46 program units inspected, 45 (98 percent) had 705 deficiencies, including 43 hazards which HUD requires to be corrected within 24 hours, indicating that the units were not in good repair, order, and condition. Of the 45 program units with deficiencies, 34 had 269 deficiencies that had existed since the Commission's previous inspections. The Commission noted 58 of the 269 deficiencies in its previous work orders. All of the 34 units were considered to be in material noncompliance since they had multiple preexisting deficiencies and/or previous work orders that outlined the deficiencies/hazards but had not been corrected. The following table categorizes the 705 deficiencies in the 45 units.

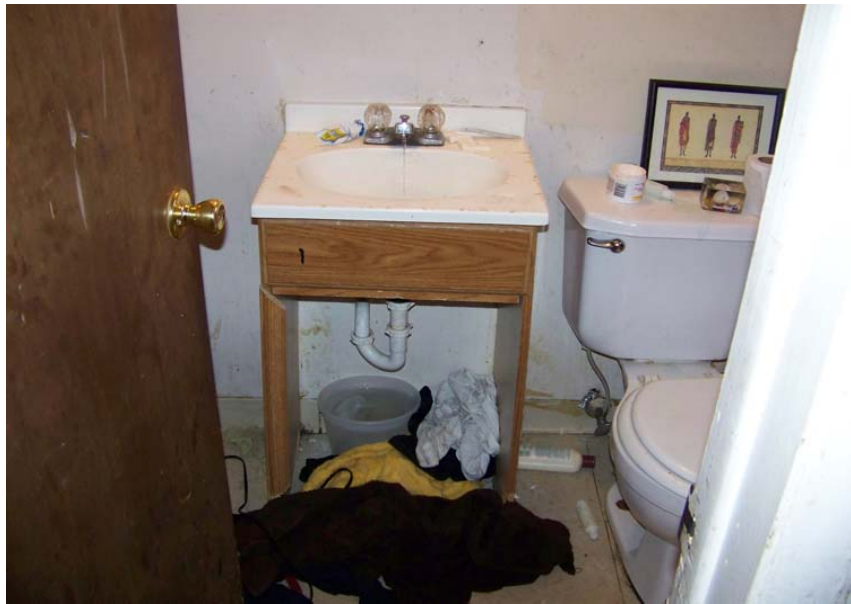
Types of deficiencies	Number of deficiencies
Cabinets, doors, closets, and hardware	167
Electrical fixtures and systems	104
Walls and ceilings	64
Doors, windows and screens	62
Floors, carpets, and tiles	36
Stairs, walkways, and community spaces	31
Refrigerators and ranges	30
Fences, exterior walls, and gates	21
Gutters, downspouts, and splash blocks	20
Roofs, flashing, and vents	18
Exterior lighting	18
Plumbing fixtures and systems	18
Smoke detectors	18
Exterior walls and foundations	15
Hot water system and boiler room	12
Storm doors and windows	11
Garbage disposal and exhaust fans	6
Fire extinguishers	6
Porches, balconies, and fire escapes	5
Lawns and plantings	5
Heating and air conditioning	5
Storage/utility buildings	5
Walks, steps, and guardrails	4
Sprinkler and drainage system	4
Painting	4
Drives, parking lots, paving, and curbs	3
Exterminating	3
Underground gas, water, and sewage	2
Caulking and weather-stripping	2
Curtains and shades	2
Laundry rooms	2
Electric meter	1
Insulation	<u>1</u>
Total	705

We provided our inspection results to the Director of HUD's Detroit Office of Public Housing and the Commission's executive director on April 29, 2008.

Units Had Cabinet, Door, Closet, and Hardware Deficiencies

One hundred sixty-seven cabinet, door, closet, and hardware deficiencies were present in 42 of the Commission's 46 program units inspected. The following items are examples of deficiencies listed in the table: loose doorframes, broken doorjambs, closet doors off hinges and leaning against openings, holes in bedroom and bathroom doors, missing door latches and strike plates, deteriorated doors and fronts of sink cabinets, broken and missing kitchen cabinet drawers, and failed hinges on cabinet doors. The following pictures are examples of cabinet, door, closet, and hardware deficiencies identified in the Commission's program units inspected.

Unit 02-729: Bathroom cabinet is missing doors and shelf.



Unit #01-106: Bathroom linen closet door is missing hardware.



Units Had Electrical Fixture and System Deficiencies

One hundred and four electrical fixture and system deficiencies were present in 30 of the Commission's 46 program units inspected. The following items are examples of electrical deficiencies listed in the table: outlets with open grounds, ground fault circuit interrupter outlets not tripping, light fixtures hanging by wires, light fixtures missing protective globes, missing light switch plates, broken and missing electrical outlet cover plates, loose electrical outlets, missing circuit breaker covers exposing electrical contacts, and missing knockout plugs exposing electrical contacts. The following pictures are examples of the electrical deficiencies identified in the Commission's program units inspected.

Unit #02-404: Bedroom outlet is missing cover plate.



Unit #01-103: Bedroom ceiling light fixture is hanging from wires.



Units Had Wall and Ceiling Deficiencies

Sixty-four wall and ceiling deficiencies were present in 26 of the Commission's 46 units inspected. The following items are examples of deficiencies listed in the table: missing window wall trim and holes in walls. The following pictures are examples of the wall and ceiling deficiencies identified in the Commission's program units inspected.

Unit #02-501: Wall trim around window is missing and there are multiple holes in the wall.



Unit #02-729: Clothing used to seal holes in bedroom walls.



Deficiencies Were Caused by Procedures and Control Weaknesses

The deficiencies existed because the Commission failed to exercise proper supervision and oversight of its program unit inspections. It also lacked adequate procedures and controls to ensure that its program units met HUD's standards. The Commission did not have qualified housing inspectors to conduct inspections of its program units. While the Commission's housing inspector received training on HUD's standards, they were not applied when inspections were performed. In addition, supervisors did not perform quality control reviews of inspections. Although the Commission contracted out the annual housing inspections of its

program units, it did not prepare work orders for the deficiencies identified by the contractor. Further, the Commission did not have an effective maintenance program (see finding 2).

HUD's 2007 management review, issued to the Commission in November 2007, revealed that the Commission's inspection records did not show evidence that it applied HUD's standards when inspecting dwelling units. The Commission did not have an up-to-date maintenance plan detailing the compliance requirements for inspecting dwelling units. It also had not conducted a comparison between HUD's standards and local code requirements to assess whether it should rely solely on HUD's standards or local code when applying the most stringent standards to unit inspections.

Conclusion

The Commission's households were subjected to hazards that HUD requires to be corrected within 24 hours, and the Commission did not properly use its program operating subsidies when it failed to ensure that program units complied with HUD's standards. The Commission received \$46,478 in operating subsidies from HUD for the 34 units that were in material noncompliance.

Unless the Commission implements adequate procedures and controls regarding its program unit inspections to ensure compliance with HUD's requirements, we estimate that it will receive more than \$283,000 in future program operating subsidies for units that are not in good repair, order, and condition. Our methodology for this estimate is explained in the Scope and Methodology section of this audit report.

Recommendations

We recommend that the Director of HUD's Detroit Office of Public Housing require the Commission to

- 1A. Reimburse its program \$46,478 from nonfederal funds for the 34 units cited in this finding that were in material noncompliance.
- 1B. Implement adequate procedures and controls regarding its inspection process to ensure that all units meet HUD's standards to prevent HUD from providing the Commission \$283,560 in program operating subsidies for units that are not in good repair, order, and condition for the next 12 months.
- 1C. Repair and certify that it repaired the standards deficiencies for the 45 program units cited in this finding.

Finding 2: The Commission Lacked an Effective Maintenance Program

The Commission did not have an effective maintenance program to ensure that program unit deficiencies were repaired in a timely manner. It did not have a board-approved maintenance policy, implement a preventive maintenance program, complete work orders in accordance with HUD's requirements, and turn around program units in a timely manner. In addition, the Commission inappropriately received full program operating subsidies for units that were vacant for more than 12 months. The problems occurred because the Commission lacked adequate procedures and controls regarding its maintenance program. As a result, HUD lacked assurance that the Commission used program operating subsidies to maintain its program units in good repair, order, and condition, and the Commission inappropriately received more than \$29,000 in excess program operating subsidies for seven units that were vacant for more than 12 months. We estimate that over the next year, the Commission will not receive nearly \$116,000 in total household payments due to program units being vacant for more than 30 days.

The Commission Did Not Implement Its Preventive Maintenance Program

Although the Commission had a maintenance work plan that referred to a preventive maintenance program, the work plan was incomplete, and the Commission's board had not approved the maintenance plan as of May 2008. In addition, the Commission's annual and five-year plans stated that the Commission did not have a maintenance policy.

The Commission could not provide documentation showing how the preventive maintenance program was implemented. The preventive maintenance program included a planned maintenance program. The goal of the planned maintenance program was to maintain the Commission's property in good repair and appreciably extend its useful life by ensuring that repairs were made before breakdown. If implemented, the program would minimize damage and repair costs and result in lower operating expenses based on a system of uniformly performed maintenance inspections. The plan further stated that preventive maintenance activities would be scheduled and performed on a regular basis to maintain the units and development site in optimal condition.

The Commission Needed to Improve Its Work Order Process

The Commission did not prepare work orders in accordance with HUD's requirements. The Commission's contractor, U.S. Inspection Group, Inc., conducted inspections of all of its program units between September 24 and September 27,

2007. The contractor identified 478 deficiencies and 45 hazards, totaling 523, for the 46 units statistically selected. As of February 8, 2008, the Commission had not completed work orders for 430 of the 478 (90 percent) deficiencies and 16 of the 45 (36 percent) hazards identified by the contractor.

We reviewed the Commission’s 51 work orders generated from September 24, 2007, through January 31, 2008, for the 46 units selected to determine whether the Commission completed work orders appropriately and completed repairs in a timely manner. The Commission did not properly complete and/or include the required information for 42 (82 percent) of the work orders reviewed. The following table lists the number of work orders with improperly completed and/or missing required information.

<i>Required information</i>	<i>Number of work orders</i>
Detail of materials used	35
Detail of work performed	16
Cost of the repairs	14
Worker signature	12
Resident signature	5

For example, the description of the work requested and performed in work order number 08176, dated September 26, 2007, for unit 03-222, stated that the unit needed a battery for the smoke detector and the tenant needed to move furniture that was in front of the window. The work order did not indicate that the work was completed or the costs of repairs and did not include the worker and resident signatures. In addition, this work order was for the wrong unit. The work that should have been completed for this unit was noted on work order 08177, requiring the installation of a missing breaker in the fuse box. Work order 08177 showed that the work was completed, but it was missing the same information as work order number 08176. Therefore, the Authority could not be determined whether the correct repairs were made in the right unit.

The Commission did not correct 41 of the 45 hazards by its contractor within 24 hours. In addition, it did not prepare 14 work orders for the 41 hazards. Further, the average completion time for 27 of the 41 work orders was 10 days. The work orders were for missing and/or inoperable smoke detectors, missing electric meter covers, misaligned chimneys on water heaters, and blocked fire exits. Moreover, the Commission did not correct 13 of 25 emergency work orders for hazards identified during our inspections of the 46 units within 24 hours. The average completion time for the 13 work orders was eight days. The work orders were for missing and/or inoperable smoke detectors, missing electric meter covers, and blocked fire exits.

HUD’s 2007 management review evaluated the Commission’s logs for work orders generated from October 2005 through September 2006. The Commission reported that there were 159 emergency work orders in the Management Assessment Subsystem (system). Its records showed that it recorded 185

emergency work orders and 18 were void. The voided work orders were not converted to other types of work orders such as routine. In addition, the Commission reported in the system that 100 percent of the emergency work orders were abated within 24 hours. However, HUD could not confirm this. Further, the Commission reported 548 nonemergency work orders, but its records showed that there were 590 work orders and 63 were void. The voided work orders should have been converted to regular nonemergency work orders.

HUD noted that the work orders did not always contain accurate information on the form. Work orders lacked the tenant signature and date and the cost of repairs and were completed with just the computer-generated name on the form. In addition, the Commission was not consistent in identifying the type of work order. For units with no heat, work order number 06587 was marked as “U” for urgent, while work order number 06588 was marked as “E” for emergency. Work order number 06824 for a smoke detector was marked as “U” for urgent, which should have been marked as “E” for emergency.

The Commission’s Units Were Vacant for More Than 30 days

The Commission’s lack of an effective maintenance program and the condition of its program units (see finding 1) resulted in 45 program units being vacant for more than 30 days. The units were vacant for an average of 333 days, or more than 11 months.

The Commission Received Full Subsidies for Units That Were Vacant for More Than 12 Months

The Commission inappropriately received full operating subsidies for seven units that were vacant for more than 12 months. Long-term vacant units are only eligible to receive 20 percent of the total subsidy. However, the Commission included seven long-term vacant units in its subsidy calculations and received excess subsidies totaling \$29,148 for the units from August 2003 through December 2006.

The Commission Lacked Adequate Procedures and Controls

The Commission lacked adequate procedures and controls regarding its maintenance program. It did not have direction from its board, and maintenance staff lacked guidance and monitoring from management. In addition, the Commission did not provide training to its maintenance staff to ensure that they had the skills needed to maintain major systems in good operating condition,

complete work orders in accordance with HUD's requirements and turn around its program units in a timely manner.

The Commission's inspector said that the problems occurred because the Commission lacked a quality control plan for addressing its contractor's inspection results and it did not receive its contractor's inspection results in a timely manner to provide staff time to complete the work orders in accordance with its maintenance policy.

Conclusion

The Commission's maintenance program placed its program units at risk. HUD lacked assurance that the Commission used program operating subsidies to maintain its program units in good repair, order, and condition. The Commission did not receive total household payments for the 45 program units that were vacant for more than 30 days. In addition, it inappropriately received \$29,148 in program operating subsidies for seven units that were vacant for more than 12 months when it calculated its subsidy.

If the Commission implements adequate procedures and controls regarding its maintenance program and ensures that its program units are turned around within 30 days, we estimate that it will receive an additional \$115,560 in future total household payments. We determined this amount by multiplying 45 units (the average number of units vacant for more than 30 days from June 2005 through December 2007) by \$214 (the monthly total household payment) by 12 months.

Recommendations

We recommend that the Director of HUD's Detroit Office of Public Housing require the Commission to

- 2A. Reimburse its program \$29,148 from nonfederal funds for the seven long-term vacant units it inappropriately included in its program operating subsidy calculations.
- 2B. Obtain board approval for its maintenance policy and implement a preventive maintenance program for units and systems.
- 2C. Ensure that its maintenance staff receives training to improve their maintenance skills in order to address the deficiencies cited in this finding.
- 2D. Implement adequate procedures and controls regarding its maintenance program to ensure that work orders are completed in accordance with federal requirements and program units are turned around in a timely manner. By implementing adequate procedures and controls, the

Commission should help to ensure that it receives at least \$115,560 in additional total household payments over the next year.

SCOPE AND METHODOLOGY

To accomplish our objectives, we reviewed

- Applicable laws; HUD's regulations at 24 CFR [*Code of Regulations*] Parts 5, 901, and 990; public and Indian housing notices; HUD form 52728; HUD Uniform Physical Condition Standards Inspection Program; and section 125 of the Michigan Compiled Laws.
- The Commission's accounting records, maintenance work plan, inspection documentation for its program units, five-year and 2006 annual plans, invoices, work orders, vacancy reports, data from HUD's Line of Credit Control system, program household files, by-laws, policies and procedures, operating fund calculation of operating subsidy reports, organizational chart, and program consolidated annual contributions contract.
- HUD's files for the Commission.

We also interviewed the Commission's employees, HUD staff, and U.S. Inspection Group, Inc.'s staff.

Finding 1

We statistically selected 46 of the Commission's program units for inspection using data mining software from the 139 occupied units as of January 16, 2008. The 46 units were selected to determine whether the Commission ensured that its program units were in good repair, order, and condition. Our sampling criteria used a 90 percent confidence level, 50 percent error rate, and precision of plus or minus 10 percent.

Our sampling results determined that 45 of the 46 units (98 percent) were not maintained in good repair, order, and condition and 34 units were in material noncompliance with HUD's standards. A unit was considered in material noncompliance when it contained multiple preexisting deficiencies and/or the deficiencies were noted in the Commission's previous inspections and/or work orders but not corrected.

HUD calculated a per unit month program operating subsidy of \$340 for 2007. We estimated that the Commission would annually receive \$283,560 (139 program units times a \$340 per unit month subsidy times a 50 percent error rate times 12 months) for units that were not in good repair, order, and condition. This estimate is presented solely to demonstrate the annual amount of program subsidies that could be put to better use on program units if the Commission implements our recommendation. While these benefits would recur indefinitely, we were conservative in our approach and only included the initial year in our estimate.

We performed our on-site audit work from January through March 2008 at the Commission's office located at 13725 John R, Highland Park, Michigan. The audit covered the period January 2006 through December 2007 and was expanded as determined necessary.

We performed our audit in accordance with generally accepted government auditing standards.

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,
- Compliance with applicable laws and regulations, and
- Safeguarding resources.

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:

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

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

- The Commission lacked adequate procedures and controls to ensure compliance with federal requirements regarding unit conditions and maintenance operations (see finding 1 and 2).

APPENDIXES

Appendix A

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

Recommendation number	Ineligible 1/	Funds to be put to better use 2/
1A	\$46,478	
1B		\$283,560
2A	<u>29,148</u>	
2D		<u>115,560</u>
Totals	<u>\$75,626</u>	<u>\$399,120</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 OIG recommendation is implemented. This includes reduction in outlays, deobligation of funds, withdrawal of interest subsidy costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In these instances, if the Commission implements our recommendations it will cease to receive program operating subsidies for units that are not in good repair, order, and condition and will receive additional total household payments. Once the Commission successfully improves its procedures and controls, this will be a recurring benefit. Our estimate reflects only the initial year of this benefit.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

	HIGHLAND PARK HOUSING COMMISSION
	BOARD OF COMMISSIONERS SYLVIA PUGH, <i>Commissioner</i> ARTHUR TURNER, <i>Commissioner</i> RONALD HILL, <i>Commissioner</i> ANITA BATES, <i>Commissioner</i> SHIRLEY DAVIS, <i>Commissioner</i>
	DORENE PENNY JAMERSON, EXECUTIVE DIRECTOR
Highland Park Housing Commission ♦ 13725 John R. ♦ Highland Park, Michigan 48203 ♦ Phone: (313) 868-4500 ♦ Fax: (313) 868-5727	
September 15, 2008	
Nikita Irons, Asst. Regional Inspector General for Audit U.S. Department of Housing and Urban Development 477 Michigan Avenue, Room 1780 Detroit, Michigan 48226-2592	
Re: Highland Park Housing Commission Phase 2 Draft Audit Report Audit Report Number 2008-CH-101X	
Dear Ms. Irons:	
Below is the Highland Park Housing Commission's response to the draft audit report of HUD's Office of Inspector General for Audit:	
<u>Finding 1: The Commission's Program Units Were Not in Good Repair, Order, and Condition</u>	
<u>The Commission Did Not Maintain Program Units in Good Repair, Order, and Condition</u>	
<u>Response:</u> This administration agrees that the former administration and former executive director did not maintain program units in good repair, order and condition. A total of 45 of 46 units were reviewed and had numerous deficiencies, of which one third had been previously identified by an internal audit inspection group.	
<u>Corrective Action:</u>	
The new administration is in the process of implementing internal controls to assure work orders are generated timely and tracked through resolution. These procedures and internal controls will assure that the program units are inspected and follow-up occurs for each unit, provide check and balances of the program units, require weekly and monthly updates on all units. The HPHC has already begun the process of repairs to the program units. A total of 8 of the impacted units have been completely repaired and work orders	

Comment 1

including signature of the tenant is attached. The 8 Units completely repaired are as follows:

- 1) [REDACTED] (Reference #5)
- 2) [REDACTED] (Reference #6)
- 3) [REDACTED] (Reference #7)
- 4) [REDACTED] (Reference #12)
- 5) [REDACTED] (Reference #13)
- 6) [REDACTED] (Reference # 15)
- 7) [REDACTED] (Reference # 21)and
- 8) [REDACTED] (Reference #27)

The attached work orders show that 21 or 50% of the urgent work orders are documented as completed. A total of 110 of the 705 deficiencies have been completed and supporting work orders and pictures to show the work completed for some of the work orders are attached. Several of the units are being completely rehabilitated and procurement procedures are underway for other units that require extensive work.

Units Had Cabinet, Door, closet, and Hardware Deficiencies

Response: Again, this administration agrees that the units had cabinet, door, closet and hardware deficiencies.

Corrective Action:

The HPHC met with the maintenance staff to assure full compliance with HUD regulations that the program units be kept in good repair. All deficiencies noted are being placed on work orders and will be tracked through completion.

Comment 1

Units Had Electrical Fixture and System Deficiencies

Response: This administration agrees that the former executive director did not have in place effective measures to minimize deficiencies which included electrical and system deficiencies. All deficiencies noted are being placed on work orders and will be tracked through completion.

Comment 1

Corrective Action: The HPHC met with the maintenance staff to assure full compliance with HUD regulations that the program units be kept in good repair. All deficiencies noted are being placed on work orders and will be tracked through completion.

Ref to OIG Evaluation

Auditee Comments

Comment 1

Units Had Wall and Ceiling Deficiencies

Response: This administration agrees that the program units reviewed had wall and ceiling deficiencies.

Corrective Action: The HPHC met with the maintenance staff to assure full compliance with HUD regulations that the program units be kept in good repair. All deficiencies noted are being placed on work orders and will be tracked through completion.

Deficiencies Were Caused by Procedures and Control Weaknesses

Response: This administration agrees that the former administration did not have adequate procedures in place and had weak controls in place which resulted in 34 units being cited as in material noncompliance.

Comment 1

Corrective Action: The HPHC has revised its Maintenance Procedures and is strengthening its internal controls.

Recommendations:

The HPHC agrees with the recommendations and is

- A. Formulating a plan to reimburse HUD for the 34 units in material noncompliance.
- B. Additionally, the new administration is developing adequate procedures with regard to future inspections to assure that deficiencies are documented and rectified.
- C. As repairs are completed, HPHC will certify the work as completed with work orders reviewed by and signed by both the tenant and management for occupied units.

Finding 2: The Commission Lacked an Effective Maintenance Program

The Commission Did Not Implement Its Preventive Maintenance Program

Response: This administration agrees that a Preventive Maintenance Program was not implemented.

Comment 2

Corrective Action: The HPHC is developing a Preventive Maintenance Program for approval by the Board of Commissioners.

The Commission Needed to Improve Its Work Order Process

Ref to OIG Evaluation

Auditee Comments

Comment 2

Response: The HPHC agrees that the agency needed to improve its Work Order Process.

Corrective Action:

The HPHC has revised its work order process as a result of this audit and has begun to not only create work orders immediately, but to track them as well. Monthly reports will be generated by the Maintenance Supervisor tracking all work orders through completion.

The Commissions Units Were Vacant for More than 30 Days

Response: The HPHC agrees that the agency had vacant units for more than 30 days.

Corrective Action:

The HPHC has made filling vacancies a top priority for the agency. The Board of Commissioners now require a monthly status report as to the number of vacancies, the number of units ready for occupancy and the number of turnovers, i.e., evictions, voluntary move-outs, deaths, etc.

Comment 3

The Commission Received Full Subsidies for Units That Were Vacant for More Than 12 Months

Response: The HPHC agrees that the agency received full subsidies for units that were vacant for more than 12 months.

Comment 4

Corrective Action: The HPHC has removed the improper subsidies from the count. The HPHC is currently formulating a plan to repay the monies that were improperly provided with non federal funds.

The Commission Lacked Adequate Procedures and Controls

Response: The HPHC agrees that the prior administration lacked adequate procedures and controls for its maintenance program.

Comment 2

Corrective Action: The new administration is in the process of implementing internal controls to assure an effective and efficient maintenance program is in place. This process will include a comprehensive preventive maintenance schedule for all of the program units as well as documented tracking of all outstanding work orders. Training will also be provided to the maintenance staff October 2008 to assure that they improve their skills in order to address the deficiencies.

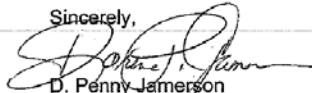
Recommendations:

The HPHC concurs with the recommendations and is

- A. Formulating a plan to reimburse HUD for the 7 long term vacant units.
- B. Submitting for Board approval its maintenance policy as well as a preventive maintenance program.
- C. Providing adequate training for maintenance staff to improve their skills in order to properly address the deficiencies noted.
- D. Implementing better procedures and controls with respect to the maintenance program.

We trust that the above response addresses the audit findings. We remain committed to correcting any and all deficiencies cited so that we may have better controls in place and will adhere to federal, state and county regulations. In the meantime, should you have questions or need additional information, I can be reached at (313) 868-4500.

Sincerely,



D. Penny Jamerson
Executive Director

CC: Patricia Hairston, HUD
Sylvia Pugh, President Board of Commissioners

Board of Commissioners

OIG's Evaluation of Auditee Comments

- Comment 1** The Commission's proposed actions should substantially improve its procedures and controls regarding its inspection process to ensure that all units meet HUD's standards, if fully implemented. The Commission will have further opportunity to provide supporting documentation to HUD's staff, who will work with the Commission, to address the recommendation.
- Comment 2** The Commission's proposed actions should greatly improve its procedures and controls regarding its maintenance program to ensure that work orders are completed in accordance with federal requirements, if fully implemented. The Commission will have further opportunity to provide supporting documentation to HUD's staff, who will work with the Commission, to address the recommendation.
- Comment 3** The Commission's proposed actions should greatly improve its procedures and controls regarding its program units being turned around in a timely manner, if fully implemented. The Commission will have further opportunity to provide supporting documentation to HUD's staff, who will work with the Commission, to address the recommendation.
- Comment 4** The Commission did not provide any documentation with its written comments to support its removal of the seven units that were vacant for more than 12 months from its subsidy calculations. The Commission will have further opportunity to provide supporting documentation to HUD's staff, who will work with the Commission, to address the recommendation.

Appendix C

FEDERAL REQUIREMENTS

Finding 1

HUD's regulations at 24 CFR 5.703 state that HUD housing must be decent, safe, sanitary, and in good repair. A public housing authority (authority) must maintain housing in a manner that meets HUD's standards to be considered decent, safe, sanitary, and in good repair. Section 5.703(g) states that the standards do not supersede or preempt state and local codes for building and maintenance with which HUD housing must comply. HUD housing must continue to follow the state and local codes.

HUD's regulations at 24 CFR 990.140 state that an authority is eligible to receive program-operating subsidies for program units for each unit month that the units are under a contract and occupied by a program-eligible family under lease.

Section 209 of the Commission's program annual contributions contract with HUD requires that the Commission at all times maintain each project in good repair, order, and condition.

Finding 2

HUD's regulations at 24 CFR 901.5 state that a maintenance plan is defined as a comprehensive annual plan of an authority's maintenance operation that contains the fiscal year's estimated schedule and is supported by a staffing plan, contract schedule, materials and procurement plan, training, and approved budget. The plan should establish a strategy for meeting the goals and timeframes of facilities management planning and execution, capital improvements, utilities, and energy conservation activities.

HUD's regulations at 24 CFR 901.5 state that a preventive maintenance program is a program under which certain maintenance procedures are systematically performed at regular intervals to prevent premature deterioration of buildings and systems. The program is developed and regularly updated by the authority and fully documents what work is to be performed and at what intervals. The program includes a system for tracking the performance of preventive maintenance work.

HUD's regulations at 24 CFR 901.5 state that a work order is a directive, containing one or more tasks issued to an authority employee or contractor to perform one or more tasks on authority property. This directive describes the location and the type of work to be performed, the date and time of receipt, the date and time issued to the person or entity performing the work, the date and time the work is satisfactorily completed, the parts used to complete the repairs and the cost of the parts, whether the damage was caused by the resident, and the charges to the resident for resident-caused damage. The work order is entered into a log which indicates at all times the status of all work orders as to type (emergency, nonemergency), when issued, and when completed.

HUD's regulations at 24 CFR 901.25(a) state that emergency work orders are to be completed within 24 hours or less and all emergency work orders should be tracked.

HUD's regulations at 24 CFR 990.109(b)(6)(iii)(B) state that if the recalculated vacancy percentage is greater than 3 percent or more than five vacant units, an authority will adjust its requested budget year occupancy percentage by excluding from its calculation of unit months available those unit months attributable to units that have been vacant for longer than 12 months that are not vacant units undergoing modernization or are not units vacant due to circumstances and actions beyond an authority's control. These are considered long-term vacant units. Section (b)(6)(iv)(A) states that long-term vacant units removed from the unit month available calculation are eligible to receive 20 percent of the authority's allowable expense level.