



Report 96-CH-201-1815

Assessment of Progress

**Chicago Housing Authority
Chicago, Illinois**

Submitted To:

**Greg Russ, Director,
Office of Troubled Agency Recovery**

Submitted By:

**Dale L. Chouteau
District Inspector General for Audit, Midwest**

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Executive Summary

We completed a review of the Chicago Housing Authority. The Secretary of HUD requested the review to assess the Authority's progress in eliminating its longstanding problems. In order to establish a foundation of the actions needed to correct the Authority's problems, we used HUD's Blueprint for recovery issued shortly after HUD's takeover of the Authority; the Authority's Long-Term Plan; and its most recent Memorandum of Agreement with HUD. Each of these documents laid out strategies and goals designed to increase the effectiveness of the Authority's operations so that it could be removed from HUD's troubled housing list.

HUD issued its Blueprint for recovery on June 11, 1995. The Housing Authority issued its Long-Term Plan on February 15, 1996, and prepared a draft Memorandum of Agreement dated June 21, 1996.

Our assessment shows that the Chicago Housing Authority is improving its operations on many different fronts. Many of the improvements made so far deal with the Housing Authority's operational infrastructure where the impact is not readily noticeable. Nonetheless, these improvements are necessary as a prelude to more visible changes. Although improvements are being made, the Chicago Housing Authority has much work to do before it will be operationally sound. Many of the Authority's actions have not been completed or involve continuing activities. The Authority needs to periodically assess its actions to assure its initiatives correct the problems they were designed to address. The Housing Authority needs to make sure the actions it has initiated or planned are adjusted when necessary, and carried through to completion. In addition, the Authority needs to be more diligent and aggressive in pursuing corrective actions in the areas of security, modernization, work orders, and preventive maintenance.

The Authority Is Making Improvements on Many Different Fronts

With some exceptions, the Chicago Housing Authority is on target in implementing corrective actions relating to: vacancy reduction and unit turnarounds, funding for maintenance and modernization activities, annual inspections, housing management functions, admissions and evictions, rent collections, procurement and contracting activities, accounting systems and controls, management information system, asset management, risk management, personnel management, resident program delivery systems, economic development opportunities for residents, alternative funding sources, and the Section 8 program.

The exceptions were caused by oversights or misunderstandings of the objective of a strategy or goal. We made recommendations to address the exceptions. The actions which the Authority is pursuing in the areas listed above, should, if completed as planned, significantly improve the Authority's operations.

The Authority Needs To Be More Diligent and Aggressive in Four Areas

Although the Authority has initiated actions to improve its security, modernization and housing redevelopment, work order, and preventive maintenance operations, it needs to make significant adjustments in each of the areas before it can have an effective and efficient system that will adequately serve the residents.

The Authority is pursuing security initiatives to improve the safety and living conditions of its residents. The initiatives being undertaken are those that have worked at other housing authorities and/or were recommended by a security consultant. However, the Authority has not established performance standards to periodically assess the results of the security initiatives it is undertaking. Consequently, although money is being spent on security, and security measures are being implemented, the Authority does not have a means to readily determine whether the expenditures and actions are effective.

The Authority has also initiated modernization and redevelopment initiatives based on the HUD Blueprint, its Long-Term Plan, and the Memorandum of Agreement. However, the Authority has not completed a comprehensive physical needs assessment of each development and does not have a comprehensive plan for the overall redevelopment of its properties. The Authority currently expects to have a plan completed after the year 2000. We believe this time frame is too far in the future. To ensure the effective and efficient use of limited modernization and redevelopment resources, a comprehensive plan needs to be developed as soon as possible.

The Authority implemented a new work order system on April 1, 1996. For the first time in many years, the Authority has a reliable system to track its work orders. And, the news is not good. The new work order system shows that the number of backlogged work orders is steadily increasing at a rate of over 10,000 a month. It appears that the Authority may not have sufficient staff to address the work orders being received, much less eliminate the backlog. The Authority did not have a plan to address the work order problem. Instead, staff were hoping the problem would go away as modernization and redevelopment activities progressed. We are not as

optimistic. The Authority needs to conduct a capability assessment of its maintenance staff to assess the quantity of work its staff can accomplish and determine whether its maintenance staff level is sufficient to complete the daily work orders and address the backlog. Using the results of the assessment, the Authority needs to develop a plan of action to address the increasing number of work orders.

Finally, the Authority has not implemented a comprehensive preventive maintenance program. The Memorandum of Agreement required this to be done by June 30, 1996. Additionally, a preventive maintenance needs assessment for each development and a funding plan were not developed. The Authority's primary concern was on regular maintenance activities. However, an effective preventive maintenance program needs to be established to detect and correct problems earlier, reduce the complexity of repairs, and ease the staff's workload. An effective program should also free resources for regular maintenance activities.

We gave the draft observations included in this report to the Authority's Deputy Executive Directors and the Chief of Police during the review. We held an exit conference with the Authority's Executive Director and his Deputies on September 11, 1996. The Authority provided written responses for each observation. The comments are included with each observation.

The recommendations in this report will not be formally controlled in HUD's Audits Management System. Appendix A contains a listing of all the recommendations included in the report. We will follow up on the recommendations at a later date after the Authority has had an opportunity to further improve its operations.

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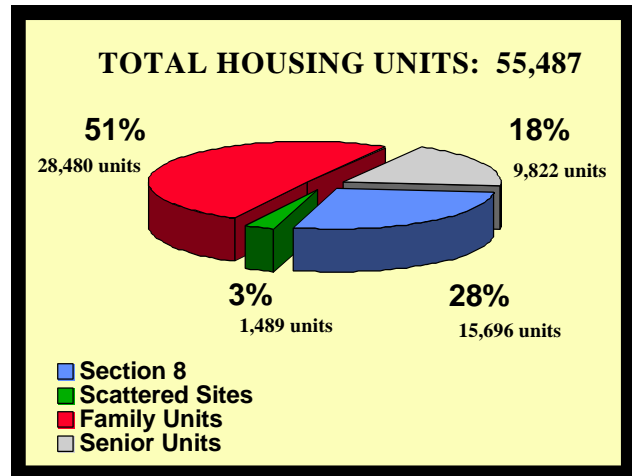
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Introduction

The Chicago Housing Authority was organized in 1937 under the housing laws of the State of Illinois. The Authority was established to develop, acquire, lease, operate and administer low rent housing programs. A turbulent internal administrative shakeup, that resulted in the resignation of the Authority's Board of Commissioners, the Executive Director and other key management staff, left the Authority without a governing board or administrative leadership. As a result, on May 30, 1995, control of the Authority fell to HUD. While it has control of the Authority, HUD has designated Edwin Eisendrath to serve as the Chairman of a five member Executive Advisory Committee. The Executive Advisory Committee serves the function of a Board of Directors. However, the Chairman has total autonomy for all decisions. The other four Committee members serve only in an advisory role. Mr. Eisendrath is also HUD's Illinois State Office Secretary's Representative. The Authority's Executive Director is Joseph Shuldiner.

The Chicago Housing Authority is the third largest public housing authority in the Nation. It administers over 55,400 public housing units located across the City of Chicago. The Authority has 42 family residential properties and 45 senior residential properties that are Federally funded or funded under the City-State Program. The City-State Program is a Section 8 Substantial Rehabilitation Program funded by the City and the State. Under the program, the Authority serves as landlord to provide housing to qualified applicants. Approximately 1,489 of the Authority's units are scattered site houses located throughout the city. All of the Authority's 87 properties are Authority, private, or resident managed. The Authority has over 15,000 units contracted under the Section 8 Certificate and Voucher Programs. In December 1995, the Authority contracted with Quadel Consulting Corporation, a private firm, to operate and administer its Section 8 Program. The Authority has a total population of over 125,000 tenants. The population faces a multitude of social, economic and racial problems common to many of the Nation's inner city communities. Relative to other public housing authorities and public agencies, the Chicago Housing Authority is one of the most difficult and challenging agencies to operate because it has many severely distressed developments and an extended scale of operations.

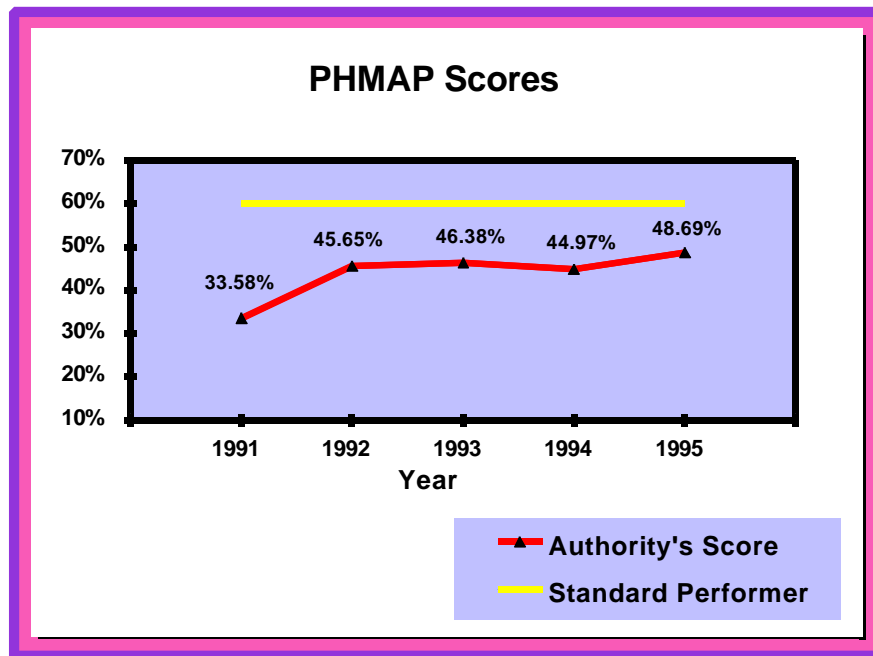


The Housing Authority received over \$318 million in HUD operating subsidies over the last two years. HUD also approved the Authority for the following additional funding:

	1993	1994	1995
<i>Comprehensive Grant</i>	\$135,432,295	\$155,716,676	\$145,090,576
<i>HOPE IV</i>		50,000,000	
<i>Modernization and Lead Based Paint</i>	348,975	567,765	
<i>Vacancy Reduction Program</i>		30,030,000	
<i>Drug Elimination</i>	5,950,650	9,920,000	10,008,250
<i>Grant Program</i>	8,799,765	6,604,174	10,830,011

Since 1992, HUD has given the Authority over \$701 million for the above programs.

HUD and the Chicago Housing Authority's management have known about problems at the Authority for many years. However, until HUD took control, a concerted effort to make significant improvements was not evident. Historically, the Chicago Housing Authority has been extremely resistant to take corrective actions sought by HUD. The Authority has been subjected to ineffective management and out-of-control bureaucratic systems, as well as political interference by City officials. The Authority has been classified by HUD as a troubled agency since HUD began using the troubled public housing authority designation in 1979. As shown in the following chart, the Authority has consistently scored under 60 percent, the score required to be classified as a standard performer under the Public Housing Management Assessment Program:



To address the Authority's problems, the Deputy Assistant Secretary for Distressed and Troubled Housing Recovery sent a Blueprint to the Secretary on June 11, 1995; the Authority developed a Long-Term Strategic Plan dated February 15, 1996; and HUD and the Authority drafted a Memorandum of Agreement dated June 21, 1996.

The Blueprint identified HUD's goals as: (1) bringing meaningful, positive changes to the Authority's residents, and (2) strengthening the Authority in order to provide a safe, decent and livable environment for its residents. As a result, the Authority has been operationally restructured and its top managerial positions have been replaced. The Authority has a new Executive Director, Deputy Executive Director of Operations, Deputy Executive Director of Finance and Administration, and Deputy Executive Director of Community Relations and Involvement. In addition, the following areas were targeted for improvement: security; maintenance; redevelopment; resident programs; the Authority's administration; asset management; and building community commitment.

With the change in the Authority's top management completed, the Authority developed a Long-Term Strategic Plan to effectively translate the HUD Blueprint into a functional mission-oriented improvement Plan. The Plan's mission is to ensure the provision of affordable housing opportunities in viable communities for lower-income households. The Long-Term Plan's goals are to: (1) operate a well-managed and effective organization; (2) provide good housing management; (3) change the face of public housing; (4) ensure safe living conditions; (5) broaden educational, economic and recreational opportunities for the residents and their communities; and (5) build positive public awareness and engage overlapping governments.

The Memorandum of Agreement established performance goals for the development of

management systems and programs for treating the severely distressed developments. It also targeted the following areas for improvement: vacancies; rent collection; unit turnaround; annual inspection and repair to units and building systems; and collection of tenant accounts receivable.

Review Objective

The objective of our review was to assess the Chicago Housing Authority's progress in eliminating its longstanding problems reported in past reports and reviews.

Scope and Methodology

Our review assessed the actions taken by the Authority between June 1, 1995, and May 30, 1996. The period was extended as necessary. We conducted on-site work from May through August 1996. We interviewed HUD personnel working with the Authority, consultants hired by the Authority, contractors, and the Authority's own personnel to determine the Authority's procedures and assess actions taken or scheduled. We tested the accuracy and/or the effectiveness of: work order system procedures and status reports; vacancy unit/turnaround tracking procedures and reports; inspection procedures; admission procedures; emergency purchase procedures; contracting procedures; Section 8 quality control reviews; Section 8 recertification reports; workmen compensation reports; information security policy; monitoring procedures for private management contracts; monitoring procedures for the deferred compensation program; and procedures to track employee training. To assess the progress and quality of the Authority's actions to address its agreements with HUD and problems identified in past reports and reviews, we reviewed:

- The June 11, 1995 HUD Blueprint
- The Authority's February 15, 1996 Long-Term

Strategic Plan

- The March 6, 1996 and June 21, 1996 draft

Memoranda of Agreement

- HUD monitoring reports
- Independent Public Accountants reports
- Consultant studies
- Public Housing Management Assessment Program

records

- HUD Office of Inspector General reports
- The Authority's Office of Inspector General reports
- CHAC's Section 8 reports

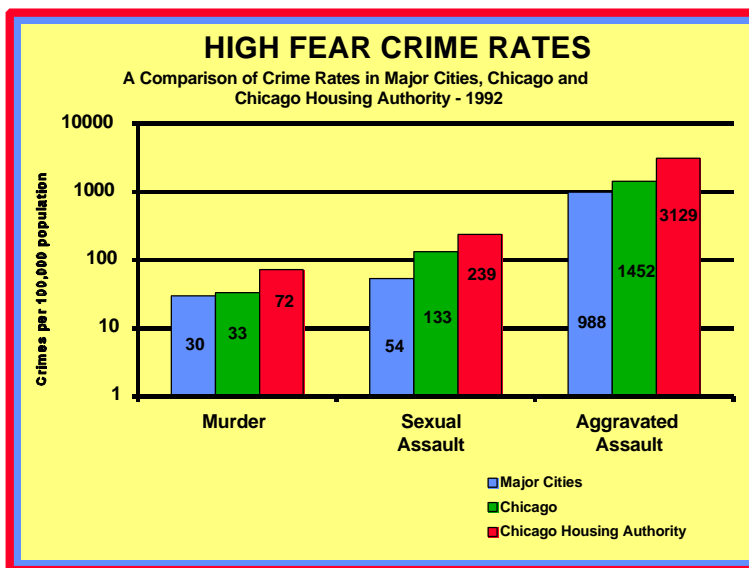
- The Authority's Memorandum of Agreement progress reports
- The Authority's Fiscal Year 1996 Comprehensive Budget
- The Authority's personnel records
- The Authority's job descriptions, employee qualifications, training records and schedules, and training expenditures
- The Authority's contracting and purchasing procedures, bid and contract award documents and requisition status reports
- The Authority's inspection records and work orders
- The Authority's policies and procedures for accounting systems, vacancy reduction, rent collection, tenant screening, evictions, security, management information system, work-orders, and Section 8
- The Authority's organization chart
- The Authority's marketing and communication initiatives
- The Authority's management information system software modules
- The Authority's demolition plans, unit rehabilitation and project modernization plans and schedules
- The Authority's vendor payment status reports and accounts receivable reports

We provided a copy of this report to the Executive Director of the Chicago Housing Authority.

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Security

On December 30, 1994, Carroll Buracker and Associates issued a report on its public safety analysis of the Chicago Housing Authority's Police Department. The assessment showed that violent and drug related crimes concerned the Authority's residents the most. The following analysis of crime data shows that murder, aggravated sexual assault, and aggravated assault are higher on the Authority's property than in Chicago or other major cities.



In 1992, homicides, criminal sexual assaults and aggravated assaults occurred on the Authority's properties at rates two to three times that on non-Authority properties. Although the situation has improved, in 1995 the Authority's residents were still twice as likely to face one of these crimes than other people in Chicago.

HUD's Blueprint, the Authority's Memorandum of Agreement with HUD and its Long-Term Plan contain goals to maximize service and increase safety on the Authority's properties and to significantly reduce annual security costs. The Memorandum of Agreement and Long-Term Plan incorporate the recommendations in the Buracker Report.

Observations

Measuring security initiatives. The Chicago Housing Authority's Police Department did not have an adequate system to evaluate the success of the security initiatives that have and will be implemented. In response to a recommendation in the Buracker report, the Authority established a Research and Development Unit to compile and analyze crime statistics for the Authority's developments. The Unit also monitors the Authority's

progress in meeting HUD's Blueprint, its Memorandum of Agreement, and Long-Term Plan goals and strategies, and the Buracker Report recommendations. Although the Authority was monitoring the implementation of its security initiatives, it did not identify the performance standards expected to result from each initiative. Therefore, there was no reliable or reasonable way to assess the effectiveness of each individual initiative regarding the reduction and prevention of crime.

Before implementing a security initiative, the Authority needs to identify its objective and establish realistic criteria that can be used to measure the achievement of the objective. The Authority also needs to establish target dates to evaluate the initiative so that it can assess progress and pursue those initiatives that have the greatest impact on reducing crime and maintaining a safe living environment. Realistic measurement criteria would also provide the Authority's management with a sound basis on which to make decisions to reduce security costs.

We recommend HUD assures the Authority develop procedures and controls to establish and evaluate performance measures for each security initiative undertaken. Performance measures should be established for each initiative outlined in the Blueprint, Memorandum of Agreement, Long-Term Plan, and the Buracker Report.

Although the Authority does not currently have a sound basis to measure the effectiveness of its initiatives, the strategies resulting from the Blueprint, Memorandum of Agreement and Long-Term plan stem from actions that have worked at other locations and/or were recommended by an expert security consultant. As a result, most of the initiatives should help to improve security, although the extent of the improvement and which initiatives are most effective cannot be determined. HUD's Blueprint, the Memorandum of Agreement, and the Long-Term Plan initiatives can be divided into the following thirteen areas: tenant patrols; community policing; contract security; employee hires; resident hires; networking with other law enforcement agencies; crime statistics; tactical teams;

specialized units; internal communication; the reduction of security costs; house rules; and site-based security.

We reviewed these 13 areas to assess if the Authority was initiating actions to improve security in accordance with HUD's Blueprint, its Memorandum of Agreement and Long-Term plan. The Authority had initiated actions and was on target to meet its goals in 10 of the 13 areas. In two of the areas the Authority needs to initiate actions if it is to meet its target dates and in one area HUD needs to take action to provide the Authority a firm goal.

Security initiatives. Following are some examples of the strategies the Authority has initiated and is on schedule to meet its target dates:

Tenant patrols. The mission of the Tenant Patrol is to enhance the quality of life in the Chicago Housing Authority community by assisting in crime reduction and building maintenance efforts. The Chicago Housing Authority Tenant Patrol is a group of concerned residents. Tenant Patrol personnel are trained and are governed by a Code of Conduct. They patrol, observe and report crime, and/or physical conditions that are hazardous to the safety and well being of the community.

The first Tenant Patrol was established in 1989 at a building in the Cabrini Green Development located at 1230 North Burling. As of August 26, 1996, the Authority has established 32 Tenant Patrols at 14 of the Authority's 42 family developments and 36 Tenant Patrols at 32 of its 45 senior developments. However, not all buildings in these developments had tenant patrols. For example, the Cabrini Green Development has 27 buildings; however, there are only six buildings with tenant patrols. There are 549 residents participating in Tenant Patrols. During the next quarter, the Authority plans to initiate patrols at Altgeld Gardens, Leclaire Courts, Madden Park Homes, Odgen Courts, and Robert Taylor A-1 and A-2.

Community policing. The Chicago Housing Authority Police Department is currently in the process of moving from a traditional vehicular patrol/response oriented police force to a community oriented policing force. The

Authority has decided to reduce its heavy reliance on the deployment of contract security guards in the lobbies of buildings.

Contract guard security will be replaced by community policing teams in the Authority's developments. The objective of the community oriented policing strategy is to assign a team of police officers and Authority security guards who are trained in community policing concepts to a development. The police and guards will interact with residents to gain their confidence and assistance in identifying perpetrators of crime. Security personnel will no longer limit themselves to controlling the lobbies of the buildings.

The Community Policing Teams work in conjunction with the development's Tenant Patrol. The Authority has implemented community policing at eight family developments. The first Community Policing Team was established in 1992 at the Ida B. Wells Development.

Between January 1996 and May 1996, the Authority initiated the community oriented policing strategy at Altgeld Gardens, ABLA Homes, Cabrini Green, Dearborn Homes, Henry Horner Homes, Ickes, and Robert Taylor Homes. In September 1996, the Authority plans to initiate community policing at the Hilliard Development.

The Community Oriented Policing Strategy in the Long - Term Plan includes initiatives for the construction of "mini-stations". The "mini-stations" have a space for the temporary detention of offenders and a safe for evidence recovery. A "mini-station" was opened in the Ida B. Wells Development in 1993. In January 1996, "mini-stations" were opened in the Cabrini Green and ABLA Home s Developments. The next development scheduled for the construction of a "mini-station" is Rockwell Gardens.

Contract security. To reduce security costs the Authority has started to phase-out contract security guard service throughout the developments. Between June 1995 and July 1996, the Authority has reduced the contract staff by approximately 50 percent from 900 guards to approximately 450 guards. Plans are being developed for

the removal of the remaining contract service guards at all family developments. The Authority's Chief of Police said the reduction of the contract security force will be completed by August 1997.

Site-based security plans. The Authority has not initiated the Memorandum of Agreement and Long-Term Plan strategies for the development of site-based security plans. The development of site-based security plans was originally a recommendation in the Buracker report. The Memorandum of Agreement's target completion date for the development of all site-based security plans and performance measures is December 31, 1997. However, the Authority established a target completion date, in its Long-Term Plan, of December 31, 1996 for the development of site-based security plans at the Cabrini Green, Ida B. Wells, Altgeld Gardens, and ABLA Home developments. The security plans entail a detailed analysis of: crime patterns for each development; what patrols are needed to combat the crime specific to the development; equipment needs; and physical improvements needed to enhance security measures. Therefore, unless the Authority immediately begins to develop the plans, it will not meet its December 31, 1996 target.

The Authority's Police Department has an Authority-wide deployment plan based upon crime patterns and has initiated the Community Oriented Policing Strategy at certain family developments. However, it is imperative for the Authority to develop a formalized site-based security plan for each of its developments in order to prioritize initiatives and provide the most effective security at the lowest cost.

We recommend HUD assures the Authority immediately starts to develop site-based security plans for the Cabrini Green, Ida B. Wells, Altgeld Gardens and ABLA Homes developments.

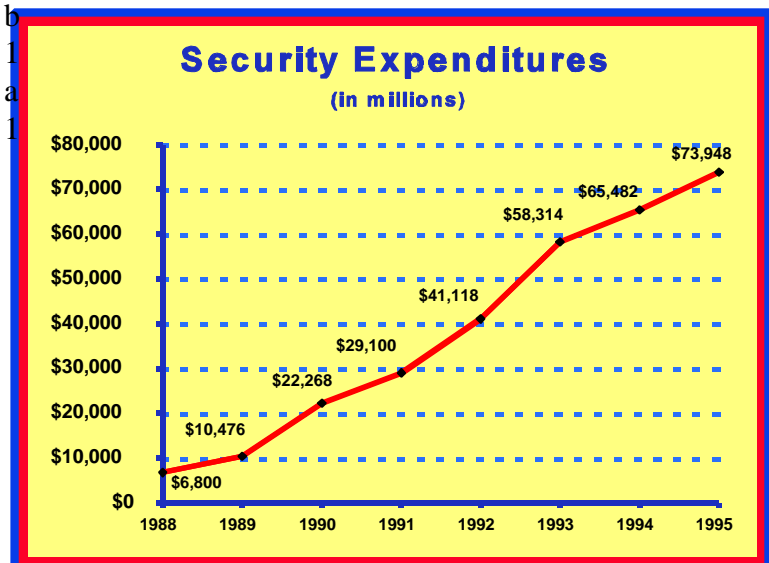
We also recommend HUD monitors the Authority to ensure it develops all site-based security plans by December 31, 1997.

House rules. The Authority has not initiated the Memorandum of Agreement and Long-Term Plan strategies to develop house rules. The Memorandum of Agreement and Long-Term Plan's target completion dates for the development of house rules is December 31, 1996.

House rules establish a code of conduct for residents and guests to follow. The rules are an extension of the lease, and provide tenant patrols and Authority police a means to regulate tenants' behavior before it could get out of control. Violators are subject to fines and in extreme cases can be evicted. As of August 8, 1996, when we initially inquired about this goal, the responsible personnel for development and implementation were not aware of what the initiative entailed or when action would be taken.

We recommend HUD assures the Authority develop house rules by December 31, 1996 and immediately begins to enforce the rules.

Security costs. The Chicago Housing Authority's security costs increased from \$6.8 million in 1988 to an actual expenditure of over \$70 million in 1995. The 1995 security expenditures supported: approximately 450 contract security guards, 300 Authority security guards and 460 sworn Authority police officers; security and police officer training; and physical and technical security equipment. The following graph details the Authority's security



Because escalating security costs have largely been paid from Comprehensive Grant funds, the Authority has had less funds to properly maintain and improve its developments. As a result, HUD has required security costs to be reduced; however, since the Memorandum of Agreement that contains the reduction goal has not been signed the Authority does not know the amount of funds it must reduce. The latest draft Memorandum of Agreement dated June 21, 1996 states that the Chicago Housing Authority will cut its security costs by 10 percent per year for 1997 and 1998. This would amount to approximately a \$12 million total reduction for the two years. On August 2, 1996, the Acting Assistant Secretary for the Office of Public and Indian Housing mandated that the Illinois State Office assure that the cost savings total \$25 million over the two year period.

Since the final Memorandum of Agreement could change the \$25 million amount, the Authority does not have a clear goal to work towards. The Authority initially determined its security costs could be decreased through reductions in contract guards and administration, Authority security guards and administration, and Authority police administration. These tentative reductions for the two year period totalled approximately \$12.1 million, the goal in the June 21, 1996 draft Memorandum. However, in order for the Authority to effectively address overall security cost reductions it needs to have a firm target.

We recommend HUD completes the Memorandum of Agreement and provides the Authority with a firm funding target so the Authority can make decisions regarding the most effective way to cut costs while maintaining the highest level of security possible.

We recommend HUD allows the Authority sufficient time to evaluate its security initiatives in accordance with our first recommendation before requiring adherence to a cost reduction plan.

Management's Comments

The Chicago Housing Authority's Chief of Police provided the following comments:

Measuring Security Initiatives

Agree. The Chicago Housing Authority Police Department has established a methodology to evaluate the effectiveness of each security initiative. However, two of the thirteen initiatives (Tenant Patrol and House Rules) are resident/management driven rather than security driven. The Police Department is presently assisting resident organizations and management in both areas.

Tenant Patrols

We agree.

Community Policing

The Chicago Housing Authority Police Department is revising its Community Oriented Policing strategy based upon expected budget cuts. Authority security guards will be deployed as a support component in the revised strategy.

Contract Security

Contracted guards have been reduced throughout the Authority. Resident based security employment contracts will delay the total removal of contract guards from family high rise housing until January 1, 1998. Gradual reductions will occur throughout Fiscal Year 1997.

Site-Based Security Plans

We agree. Site-based security plans for ABLA, Cabrin i Green, Wells and Altgeld are presently in draft form , pending the firm "target" from HUD which may require changes in the plans. Purchasing and Contr acts is preparing a Request for Proposal for a technical assistance provide r (security consultant) to complete physical assessments for site-based security plans.

House Rules

We agree. The resident and various managemen t organizations should develop House Rules. The Polic e Department is currently assisting in establishing an d facilitating committee s throughout the Authority to address this issue.

Evaluation of Comments

We believe the Authority's Chief of Police did not full y understand the intention of our first recommendation t o measure security initiatives. At the time we completed our review (August 16, 1996), the Authority did not have a methodology to evaluate the effectiveness of each of it s many security initiatives. We div ided the initiatives into 13 general areas; however, many more than 13 initiatives have been undertaken. We believe the Authority needs t o develop procedures and controls to establish and evaluat e performance measures for each specific security initiativ e undertaken.

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Modernization/Redevelopment of Housing

Previous consultant and independent public accountant reports found problems pertaining to the modernization/redevelopment of the Chicago Housing Authority's housing. The Authority did not have a comprehensive and coordinated strategy to address its problems.

HUD's Blueprint dated June 11, 1995, contained a goal that required the Authority to demolish obsolete high-rise buildings and replace them with less dense, smaller buildings at the Henry Horner, Cabrini Green, Lakefront and Washington Park developments. In addition, the Authority's Long-Term Plan, dated February 15, 1996, contained a goal to create smaller scale, less dense housing that is indistinguishable from the broader community. Finally, the draft Memorandum of Agreement dated July 21, 1996 between the Authority and HUD contained three goals to: determine the condition of the housing stock; develop plans that incorporate development strategies into neighborhood revitalization plans; and develop a marketing plan to support full occupancy in viable buildings and developments.

Observations

Comprehensive Plan. Although the Authority plans to redevelop its Cabrini Green, Henry Horner, Lakefront, Washington Park and Clarence Darrow developments; it does not have a comprehensive plan for the overall redevelopment of the five developments or any of its other developments. Instead, it has developed plans to address only certain buildings and systems at each site, not the entire sites.

Upon completion of its Long-Term Plan the Authority will have developed a comprehensive physical need assessment/development activity plan. However, this plan will not be available until after the year 2000. Waiting until 2000 to develop a comprehensive development activity plan is too long since the plan should be the basis for a systematic method to efficiently use resources for the maximum benefit of residents.

In accordance with the Memorandum of Agreement, the Authority is planning to complete a viability study with a 20-year cash needs assessment and a marketing study. The 20-year cash needs assessment is scheduled to be completed September 30, 1996 and the marketing study December 31, 1996. After the Authority completes the viability study and marketing plan, it needs to use the results to immediately develop a comprehensive plan that will ensure that the stable developments are maintained in good repair while the

Authority addresses deteriorated conditions at the other developments.

A comprehensive plan should identify what developments and buildings are viable and what is needed to maintain their long-term viability. In addition, it should provide a consistent approach to ensure that money is spent to achieve the greatest return to the Authority. A consultant report dated October 28, 1994 stated that a comprehensive and coordinated strategy for addressing the needs of the public housing program is absolutely necessary if the problems faced by the Authority and the residents it serves are to be addressed.

The study stated that due to the extremely high cost of comprehensive modernization, the Authority chose a piecemeal approach, attacking the most acute problems first. The Authority's decision to use disproportionate amounts of modernization money on one or more severely distressed developments forced a lower priority for routine modernization at other developments. The end result being the deferral of repairs that, over the long run, will result in higher capital improvements and operating costs.

To ensure that the developments achieve long-term viability, the Authority also needs to ensure that the comprehensive plan incorporates the results of the marketing study scheduled to be completed as part of the Memorandum of Agreement. For example, the Authority is currently rehabilitating three buildings at its Henry Horner annex. The rehabilitation plans require that the parking lots be repaired. However, the plans do not require that there be a parking space for each unit. The Authority's long-term objective is to market its units to higher income individuals to obtain a mixed income population. Limited parking could be an impediment to this objective.

We recommend that HUD requires the Authority to develop a comprehensive modernization/redevelopment plan for all of its developments once the viability assessment and marketing plan have been completed. The plan should consider and incorporate the results of the marketing study and viability assessment. Specifically, the plan should identify developments by

categories such as stable, high-needs and non-viable developments. In addition, the plan should identify all planned demolition and rehabilitation by building with the costs necessary to make the repairs.

Blueprint. HUD's Blueprint for the Authority established a redevelopment goal to demolish obsolete high-rise buildings and replace them with less dense, smaller buildings. Specifically, the goal required the Authority to: demolish five buildings, relocate day care operations and begin construction of replacement housing at Henry Horner; demolish three buildings, complete relocation of residents and begin construction of replacement housing at Cabrini Green; demolish five buildings and begin construction of replacement housing at Lakefront; and work with City officials to identify land for scattered site housing and begin to construct replacement housing at Washington Park.

Although, the Authority has not completed its Blueprint goal, it has made significant progress. At Henry Horner, the Authority demolished three buildings and HUD has approved the demolition of two more buildings. The additional two buildings will be demolished upon court approval. In addition, three buildings consisting of 98 units are being rehabilitated and the Authority has started the construction of the planned 466 on-site replacement housing units. The first 20 units will be completed by December 1, 1996 and all 466 units are scheduled to be completed by the fall of 1998.

At Cabrini Green, two buildings have been demolished and HUD has approved the demolition of a third in August 1996. The Authority has negotiated with the City to redevelop the entire Cabrini Green neighborhood. The initial plans include the demolition of eight buildings with private developers constructing 1,400 new residential units and the Authority constructing 600 to 650 public housing units.

Redevelopment of the Lakefront and Washington Park developments was delayed because of a lawsuit filed by neighborhood residents. The Lakefront and Washington Park developments are in close proximity to each other and

neighborhood residents sued to prevent the development of 241 family public housing units.

On June 3, 1996, the Authority obtained court permission to build the replacement housing for Lakefront and Washington Park. The Habitat Company, the corporation retained to manage and develop scattered site housing, was appointed to obtain properties for the construction of the scattered site replacement housing. The court decision stated that no more than 150 of the 241 replacement units could be built on the Lakefront and Washington Park properties.

The Authority has demolished all the units (187) planned to be razed at Washington Park and has entered into a revised agreement with former Lakefront tenants to demolish four high-rise buildings at Lakefront. However, the Authority must now develop specifications and a Request for Proposal before the demolition of the buildings can occur. Based on the agreement, the Authority can not demolish additional Lakefront buildings until it enters into binding funding agreements with HUD to build replacement housing. The replacement housing has to be first offered to the displaced residents of Lakefront.

Long-Term Plan. The Long-Term Plan contains five strategies related to redevelopment. Although the Blueprint contains goals for five developments, those for Washington Park were not incorporated in the Long-Term Plan. The Deputy Executive Director of Operations said he did not know why Washington Park was omitted from the Long-Term Plan. However, as previously stated, there is no comprehensive plan to address all developments. The Long-Term Plan is not satisfactory in itself, since the timing of the comprehensive plan is too far in the future. The Long-Term Plan strategies are to: establish and implement plans for redevelopment at Cabrini Green, Henry Horner, Lakefront and Clarence Darrow; and develop plans that blend with neighborhood strategies to replace obsolete high-rises and other non-viable buildings at other developments. The Long-Term Plan strategies have targeted milestones with completion dates after December 31, 1996. Several of the milestones have scheduled completion dates through the year 2000.

We recommend that HUD assures the Authority develops controls to ensure all plans, including the comprehensive plan to be developed, are consistent.

The Authority has initiated actions on the target milestones scheduled to begin in 1996. Specifically, it has: proceeded with demolition and relocation of tenants at Cabrini Green and announced plans to, with the assistance of the City and private developers, develop an entire neighborhood; performed demolition and is in the process of rehabilitation and new construction at Henry Horner; obtained tenant approval for demolition and court approval for construction of new units at Lakefront; and started demolition at Clarence Darrow. However, the Authority has not developed overall redevelopment plans for the Cabrini Green, Henry Horner, Lakefront and Clarence Darrow developments.

The strategy to develop plans that blend with neighborhood strategies to replace obsolete high-rises and other non-viable buildings at other developments is largely future oriented. Six of the seven milestones are not scheduled to be completed until after 2000. The seventh milestone, to conduct comprehensive community revitalization plans, is ongoing and should be completed by the target date of March 31, 1997.

Memorandum of Agreement. The Memorandum of Agreement has three goals that have future completion dates as follows: March 31, 1997 to determine the condition of the housing stock; March 31, 1997 to develop plans that incorporate development strategies into neighborhood revitalization plans; and December 31, 1996 to develop a marketing plan to support full occupancy in viable buildings and developments. The Authority has sufficient time to meet its March 31, 1997 target dates for the first two goals, however; the Authority will not meet its goal to develop a marketing plan to support full occupancy in viable buildings and developments by the December 31, 1996 target date.

The goal to develop a marketing plan consists of three strategies: (1) complete a marketing study; (2) incorporate

the study into a capital needs assessment; and (3) determine which viable developments are marketable, and to whom.

Since the marketing plan is to support full occupancy in viable buildings, it is necessary for the Authority to determine which units are viable before a marketing plan is developed. As part of the Memorandum of Agreement goal to determine the condition of the housing stock, the Authority has a strategy to perform a viability assessment with a 20-year cash needs forecast. The strategy has a September 30, 1996 target date.

As of August 16, 1996, the Authority was in the process of contracting for a viability assessment and needs assessment. The Authority intends to use a consultant already under contract to complete the study and assessment. The Authority requested that the consultant respond to a scope of services by August 16, 1996.

Until the response is received and evaluated it is not known how long the assessment will take. The Authority estimates the study will take six weeks. Therefore, the Authority will not have a completed viability assessment by the September 30, 1996 target date and will not be able to develop a marketing plan by December 31, 1996. The Deputy Executive Director of Operations said the viability assessment should be completed no later than December 31, 1996 and the goal to develop a marketing plan will be completed by March 31, 1997. The Director said these short suspense dates are obtainable since the needs assessment will be prepared by the contractor who prepared the previous assessment and is familiar with the requirements.

We recommend that HUD continues to closely watch the Authority's progress in implementing its modernization and redevelopment efforts. HUD should provide technical assistance to ensure the modernization and redevelopment goals are fully implemented.

We recommend that HUD assures the Authority meets the Deputy Executive Director's revised target dates to perform a viability assessment with a 20-year cash

needs forecast by December 31, 1996 and develop a marketing plan by March 31, 1997.

Management's Comments

The Authority's Deputy Executive Director of Operations said, "We concur with the draft observations and the associated recommendations. Accordingly, the Chicago Housing Authority will incorporate the offered recommendations in our overall planning process."

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Work Order System

Previous consultant, HUD and Chicago Housing Authority Office of Inspector General reports found problems pertaining to the Chicago Housing Authority's maintenance work order procedures and performance standards.

HUD's Blueprint dated June 11, 1995, required the Authority to standardize and centralize its work order system. In addition, the Authority's draft Memorandum of Agreement dated June 21, 1996 contains three goals to: develop and implement a work order control and scheduling system that will automate preventive and routine maintenance, expedite abatement of emergency work orders and enhance the Authority's unit turnaround capacity; abate all emergency work orders within 24 hours; and complete all non-emergency work orders in an average of 30 to 35 days.

Observations

Memorandum of Agreement and Blueprint. The Memorandum of Agreement contains twelve, short-term strategies to meet its goals. Of the twelve strategies, the Authority has completed the following six:

- Develop policies and procedures for the work order system.
- Train staff on entry and close-out procedures for emergency and non-emergency work orders.
- Determine whether work orders will be taken at a central location or at all developments.
- Train housing and maintenance staff on the computer system.
- Train, monitor and evaluate site manager performance.
- Assess methods of receiving work orders and the accuracy of work order close-out.

In addition, the Authority has progressed toward the completion of three other strategies that have future target dates:

- Implement the work order system module at a site-based level and integrate with central office work order functions.
- Train staff on work methods and procedures.
- Monitor and evaluate the weekly performance and productivity of maintenance staff.

Although the Authority has completed six strategies and has three strategies in progress, additional work is needed to

achieve its long-term goals. For example, the Authority did not fully implement the remaining three Memorandum of Agreement strategies that had completion dates of June 30, 1996. The three strategies were:

- Review and revise emergency work order definitions, policies and procedures.
- Review, revise and distribute work order definitions, policies and procedures.
- Train maintenance superintendents and supervisors to schedule and prioritize work orders.

Written policies and procedures. The Authority developed policies and procedures for its work order system. However, the policies and procedures for emergency work orders were not sufficient to operate an effective work order system and were not distributed to the appropriate personnel.

The policies and procedures did not contain instructions to ensure that emergency conditions cited during Housing Quality Standards inspections were identified and addressed within 24 hours. It is important to have procedures that address all emergency conditions so that emergency work orders can be abated within a 24-hour time frame.

We contacted three maintenance superintendents to review their copies of the work order procedures. Each of the three superintendents said he did not have any written procedures regarding the new work order system. Because the policies and procedures had not been distributed, some employees did not follow the work order procedures. To close a work order out of the system, the procedures require that the signatures of the resident and maintenance superintendent appear on each work order. Out of a sample of 10 closed work orders, one was missing the supervisor's signature and another was missing the tenant's signature or an explanation of why the signature was not obtained. Although it is not always feasible to obtain the resident's signature, the procedures stipulate that an explanation is required in lieu of the signature.

The Authority was in the process of revising its maintenance manual to include policies and procedures for

the new work order system. The Authority plans to have the policies and procedures completed by August 31, 1996. Written policies and procedures, properly distributed to applicable personnel, are especially important with a new system to ensure consistency and adequate control.

We recommend HUD assures the Authority reviews its work order policies and procedures, develops procedures to operate the system effectively, and includes the new procedures in its maintenance manual.

We recommend HUD assures the Authority promptly distributes the revised maintenance manual to all applicable personnel.

Maintenance superintendent and supervisor training

In January 1996, the Authority established a class in work order management. However, only three of over 50 maintenance superintendents and supervisors have attended the training. The rest of the superintendents and supervisors are scheduled to be trained between July and December 1996. In consideration of the many changes with the new system, it is important that all superintendents and supervisors be expeditiously trained on the new procedures. Training should enhance customer service and consistency in work order procedures.

We recommend HUD assures the Authority trains all its maintenance superintendents and supervisors on work order procedures by December 31, 1996.

New computerized work order system. The Authority began using a new computerized work order system on April 1, 1996. Prior to the implementation of the new system, the Authority did not have a reliable way to track outstanding work orders. The new system when fully implemented will provide greater accountability and control over work orders. However, the following problem needs to be corrected.

The number of outstanding work orders has steadily increased since the new system was implemented on April 1, 1996. At the end of April there were 15,075 backlogged

work orders, 33,607 at the end of May, and 49,441 at the end of June.

Work orders are created by technicians at the Customer Service Center. Five times daily, technicians cue the work orders to print at the on-site printer of the appropriate development. However, the work orders were not always received at the developments. Work orders did not always print, printed at the wrong developments, and on-site printers jammed because they could not handle large numbers of work orders. When the printers jammed, work orders got lost in the system and did not reprint. The erroneous distribution of work orders resulted in delays in getting them to the correct locations. The printer problems contributed to the untimely completion of work orders and an increased backlog. The following table summarizes the open work orders by priority code, and shows the number of work orders and average days outstanding.

AGED OUTSTANDING WORK ORDERS FOR ALL DEVELOPMENTS AT 6-30-96		
Priority Code	Number of Work Orders	Average Days (rounded)
Emergency	1,113	49
Routine	27,455	53
Annual Inspection	14,276	55
Urgent	3,446	44
Code Violation	2,764	60
Missing	228	55
Extraordinary Maintenance	87	24
Preventive	72	39
TOTAL	49,441	

Management at the developments did not immediately identify the problem because they did not receive weekly reports that gave work order status.

The Authority became aware of the printer problems at the developments in May 1996 and believed the problem was a systems problem. The Authority increased the speed of the central data bank spooler and purchased and installed 16 new printers with larger capacity.

However, these changes did not correct the backlog problem. The backlog increased 15,834 in June and another 10,221 during July. The large number of outstanding work orders should be an immediate concern to the Authority because it directly correlates to the Public Housing Management Assessment Program and poor customer service. If the backlog is not reduced, the average number of days to complete emergency and routine work orders will increase and the Authority will receive a failing grade for completion of emergency and routine work orders.

Since the number of backlogged work orders has steadily increased, even during the period when adjustments were made, it appears the problem is not totally systems oriented and the Authority may not have sufficient staff to address the work orders being received, much less the backlog. The Authority, however, did not have a capability assessment of its maintenance staff.

Performance standards. As of April 1, 1996, the Authority established new performance standards for its maintenance personnel. However, due to the recent implementation of the work order system, the performance standards were not being used. The Authority plans to implement the new standards in its January 1, 1997 performance evaluations.

Without an effective method of assessing staff performance, the Authority cannot determine the effectiveness and efficiency of its maintenance employees. Furthermore, until the Authority implements the performance standards and can assess the quantity of work its staff should accomplish, it cannot determine whether the maintenance

staff level is sufficient to complete the daily work orders and address the backlog.

The Authority's Deputy Executive Director of Operations said he believes the backlog problem will be resolved upon completion of other initiatives the Authority has undertaken such as, the demolitions and rehabilitations under its modernization programs. As more buildings are renovated and demolished, the number of new work orders should decrease, since there will be fewer units and the units that do exist will be in better condition. The reduction of new work orders should provide more time for the maintenance staff to address the work order backlog. However, the Authority has no plan of action if this is not the case. Since the Authority's main objective should be to provide decent, safe, and sanitary housing for low and moderate income persons, the Authority needs to assess its position and develop a plan of action if it is determined it has a staffing problem.

We recommend HUD assures the Authority: (1) develops procedures to distribute weekly activity reports to development managers and for development managers to use the weekly reports to manage their work order backlog; and (2) implements the use of performance standards to monitor staff performance.

We recommend HUD and the Authority coordinate to establish a target date to review the work order backlog, assess staffing needs, and develop a "get well" plan if the backlog situation will result in less than a passing Public Housing Management Assessment Program grade. This review should be conducted no later than June 30, 1997.

Management's Comments

The Authority's Deputy Executive Director of Operations said, "We concur with the draft observations and the associated recommendations. Accordingly, the Chicago Housing Authority will incorporate the offered recommendations in our overall planning process."

Preventive Maintenance

Previous HUD Office of Inspector General reports showed the Chicago Housing Authority lacked a comprehensive preventive maintenance program.

HUD's Blueprint dated June 11, 1995, required the Authority to establish a summertime painting and cleanup program, replace the leadership of the operations staff, and implement a preventive maintenance program. In addition, the Authority's draft Memorandum of Agreement dated June 21, 1996 contains strategies to: conduct a preventive needs assessment for each development and develop a plan for the funding and repair of deficiencies; determine who will perform the systems preventive maintenance inspections and repairs; and develop and implement a preventive maintenance schedule.

Observations

HUD's Blueprint. In May 1995, HUD assumed management of the Authority. In June 1995, HUD issued three preliminary strategies for the Maintenance Department in the Blueprint document. The Authority accomplished two of the three Blueprint strategies.

First, the Authority established summer painting and cleanup programs to increase the cleanliness and appearance of the buildings and open spaces. The programs are collaborative efforts between the Authority, its residents, various City of Chicago departments, and volunteers.

Second, the leadership of the Operations Department was replaced in the Fall of 1995. A new Deputy Executive Director of Operations and a Director of Housing Management were hired. Due to the condition of the buildings and maintenance systems, the primary concern of the new Deputy Executive Director of Operations is to address the regular maintenance activities.

The Authority has not accomplished its third goal to implement a comprehensive preventive maintenance program. The Authority did implement a preventive maintenance program for its heating systems in May 1996. However, it does not have preventive maintenance programs for other mechanical systems or the units.

Memorandum of Agreement. Two of the three Memorandum of Agreement strategies should have been completed by June 30, 1996. However only one was

accomplished: the Authority has determined which persons will perform the systems preventive maintenance inspections and repairs.

The Authority did not conduct a preventive maintenance needs assessment for each of the developments and develop a funding plan for the repair of maintenance deficiencies by the June 30, 1996 target date. The new Deputy Executive Director of Operations said the primary concern of the Maintenance Department is to conduct regular maintenance activities. He said it has been taking all of the maintenance staff's time to address work orders. Therefore, until the work order level can be handled, a preventive maintenance program is beyond the Maintenance Department's present capabilities.

While it is important for the Authority to concentrate its efforts to address work orders, it is equally important that a preventive maintenance program be developed. An effective preventive maintenance program would detect and correct problems earlier, reduce the number of complicated and compounded repairs, and ease the staff's work order load. In addition, the early detection and correction of problems would reduce repair costs and would provide increased resources for additional maintenance staff. Therefore, it is important that the Authority implements a preventive maintenance program; however, the program cannot be developed until a preventive maintenance needs assessment is completed.

The Deputy Executive Director of Operations did not provide a target date for completing a preventive maintenance needs assessment. Instead, he said the Authority has contracted for an authority-wide viability assessment to be completed by December 31, 1996. Although a viability assessment will show which buildings and systems are obsolete and which should be maintained, it will not provide the comprehensive information of a preventive maintenance needs assessment. A preventive maintenance needs assessment will identify what maintenance actions are necessary throughout the year to adequately maintain systems.

Until the preventive maintenance needs assessment is accomplished, the Authority cannot determine the amount of money that will be needed to address the repairs. In addition, the needs assessment is necessary to complete the third strategy to develop and implement a preventive maintenance schedule by June 30, 1997. Therefore, it is important that the Authority takes immediate action.

We recommend HUD assures that the Authority completes its viability assessment by December 31, 1996 and immediately conducts or contracts to have a preventive maintenance needs assessment completed for each development and develops a funding plan for the repair of maintenance deficiencies.

We recommend HUD assures that the Authority use the preventive needs assessment to develop and implement a preventive maintenance schedule by June 30, 1997.

Management's Comments

The Authority's Deputy Executive Director of Operations said, "We concur with the draft observations and the associated recommendations. Accordingly, the Chicago Housing Authority will incorporate the offered recommendations in our overall planning process."

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Vacancy Reduction/Unit Turnaround

Previous HUD reviews showed the Chicago Housing Authority did not have an effective Vacancy Reduction/Unit Turnaround Program. The June 21, 1996 draft Memorandum of Agreement between the Authority and HUD said the Authority had an adjusted vacancy rate in excess of 14 percent, and it averaged 137 days for unit turnaround.

HUD issued a Blueprint dated June 11, 1995 requiring the Authority to accelerate its vacancy reduction program. In addition, the Memorandum of Agreement established strategies to: (1) repair and re-occupy vacated units within an average of 30 days or less; (2) achieve an adjusted vacancy rate of four percent or less at all developments; and (3) reduce unit turnaround time and increase the agency-wide occupancy rate.

Observations

Blueprint and Memorandum of Agreement. The Authority has implemented a vacancy reduction program and has begun to implement the Blueprint and Memorandum of Agreement strategies. However, the Authority missed completing three key Memorandum of Agreement strategies by the June 30, 1996 target date: (1) the Authority has not tracked unit turn-around from date of vacancy to re-occupancy on a weekly basis; (2) implemented an automated reporting system to track vacant unit turnaround at the development level; or (3) identified and deprogrammed non-dwelling units.

The Authority tracked vacant unit turnaround times from the dates of vacancy to re-occupancy on a monthly basis, rather than on a weekly basis. However, due to the length of time between reporting periods, monthly tracking of unit turnaround does not allow sufficient time to identify and correct problems in order to achieve a 30 day unit turnaround time.

Unit turnaround time was not tracked on a weekly basis because it was difficult and time consuming to gather the information. The unit turnaround times were manually calculated for each development using reports generated by the Authority's main computer system. The reports showed the total number of vacancy days during the month, and the total number of units re-occupied during the month at each development. However, the reports did not indicate the following details: (1) the number of days units were vacant; (2) the time to repair each unit; or (3) the time it took to

occupy a unit after it was repaired. Without these details, the Authority did not have the capability to track each phase of the unit turnaround process. Therefore, when a delay in the unit turnaround process occurred, the Authority had no way to pinpoint which phase of the process caused the delay.

A new computer system, projected to be implemented by December 31, 1996, should allow the Authority to track unit turnaround times on a weekly basis. In addition, the new system will automatically calculate unit turnaround times, and it will generate reports that detail each phase of the unit turnaround process. Furthermore, a reporting system to track unit turnaround at the development level will be implemented in conjunction with the new computer system.

On July 16, 1996, the Deputy Executive Director of Operations said the Authority had identified non-dwelling units at all of the developments except those under private management, and the Authority was currently in the process of identifying the non-dwelling units at the developments under private management. Deprogramming non-dwelling units is an important step in developing a realistic picture of the Authority's vacancy rate.

We recommend HUD assures the Authority implements weekly tracking of unit turn-around from the date of vacancy to re-occupancy and implements a reporting system to track vacant unit turnaround at the development level by December 31, 1996.

We recommend HUD assures the Authority expeditiously identifies and deprograms all non-dwelling units.

Repairing and re-occupying vacated units. The Memorandum of Agreement requires the Authority to repair and re-occupy vacated units within an average of 30 days by December 31, 1997. It is important for the Authority to meet a 30-day average turnaround time to provide the maximum benefit of its scarce housing resources to low and moderate income persons.

The Authority hired a new Deputy Executive Director for Operations in October 1995. The June 21, 1996 draft Memorandum of Agreement said the Authority averaged 137 days for unit turnaround. This average reflected unit turnaround times prior to when the new Deputy Executive Director was hired. The unit turnaround time consists of: the time required for repairs, the time a unit is vacant until repair work begins, and the time required to find a suitable tenant and reoccupy the unit.

To evaluate the Authority's progress on repairing vacated units for occupancy, since hiring the new Deputy Executive Director, we selected 341 vacant units for which repair work started between November 1995 and June 1996. We calculated the average time it took vacancy reduction teams to repair the 341 vacant units. Since the 341 units included units that were long-term vacancies, we did not include the time from when the units were vacated until work began. We only calculated the time from when work actually started until the units were inspected and accepted by the development managers. For the 341 units, it took the vacancy reduction teams an average of 36 days to repair each unit.

Three factors that contributed to the 36 day average were: (1) lack of materials; (2) poor planning and scheduling; and (3) inadequate supervision. For example, at one of the developments where vacancy reduction teams initially repaired units, materials needed to complete the repairs were not available when the teams arrived. As a result, the teams experienced "down time". In addition, poor planning and scheduling on the part of the Vacancy Reduction Department also caused "down time". The vacancy reduction teams were not given alternative work assignments while they waited for the needed materials. Finally, due to inadequate supervision, units completed by the vacancy reduction teams did not always meet HUD's Housing Quality Standards. The vacancy reduction teams had to do additional repairs to the units that did not meet the standards.

The Vacancy Reduction Department has since established its own warehouse for materials and supplies to alleviate the lack of materials it was experiencing. In addition, the

Vacancy Reduction Department has improved its planning and scheduling procedures in order to minimize "down time". Finally the Vacancy Reduction Department consolidated its vacancy reduction teams to improve the level of supervision.

These actions appear to have helped resolve delays in repairing vacant units. For example, for units started and completed during November and December 1995, it took one development an average of 37 days to repair vacant units. However, at the same development, it took an average of only 26 days to repair vacant units started and completed during May and June 1996. We did not assess whether these actions will assure that units repaired by the vacancy reduction teams meet HUD's Housing Quality Standards.

We recommend HUD assures the Authority develop procedures to verify that units completed under the Vacancy Reduction Program meet HUD's Housing Quality Standards.

To evaluate the Authority's progress on occupying vacant units that were repaired by the vacancy reduction teams, we calculated the average time it took one Development Manager to occupy 13 of the 341 units that were repaired by the vacancy reduction teams. It took the Development Manager an average of 32 days to occupy a unit.

Combining the average repair time with the time to reoccupy repaired units shows the Authority is significantly exceeding its 30-day goal.

The delay in occupying units was caused by a lack of communication between the Vacancy Reduction Department, Development Managers and the Occupancy Department. The Vacancy Reduction Department did not give the Development Managers advance notice when units would be completed. Therefore, the units sat empty until the Development Managers and the Occupancy Department could locate tenants to lease the units. Also, the Vacancy Reduction Department did not coordinate with the Occupancy Department to plan work to meet the greatest need.

At one of the developments, the Vacancy Reduction Department rehabilitated 49 units, but the Occupancy Department did not have anyone on a waiting list. As a result, 36 of the units had been vacant for at least six months. Allowing units to sit vacant increases the opportunity for vandalism. As a result of sitting vacant, at least one unit at another development was vandalized and required \$1,315 in additional repairs before it could be occupied.

After we notified the vacancy reduction staff of the communication problem, the staff implemented procedures to advise Development Managers of the start and projected completion dates of repair work. Notifying the Development Managers will resolve some of the problem; however, the Development Managers still need to provide projected completion dates to the Occupancy Department so it can have people screened and ready to occupy the units when they become available. Also, the Vacancy Reduction Department needs to coordinate its projected work with the Occupancy Department to ensure there will be a demand for the completed units.

We recommend that HUD assures the Authority develops coordination procedures between the Vacancy Reduction Department, Development Managers, and the Occupancy Department. The procedures should ensure units are repaired on the basis of demand and applicable personnel are aware of projected completion dates so units can be promptly occupied.

Vacancy Reduction Program goal. It appears the Authority may not reach the goal under its Vacancy Reduction Grant to repair 2,857 units before it runs out of money. As of May 31, 1996, the Authority had completed 981 or 34 percent of the required units. However, it spent \$13,769,237 or 46 percent of its Vacancy Reduction Grant. A possible explanation for the difference in the percentage of units completed and the percentage of dollars spent was the Vacancy Reduction Department did not prepare cost estimates for all of the units it repaired. For example, out of 156 units that were in progress on June 25, 1996, cost estimates could not be found for 59. To determine whether the remaining grant money is sufficient to complete the

remaining 1,876 units, the Vacancy Reduction Department needs to prepare a cost estimate on each unit it intends to repair.

The Vacancy Reduction Department developed a revised implementation schedule that showed the number of units it planned to complete at various developments. The schedule, however, did not detail which units would be completed or contain a cost estimate for each unit. Consequently, we could not assess whether the schedule was realistic. To provide some assurance that the Authority will meet its goal to repair 2,857 units before it runs out of money, the Authority needs to implement a proper planning and budgeting process for the Vacancy Reduction Grant.

We recommend HUD assures the Authority's Vacancy Reduction Department develops a plan that shows how it will complete the 2,857 units required by its Vacancy Reduction Grant. The plan should identify the units that will be completed, and include the estimated costs for each unit.

Management's Comments

The Authority's Deputy Executive Director of Operations said, "We concur with the draft observations and the associated recommendations. Accordingly, the Chicago Housing Authority will incorporate the offered recommendations in our overall planning process."

Funding for Maintenance and Modernization

The Chicago Housing Authority spends a large percentage of its maintenance and modernization funding on security. Consequently, the Authority's maintenance and modernization efforts have declined. Previous HUD reviews showed the Authority had not spent its limited maintenance and modernization funding in a timely manner. As a result, the Authority failed the unexpended funds component under the modernization indicator in the Public Housing Management Assessment Program.

The Authority established a strategy in its Long-Term Plan, dated February 15, 1996, to develop a financial plan for funding maintenance and modernization efforts. The purpose of the plan is to find a way to spend maintenance and modernization funding for its intended purpose and not on security. The Long-Term Plan listed four milestones the Authority should achieve throughout the period of the Plan. The milestones were designed to help the Authority stay on track towards implementing its strategy. In addition, the June 21, 1996 draft Memorandum of Agreement, which the Authority has committed to, listed four strategies the Authority should have implemented by June 30, 1996. The strategies were established to ensure the Authority meets the Memorandum of Agreement goal to continue to perform well under the modernization indicator in the Public Housing Management Assessment Program.

Observations

Long-Term Plan. The following milestones were listed in the Authority's Long-Term Plan: (1) establish a committee to develop the initial plan; (2) perform a physical needs assessment of the buildings; (3) prioritize housing needs; and (4) target and link up with appropriate resources. The Authority has begun working towards achieving two of the milestones, however, it has not started on the other two.

The Authority is in the process of contracting with a firm to perform the physical needs assessment. The Authority expects to have the physical needs assessment of the buildings performed by December 31, 1996. Also, the Authority is prioritizing its housing needs. The Authority, however, has not established a committee to develop the initial plan, and it has not begun to target and link up with appropriate resources.

The milestone to establish a committee to develop the initial plan was scheduled to start in July 1996 and be completed by March 1997. On July 31, 1996, the Director of Redevelopment was unaware of any committee being established. Although the Authority has until March 1997 to establish the committee and develop the initial plan, the

Authority needs to establish a committee as soon as possible to allow the committee sufficient time to develop the initial plan.

The milestone to target and link up with appropriate resources is not scheduled to start until April 1997, and is not scheduled to be completed until December 2000.

We recommend HUD closely watches the Authority's progress to establish a committee to develop the initial financial plan and to target and link up with appropriate resources. HUD should provide any technical assistance the Authority may require in order to achieve the milestones and implement the strategy.

Memorandum of Agreement. To ensure the Authority will meet the goal in the Memorandum of Agreement to continue to perform well under the modernization indicator in the Public Housing Management Assessment Program, the following strategies were established: (1) identify all open modernization and capital improvement grants and programs; (2) ensure that clearly defined responsibilities for project implementation schedules and expenditure schedules exist between the Operations and Finance Departments; (3) ensure that schedules are maintained in accordance with HUD regulations; and (4) determine that the Authority's modernization and capital improvement programs are properly coordinated with the 1996-1997 Comprehensive Grant Program plan. The Authority met the June 30, 1996 target date for all the strategies except one.

The Authority did not properly coordinate modernization and capital improvement programs with the 1996-1997 Comprehensive Grant Program plan. On July 31, 1996, the Director of Redevelopment said the Authority cannot complete this strategy until a viability assessment is completed. The Authority is in the process of contracting with a firm to perform the viability assessment. The assessment is scheduled to be completed by December 31, 1996.

We recommend HUD assures the Authority completes its viability assessment by December 31, 1996 and immediately coordinates its modernization and capital

improvement programs with its 1996-1997 Comprehensive Grant Program plan.

Unexpended funds. As stated above, the Authority met the strategy to identify all open modernization and capital improvement grants and programs. However, just identifying the open grants and programs does not provide any benefit to the Authority's residents or improve their living conditions. Delays in spending the grant money result in a lost purchasing power. In addition, the physical condition of the buildings continues to deteriorate, thus requiring even more money. The following table shows the grants and programs that were over three years old, and were still open as of April 30, 1996.

YEAR	PROGRAM NUMBER	FUNDS UNEXPENDED AS OF 4/30/96
1992	CGP - 701	\$4,240,199
1992	IL2 - 163	\$8,379,297
1991	IL2 - 922	\$ 135,177
1990	IL2 - 921	\$1,635,536
1990	IL2 - 920	\$ 690,837
1987	IL2 - 915	\$1,801,639
TOTAL		\$16,882,685

We recommend HUD works closely with the Authority to assure it closes out all of the open modernization programs related to the Comprehensive Improvement Assistance and Comprehensive Grant Programs that are over three years old.

Management's Comments

The Authority's Deputy Executive Director of Operations said, "Regarding the Chicago Housing Authority's Long - Term Plan and Memorandum of Agreement, we concur with the draft observations and associated recommendations and will incorporate same in our overall planning efforts."

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Annual Inspections

Previous consultant and HUD reviews reported that the frequency and quality of the annual Housing Quality Standards inspections performed by the Chicago Housing Authority were inadequate.

The draft Memorandum of Agreement dated June 21, 1996 contains the following two long-term goals for the Authority that pertain to the annual inspections of the units and mechanical systems: (1) ensure that all housing units meet the City of Chicago housing code standards; and (2) inspect 100 percent of the housing units and systems annually.

Observations

Memorandum of Agreement. The Memorandum of Agreement contains eleven short-term strategies to accomplish its goals. Eight of the eleven strategies had a June 30, 1996 completion date. The remaining three strategies have future completion dates. Of the eight strategies with June 30, 1996 target dates, the Authority satisfactorily completed the following seven:

- Revise and adopt City sanitary codes and incorporate into HUD's Housing Quality Standards format.
- Revise the Housing Quality Standards inspection form.
- Train housing management and other Authority staff on unit inspections.
- Train staff on work order priorities and which items are short-term, long-term, and emergencies.
- Develop and implement procedures for inspecting one-tenth of units at each development on a monthly basis.
- Determine if inspections and repairs will be site-based or a dedicated, central maintenance function.
- Develop and revise existing reports to track and monitor unit inspections, inspection work orders, and the time to complete the work.

The Authority did not complete the eighth strategy to develop comprehensive inspection procedures.

Written inspection policies and procedures. The Authority was in the process of revising its Maintenance Manual to include policies and procedures for the annual inspections. However, the draft copy of the revised Maintenance Manual does not contain specific procedures for emergency situations identified during the annual inspections. In

In addition, the Housing Quality Standards Training Manual does not include thorough written procedures that the inspectors need to know. For example, the manual does not state how to complete the inspection form, how to adequately describe the problem, or what procedures to follow when an emergency repair is needed.

To determine if the new procedures were being used, we examined three annual inspection forms. One of the three forms, dated May 24, 1996, described needed repairs for an inoperable smoke detector and a light fixture hanging without adequate support. The Housing Quality Standards Training Manual identifies a light fixture hanging from electrical wiring without firm support as a hazardous condition. However, a work order to repair a hanging light fixture was not recorded at that unit until June 21, 1996, 28 days after the inspection.

It is important to have thorough inspection procedures which address emergency situations because the majority of the staff who conduct the annual inspections are development clerks, site coordinators, and assistant managers with little or no maintenance experience. Although the inspectors receive training, written procedures reinforce the information taught, provide a reference source for future use, and help ensure inspectors understand that all emergency conditions need to be abated within 24 hours.

We recommend HUD assures that the Authority develops thorough, comprehensive inspection procedures and includes the new procedures in the Maintenance Manual and Housing Quality Standards Training Manual.

Future Memorandum of Agreement strategies. Three strategies have future completion dates. Two strategies are due to be completed on September 30, 1996, and the third strategy is due to be completed December 31, 1996. The three strategies pertain to the implementation of a job order contracting system to be used to perform maintenance work and for the annual inspection and repair of the major mechanical systems.

The Authority plans to complete the Request for Proposal evaluation process and select a vendor for a job order contracting system by September 30, 1996. However, the Deputy Executive Director of Operations said there are no funds remaining in the current year's budget to implement job order contracting. The Authority is in the process of developing a new timetable for the implementation of a job order contracting system for maintenance activities and will implement the system once funds are available in the next fiscal year.

We recommend HUD assures that the Authority identifies the funds and implements a new timetable for initiating the job order contracting system. Once the timetable is complete, HUD should monitor the Authority to assure that the job order contracting system is properly implemented.

In connection with our review of the Memorandum of Agreement strategies, we determined that several areas not directly related to a strategy need attention. Annual unit inspections were not all effective and work orders were not initiated for all necessary repairs identified by the inspections.

Housing Quality Standards inspections. The Authority performs annual Housing Quality Standards inspections on its units and systems. We examined three annual inspection forms that were completed after the new work order system was implemented on April 1, 1996 and found problems with two of the three.

One of the forms, dated May 24, 1996, showed that the unit failed in two areas; however, the unit was given an overall pass rating. The annual inspections are used to assess the conditions of the units. When units with violations that should cause it to fail the inspection are passed, management does not have an accurate assessment of the unit conditions. An accurate assessment is essential to determine and plan the long-term modernization needs of the Authority.

On the second form, 38 fail conditions were noted. However, the form did not describe any of the needed

repairs. The inspectors' descriptions of the needed repairs are used by technicians at the Customer Service Center to create work orders. Without a proper description of the deficiencies, the technicians cannot determine the type or magnitude of repairs required. Additionally, maintenance superintendents do not have a sound basis to order materials or schedule craft personnel. The revised Maintenance Manual recommends that maintenance superintendents verify the quality of repairs made; however, it does not require superintendents to verify that the inspections were properly conducted and inspection forms properly completed. Without proper quality control over the inspections, the Authority lacks assurance that inspections are properly completed and unit conditions are correctly rated.

We recommend HUD assure the Authority conduct quality control reviews of inspections to ensure the inspections are accurately conducted and inspection forms are properly completed.

Housing Quality Standards work orders. The Authority implemented a new, computerized and integrated work order system on April 1, 1996 to provide better control and accountability over work orders. The system modules allow the Authority to monitor the progress of the Housing Quality Standards inspections and the status of the inspection work orders. However, inspection work orders were not generated for all repairs.

As previously stated, three Housing Quality Standards inspection forms, completed after April 1, 1996 were reviewed. One of the three forms, dated May 24, 1996 indicated that repair problems existed in 38 areas at one unit. A work order history report was obtained of the repair activity at that unit since the new work order system was implemented. No work orders were entered into the new work order system for any problems or repairs at the unit.

A second of the three inspection forms, also dated May 24, 1996 indicated a hazardous electrical condition at the unit. The work order history report for that unit contained one work order, dated June 21, for an electrical repair. However, we were not able to determine whether the repair

was for the problem reported on the inspection for m because the repair was made in a different room.

To conduct efficient and effective repairs at the units, it is important for work orders to be generated expeditiously to ensure that repairs are performed time ly. We contacted two development managers concerning the annual inspection forms completed after April 1, 1996. Each of the managers said the inspection forms were not sent to the Customer Service Center so work orders could be written. Instead , the inspection forms were being held at the development until Customer Services requested them.

We recommend HUD assures the Authority promptly evaluates each development to determine if all annual inspection forms, completed after April 1, 1996 were sent to the Customer Service Center to initiate work orders.

We recommend HUD assures the Authority implements controls that ensure work orders are written to address deficiencies identified by all future inspections.

Management's Comments

The Authority's Deputy Executive Director of Operations said, "We concur with the draft observations and the associated recommendations. Accordingly, the Chicago Housing Authority will incorporate the offered recommendations in our overall planning process."

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Housing Management Functions

Previous HUD and consultant reviews showed the Chicago Housing Authority: had a large and loosely structured middle management; was unable to implement management controls and maintain a system of quality control; and used a highly centralized and controlled system for decision making, which limited its capacity to effectively pursue and realize the benefits of a more decentralized and site based management structure. These organizational deficiencies inhibited the Authority's ability to effectively manage its programs.

To correct the organizational deficiencies, the Authority established a goal in its Long-Term Plan dated February 15, 1996 to: improve coordination and accountability between the development-based operations and the central office; and provide good housing management. In addition, the Authority and HUD established two goals in the Memorandum of Agreement, dated June 21, 1996, to: improve organizational accountability; and streamline housing management efficiency and effectiveness.

Observations

Long-Term Plan. To ensure the Authority met the goal to improve coordination and accountability between development-based operations and the central office, the Authority established the following strategies: (1) implement development-based resource management; (2) develop and review uniformed field-based policies and procedures; and (3) develop a uniformed property management reporting process. The Authority has until December 31, 2000 to implement these strategies. Based on our assessment, the Authority will easily meet this target date.

Development-based resource management. The Authority was taking the appropriate steps towards implementing the development-based resource management strategy. Specifically, the Authority was in the process of contracting with a consulting firm to perform a skills assessment of the property management staff by January 31, 1997. The assessment will enable the Authority to identify the strengths and weaknesses of its property managers.

Also, the Authority plans to have a new computer system installed by December 31, 1996. The new system will connect each development to the central office, thus strengthening the communication link between the two. Finally, the Authority was in the process of contracting with an institution to train its staff on the development-based budget process by December 31, 1996. The training is

needed so the Authority can effectively implement the development-based budget process in fiscal year 1997.

Field-based policies and procedures. The Authority was also taking appropriate steps towards the development and review of uniform field-based policies and procedures. The Authority identified and reviewed Authority-wide policies and procedures that impacted housing operations. In addition, the Authority developed and was implementing new policies and procedures. For example, the Authority developed and implemented a new lease and new tenant screening procedures (see Chapter 9). The Authority also revised its eviction procedures (see Chapter 9), and was in the process of developing and implementing a new maintenance manual (see Chapter 3). The Director of Housing Management said the Authority will continue to monitor and evaluate policies and procedures that impact housing operations, and to develop and implement new policies and procedures as necessary.

Property management reporting process. The Authority had substantially developed a uniform property management reporting process. The Authority determined that data related to the following categories should be reported: tenant accounting, housing eligibility, and work orders. Examples of specific reports that will be generated include: tenant accounts receivables, tenant demographics, outstanding work orders, unit turnaround times, and trial balances of general ledgers. The Authority's new computer system will collect the relevant data and generate these reports. The Authority established monthly, quarterly, semi-annual, and annual time frames for the reports to be submitted.

We recommend that HUD monitors the Authority's progress in completing its Long-Term Plan strategies to: implement development-based resource management; participate in the development and review of uniform field-based policies and procedures; and develop a uniform property management reporting process. Should the Authority deviate from the Long-Term Plan strategies, HUD should provide technical assistance or take other corrective actions.

Memorandum of Agreement. The Memorandum of Agreement contains two strategies related to a development-based resource management/property management reporting system. The two strategies are : improve communications and internal reporting between the site managers and the central office; and create site - based management implementation plans for each development.

The draft Memorandum of Agreement also incorporates the Long-Term Plan goal and strategies to provide good housing management into nine major strategies to streamline housing management efficiency and effectiveness. The strategies are: identify existing major housing functions, establish evaluation procedures and criteria, evaluate the functions' cost effectiveness and efficiency, do a cost benefit analysis of the functions , identify required changes necessary to improve the housing management functions, document the changes necessary to improve housing management functions, implement the changes, develop methods to fill gaps in housing management functions, and identify opportunities to delegate management functions to the developments.

The Memorandum of Agreement target dates for completing the nine strategies to improve housing management ranged from June 30, 1996 to December 31 , 1997. With the exception of the strategy to delegate management activities to the developments, the strategies form a series of steps that identify all major housing functions needed; measure and evaluate those functions that are in place; and identify and implement needed changes and improvements.

Communications and site-based management. The strategy to improve communications and internal reporting has a June 30, 1997 target date. This strategy corresponds to the Long-Term Plan strategies mentioned above. As stated previously, the Authority has initiated actions that should allow it to complete this strategy on schedule. The strategy to create site-based management implementation plans has a target date of December 31, 1997. As of August 26 , 1996, the Authority had not begun action to complete this

strategy; however, the Authority has sufficient time available to complete the strategy on schedule.

We recommend HUD closely watches the Authority's progress in implementing the Memorandum of Agreement strategies to: improve communications and internal reporting between the site managers and the central office; and create site-based management implementation plans for each development. HUD should provide any technical assistance the Authority may require to assure the strategies are implemented on schedule.

Improvement of Housing Management Functions. The Memorandum of Agreement required the Authority to identify all major housing functions by September 30, 1996. As of August 30, 1996, the Authority identified the following six areas related to the maintenance housing function: custodial, elevators, vacancy preparation, mechanical, heating plant, and contract maintenance. The Authority is using staff meetings to identify management functions and ways of improving them. Although the Authority identified the maintenance housing functions by the September 30, 1996 target date, it needs to identify areas within the other major housing functions such as occupancy, accounting, security and redevelopment. The Director of Operations said the Authority was in the process of identifying other housing functions and that the strategy is on-going and will continue after the September 30, 1996 target date.

It is important for the Authority to identify all areas as quickly as possible, since the information is required to accomplish the strategies with later target dates.

We recommend HUD and the Authority coordinate to establish a revised target date to identify all major housing functions and that HUD assures the Authority allocates sufficient resources to accomplish this strategy.

The Authority developed evaluation criteria for each of the six areas identified under the maintenance function. It also started evaluating the cost effectiveness and efficiency of the six areas and doing a cost benefit analysis of two of the

areas. For example, the Authority established evaluation procedures and criteria for the custodial and heating plant functions. It compared the costs associated with performing the functions in-house to the costs of contracting them to private firms. The Authority analyzed: staffing levels, salary and other costs, scope of services, and costs associated with contracting the functions to private firms. Evaluating the cost effectiveness and efficiency establishes a basis for the best performance of the function in-house, while a cost benefit analysis compares the Authority's cost to perform its functions to outside sources.

The completion of the later strategies in the Memorandum of Agreement all depend on the Authority timely identifying all major housing functions, evaluating cost effectiveness, and doing a cost benefit analysis. The strategies to identify needed changes, document the changes, implement the changes, and develop methods to fill gaps in functions due to be completed December 31, 1997, depend on the timely completion of the earlier strategies.

We recommend that HUD closely monitors the Authority's progress to meet the housing management improvement strategies and provides any assistance necessary to help evaluate the functions, and improve their effectiveness and efficiency.

Delegation to Developments. The Memorandum of Agreement required the Authority to identify opportunities to delegate management activities to developments by a June 30, 1996 target date. The Authority identified and delegated purchasing functions to all developments and delegated management of 23 developments to private managers. In addition, the Authority's Long-Term Plan requires site-based management implementation plans to be completed; however, it has not begun to complete this strategy.

On March 1, 1996, the Authority delegated procurement functions related to open purchase orders to the developments. The open purchase order system allows development personnel to obtain supplies and materials at

designated hardware stores subject to established dollar limits.

On July 1, 1996, the Authority placed about 8,000 units at 23 developments under private management. Fifteen private firms are in charge of day-to-day operations including leasing, maintenance, property management and security, along with fiscal management of the developments.

The Authority met its goal of identifying opportunities to delegate management activities; however this is a poorly worded strategy. As the Authority continues to change, it needs to identify additional opportunities to delegate to the developments when it makes economical sense.

We recommend HUD and the Authority coordinate to make the strategy a continuing effort.

Although the Memorandum of Agreement contains the strategy to delegate management activities to its developments, it does not have a strategy to review the results of its actions in the future to ensure they are effective and achieve the expected results.

We recommend that HUD and the Authority coordinate to establish a strategy to review the results of actions taken to delegate responsibilities to the developments. We suggest a review be conducted approximately one year after a responsibility is delegated.

Management's Comments

The Authority's Deputy Executive Director of Operations said, "We concur with the draft observations and the associated recommendations. Accordingly, the Chicago Housing Authority will incorporate the offered recommendations in our overall planning process."

Admissions and Evictions

A previous HUD Office of Inspector General report said the Authority did not admit and evict tenants in a consistent manner to assure problematic tenants were not allowed into housing or were promptly removed. The Authority did not: have an adequate written policy; use standard procedures; and adequately communicate information to development managers. As a result, problematic residents were admitted or not evicted which increased related maintenance and security costs.

The Authority's draft Memorandum of Agreement with HUD and its Long-Term Plan contain goals to improve the Authority's admissions and evictions procedures. To achieve the goals, the Authority developed strategies to improve tenant screening, eviction procedures, lease procedures, and promote resident responsibility.

Observations

Screening procedures. The Authority revised its resident screening procedures in order to provide assurance that persons admitted to its housing are eligible and are suitable residents. The procedures were issued on October 16, 1995. The Authority's new screening procedures require home visits, landlord verifications, and credit and security checks. These procedures were implemented on March 15, 1996.

The first 100 home visits are being completed by an independent contractor. As of June 25, 1996, 88 home visits were completed. The Authority plans to hire two inspectors to conduct home visits. Position descriptions have been developed and were approved on July 15, 1996. Once the positions are included in the Occupancy budget, the jobs will be posted. It is unlikely that the two positions will be filled before the remaining 12 contractor inspections are completed. To ensure new tenants are properly screened, the Authority will have to extend its home visit contract until the positions are filled.

We recommend HUD assures the Authority fills its home visit inspector positions as expeditiously as possible.

We recommend HUD assures the Authority extends its contract to conduct home visits until it fills the home visit inspector positions.

The Authority's current waiting lists are unmanageable. The Authority has a registrant pool of approximately 30,000 applicants. As of July 15, 1996, the Authority did not know the eligibility status or interest of its registrant pool, but was working to contact each applicant to determine their status. The Authority closed the waiting list pending its review of the 30,000 and the manageability of the list. In addition to the registrant pool, the Authority prepared certified waiting lists by unit size for eligible applicants that have been screened. For example, the certified family waiting list contained approximately 1,200 applicants.

In order for the screening procedures to be effective, they must be performed as close to the time of occupancy as possible so information gathered is current. As of July 15, 1996, the Authority was screening all registrant pool applicants according to the date and time of their applications regardless of when they will be offered housing. Additionally, the Authority had no plans to screen applicants who were on certified waiting lists before March 15, 1996 and had not been screened according to the new procedures. Only 55 applicants on the family waiting list have been screened using the new procedures and most are toward the end of the waiting list. The Authority places approximately 172 family applicants in a month; however this is not a good gauge on how long a family may have to wait for housing. For example, families who are waiting for units at Leclair Courts, Lake Parc Place and Trumbull Park Homes can expect to be on the waiting list for one, four and ten years respectively. As a result, many certified waiting list applicants may be offered housing without proper screening for years to come. When we discussed this observation with the Director of Occupancy, he said the Authority would start screening all applicants that are being considered for immediate occupancy regardless of any past screening that may have been accomplished.

The Authority is wasting staff resources screening applicants who may wait for years to be admitted or who may not be admitted at all. The determination of preliminary eligibility should be based upon information and supporting documentation provided by the applicant. There is no need for detailed checks or verifications until an applicant is being seriously considered for occupancy. For

most of the applicants who have been screened using the new procedures, the results of the third-party verifications, home visits, credit and security checks will be outdated when units become available. Therefore, screening will have to be reaccomplished. To conserve scarce resources, it is important to screen tenants as close to the projected date of occupancy as possible. Also, in order for the Authority to fulfill tightened standards on selecting suitable tenants, it is extremely important that all new tenants be screened using the new procedures before they are admitted to a unit.

We recommend HUD assures the Authority develops procedures that ensure all applicants are screened using the new screening procedures before being placed in a unit. The procedures should state that applicants will not be screened upon initial interview if units are not available and that screening should be conducted as close to the time of occupancy as feasible.

Current Occupancy personnel have interpreted the Gautreaux Court Decree to allow applicants to continually refuse offers of housing not of their preference. The applicants' refusals do not change or negatively effect the applicants' positions on the waiting list. There is essentially no limit to the number of times applicants can deny units not of preference or change preferences. As a result, applicants may remain on the waiting list for years. Additionally, our discussions with the Authority's Occupancy personnel indicated they were not clear concerning the actions to be taken when applicants deny housing offers of their preference and were confused on when applicants are allowed to change their location of preference. The staff did not have a legal opinion to use in formulating its waiting lists and had not requested one.

To help resolve the waiting list problem, the Authority contracted with Creative Computer Solutions Systems to devise and implement a computerized waiting list. Initially, the Authority projected the waiting list would be fully operational on August 1, 1996. However, this target date may not be realistic. As of July 16, 1996, the consultant was in the process of converting the data. Additionally, our discussions with the consultant indicated she was confused by the terms of the Gautreaux court decree and how it will

affect the creation of waiting list reports. Once conversion is completed test reports need to be run to ensure accuracy. Personnel operating the occupancy program and developing the computerized waiting list need to have a thorough understanding of the Gautreaux decree in order to develop and use acceptable waiting lists.

We recommend HUD assures the Authority coordinates efforts with HUD's and its legal department to provide a consistent application of the Gautreaux decrees requirements. Guidelines supporting interpretations should be developed and application of the computerized waiting list should reflect the guidelines.

Eviction procedures. It is the Chicago Housing Authority's policy to no longer tolerate residents who do not pay their rent, obey Authority rules, and contribute to their community. Communication and coordination between the Development Management and Tenant Relations departments has improved since the OIG review that was completed on January 14, 1994. The Authority's staff have been trained on the Authority's eviction procedures for both "delinquent rent" and "for cause" evictions. The Authority is aggressively pursuing resident evictions. For example, the eviction of substance abusers who qualified for senior housing because they were considered to be disabled has increased, and the increased emphasis of evictions for non-payment of rent has decreased delinquencies.

Effective June 1995, the Authority amended its eviction policy for senior housing because of changes in HUD's regulations. Senior housing residents not only include senior citizens, but handicapped and disabled (drug addicts; alcoholics) individuals. During all of 1995, the Authority evicted 41 residents from senior housing. During the first six months of 1996, the Authority has already evicted 36 residents from senior housing. The majority of those evicted were substance abusers.

Rent delinquencies have dramatically decreased. Beginning in November 1995, the Authority changed its procedures to require hand delivery of the 14-Day Notice of Termination for non-payment of rent. The Authority aggressively pursued residents with delinquent balances regardless of the

amount or length of time past due. Cases were filed and individuals were prosecuted. These actions sent a strong message to residents that they can and will be evicted for non-payment of rent. As a result, the number of 14-Day notices generated fell from 1,542 in November 1995 to 578 in June 1996.

In connection with improving eviction procedures, the Authority developed a strategy to coordinate eviction efforts with the Division of Resident Programs. This effort was needed because of concerns that residents with delinquent rent balances, who were otherwise in good standing, could be evicted without consideration of special circumstances. For example, a mentally ill resident or a victim of domestic violence, may face special problems that could affect their ability to pay their rent timely. The coordination efforts were implemented informally between Development Managers and the Authority's Social Services Division. Development Managers and the Social Services Division work together to refer applicable residents to the appropriate agencies for assistance. However, formal procedures need to be developed to ensure all managers follow the same process and tenants are treated equally.

We recommend HUD assures the Authority develops procedures for Development Managers and the Social Services Division to coordinate on potential evictions and the need for social services.

Lease Procedures. The Authority's residential lease details responsibilities and obligations of the residents and describes specific actions which may result in a tenant's eviction. The Authority approved a new lease on June 21, 1996. The Authority amended the old lease to include a provision that allows the Authority to evict residents who have been served four 14-Day Notices of Termination within a 12-month period. The Authority's prior lease did not contain a provision limiting the number of Notices of Termination received during a year. Also, the lease was changed to require residents between the ages of 7 and 16, living in the households, to attend school in accordance with the Authority's truancy policy. Leaseholders can be evicted if this provision is violated. The new lease will

enable the Authority to hold residents more accountable for their actions.

The Authority's Memorandum of Agreement established a target date of June 30, 1996 for the lease to be revised. Although the Authority met this goal, it did not include the following Public Housing Notice 96-14 provisions, issued on April 1, 1996, in the revised lease: (1) the lease may be terminated if a resident's abuse of alcohol interferes with the health, safety, or right to peaceful enjoyment of the premises by other residents and employees; and (2) grievance proceedings may be waived for any non-criminal activity that interferes with the health, safety, or right to peaceful enjoyment of the premises by other residents and employees. We informed the Authority's staff of the omission. The staff said they will amend the lease to include the provisions.

Lease training is mandatory for all Development Managers, including private and resident management staff. Lease training was conducted by the Tenant Relations Division during the month of July 1996 for all development staff. Resident lease training is scheduled to be conducted during August and September 1996. Resident training is optional. The training offered will model the staff's training. Residents who choose not to attend the training, will be briefed on the lease requirements when they sign a new lease.

The residential lease will be implemented once training has been completed. New residents will be admitted under the requirements of the new lease. The Authority will operate under two leases for approximately one year, since the Authority cannot require current residents to sign the revised lease until their annual recertifications.

We recommend HUD assures the Authority's lease contains the correct provisions outlined in Public Housing Notice 96-14 and the Authority uses the lease.

We recommend HUD assures the Authority completes lease training for all residents by September 30, 1996 and upon approval, uses the lease for all new tenants and for all annual recertifications.

Resident responsibility. The Chicago Housing Authority has drafted a tenant handbook. The handbook details the rights, privileges, and responsibilities of the resident. The new handbook has updated telephone numbers and is less cumbersome than the old one. The tenant handbook has been approved by the development staff and resident leaders. As of July 8, 1996, the draft was awaiting the approval of the Chicago Housing Authority's senior staff. The Long-Term Plan's target completion date is September 30, 1996 for the approval of the handbook. The Authority appears on track to meet this goal.

The Authority plans to distribute the new handbook to all new residents; however, it had no plans to get copies to current residents. Since the new handbook has revised information and is less cumbersome, we believe it should be given to all residents.

We recommend HUD assures the Authority makes the new handbook available to all residents when they recertify their leases.

After the Authority completes the tenant handbook, lease training, and lease implementation, it plans to develop a site-based resident orientation process and manual. The orientation process and manual will inform residents on their rights and responsibilities; the tenant handbook; the Authority's rights and responsibilities; lease requirements; house rules; safety and security issues; and procedures followed when lease violations occur. The Memorandum of Agreement's target date for completion of the orientation manual is September 30, 1996 and December 31, 1996 for the orientation process. The target dates appear realistic and the Authority has sufficient time to meet these goals.

We recommend HUD assures the Authority adopts a tenant handbook and develops the site-based resident orientation manual by September 30, 1996, and implements a site-based resident orientation process by December 31, 1996.

Management's Comments

The Authority's Deputy Executive Director of Operations said, "We concur with the draft observations and the associated recommendations. Accordingly, the Chicago

Housing Authority will incorporate the offered recommendations in our overall planning process."

Rent Collections

HUD's past performance reports showed the Chicago Housing Authority's history in collecting rents was inadequate. The Authority did not have a collection agency, and rents were not always collected. Thus, the Authority lost a source of income. To remedy this, HUD and the Authority included a goal in its June 21, 1996 draft Memorandum of Agreement to maintain a six percent uncollected rent rate at all developments.

Observations

Uncollected Rents. The Chicago Housing Authority's uncollected rent balance has consistently been excessive. As of December 31, 1995, 9.6 percent of resident dwelling rents were uncollected. After one quarter under the March 6, 1996 draft Memorandum of Agreement, rents uncollected were reduced to 8.2 percent. The Authority used the March 6, 1996 draft Memorandum to monitor progress for this initiative.

Orientation Programs. To promote and improve the timeliness of tenant payments, the Authority has coordinated with various service agencies to conduct orientation programs for its residents. The Authority had a Memorandum of Agreement target date of September 30, 1996 to begin initiating urban life style programs. These programs include: managing and supervising children, money management, interrelationships in an urban setting, and community identification and commitment. The Authority met this target date. For example, on May 2 and June 18, 1996 a local bank made presentations to residents that covered payment of rents at currency exchanges, money management, and credit repair. On April 30, 1996, a local utility company made a presentation on conserving energy and establishing budget plans for bill payments. The orientation programs are an on-going effort that are intended to increase the tenant's skills in managing their financial affairs and their understanding of the importance of timely payments.

Development of Partnerships. In accordance with the Memorandum of Agreement's September 30, 1996 target date, the Authority developed partnerships with various publicly supported service agencies to help prevent evictions of tenants who have no income, for non-payment of the minimum rent requirements. HUD now requires all

residents to pay a minimum rent of \$25 a month. Based on this requirement, the Authority has approximately 1,500 tenants who report zero income and will need assistance to make the minimum monthly rent payment.

The Authority pursued outreach efforts with social services/delegate agencies and received their agreement to help obtain assistance for tenants who can not meet minimum rental requirements. For example, the Authority established relationships with the Partner in Human Service Delivery Agency, the Social Security Administration, the Illinois Department of Public Aid and local churches. These agencies are both publicly and privately funded. The agencies plan to assist persons in obtaining supplemental income and guidance to meet financial requirements.

In August 1996, the Authority started referring all tenants who apparently have no source of income to the agencies.

We recommend HUD assures the Authority continues to develop sources for orientation programs and financial services to assist its tenants to become more self sufficient. HUD should provide assistance in identifying and developing the sources.

Collection Agency. In December 1995, the Authority advertised for a collection agency to provide rent collection services for tenants who no longer reside in the Authority's developments. The first Request For Proposal did not generate any responses. The Authority advertised again on January 22, 1996. The second request received one response. Since the Authority had contracted with the firm in the past and was satisfied with its performance, the Authority executed a contract with the firm on July 11, 1996.

The Authority is in the process of sending out notices to former tenants regarding their delinquent accounts. The notices request the former tenants to make payments within five days or accept a payment plan. Former tenants who do not respond will be referred to the collection agency. As of August 1, 1996, the Authority had not referred any cases to the agency. The Authority plans to start referring cases

after it reviews and processes its August 1996 tenant accounts receivable report.

We recommend HUD assures the Authority establishes controls to ensure all uncollectible accounts are referred each month to the collection agency.

Management's Comments

The Authority's Deputy Executive Director of Operations said, "We concur with the draft observations and the associated recommendations. Accordingly, the Chicago Housing Authority will incorporate the offered recommendations in our overall planning process."

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Procurement and Contracting

Previous HUD, independent public accountant, and consultant reviews of the Chicago Housing Authority showed the Authority did not have an effective procurement program. Specifically, the reviews concluded the Authority did not procure items in a timely manner. The Authority also lacked an adequate contracting process in the past which allowed for favoritism, product substitution, and services not being provided.

The Authority's draft Memorandum of Agreement, dated June 21, 1996, contained strategies to meet the goal of streamlining, standardizing, and automating the procurement process necessary to maintain a continuous flow of quality, material supplies and services related to outstanding work order deficiencies. While the goal specifies problems related to outstanding work orders, the strategies developed are designed to improve the overall procurement process. HUD's Blueprint, dated June 11, 1995, the Authority's Long-Term Plan, dated February 15, 1996, and the Memorandum of Agreement did not include any goals or strategies relating to the Authority's contract process.

Observations

Memorandum of Agreement strategies. The Authority's Memorandum of Agreement contains strategies to improve the procurement process. If the Authority follows through and fully implements the strategies, the Authority will significantly improve the procurement process and its timeliness. The Authority is currently on schedule to complete improvement of the procurement process by March 31, 1997. However, the Authority did not have sufficient control over its procurement process used to abate emergency conditions and purchases on its open supply and service accounts.

Process to abate emergency conditions. The Memorandum of Agreement required the Authority to develop a process to abate emergency conditions by June 30, 1996. The Authority established an unwritten process. The Maintenance Advisor said each maintenance superintendent is aware of the emergency procurement process; however, the Authority has not included the process in its Maintenance Manual. The unwritten procedure requires maintenance superintendents to follow a specific sequence to obtain materials to correct emergency conditions. The superintendents must: (1) check the emergency stock room at the development's maintenance office; (2) check the satellite warehouses; (3) check the main warehouse; (4) use the open supply and service

accounts; or (5) obtain an emergency check to direct purchase materials from any available supplier.

We contacted the maintenance superintendents for the following developments: (1) Altgeld Gardens; (2) Stateway Gardens; (3) Francis Cabrini Homes; (4) Robert Taylor Homes B-2; and (5) Ida B. Wells Homes.

The maintenance superintendents said they were aware of the procurement process. Because of the conversion to a new computer system, we were unable to determine if the superintendents followed the procurement process. We could not determine if the items obtained through the open hardware accounts were available in the Authority's warehouse at the time of purchase. However, we did identify the purchase of non-emergency items, such as , landscaping bark and flower seeds; therefore, it appears not all superintendents followed the correct process.

On June 30, 1996, the Authority was in the process of rewriting its Maintenance Manual. The revised Maintenance Manual is scheduled to be completed by August 1996. It is important that the revised manual include written procedures to formally outline the Authority's emergency procurement process. Written procedures help eliminate subjectivity and provide consistency to the process.

We recommend HUD assures the Authority establishes written procedures outlining the emergency procurement process and incorporates the procedures in the Maintenance Manual.

Open supply and service accounts. In January 1996, the Authority established purchase agreements for open hardware accounts with various vendors for its developments and departments. The accounts were established to assist the Authority in procuring emergency items not on hand in its warehouse system. The purchase agreements detailed the: (1) maximum monthly and annual spending limits; (2) Authority's staff authorized to purchase items; and (3) discounts the Authority should receive on the purchases.

We reviewed 37 items purchased from two of the Authority's vendors during March and April 1996. The items had been approved and forwarded for payment. The Senior Manager of Finance for Public Housing and Private Management, and the Director of Housing Management had responsibility for reviewing and approving the invoices ; however, they did not require verification of the emergency condition. Instead, they relied on the discretion of the purchasing officials. There was no reference on the supporting invoices or any attached documentation that showed the items were purchased for emergency purposes. We attempted to determine the status of the items purchased but could not find any documentation, such as the emergency work order or work order number, that showed the purchases were for emergencies. Items purchased through the open supply accounts are generally more expensive than those purchased centrally because the purchases are usually in small quantities and not subject to quantity discounts. Therefore, verification of emergency purchases is necessary to help prevent waste and abuse.

We recommend HUD assures the Authority establishes procedures and controls to verify that items purchased through the open hardware accounts are for emergency purposes.

The Authority stayed within its spending limits, and only authorized personnel purchased items; however, the Authority did not receive all of its purchase discounts. The Senior Manager was not aware discounts were to be received because he was not notified of the terms of the agreements by the Purchasing and Contracts Department who established the purchase agreements. However, even if he was aware of the discounts, he could not have verified them, since the vendor invoices did not always disclose the original price and the discount. Twenty-one of the 37 items reviewed were purchased from one vendor . We determined the Authority did not receive the 5 percent discount required by the purchase agreements for 18 of the 21 items. Following are examples of discounts lost:

Item	List Price	Price Paid	Discount Lost
Steel Bathtub	\$119.99	\$119.99	\$6.00
Cordless Drill	46.99	46.99	2.35
Padlock	16.99	16.99	1.70

For the three items where the Authority did receive its discount, the list price and the price charged were shown on the charge slips which would have allowed the Authority to verify the discount. Although the total lost discounts were identified were small, the Authority should have a method to verify the accuracy of discounts. Additionally, as these purchase agreements are used more, the potential loss from foregone discounts will increase. For example, one vendor was providing discounts of between 15.01 and 47.25 percent depending on the item.

One purchase agreement incorrectly showed the Authority was not entitled to a discount. However, the vendor was giving the Authority a discount. The vendor had other agreements with the Authority to provide supplies at a discount and extended the practice to the open supply and service account. It is important that the purchase agreements accurately reflect the discounts in order to protect the Authority's interests and provide management officials correct data for their review of transactions.

We recommend HUD assure the Authority implements procedures to notify reviewing officials of the terms of the open supply and service accounts' purchase agreements.

We recommend HUD assure the Authority requires its vendors to show discounts received on applicable invoices so the Authority has assurance it is receiving the discounts to which it is entitled.

We recommend HUD assures the Authority reviews its purchase agreements to ensure they reflect the correct discounts.

With the implementation of controls to verify if a purchase is an emergency and to verify the accuracy of discounts, we believe the strategy to identify opportunities for open supply and service accounts will be satisfied.

We recommend HUD closely watches the Authority's progress in implementing the strategies for improving the procurement process by March 31, 1997. HUD should provide any technical assistance the Authority may require in order to achieve the goal and target date.

We recommend after all strategies have been implemented, HUD assures the Authority assesses its procurement process to ensure the problems the strategies were created to eliminate have been corrected or takes actions to make additional changes. This should be accomplished by September 30, 1997.

Contracting process. In the past, the Authority's contracting process was not adequate which allowed for favoritism, product substitution, and services not being provided. For example, the Authority's contracting process did not, at a minimum, require that bid sheets be maintained, contract solicitations be advertised, and contract files be maintained. The Authority's failure to maintain an adequate contracting process also allowed for manipulation by former Authority employees.

The Director of Purchasing and Contracts took over the Department in July 1994 and initiated actions to correct prior contracting problems. For example, the Director now requires that: (1) bid sheets be maintained; (2) contract solicitations be advertised in local and national publications; and (3) file sheets be maintained for each contract file to ensure necessary documents are maintained. HUD's Office of Contracting conducted a review in August 1995 that included recommendations to improve the procurement process. The Authority has not implemented all of the recommendations because it believes the

recommendations have been overcome by the new computer system. For example, the Authority has not established and staffed two Senior Analyst positions. We were unable to assess the extent to which the new computer system may invalidate the recommendations, since the Authority only began implementing the purchase order module in June 1996. However, because of past problems in the contracting area, it is important for the Authority to coordinate the resolution of each recommendation with HUD.

The Blueprint, Long-Term Plan, and the Agreement do not contain any goals or strategies relating to the contracting process. Because of past problems and allegations, we believe the Authority should include a goal in its Memorandum of Agreement to develop procedures to periodically assess the status of its contracting process. A periodic assessment of the Authority's contracting process provides the opportunity to identify and implement actions needed to correct a problem before the problem gets out of control. A periodic assessment also provides HUD and Authority Management some assurance about the integrity of the system.

We recommend HUD coordinates with the Authority to assess the status of the recommendations in HUD's August 1995 review and to ensure HUD agrees with actions or lack of actions taken to correct the problems the recommendations were made to address.

We recommend HUD assures the Authority develop procedures to conduct a periodic analysis of its contracting process and initiates actions necessary to improve the process.

Management's Comments

The Authority's Deputy Executive Director of Finance and Management provided the following comments:

- A new policy has been developed which will allow Authority operational personnel to purchase any item(s) at designated hardware stores subject to established dollar limits.

- A new policy has been developed which will allow operational personnel to use the existing hardware accounts to purchase any item(s) as long as dollar limits are not exceeded.
- Terms of the open supply and service accounts have been distributed to reviewing officials.
- All hardware store vendors have been contacted and told to include retail and discounted prices on all invoices. Purchasing, Accounts Payable and Operations personnel will closely monitor the invoices to ensure compliance.
- Actions will be taken to assess operations of the Procurement Department by the due date (September 30, 1997). Estimated completion date: June 30, 1997.
- The Authority will try to facilitate a meeting with the Illinois State HUD office to bring closure to the August 1995 review.
- Procedures will be established to ensure a periodic review of the contracting process is conducted. Estimated completion date: August 31, 1996.

Evaluation of Comments

The Authority developed a policy to address the recommendation to establish written procedures that outline the emergency procurement process. The policy gives development managers the flexibility to use blanket purchase orders to purchase any item subject to dollar limits. The policy states that the intent of establishing blanket purchase orders is not to circumvent the warehouse or the purchasing process. However, the policy does not outline the process. We believe written procedures covering emergency purchases still need to be developed to ensure efficient use of resources and to establish a basis to determine if the procurement process is circumvented. The actions the Authority has completed and is planning in response to our other recommendations should improve its procurement and contracting functions and help to identify potential problems.

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Accounting Systems and Controls

Past reviews conducted by HUD, independent public accountants, and the Chicago Housing Authority's Inspector General showed the Authority did not have an effective accounting system to manage its financial activities. The reviews noted that the Authority did not have an adequate system, policies, procedures, or controls for cash management.

The Authority's Long-Term Plan contains a strategy to implement a fully integrated Management Information System which includes accounting system modules. The Memorandum of Agreement between HUD and the Authority contains specific strategies and target dates to improve financial accounting and reporting capabilities.

Observations

New accounting system. The Authority is taking steps that should enable it to effectively carry out its accounting and financial functions. The Authority has established a new chart of accounts. The new accounts track operating income and expenses and identify HUD and non-HUD funding sources. The Authority is converting its present accounting functions to a new integrated computer system that was developed by Creative Computer Solutions Systems. Additionally, the Authority is planning to develop and implement a site-based budgeting strategy.

The Authority purchased seven modules that relate to the Authority's financial operations. Additionally, the Authority is evaluating the budget preparation and payroll modules to determine if they will fulfill the Authority's requirements or if the Authority needs to acquire different modules (see Chapter 13 for a discussion of the budget preparation and payroll modules that should be implemented by December 31, 1996). As of August 1, 1996, the Authority has begun using all seven modules and is in the process of fully implementing them into the integrated system. The modules consist of the following: (1) tenant accounting, (2) purchasing, (3) general ledger, (4) fixed assets, (5) bank reconciliation, (6) inventory control, and (7) accounts payable.

The Creative Computer Solutions integrated computer system is in use at other housing authorities nationwide. We contacted two authorities using the system and the applicable HUD program offices. The authorities said their systems consisted of the same modules that are being implemented or being evaluated for implementation at the Chicago Housing Authority. The authorities and the

applicable HUD offices said the individual modules formed a complete accounting system. Both said they were satisfied with the operation of the system and the reporting products it generated.

New policies and procedures. The Authority has drafted policies and procedures for each incremental accounting function included in its integrated system with the exception of the general ledger. The general ledger does not require policies and procedures. After each particular function is fully implemented, the Authority plans to review the draft policies and procedures, make necessary adjustments, and then issue the final policies and procedures. To evaluate the draft procedures, we reviewed those for fixed assets, inventory control, tenant accounting, accounts payable and purchasing. The draft procedures appeared to adequately cover the necessary functions and control areas. However, it is important to issue final procedures that have been tailored to each module as soon as possible after the system is implemented so the system is operated consistently and can be tested for accuracy.

Site-based budgeting strategies. The Memorandum of Agreement requires the Authority to implement strategies for a site-based budget. The Authority plans to develop these strategies after it has selected and implemented a budget module. The target date to have a site-based budget is December 31, 1997; therefore, sufficient time should be available to effectively develop the strategies and implement the site-based budget.

We recommend HUD closely follows the Authority's progress in implementing the new accounting system and provides any assistance necessary to ensure the system is fully implemented by December 31, 1996, and that a site-based budget is achieved by December 31, 1997.

We recommend HUD assures written policies and procedures are issued as quickly as practical after each accounting function is implemented.

Management's Comments

The Authority's Deputy Executive Director of Finance and Administration said, "I agree with your observations and recommendations and will be implementing them."

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Management Information System

Previous consultant and independent public accountant reports noted the Authority did not have: a computer system that was fully responsive to its needs; and a formal information security policy.

The draft Memorandum of Agreement between HUD and the Authority, dated June 21, 1996 contains a goal to improve the technology capacity of the Authority and its staff. The Authority's Long-Term Plan includes strategies to implement a fully integrated management information system and to institute a comprehensive computer training program.

Observations

Integrated management information system. In August 1995, the Authority solicited proposals for an integrated management information system. The Authority received four proposals for the new system. Creative Computer Solutions Systems software was selected and a contract was executed in February 1996. The Authority's agreement called for the purchase of the following nine modules: (1) tenant accounting; (2) purchasing; (3) general ledger; (4) fixed assets; (5) bank reconciliation; (6) inventory control; (7) housing eligibility; (8) accounts payable; and (9) maintenance work orders.

The Authority is also considering purchasing the budget preparation and payroll modules. However it has some concerns with these two modules and plans to do further investigation before making the decision. The Authority's Project Manager said the Authority is reviewing these two modules to determine if they will meet the Authority's needs. He said the previous Authority management purchased a custom software payroll package and the Creative Computer Solutions payroll module does not appear to have all of the software capabilities of that system. The Authority also has concerns that the budget package may not have the capability to allow the Authority to move to a decentralized budgeting system. To ensure the integrated management information system is implemented by its December 31, 1996 target date, the Authority needs to promptly make a determination of which payroll and budget modules it will use.

The new Creative Computer Solutions Systems software uses two common operating systems; therefore, the

Authority should be able to integrate any new module with relative ease.

We found the installation of the nine Creative Computer Systems software modules was proceeding ahead of the December 31, 1996 scheduled target date. As of August 1, 1996, all of the purchased modules were installed.

The Authority's new software package is in use at other housing authorities. We contacted two of the authorities and they confirmed the software package was effective and reliable. We also contacted the applicable HUD offices and they said the Creative Computer Solutions software package was a very good product that produced the needed reports and information. Because the implementation of the Authority's new software modules were in their infancy, we were unable to evaluate the Authority's use of them. However, the modules appear adequate and if the Authority properly uses them, it should have an effective data processing program.

We recommend HUD assures the Authority evaluates and selects the budget and payroll modules immediately, so the modules can be implemented by the December 31, 1996 target date to have a functioning integrated management information system.

We recommend HUD assures the Authority establishes controls and procedures to complete the implementation of its integrated management information system by December 31, 1996, and to periodically assess its information needs.

Software training. Training was provided on each of the Creative Computer Systems' software modules for the applicable employees involved with each module. The training was conducted by the software manufacturer and completed in July 1996. The Director of Management Information Systems said additional software training will be an on-going process.

The Authority is also in the process of providing training on its standardized software. The Authority's standardized software system includes Windows/Word/Excel/Exchange

software as well as, numerous advanced services such as E-Mail communications and access to the Internet . As of June 1996, the Authority had approximately 600 users on-line and are adding users daily, with plans of having potentially over 1,000 users. As of August 1, 1996, the Authority had trained 363 employees or 51 percent of applicable users . The training was conducted by experienced in-house instructors. The Project Manager said the standardized software training is scheduled to be completed by September 30, 1996. The September 30, 1996 completion date provides the Authority a buffer to help ensure the new integrated system will be fully operational by December 31, 1996.

It is important for the Authority to ensure all employees who use computers receive software training so they can effectively use the new system.

We recommend HUD assures the Authority establishes controls and procedures to ensure all applicable employees receive software training by December 31, 1996, the day the new integrated system will be fully implemented.

Help desk. The Management Information System Division established a help desk for all users. The help desk is contacted by one universal phone number and is currently staffed with one assistant. The Director of Management Information Systems said he plans to add additional assistants. As of July 18, 1996, the Authority was interviewing candidates to fill additional assistant positions at the help desk. A help desk provides information to users quickly so they can more effectively use the system, and it helps eliminate computer down time.

Information security policy. The Management Information Systems Division is updating each software module's policies and procedures to include new information security policies. The Authority has contracted with Creative Computer Solutions Systems to develop and implement a position based security policy. Currently, the Authority is using the security policy for its old computer system which allows access based on the employees' department. The new system will limit access based on job

position and need to know. The policies are scheduled to be updated by August 31, 1996.

Because the revisions of the new policies were in their infancy, we were unable to evaluate them. However, when the new policies are updated with the new security measures, they should help prevent unauthorized access to the Authority's system. The Authority has hired Deloitte and Touche to review the internal controls over its revised policies and procedures.

We recommend HUD assures the Authority completes the revisions of its policies and procedures and implements all new security procedures by December 31, 1996.

Management's Comments

The Authority's Deputy Executive Director of Finance and Administration said, "I agree with your observations and recommendations and will be implementing them."

Asset Management

The Chicago Housing Authority includes privatization of the management of its: (1) low rent units; (2) pension fund; and (3) deferred compensation program under its asset management function. In the past, the Authority did not manage its asset management function in an effective and efficient manner. Specifically, the Authority did not maintain its developments in a decent, safe, and sanitary condition. The Authority's pension fund and the deferred compensation program were mismanaged. The mismanagement resulted in a multi-million dollar diversion of assets from the Authority's pension fund and deferred compensation programs. The Authority's employees who participated in the deferred compensation program also had not received benefit statements in over a year.

After HUD took over the Authority, HUD issued a Blueprint, dated June 11, 1995, that contained a goal to replace the Authority's existing administrative structure and create a new structure to effectively manage the Authority's assets and resources. The Authority's draft Memorandum of Agreement, dated June 21, 1996, contains a goal to explore alternative and innovative approaches to the Authority's housing programs such as private management.

Observations

Blueprint and Memorandum of Agreement. The Blueprint's strategies are: (1) prepare and release a Request for Proposal for private management of the senior housing developments; (2) prepare and release a Request for Proposal for management of the pension fund; and (3) outsource the management of the deferred compensation program. The Agreement's strategy is to pursue privatization opportunities for the Authority's public housing stock by turning over 15,000 units to private management entities. The target date for transferring the units to private management is December 31, 1996.

The Authority is in the process of implementing the strategies contained in the Blueprint and the Agreement. However, the Authority needs to devote additional attention to the privatization of public housing units, the pension fund, and the deferred compensation program. The Authority also needs to periodically assess the effectiveness of its actions after they have been fully implemented. We believe if the Authority follows through and fully implements the strategies, the Authority will significantly improve its asset management.

Private management of developments. Although the Blueprint only called for the transfer of management of the senior developments to private firms, the Authority decided

to also include some family developments. The Authority made this decision in order to include some of its more difficult to manage developments in the transfer.

On August 7, 1995, the Authority issued a Request for Qualifications to identify private management firms that possessed the qualifications necessary to manage the Authority's developments. The Authority received 34 responses. The Authority evaluated the responses for their technical competence, scope of services, and minority status/opportunities to be offered to disadvantage individuals.

The Authority executed contracts with 15 private firms. The private firms took over the day-to-day operations of 23 developments effective July 1, 1996. The 23 developments contain over 8,000 units as follows:

Development (*-Previously under private management.)	Units
Scattered Sites-Southwest*	225
Horner Homes	1,474
Scattered Sites-West*	382
Ogden Courts*	135
Harrison Courts*	126
Maplewood Courts*	131
9141-9177 South Chicago Avenue	298
Hilliard Senior	344
Hilliard Family	346
Scattered Sites-Northwest*	339
Lathrop Senior*	92
Scattered Sites-North Central*	417
Madden Park	485
1611 South Racine	212
Rockwell Gardens*	1,126
150 South Campbell	129
Archer Courts*	147
Loomis Courts*	126
Judge Green Apartments*	154
Lake Parc Place*	284
Scattered Sites-Northeast	381
Scattered Sites-Southeast	425
Prairie Courts*	324

Sixteen of the 23 developments consisting of approximately 4,500 units were previously under private management. The Authority made significant changes in its new private management contracts to improve the private firms' accountability for results. For example, the contracts were standardized, budget revisions now require approval, the firms must use the Authority's new computer system, and performance standards have been clarified.

Under the new contracts, private firms operate the developments using operating budgets. The firms are initially advanced two months operating expenses and then are moved to a monthly reimbursement. The operating budgets do not include funds for major renovations. Major renovations are planned and budgeted for by the Authority. For all eleven of the contracts we reviewed, the management fees remained essentially the same or were reduced from the previous fees charged. The fee structure was changed to provide an emphasis on occupying units.

We were unable to evaluate the effectiveness of the new contracts, since they have not been in force a sufficient length of time. However, our analysis of the contract's terms indicated the changes that emphasize occupying units and improving accountability should result in better customer service. Although the contracts have been improved, proper monitoring of the private management firms is essential to ensure performance standards are met.

The Deputy Executive Director of Operations said the Authority plans to have another 3,500 units under contract by September 30, 1996 and the remaining 3,500 units under contract by December 31, 1996.

We recommend HUD assures the Authority monitors the private management firms to ensure the developments are maintained in an adequate manner and according to the management contracts, and that the Authority takes appropriate action if firms do not properly manage the developments.

We recommend HUD closely watches the Authority's progress to privatize 15,000 units by December 31, 1996

to ensure privatization contracts are providing acceptable housing at a reasonable cost.

Monitoring private management contracts. The Authority assigned monitoring responsibility of the private management contracts to its Private Management Administration and its Department of Finance for Public Housing/Private Management.

The Private Management Administration's responsibilities include physical inspections of the developments' grounds and units, reviewing tenant files for accuracy of rental calculations, and processing monthly status reports from the private firms. The Department of Finance for Public Housing/Private Management's responsibilities include reviewing and approving payment requests, budget revisions, and performing audits of the private management contractors.

The Private Management Administration and the Department of Finance for Public Housing/Private Management have not established a coordination process to address issues that arise during their monitoring. Effective communication and coordination is important to assure HUD and the Authority that resources are only expended to achieve stated objectives of improving living conditions for the tenants.

We recommend HUD assures the Authority establishes coordination procedures between Private Management Administration and Department of Finance for Public Housing/Private Management for monitoring the private firms.

Private management of the pension fund. The Authority issued a Request for Proposal on August 14, 1995 to obtain an investment consultant for the pension fund. A contract was executed with Becker, Burke Associates on October 1, 1995 to identify investment management firms to manage the Authority's pension fund.

The investment consultant identified four firms for the Plan's Board of Trustees consideration. The Board of Trustees selected two firms based upon interviews with the

firms and reviews of their investment strategies. Contracts were executed with The Burrige Group and The Chicago Trust Company on December 21, 1995. The Plan's Board of Trustees will be responsible for monitoring the pension fund contracts. The investment consultant and the two management firms were providing the services as required by the contracts. The contractors also provided the necessary reports to allow the Trustees to monitor the fund. Contracting out has improved the operations of the pension fund.

However, the Board of Trustees issued Requests for Proposals on December 22, 1995 to obtain legal, accounting, auditing, and actuarial services for the pension fund. While the Board of Trustees notified the selected firms on January 25, 1996 of the contract awards, the Authority has not executed written contracts with the firms as of July 11, 1996. The Deputy Executive Director for Finance and Administration said contracts have not been executed because the Authority was focusing its efforts towards finding a new Plan Administrator and assuring pension benefit payments were being issued timely. The former Plan Administrator left the Authority abruptly on April 26, 1996. A new Plan Administrator was hired on June 19, 1996. Written contracts are essential to outline the necessary services and to protect the Authority's interest.

We recommend HUD assures the Authority executes contracts with the legal and actuarial firms selected for award. (Contracts for the accounting and auditing services were executed on August 8, 1996 after we had completed our review of this area).

We recommend HUD assures the Authority properly oversees the contracts awarded for the pension fund and takes appropriate action if the contractors do not effectively perform the required services.

Private management of deferred compensation program. The Authority issued a Request for Proposal on May 30, 1995 to outsource the deferred compensation plan. On November 1, 1995, a contract was executed with the Public Employees Benefit Service Corporation to administer the plan. The firm's responsibilities include

group meetings with the Authority's employees, enrolling participants in the plan, and issuing quarterly benefit reports to the plan participants. The plan's administrator was providing the services and reports as required by the contract. This has improved the operations of the deferred compensation program.

The Authority's Manager of Financial Reporting and Tenant Accounting was responsible for monitoring the deferred compensation contract; however, the Manager said, with his other duties, he did not have adequate time to monitor the contract. The Manager said he was assigned oversight responsibility in June 1994 on a temporary basis, and the Authority has not reassigned the monitoring responsibility to another staff member. When we brought this to the Authority's attention, the monitoring of the deferred compensation contract was reassigned to the Authority's Human Resources Department. Effective monitoring of the contract is important to ensure past problems with the program do not reoccur.

We recommend HUD assures the Authority establishes controls to ensure the deferred compensation contract is adequately monitored and appropriate actions are taken if the firm under contract is not properly managing the deferred compensation program.

Management's Comments

The Authority's Deputy Executive Director of Finance and Administration said, "I agree with your observations and recommendations and will be implementing them."

Regarding private management of developments, the Authority's Deputy Executive Director of Operations said, "The Chicago Housing Authority concurs with the observations and associated recommendations as stated and will incorporate same in our overall planning efforts."

Risk Management

The Chicago Housing Authority's Risk Management Department is responsible for administering the workman's compensation program and protecting the Authority against liability and property claims. The goal of risk management is to reduce insurance claims and costs. A prior report issued by the Authority's Inspector General found the Authority's in-house administration of the workman's compensation program was not effectively, efficiently, or economically managed. The program was administered without proper planning, management, staffing, and written policies and procedures. The Authority also lacked a safety program and did not conduct an adequate analysis of its insurance coverage.

The HUD Blueprint, dated June 11, 1995, contained a goal to replace the existing administrative structure and create a new structure to manage the Authority's risk. To accomplish this goal, HUD established a strategy to investigate the procurement of a third party administrator for the workman's compensation program. The Authority's Long-Term Plan, dated February 15, 1996, contained strategies to meet the goal of devoting increased emphasis to risk management. The Plan set a target date of March 30, 1996 to hire a new program director, and May 30, 1996 to develop a safety program. The Authority's draft Memorandum of Agreement, dated June 21, 1996, did not contain any goals or strategies relating to risk management.

Observations

Private management of the workman's compensation program. The Authority issued a Request for Proposal on September 29, 1995 to obtain a third party administrator for the workman's compensation program. A contract was executed with Coresource, Inc. on March 27, 1996. Because of the contract, the Authority is reducing its workman's compensation staff from six to one. The one employee is being retained to assist the Director of Risk Management in monitoring the contract.

The contract contains specific performance standards which the firm must abide by when administering the contract. The performance standards establish a basis for the Authority to effectively monitor the firm and hold the firm accountable for its performance. Because sufficient time has not elapsed since the workman's compensation contract was awarded and the claims were transferred, we were unable to assess the effectiveness of the contract. However, we determined the Authority is receiving the monthly reports from the firm to monitor the program and is using them to develop ways to reduce claims. For example, the Authority initiated a training course to instruct employees on the proper way to lift heavy materials.

We recommend HUD assures the Authority aggressively monitors the workman's compensation contract and takes appropriate actions if the firm does not properly manage the program.

We recommend HUD assures the Authority periodically conducts an analysis to determine if it is more cost effective to contract out the administration of the workman's compensation program versus the Authority administering the program in-house.

Risk management program. The Authority established a target date of March 30, 1996 to hire a Director of Risk Management to replace the former Director who diverted funds. On November 20, 1995, the Authority hired the new Director. The new Director has an extensive background as a risk manager and risk consultant.

Safety Program. The Authority established a target date of May 30, 1996 to develop a safety program. The Authority developed a safety plan on December 1, 1995 and is in the process of implementing the program. The program consists of training for employees and residents and procedures to identify hazards in order to reduce property and casualty claims against the Authority.

The Authority initiated the employee training portion of the safety plan. For example, it has conducted employee assistance training which deals with alcohol and drug abuse problems. The Authority, however has not initiated resident training, although its target date for implementing the training was March 1996. The resident training was delayed because video equipment needed for developing training materials was not received on time. The Authority received the video equipment in May 1996 and expects to initiate resident training by September 30, 1996. Training residents on safety procedures helps ensure residents will take the proper actions in emergency situations and thus reduce casualty and property losses.

We recommend HUD assures the Authority initiates safety training for its residents by September 30, 1996.

Safety inspections. In June 1996, the Authority hired a Safety Inspector to coordinate and train development managers on how to conduct inspections to identify and eliminate hazardous conditions at developments. For example, the Authority determined that a high number of its claims came from pot holes, fence posts left after fences were removed, and defective playground equipment.

The Safety Inspector personally reviewed each development's parking areas and roads for pot holes and reported the problems to the City of Chicago who is responsible for corrective action. The Authority periodically follows up with the City to determine if corrective action has been taken.

Development managers were responsible for inspecting and ensuring corrective action was taken regarding the fence post problem and defective playground equipment. The Risk Coordinator who oversees the safety program had the results of the Safety Inspector's review of the pot holes; however, he did not have any information for the inspections accomplished by the development managers. It is important for the Authority to monitor the status of inspections at the developments, so it can ensure the hazardous conditions have been eliminated.

We recommend HUD assures the Authority develops procedures to track hazardous conditions until the conditions are eliminated.

Purchase of Insurance. Because of the emphasis on risk management, the Authority now purchases insurance more intelligently and has reduced its insurance premiums. For example, in March 1996, the Authority did not renew its public official liability policy since the Authority was also covered under another policy. As a result, the Authority was able to save \$272,782.

For the first time, the Authority has developed a list of all its properties and their values. The list is a valuable source of information for calculating the correct coverage needed for its insurance programs.

We believe the actions the Authority has taken will improve its risk management program; however, the Authority needs to periodically evaluate the results of its actions and tailor the program to meet new conditions. Because of past problems, the Authority should develop procedures to periodically assess its risk management program. A periodic assessment of the Authority's risk management program provides the opportunity to identify and implement actions needed to correct a problem before the problem gets out of control.

We recommend HUD assures the Authority develop procedures to periodically assess its risk management program and makes changes to address new conditions.

Management's Comments

The Authority's Deputy Executive Director of Finance and Administration said, "I agree with your observations and recommendations and will be implementing them."

Personnel

A past consultant review of the Chicago Housing Authority showed the Authority's personnel function needed improvement. The consultant found the Authority's job descriptions were inaccurate and not useful in hiring personnel or in evaluating performance, employees' salaries bore little relevance to the market, and performance evaluations were not effective. Additionally, a basic skills assessment the Authority gave to its maintenance employees raised concerns about the qualifications of the housing management staff and the Authority's recruiting process.

To correct the problems, the Authority included strategies in its Long-Term Plan and goals in its June 21, 1996 draft Memorandum of Agreement with HUD. The documents have similar objectives. The Memorandum of Agreement contains goals to assess and develop staff skill levels to improve housing management capacity, staff performance, and productivity. The Long-Term Plan has three strategies to achieve a committed, competent, and professional work force. The strategies are: (1) provide pro-active training and cross-training for staff and professional development skills; (2) implement an adequate compensation and performance system; and (3) aggressively recruit skilled workers.

Observations

Assessment of management staff skill levels. The Authority reviewed the skills and capabilities of its site managers, maintenance employees, and recruiters.

All site managers' backgrounds were reviewed to determine if they met HUD's certification requirements. Thirty-seven managers did not. Consequently, during the past nine months, most of the managers were given certification training. As of July 15, 1996, only 11 managers remain uncertified. The Authority mandated that the remaining 11 managers will take certification training in November 1996.

In connection with the new computer system, maintenance employees were given a basic skills assessment. The basic skills assessment required supervisors and workers to read, write, and perform math functions at an eighth and sixth grade level, respectively. Only 54 percent of the supervisors and 48 percent of the workers passed.

The Authority also analyzed all 59 maintenance position descriptions and found only 22 of the 59 descriptions specifically stated that the employee must be able to read, write, and comprehend work orders. The Human Resources Department is in the process of revising the job descriptions to fill this gap. The Human Resources Director said the revisions will be completed by August 1996. Additionally,

the Authority has compiled a listing of various literacy sites around the greater Chicago area and is strongly encouraging applicable maintenance supervisors and workers to attend classes to improve their skills. The Authority is currently reviewing its options through the unions and its Legal Department to determine what actions it can take if employees do not improve their skills.

The Authority determined that it needs to have experienced recruiters to identify and recruit skilled workers. As a result, the skills and capabilities of the Human Resources staff were assessed. The Authority created new positions and made staffing changes in its Human Resources staff. Job qualifications that contain skill levels for each of the new Human Resources positions were created. The Authority is in the process of creating an annual recruitment strategy. Recruiting sources are being identified and methods to recruit are being developed to accomplish the strategy. The Authority-wide revision of job descriptions, that contain expected skill requirements, will assist the recruiters in identifying qualified candidates for vacancies.

The Authority informally assessed its staff's skill level in other areas. Management has made staffing changes and replaced personnel as they deemed necessary. For example, in Finance and Administration, five out of eight directors were hired within the last six months and there has been a turnover of approximately 50 percent of the Management Information Systems' staff. However, with the exception of the site managers, maintenance employees, and recruiters, the Authority has not performed a formal assessment of its staff. It is important for the Authority to have an assessment that includes all its staff so it has assurance employees are qualified for the positions they are filling, and can develop training programs where needed.

We recommend HUD assures each of the Authority's managers have been certified by the March 31, 1997 Memorandum of Agreement target date for assessing and developing staff skill levels.

We recommend that HUD assures the Authority develops and implements strategies to address (1) the

skill level of all its staff, and (2) the issue of staff who do not meet minimum required skill levels.

We recommend HUD assures the Authority develops an effective recruiting strategy that properly assesses the qualifications of potential employees.

For the first time, the Authority has also established a group of core courses to train housing management personnel. A core course is a required arrangement of fundamental curriculum that combines basic topics to provide participants with a common background on various subjects. The Authority developed the curriculum and materials for the courses. The Authority implemented an employee orientation class to familiarize new staff with the Authority's policies and procedures. The Authority's 1996 staff training catalog contains 37 courses. For example, the Authority offers a course entitled "Progressive Discipline" that provides managers with guidelines to address disciplinary problems. Twenty-two of the courses will be taught by instructors from the Human Resources Department, two by outside contractors, and the remaining 13 are to be given by Housing Management staff. Because of recent reductions in staff levels, the Housing Management trainers have not been determined.

The Authority also plans to use local real estate training organizations to provide specialized training that the Authority's staff is unqualified to give. For example, the Authority plans to have the National Center for Housing Management give certification training to its eleven managers in November.

If the Authority follows through with its planned actions, its staff should have the means to develop necessary housing management skills.

We recommend HUD assures the Authority appoints qualified instructors and implements the courses by the September 30, 1996 target date established in the Memorandum of Agreement.

System to track the training. Presently, the Authority keeps track of its employees training with sign-in sheets .

The employees receive certificates for satisfactory completion of a training course. However, various departments, in addition to Human Resources, give staff training. The Legal Department provides evictions training, the Management Information Systems Department provides computer training, and the Purchasing and Contracts' staff provides procurement training. There is no consolidated record of an individual's training.

Sign-in sheets do not provide a convenient record of training that can be used by managers for planning purposes. There was not a specific order or location for all sign-in sheets. For example, the Authority has no consolidated record of which managers received performance management training. The information was only available from staff memory or research of all training sign-in sheets. An accurate method to document training is important for budgeting purposes, to prevent unnecessary duplication of training, and to ensure all personnel have the necessary skills.

The Deputy Executive Director of Finance and Administration said that the Authority plans to implement a computer database to track employee training.

We recommend HUD assures the Authority establishes and implements procedures to consolidate the tracking of training received by its employees.

Staff performance, productivity and commitment. In 1994, the Authority commissioned a consultant to study its compensation program, job descriptions, and performance program. The consultant found that the Authority's pay rates were not relevant to the overall market, job descriptions were inaccurate and were not useful in hiring or evaluating performance, and job performance was not effectively tied to pay.

While the compensation study was completed in 1995, the Authority's previous administration did not implement its recommendations due to budgeting difficulties. On June 1, 1996, the Authority's new management team began to implement the study's recommendations.

The consultant's recommendations regarding pay rates are in the process of being implemented for the Authority's non-union positions. This action is planned to be completed by December 31, 1996. For the union employees, the consultant's recommended rates have received the union's approval and will go into effect on January 1, 1997.

The Authority has revised most of the job descriptions. However, about 60 percent of the job descriptions need additional minor revisions due to recent reorganizations in various departments.

The Authority's pay for performance program requires each of its managers to meet with their staff to review the job performance standards and establish expectation levels for each employee's goals and objectives. A merit salary increase is earned by an employee as a result of job performance. Interim performance reviews are currently being conducted by the Authority and should be completed by July 31, 1996. The final performance reviews are scheduled for the end of the year.

We believe employees' performance will improve when the Authority's compensation system and its pay for performance system are fully implemented. The Authority is on schedule to have the systems fully implemented by its Long-Term Plan target date of March 31, 1997.

We recommend that HUD monitors the Authority to assure it completes the implementation of the compensation system and job descriptions by March 31, 1997.

Management's Comments

The Authority's Deputy Executive Director of Finance and Administration said, "I agree with your observations and recommendations and will be implementing them."

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Resident Program Delivery Systems

In the past, the Chicago Housing Authority did not conduct an assessment to determine the services required by its residents. According to HUD's 1995 Recovery Team report, because of the Authority's size and the limited economic and human resources, the service needs of the residents have out-paced the capacity of the Authority's staff.

HUD's Blueprint, dated June 11, 1995, contained strategies to meet the goal of increasing resident participation in the decisions that affect their lives. The Authority's Long-Term Plan, dated February 15, 1996, contained strategies to meet the goal of enhancing the resident program delivery systems. The June 21, 1996 draft Memorandum of Agreement did not contain any strategies or goals related to resident delivery systems.

Observations

Blueprint and Long-Term Plan. The Blueprint's major strategies are: (1) establish a system-wide resident planning process and give residents unprecedented involvement in planning the redevelopment of their communities; and (2) follow through with the State of Illinois and The Woodlawn Organization to open a transition facility for Authority families in crisis.

The Plan's strategies are: (1) determine and identify issues and needs involving existing and potential services and delegate agencies; (2) evaluate the effectiveness of existing and potential service delivery systems; (3) conduct a cost/benefit analysis of existing and potential service delivery systems; (4) select from existing and potential services and delegate agencies that best meet residents' needs not currently addressed; (5) monitor the new programs and services; and (6) identify future resident needs.

The Authority has met or is on target to meet the Blueprint's and Plan's strategies except for: (1) determining and identifying issues and needs involving existing and potential services and delegate agencies; and (2) evaluating the effectiveness of potential service delivery systems.

Resident Involvement in Planning Process. The Authority moved to provide residents more involvement in the planning process of redeveloping their communities. On December 18, 1995, the Authority issued a Request for Qualifications to identify urban planners that possessed the qualifications necessary to work with the residents to

produce a long-range strategic plan for physical and social service needs in their communities. The plans are to include: (1) an assessment of the physical design of each community; (2) an assessment of available commercial businesses, recreation facilities, and day care; and (3) an assessment of social service needs and programs necessary to meet those needs.

The Authority received eight responses and evaluated them based upon the following criteria: (1) specialized knowledge, experience, and technical competence in the type of work required; (2) capability to provide the required services on a timely basis; (3) past performance based upon references of former clients serviced; and (4) overall quality of the response submitted. All eight firms met the evaluation criteria. The Authority's Local Advisory Councils are responsible for selecting an urban planner. The Local Advisory Councils for Henry Horner, ABLA Homes, and Rockwell Gardens selected an urban planner and the Authority executed the contracts effective May 31, 1996. The contracts required the planner to complete the planning services by July 31, 1996. The Authority extended the Henry Horner and ABLA Homes contracts to September 30, 1996 and the Rockwell Gardens contract to September 30, 1997. However, the extensions were not granted prior to the expiration of the original contract and were not in writing as required by section 3.03 of the contracts.

The Local Advisory Councils for Dearborn Homes, Robert Taylor B, Wentworth Gardens, Hilliard Homes, Lathrop Homes, Washington Park, and Trumbull Park have also selected urban planners to assist in the redevelopment of their communities. The Authority plans to have contracts executed with the urban planners by August 31, 1996. The Deputy Executive Director for Community Relations and Involvement said the Authority anticipates having the remaining eight Local Advisory Councils select an urban planner by December 31, 1996. The Authority needs to ensure the remaining Councils select an urban planner as expeditiously as possible so the redevelopment of their communities can progress in a timely manner.

We recommend HUD assures the Authority follows the requirements of its contracts and ensures all contract extensions are made before the original contract expires and are in writing.

We recommend HUD assures the Authority: (1) executed contracts with the urban planners for Dearborn Homes, Robert Taylor B, Wentworth Gardens, Hilliard Homes, Lathrop Homes, Washington Park, and Trumball Park; and (2) ensures the remaining eight Local Advisory Councils select an urban planner as expeditiously as possible but no later than December 31, 1996.

Development Initiatives Division. The Authority established a Development Initiatives Division in August 1996 to assist its residents in developing, implementing, and monitoring various developmental initiative programs. The Division will conduct related training on strategic planning, homeownership, and Hope VI community services programming related to initiatives for the Authority's residents. The Division will also be responsible for other special projects to improve the living environment of residents. The Development Initiatives Division staff are required to establish policies, procedures, and programs in coordination with the Authority's executive staff. The policies and procedures will direct the Division's operations in the Resident Development Programs. The Director of the Development Initiatives Division said the Authority will have written policies and procedures implemented by September 30, 1996. The policies and procedures are essential to outline the Authority's commitment to the servicing of its residents. Based upon the actions taken by the Authority to obtain urban planners and establish the Development Initiatives Division, resident involvement in decisions that affect their lives has increased; however, the Authority needs to continue to find additional ways to increase resident involvement.

We recommend HUD assures the Authority established policies and procedures for its Development Initiatives Division by September 30, 1996.

Transition Facility. The Authority followed through with the State of Illinois and The Woodlawn Organization in establishing a transition facility for families in crisis. The facility is the Chicago Holistic Interim Living Development. It is operated and partially funded by The Woodlawn Organization. The remaining funds for the facility are provided by the Illinois Department of Children and Family Services, the African American Leadership Partnership, the Authority, the Museum of Science and Industry, and Maryville, which is a housing component of the Catholic Archdiocese. The facility offers counseling, a 24 hour crisis line, housing assistance, infant and toddler day care, substance abuse and domestic violence intervention, family field trips, extended community transportation, emergency family shelter, and job skills and development placement in order to address the needs of the whole family. As of July 8, 1996, the facility had 300 families registered in its program.

The facility initially opened on June 21, 1995 in temporary mobile units that offered services on a limited basis. On December 1, 1995, the facility moved into two renovated buildings at the Ida B. Wells development that had been donated by the Authority. The facility was established in response to the 17 children found in June 1994 living in deplorable conditions in the City of Chicago and the deaths of two children at the Authority's Ida B. Wells and Cabrini Green developments. The Deputy Executive Director of Community Relations and Involvement said the Authority plans to establish a similar facility at the ABLA Homes development when funding is secured from the State of Illinois.

We recommend HUD assures the Authority establishes a transition facility at the ABLA Homes development when the necessary funding is obtained and explore establishing additional transition facilities at other developments based upon the needs of the residents.

Existing/Current Services and Delegate Agencies. On November 15, 1995, the Authority issued a Request for Proposal to obtain technical assistance for its current resident initiatives programs. The Authority received 18 responses and evaluated them based upon technical

competence, qualifications of key personnel, the proposed fee to be charged, and minority business enterprise/women business enterprise participation. The Authority executed a contract with Educational Training and Enterprise Center effective August 26, 1996 with a completion date of December 26, 1996. The Authority's Community Relations and Involvement Division is responsible for monitoring the contract. The contract requires the Center to: (1) determine and identify issues and needs involving existing services and delegate agencies; (2) evaluate the effectiveness of existing service delivery systems; (3) conduct a cost/benefit analysis of service delivery systems; and (4) identify future needs. The Authority needs to monitor the contract to ensure it and its residents receive the services as required.

Due to the effective date of the contract, the Authority will not meet its Long-Term Plan's September 30, 1996 completion date for determining and identifying issues and needs involving the existing/current services and delegate agencies. The Authority has revised the Plan's completion date to December 31, 1996. The strategies to: (1) evaluate the effectiveness of existing service delivery systems; (2) conduct a cost/benefit analysis of service delivery systems; and (3) identify future needs, have completion dates of March 31, 1997, June 30, 1997 and December 30, 2000 respectively. Since the completion date of the Educational Training and Enterprise Center contract is December 26, 1996, the Authority should complete the actions well ahead of the target dates.

The Deputy Executive Director for Community Relations and Involvement said once the Authority receives the report from the Educational Training and Enterprise Center, the Authority will be able to select from the existing services and delegate agencies that best meet the residents' needs by January 31, 1997. The actions taken by the Authority should increase its resident delivery systems.

We recommend HUD assures the Authority monitor the contract with the Educational Training and Enterprise Center to ensure it receives the required services by December 26, 1996.

We recommend HUD assures the Authority takes appropriate action by January 31, 1997 based upon the Educational Training and Enterprise Center's report. The Authority should only select, for continued use those existing services and delegate agencies that are shown to best meet its residents' needs.

Potential/Future Services and Delegate Agencies. After the Educational Training and Enterprise Center has completed its review of the existing/current services and delegate agencies, the Authority will identify potential/future services and delegate agencies. The Long-Term Plan's completion dates for identifying potential/future services and agencies and evaluating their delivery systems are September 30, 1996 and December 31, 1996, respectively. The Deputy Executive Director for Community Relations and Involvement said the Authority will not meet the Plan's completion dates for these two strategies. He said the Authority let these dates slip to concentrate on resident employment initiatives. The Authority revised the completion dates to January 31, 1997.

Once the Authority has identified the potential/future services and delegate agencies, it plans to conduct a cost/benefit analysis of their delivery systems. The Long-Term Plan's completion date for conducting the analysis is June 30, 1997. The Authority should meet the target date for conducting the cost/benefit analysis of the potential services and delegate agencies if it follows through and completes its other strategies related to existing services and agencies. After the analysis is completed, the Authority will select the potential services and delegate agencies that best meet the residents' needs not currently addressed. The potential services and agencies selected should also be completed by the Plan's target date of September 30, 1997. The Director of Resident Programs is responsible for monitoring the potential services and delegate agencies that are selected. Based upon the proposed actions, the needs of the residents not addressed should be corrected.

We recommend HUD assures the Authority performs the following steps related to potential/future services and delegate agencies: (1) identifies and evaluates their delivery systems by January 31, 1997; (2) conducts a

cost/benefit analysis of their service delivery systems by June 30, 1997; (3) selects those that best meet the residents' needs not currently addressed by September 30, 1997; and (4) monitors services and delegate agencies to ensure the residents' needs are being addressed.

Management's Comments

The Authority's Deputy Executive Director of Community relations and Involvement said, " I am in agreement with your observations, however, I offer the following comment concerning your recommendation that the Authority continue to establish a transition facility at the ABLA Homes development.

We recommend that HUD assures the Authority establishes a transition facility at the ABLA Homes development when, and if, the necessary funding is obtained from the State of Illinois and explore establishing additional transition facilities at other developments based upon the needs of the residents.

Evaluation of Comments

Our recommendation regarding a transitional facility at the ABLA Homes development does not include the words "and if". We believe our wording establishes a greater commitment on the part of the Authority to achieve the objective of the recommendation.

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Economic Development Opportunities for Residents

In the past, the Chicago Housing Authority lacked a program to provide economic development assistance to its residents. The Authority has 11 of the 15 poorest census tracts in the United States within its developments. A consultant report issued in October 1994 said the Authority had a resident unemployment rate of 90 percent while 65 percent of its residents wanted to work and were available for employment. The Authority reestablished the Economic Development Division in December 1995 to offer residents opportunities to form small businesses and receive employment training and placement. The Division had been previously eliminated in January 1995.

The Authority's Long-Term Plan, dated February 15, 1996, contained strategies to meet the goal of improving economic development opportunities for its residents in and around the developments. The Authority's draft Memorandum of Agreement, dated June 21, 1996, contained strategies to meet two goals. The Agreement's goals are to: (1) broaden economic development opportunities for residents which will decrease the percent of rents uncollected by improving residents' socioeconomic well-being and quality of life; and (2) expand educational, economic, and recreational opportunities for residents. The HUD Blueprint, dated June 11, 1995, did not contain any strategies or goals related to resident economic development.

Observations

Long-Term Plan and Memorandum of Agreement. The Plan and the Agreement both contain the following strategies: (1) develop joint venture agreements with resident owned companies and local private sector businesses; and (2) contract with resident joint venture groups to fulfill the Authority's needs for contracted services labor. The Agreement contains the following additional strategies: (1) develop and implement a Section 3 policy statement and guidelines; (2) develop partnership agreements with government, non-profit, and private sector agencies to support resident training and employment opportunities; and (3) evaluate the Authority's performance in meeting residents' needs. The Authority has met or is on target to meet all of the Plan's and Agreement's strategies with the exception of evaluating performance in meeting residents' needs.

Joint Venture Agreements. The Authority has encouraged residents to form small businesses with private sector entities by conducting tenant meetings and training sessions. The businesses will provide a variety of services, such as janitorial and unit rehabilitation, at the

developments. Since the agreements use residents to provide the services, they free up the Authority's staff to complete basic maintenance repairs. A joint venture agreement is a contract between the residents and a private sector entity to join resources to provide goods and services. The agreement details the duties and responsibilities of each party. The target date in the Authority's Memorandum of Agreement was June 30, 1996 to develop joint venture agreements with resident owned companies and local private sector businesses. The Authority met the target date. As of July 31, 1996, there were 19 joint venture agreements between resident businesses and private and non-profit businesses. The Authority has projected that the 19 joint venture agreements will create over 500 resident jobs.

We recommend HUD assures the Authority continues to emphasize the development of joint venture agreements between the resident owned companies and private sector businesses.

Joint Venture Contracts. Along with developing joint venture agreements, the Authority established a goal in its Long-Term Plan to execute 25 contracts per year with the resident owned companies. As of July 31, 1996, the Authority had executed nine contracts totalling over \$4,000,000. The cost of the contracts are consistent with what the Authority incurred in previous contracts, or would incur if it employed individuals to perform the services. The Authority also has five contracts pending execution with resident owned businesses. The five contracts should be executed by August 31, 1996. Further, the Authority has 10 more contracts pending execution by the end of the year. As a result, the Authority is on track to meet its goal in the Long-Term Plan.

We recommend HUD assures the Authority works to expeditiously complete its pending contracts and continues to explore other contracts with the resident owned companies in order to reach the yearly goal of 25 contracts.

Section 3 Policy.The Authority met the Memorandum of Agreement target date of April 1996 to develop a Section 3

policy statement. The policy was implemented on May 1, 1996. The policy requires resident hiring to be used on all of the Authority's construction and service contracts of \$100,000 or more that contain a labor component.

As of July 31, 1996, the Authority had executed 19 contracts containing the Section 3 requirement. The contracts require over \$400,000 to be spent on resident employment and training. The Authority's Contract Compliance Section is responsible for monitoring the contractors to ensure they meet the Section 3 requirement. Contractors that fail to comply with the Authority's Section 3 policy are supposed to have their payments reduced by the amount they are required to spend on Section 3 employment and training. As of July 31, 1996 all contractors have complied with the Section 3 employment and training requirements.

The payments retained from contractors not meeting the Section 3 requirement will be placed in the Authority's Resident Employment Development Initiatives program which develops resident employment opportunities and training initiatives. Based upon the implementation of the Authority's Section 3 policy, the residents should benefit from increased employment opportunities. However, the Authority needs to monitor the contractors to ensure the residents are receiving the intended benefits.

We recommend HUD assures the Authority monitors the construction and service contractors to ensure: (1) residents are receiving the employment and training opportunities as required; or (2) the appropriate amounts are withheld from contractors for failing to meet the Section 3 requirement.

Partnership Agreements. The Authority has developed partnership agreements with various government, non-profit, and private sector agencies to support its resident training and employment programs. The agreements detail the various employment and training programs targeted towards the Authority's residents. Some of the agencies are: (1) the Mayor of the City of Chicago's Office of Employment and Training; (2) the State of Illinois' Department of Public Aid; (3) the Grand Boulevard

Federation; (4) the City of Chicago Empowerment Zone ; (5) the Chicago Public Schools; (6) the City of Chicago' s Colleges; (7) United Parcel Service; and (8) the United States Postal Service.

For example, the partnership with the Mayor's Office of Employment and Training will increase employment opportunities for residents ages 16 to 24 through a \$ 3 million grant from the U.S. Department of Labor. The Authority will use the grant to open a Resident Employment Development Initiative's office at the Ida B. Wells development. The partnership with the Illinois' Department of Public Aid provides the Authority with labor resources. Federal mandates require an increasing number of public aid recipients to work in order to receive their benefits. The United Parcel Service and United States Postal Service have each committed to hiring and training 50 and 100 of the Authority's residents, respectively. We contacted three of the agencies that the Authority has partnership agreements with. The three agencies were very pleased with the cooperation and success they have had with the Authority. The Authority needs to continue to seek additional partners to improve the tenants economic status.

We recommend HUD assures the Authority continues to identify government, non-profit, and private sector agencies to form partnerships that will support the Authority's resident training and employment programs.

Evaluating Performance. The Memorandum of Agreement target date to evaluate the Authority's performance in meeting its residents' needs is March 31 , 1997. HUD assumed responsibility for accomplishing this strategy in June 1995 after the takeover and contracted with Abt Associates for a resident survey. However, HUD has experienced a delay in obtaining approval from the Office of Management and Budget regarding the evaluation form. HUD's Program Design Coordinator expects to have the survey initiated in September 1996 and completed in November 1996. As part of the Memorandum of Agreement strategy a second survey will be conducted a year later to evaluate if the Authority's performance improved. HUD plans to complete the second survey in

November 1997. Therefore the original target date needs to be adjusted. HUD needs to take immediate action to ensure the survey is conducted in order for the Authority to act on the results.

The Deputy Executive Director for Community Relations and Involvement suggested that the Agreement's target date be revised to January 31, 1998. We believe January 31, 1998 is a reasonable date that gives HUD and the Authority time to analyze the results of the surveys.

We recommend HUD and the Authority adjust the target date to complete the resident surveys to January 31, 1998.

We recommend HUD assures the Authority takes appropriate action based upon the results of the surveys.

Management's Comments

The Authority's Deputy Executive Director of Community Relations and Involvement said, "I am in agreement with your observations, however, I offer the following comment concerning your recommendation that the Authority continue to identify government, non-profit, and private sector agencies to form partnerships that will support the Authority's resident training and employment program.

HUD should also take on the responsibility of helping the Authority to identify resources and work to create interdepartmental agreements on the Federal level which would facilitate Public Housing Authorities access to non-HUD Federal dollars and programs.

Evaluation of Comments

We agree with the Deputy Executive Director's comment. Our Chapter on Alternative Funding Sources contains a recommendation for HUD to assist the Authority to locate and obtain alternate private or public funding sources (see page 118).

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Alternative Funding Sources

In 1995 and 1996 the Chicago Housing Authority received cuts of more than \$86 million in HUD funding of operating subsidies and comprehensive grants. As a result, the Authority has found it increasingly important to pursue assistance and funding from State, local, private, or other Federal sources.

The Authority included goals and strategies in its Long-Term Plan, dated February 15, 1996, and its June 21, 1996 draft Memorandum of Agreement with HUD regarding alternative funding sources. The Plan contains the goal to explore alternative and innovative approaches to the Authority's housing problems. The strategy for this goal is to identify relationships and housing opportunities with public and private developers and finance agencies. The Agreement contains the goal to increase working capital for purposes of maintaining cash flow. To accomplish the Agreement's goal, the Authority's strategy is to research and pursue alternative funding sources and grants.

Observations

Public and Private Developers. The Authority received a \$50 million Hope VI grant from HUD in 1994 to pursue a redevelopment plan at Cabrini Green and the surrounding area. To accomplish the plan, the Authority established a partnership with the City of Chicago. The partnership has resulted in a plan for a \$1 billion redevelopment project. If the plan is carried out, the Cabrini Green area will be reshaped into a mixed-income community. The redevelopment is expected to take at least ten years to complete. The City of Chicago plans to contribute to the partnership by selling 53 acres of its land to private developers.

The Cabrini Green site and the land contributed by the City will be used as the site for the construction of 2,000 new residential units that combine town houses, single family homes, three-flats, mid-rises, a single-room occupancy building, and other community support facilities. The plan calls for private developers, who have yet to be named, to sell approximately 1,400 units to unassisted individuals, with the remaining units to be used for public housing. The redevelopment plan also envisions public and private developers employing residents during the redevelopment process. As of August 23, 1996, 297 jobs have been created as a result of the redevelopment plan at Cabrini Green. Additionally, the Authority expects another 250 jobs to be created.

The Authority plans to use the homeownership program as part of its redevelopment activities. Private banks in conjunction with FHA insurance funds will be used to turn qualified public housing tenants into homeowners. The redevelopment plan also calls for a new elementary and high school, library, police station, park, shopping center, and community center. The Authority is planning to pursue similar efforts at its ABLA Homes, Henry Horner, and Robert Taylor developments.

We recommend that HUD monitors the Authority's efforts to pursue housing opportunities with public and private developers and provides necessary assistance to gain full participation and commitment of all parties involved.

Funding Sources and Grants. The Authority is aggressively pursuing funds from sources outside HUD. To accomplish this, the Authority created a Grant Administration Department in June 1996. Previously, the External Affairs Department was responsible for the Authority's grant application process. The Grant Department identifies funds available from various State, local, Federal, and private agencies for resident initiatives and tenant services. The Grant Department also prepares and submits grant and continuing funding applications. Obtaining additional funding to support resident initiatives and tenant services allows the Authority to concentrate its resources from HUD on maintenance and operations.

In the past, the Authority's primary focus was on obtaining funding from obvious sources, such as HUD's Drug Elimination Grants. Currently, the Grant Administration Department is extending its outreach to obtain funds to create, maintain, improve, and expand the Authority's Community Relations and Involvement programs and services. Examples of the programs and services include resident employment and training, child care, and youth sports and recreation.

On July 18, 1996, the Grant Administration Department submitted an application to the U.S. Department of Health and Human Services on behalf of the Authority's resident organizations. The grant will assist the Community

Relations and Involvement Division to administer a program to increase resident awareness about nutrition.

The Authority has entered into partnerships with various non-profit organizations, resident management corporations, and the City of Chicago. These partnerships are submitting grant requests for over \$2.1 million to HUD, the Center for Disease Control, and the U.S. Department of Education. The funds will be used to help prevent intimate partner violence, hate crimes, and help youth at risk. The Authority is also developing a partnership with the Muhammad Ali Economic Development Corporation to help alleviate vacancy problems by getting private developers to help rehabilitate properties. The Development Corporation has a goal of raising \$1 million for this effort. The Authority has committed to matching every two dollars raised with one dollar from its Comprehensive Grant Program or Vacancy Reduction Grant. The Deputy Executive Director for Community Relations and Involvement said, in connection with this program, 20 residents will be hired per development to increase the Authority's resident employment and training initiatives.

Several examples of grants the Authority has recently received include: \$4.6 million from the State of Illinois' Department of Human Services to develop nine child care centers for day care and Head Start services; and \$6 million from the U.S. Department of Agriculture for a summer lunch program. The monies will help alleviate the Authority's financial burdens and enable it to better serve its residents.

In the past, HUD was not an active participant in helping the Authority locate sources of funding outside of HUD. The Authority believes that HUD should be more active in helping them identify alternative funding sources. The Authority did not have a copy of "The Catalog of Federal Domestic Assistance." The catalog is a government-wide publication of Federal programs, projects, services, and activities that provide assistance or benefits. We provided the 1996 edition of the catalog to the Authority. In this time of shrinking resources, it is important for HUD to play an active role in assisting public housing authorities obtain

alternative sources of funding in order to meet HUD's goal of providing decent, safe and sanitary housing.

We recommend that HUD assures the Authority continues to aggressively pursue alternative funding sources.

We recommend that HUD assists the Authority to locate and obtain alternate private or public funding sources.

Management's Comments

The Authority's Deputy Executive Director of Community Relations and Involvement said, "I am in agreement with your observations."

Section 8 Program

Prior reports issued during 1994 and 1995 by the Chicago Housing Authority's Inspector General, independent public accountants, and a consultant showed the Authority's Section 8 Program had many problems. For example, waiting lists were not reliable and the staff lacked knowledge of the Section 8 requirements.

The HUD Blueprint, dated June 11, 1995, contained a goal to immediately prepare and release a Request for Proposal to contract out the operation of the Section 8 Program. On February 15, 1996, the Authority issued a Long-Term Plan that contains a goal to improve the Section 8 delivery network. The target date for the goal is June 30, 1997. The Authority's draft Memorandum of Agreement, dated June 21, 1996, did not contain any goals or strategies relating to the Section 8 Program.

Observations

Section 8 Program. HUD issued a Request for Proposal on June 28, 1995 to obtain a firm to operate the Authority's Section 8 Program. Based upon the offers received, HUD selected Quadel Consulting Corporation to operate the Section 8 Program. The Authority and Quadel entered into a Letter Agreement on October 1, 1995 which was followed by a contract on December 1, 1995. Quadel created a separate corporation called CHAC Inc. to operate the Section 8 Program. Quadel is the parent company of CHAC. Representatives from HUD and the Authority currently monitor CHAC to resolve problems and ensure it is meeting the terms of the contract.

Actions taken by CHAC. The strategies in the Authority's Long-Term Plan are also service requirements of the contract. As of June 30, 1996, CHAC has met or is on schedule to meet the contract's requirements and the target dates established in the Long-Term Plan which are discussed below. The target dates range from March 1996 to December 2000. For example, CHAC:

- Submitted a revised administrative plan on November 15, 1995 prior to the issuance of the Long-Term Plan. HUD approved the plan on March 29, 1996. The administrative plan contains the policies and procedures for operating the Section 8 Program. The target date for completing this strategy was March 31, 1996.
- Developed and implemented a leasing schedule prior to the issuance of the Long-Term Plan. HUD approved

the schedule on January 18, 1996. The schedule outlines the Section 8 Program's annual goals.

- Began training its staff in aspects of program administration in November 1995 prior to the issuance of the Long-Term Plan. CHAC is training its staff on its computer system, employee appraisals, program requirements, and customer service. CHAC also implemented a certification program where all occupancy specialists and inspectors must be certified. Each employee is tested and must pass an exam to maintain their position. The target date for completing this strategy is June 30, 1997.
- Began updating the waiting list which was previously maintained by the Authority. On July 5, 1996, CHAC mailed approximately 47,000 letters to obtain updated information from persons on the waiting list. Responses are due by August 2, 1996 with the revised waiting list due to be completed by August 30, 1996.

Although the Long-Term Plan does not contain specific strategies related to tenant reexaminations and unit inspections, the contract contains requirements for initial and periodic inspections of units to enforce compliance with HUD's Housing Quality Standards. Under the terms of the contract, CHAC is required to reexamine and inspect one-twelfth of the Section 8 units each month starting March 1, 1996. We found the required reexaminations and inspections were being completed as required.

Tracking of recertifications. CHAC utilized the Authority's computer system until December 31, 1995, at which time it converted to its own computer system. Since that time, CHAC has been unable to use its computer system to determine if required recertifications have been completed. CHAC's Memory Lane System which tracks the annual reexaminations and M-track system which tracks the inspection information were not integrated. CHAC immediately remedied the situation using manual procedures; however, manual procedures are not as efficient or effective as the automated system. Quadel assigned a computer consultant to coordinate the occupancy and inspection activities to produce a report that will provide

accurate annual recertification information. The consultant expects to produce an accurate report by September 30, 1996.

We recommend HUD and the Authority verifies that CHAC develops a method to produce an accurate recertification report by September 30, 1996.

Quality control. CHAC needs to improve the accuracy of its file reviews and inspections. In January 1996, CHAC was assisted by Abt Associates to develop a quality control policy. Abt developed the policy on January 31, 1996 and CHAC immediately implemented it. The policy includes an emphasis on tenant file reviews and inspections. For evaluating Quadel's performance, the contract allows for no more than: (1) a 5 percent error rate for the calculation of tenants' contributions; and (2) a 10 percent error rate of units reinspected for Housing Quality Standards within two months of approval.

An error in the calculation of the tenants' contributions consists of: an overstatement or an understatement of the tenants' income or allowances; or a mathematical error. An error of units inspected consists solely of units that are reinspected two months after CHAC's inspection and approval which still have an Housing Quality Standard violation existing. All errors are required to be corrected.

Abt Associates issued the first quality review report on July 5, 1996 which summarized the weekly review results through June 21, 1996. The weekly reviews are communicated to CHAC's: (1) file review checklists; (2) file review forms; (3) case logs; (4) inspection audit logs; and (5) quality inspection reports. Abt's report showed CHAC exceeded the error rates by approximately 20 percent for both file reviews and inspections. Once the errors were detected and reported, CHAC corrected the deficiencies.

In the past, the Authority did not track the results of its quality control reviews. CHAC is now tracking the results of the quality control reviews that are conducted on a weekly basis. The weekly reviews showed that CHAC's error rates have not decreased since the review process was

initiated. As a result, CHAC followed up with its staff, emphasizing the errors in order to eliminate future occurrences, and has provided training to address the major errors. CHAC also used the results when it evaluated its staff in May 1996. The attention to quality control results should help CHAC to improve its quality.

We recommend HUD and the Authority assures CHAC continues to track its quality control reviews and implements appropriate actions to reduce its error rates.

Computer terminals. As of June 30, 1996, CHAC did not have sufficient computer terminals to effectively operate the Section 8 Program. Only 10 computer terminals were available to serve a staff of 46. CHAC only had 10 computers because its staff was not fully trained. CHAC planned on phasing in additional computers as staff received training. On May 31, 1996, CHAC ordered 35 new computer terminals. Fifteen of these were delivered on June 15, 1996. As of July 8, 1996, five were installed. The remaining 20 terminals will be delivered, and all terminals will be installed by August 31, 1996.

We recommend HUD and the Authority assures CHAC received and installed the 35 computers.

We recommend HUD and the Authority assures CHAC fully trains its staff as expeditiously as possible but no later than the June 30, 1997 Long-Term Plan target date.

Program effectiveness. Although CHAC is making progress to deliver an effective Section 8 Program, the Long-Term Plan and the Memorandum of Agreement do not contain an overall goal and target date to evaluate the program's effectiveness and make necessary adjustments after the individual goals that are not on-going are implemented. The non-continuous strategies outlined in the Authority's Long-Term Plan consist of the following: (1) conducting housing assistance opportunities seminars for the Authority's staff and tenant groups; (2) developing and implementing an outreach program for new landlords; and (3) pursuing additional funding. These strategies should all

be implemented by June 30, 1997. An overall assessment of the program after it is implemented is important to give HUD and the Authority assurance the problems that led to the decision to contract out have all been corrected.

We recommend HUD and the Authority amend their Memorandum of Agreement to add a strategy to assess the effectiveness of contracting out the Section 8 Program and include a target date of December 31, 1997 for this action.

Management's Comments

The Authority's Deputy Executive Director of Operations said, "We concur with the draft observations and the associated recommendations. Accordingly, the Chicago Housing Authority will incorporate the offered recommendations in our overall planning process."

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Recommendations

Following is a consolidated list of our recommendations to HUD. HUD needs to aggressively follow the Authority's progress in correcting its problems and:

Security

- 1A. Assure the Authority develops procedures and controls to establish and evaluate performance measures for each security initiative undertaken. Performance measures should be established for each initiative outlined in the Blueprint, Memorandum of Agreement, Long-Term Plan, and the Buracker Report.
- 1B. Assure the Authority immediately starts to develop site-based security plans for the Cabrini Green, Ida B. Wells, Altgeld Gardens, and ABLA Home s developments.
- 1C. Monitor the Authority to ensure it develops all site-based security plans by December 31, 1997.
- 1D. Assure the Authority develops house rules by December 31, 1996 and immediately begins to enforce the rules.
- 1E. Complete the Memorandum of Agreement and provide the Authority with a firm funding target so the Authority can make decisions regarding the most effective way to cut costs while maintaining the highest level of security possible.
- 1F. Allow the Authority sufficient time to evaluate its security initiatives in accordance with recommendation 1A before requiring adherence to a cost reduction plan.

Modernization/Redevelopment of Housing

- 2A. Require the Authority to develop a comprehensive modernization/redevelopment plan for all of its developments once the viability assessment and marketing plan have been completed. The plan should consider and incorporate the results of the marketing study and viability assessment. Specifically, the plan should identify developments by categories such as stable, high-needs and non-viable developments. In addition, the plan should identify all planned demolition and rehabilitation by

building with the costs necessary to make the repairs.

2B. Assure the Authority develops controls to ensure all plans, including the comprehensive plan to be developed, are consistent.

2C. Continue to closely watch the Authority's progress in implementing its modernization and redevelopment efforts. HUD should provide technical assistance to ensure the modernization and redevelopment goals are fully implemented.

2D. Assure the Authority performs a viability assessment with a 20-year cash needs forecast by December 31, 1996 and completes its Memorandum of Agreement goal to develop a marketing plan by March 31, 1997.

Work Order System

3A. Assure the Authority reviews its work order policies and procedures, develops procedures to operate the system effectively, and includes the new procedures in its Maintenance Manual.

3B. Assure the Authority promptly distributes the revised Maintenance Manual to all applicable personnel.

3C. Assure the Authority trains all its maintenance superintendents and supervisors on work order procedures by December 31, 1996.

3D. Assure the Authority: (1) develops procedures to distribute weekly activity reports to Development Managers and for Development Managers to use the weekly reports to manage their work order backlog; and (2) implements the use of performance standards to monitor staff performance.

3E. Coordinate with the Authority to establish a target date to review the work order backlog, assess staffing needs, and develop a "get well" plan if the backlog situation will result in less than a passing Public Housing Management Assessment Program

grade. This review should be conducted no later than June 30, 1997.

Preventive Maintenance

- 4A. Assure the Authority completes its viability assessment by December 31, 1996 and immediately conducts or contracts to have a preventive maintenance needs assessment completed for each development and develops a funding plan for the repair of maintenance deficiencies.
- 4B. Assure the Authority uses the preventive needs assessment to develop and implement a preventive maintenance schedule by June 30, 1997.

Vacancy Reduction/Unit Turnaround

- 5A. Assure the Authority implements weekly tracking of unit turn-around from date of vacancy to re-occupancy and implements a reporting system to track vacant unit turnaround at the development level by December 31, 1996.
- 5B. Assure the Authority expeditiously identifies and deprograms all non-dwelling units.
- 5C. Assure the Authority develops procedures to verify that units completed under the Vacancy Reduction Program meet HUD's Housing Quality Standards.
- 5D. Assure the Authority develops coordination procedures between the Vacancy Reduction Department, Development Managers, and the Occupancy Department. The procedures should ensure units are repaired on the basis of demand and applicable personnel are aware of projected completion dates so units can be promptly occupied.
- 5E. Assure the Authority's Vacancy Reduction Department develops a plan that shows how it will complete the 2,857 units required by its Vacancy Reduction grant. The plan should identify the units that will be completed, and include the estimated costs for each unit.

Funding for Maintenance and Modernization

- 6A. Closely watch the Authority's progress in achieving the milestones and implementing the strategy to

target and link up with appropriate resources. Provide any technical assistance the Authority may require in order to achieve the milestones and implement the strategy.

6B. Assure the Authority completes its viability assessment by December 31, 1996 and immediately coordinates its modernization and capital improvement programs with its 1996-1997 Comprehensive Grant Program plan.

6C. Work closely with the Authority to assure it closes out all of the open modernization programs related to the Comprehensive Improvement Assistance Program and Comprehensive Grant Program that are over three years old.

Annual Inspections

7A. Assure the Authority develops thorough, comprehensive inspection procedures and includes the new procedures in the Maintenance Manual and Housing Quality Standards Training Manual.

7B. Assure the Authority identifies the funds and implements a new timetable for initiating the job order contracting system. Once the timetable is complete, monitor the Authority to assure that the job order contracting system is properly implemented.

7C. Assure the Authority conducts quality control reviews of inspections to ensure the inspections are accurately conducted and inspection forms are properly completed.

7D. Assure the Authority promptly evaluates each development to determine if all annual inspection forms, completed after April 1, 1996 were sent to the Customer Service Center to initiate work orders.

7E. Assure the Authority implements controls that ensure work orders are written to address deficiencies identified by all future inspections.

Housing Management Functions

- 8A. Monitor the Authority's progress in completing its Long - Term Plan strategies to: implement development-based resource management; participate in the development and review of uniform field-based policies and procedures; and develop a uniform property management reporting process. Should the Authority deviate from the Long-Term Plan strategies, HUD should provide technical assistance or take other corrective actions.
- 8B. Closely watch the Authority's progress in implementing the Memorandum of Agreement strategies to: improve communications and internal reporting between the site managers and the central office; and create site-based management implementation plans for each development. Provide any technical assistance the Authority may require to assure the strategies are implemented on schedule.
- 8C. Coordinate with the Authority to establish a revised target date to identify all major housing functions and assure the Authority allocates sufficient resources to accomplish this strategy.
- 8D. Closely monitor the Authority's progress to meet the housing management improvement strategies and provide any assistance necessary to help evaluate the functions, and improve their effectiveness and efficiency.
- 8E. Coordinate with the Authority to make the strategy of identifying opportunities to delegate management activities a continuing effort.
- 8F. Coordinate with the Authority to establish a strategy to review the results of actions taken to delegate responsibilities to the developments. We suggest a review be conducted approximately one year after a responsibility is delegated.
- 9A. Assure the Authority fills its home visit inspector positions as expeditiously as possible.

- 9B. Assure the Authority extends its contract to conduct home visits until it fills the home visit inspector positions.
- 9C. Assure the Authority develops procedures that ensure all applicants are screened using the new screening procedures before being placed in a unit. The procedures should state that applicants will not be screened upon initial interview if units are not available, and that screening should be conducted as close to the time of occupancy as feasible.
- 9D. Assure the Authority coordinates efforts with HUD's and its legal department to provide a consistent application of the Gautreaux decrees' requirements. Guidelines supporting interpretations should be developed and application of the computerized waiting list should reflect the guidelines.
- 9E. Assure the Authority develops procedures for Development Managers and the Social Services Division to coordinate on potential evictions and the need for social services.
- 9F. Assure the Authority's lease contains the correct provisions outlined in Public Housing Notice 96-14 and the Authority uses the lease.
- 9G. Assure the Authority completes lease training for all residents by September 30, 1996, and upon approval, uses the lease for all new tenants and for all annual recertifications.
- 9H. Assure the Authority makes the new handbook available to all residents when they recertify their leases.
- 9I. Assure the Authority adopts a tenant handbook and develops the site-based resident orientation manual by September 30, 1996, and implements a site-based resident orientation process by December 31, 1996.
- 10A. Assure the Authority continues to develop sources for orientation programs and financial services to

Rent Collections

assist its tenants to become more self-sufficient. HUD should provide assistance in identifying and developing the sources.

Procurement and Contracting

- 10B. Assure the Authority establishes controls to ensure all uncollectible accounts are referred each month to the collection agency.
- 11A. Assure the Authority establishes written procedures outlining the emergency procurement process and incorporates the procedures in the Maintenance Manual.
- 11B. Assure the Authority establishes procedures and controls to verify that items purchased through the open hardware accounts are for emergency purposes.
- 11C. Assure the Authority implements procedures to notify reviewing officials of the terms of the open supply and service accounts' purchase agreements.
- 11D. Assure the Authority requires its vendors to show discounts received on applicable invoices so the Authority has assurance it is receiving the discounts to which it is entitled.
- 11E. Assure the Authority reviews its purchase agreements to ensure they reflect the correct discounts.
- 11F. Closely watch the Authority's progress in implementing the strategies for improving the procurement process by March 31, 1997. Provide any technical assistance the Authority may require in order to achieve the goal and target date.
- 11G. Assure after all strategies have been implemented, the Authority assesses its procurement process to ensure the problems the strategies were created to eliminate have been corrected or takes actions to make additional changes. This should be accomplished by September 30, 1997.

Accounting Systems And Controls

11H. Coordinate with the Authority to assess the status of the recommendations in HUD's August 1995 review and to ensure agreement with actions or lack of actions taken to correct the problems the recommendations were made to address.

11I. Assure the Authority develops procedures to conduct a periodic analysis of its contracting process and initiates actions necessary to improve the process.

12A. Closely follow the Authority's progress in implementing the new accounting system and provide any assistance necessary to ensure the system is fully implemented by December 31, 1996, and that a site-based budget is achieved by December 31, 1997.

12B. Assure written policies and procedures are issued as quickly as practical after each accounting function is implemented.

Management Information System

13A. Assure the Authority evaluates and selects the budget and payroll modules immediately, so the modules can be implemented by the December 31, 1996 target date to have a functioning integrated management information system.

13B. Assure the Authority establishes controls and procedures to complete the implementation of its integrated management information system by December 31, 1996, and to periodically assess its information needs.

13C. Assure the Authority establishes controls and procedures to ensure all applicable employees receive software training by December 31, 1996, the day the new integrated system will be fully implemented.

13D. Assure the Authority completes the revisions of its policies and procedures and implements all new security procedures by December 31, 1996.

Asset Management

- 14A. Assure the Authority monitors the private management firms to ensure the developments are maintained in an adequate manner and according to the management contracts, and that the Authority takes appropriate action if firms do not properly manage the developments.
- 14B. Closely watch the Authority's progress to privatize 15,000 units by December 31, 1996 to ensure privatization contracts are providing acceptable housing at a reasonable cost.
- 14C. Assure the Authority establishes coordination procedures between Private Management Administration and Department of Finance for Public Housing/Private Management for monitoring the private firms.
- 14D. Assure the Authority executes contracts with the legal and actuarial firms selected for award.
- 14E. Assure the Authority properly oversees the contracts awarded for the pension fund and takes appropriate action if the contractors do not effectively perform the required services.
- 14F. Assure the Authority establishes controls to ensure the deferred compensation contract is adequately monitored and appropriate actions are taken if the firm under contract is not properly managing the deferred compensation program.

Risk Management

- 15A. Assure the Authority aggressively monitors the workman's compensation contract and takes appropriate actions if the firm does not properly manage the program.
- 15B. Assure the Authority periodically conducts an analysis to determine if it is more cost effective to contract out the administration of the workman's compensation program versus the Authority administering the program in-house.

Personnel

- 15C. Assure the Authority initiates safety training for its residents by September 30, 1996.
- 15D. Assure the Authority develops procedures to track hazardous conditions until the conditions are eliminated.
- 15E. Assure the Authority develops procedures to periodically assess its risk management program and makes changes to address new conditions.
- 16A. Assure each of the Authority's managers have been certified by the March 31, 1997 Memorandum Agreement target date for assessing and developing staff skill levels.
- 16B. Assure the Authority develops and implements strategies to address: (1) the skill level of all its staff, and (2) the issue of staff who do not meet minimum required skill levels.
- 16C. Assure the Authority develops an effective recruiting strategy that properly assesses the qualifications of potential employees.
- 16D. Assure the Authority appoints qualified instructors and implements the core courses by the September 30, 1996 target date established in the Memorandum of Agreement.
- 16E. Assure the Authority establishes and implements procedures to consolidate the tracking of training received by its employees.
- 16F. Monitor the Authority to ensure it completes the implementation of the compensation system and job descriptions by March 31, 1997.

Resident Program
Delivery Systems

- 17A. Assure the Authority follows the requirements of its contracts and ensures all contract extensions are made before the original contract expires and are in writing.

- 17B. Assure the Authority: (1) executed contracts with the urban planners for Dearborn Homes, Robert Taylor B, Wentworth Gardens, Hilliard Homes, Lathrop Homes, Washington Park, and Trumbull Park; and (2) ensures the remaining eight Local Advisory councils select an urban planner as expeditiously as possible but no later than December 31, 1996.
- 17C. Assure the Authority established policies and procedures for its Development Initiatives Division by September 30, 1996.
- 17D. Assure the Authority establishes a transition facility at the ABLA Homes development when the necessary funding is obtained and explores establishing additional transition facilities at other developments based upon the needs of the residents.
- 17E. Assure the Authority monitors the contract with the Educational Training and Enterprise Center to ensure it receives the required services by December 26, 1996.
- 17F. Assure the Authority takes appropriate action by January 31, 1997 based upon the Educational Training and Enterprise Center's report. The Authority should only select, for continued use, those existing services and delegate agencies that are shown to best meet its residents' needs.
- 17G. Assure the Authority performs the following steps related to potential/future services and delegate agencies: (1) identifies and evaluates their delivery systems by January 31, 1997; (2) conducts a cost/benefit analysis of their service delivery systems by June 30, 1997; (3) selects those that best meet the residents' needs not currently addressed by September 30, 1997; and (4) monitors services and delegate agencies to ensure the residents needs are being addressed.
- 18A. Assure the Authority continues to emphasize the development of joint venture agreements between

the resident owned companies and private sector businesses.

18B. Assure the Authority works to expeditiously complete its pending contracts and continues to explore other contracts with the resident owned companies in order to reach the yearly goal of 25 contracts.

18C. Assure the Authority monitors the construction and service contractors to ensure: (1) residents are receiving the employment and training opportunities as required; or (2) the appropriate amounts are withheld from contractors for failing to meet the Section 3 requirement.

18D. Assure the Authority continues to identify government, non-profit, and private sector agencies to form partnerships that will support the Authority's resident training and employment programs.

18E. Coordinate with the Authority to adjust the target date to complete the resident surveys to January 31, 1998.

18F. Assure the Authority takes appropriate action based upon the results of the surveys.

Alternative Funding Sources

19A. Monitor the Authority's efforts to pursue housing opportunities with public and private developers and provide necessary assistance to gain full participation and commitment of all parties involved.

19B. Assure the Authority continues to aggressively pursue alternative funding sources.

19C. Assist the Authority to locate and obtain alternative private or public funding sources.

Section 8 Program

20A. Coordinate with the Authority to verify that CHAC develops a method to produce an accurate recertification report by September 30, 1996.

- 20B. Coordinate with the Authority to assure CHAC continues to track its quality control reviews and implements appropriate actions to reduce its error rates.
- 20C. Coordinate with the Authority to assure CHAC received and installed 35 computers.
- 20D. Coordinate with the Authority to assure CHAC fully trains its staff as expeditiously as possible but no later than the June 30, 1997 Long-Term Plan target date.
- 20E. Coordinate with the Authority to amend the Memorandum of Agreement to add a strategy to assess the effectiveness of contracting out the Section 8 Program and include a target date of December 31, 1997 for this action.

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Associate General Counsel, Office of Assisted Housing and Community Development, GC
(Room 8162)
Assistant Director in Charge, U.S. GAO, 820 1st St. NE, Union Plaza, Building 2,
Suite 150, Washington DC, 20002 (2)