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# AUDIT REPORT



## CHICAGO HOUSING AUTHORITY OUTSOURCED PROPERTY MANAGEMENT CONTRACTS REVIEW

CHICAGO, ILLINOIS

2003-CH-1018

JULY 18, 2003

OFFICE OF AUDIT, REGION V  
CHICAGO, ILLINOIS

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Issue Date July 18, 2003
Audit Case Number 2003-CH-1018

TO: Linford Coleman, Director of Public Housing, Chicago Regional Office, 5DPH

/Acting for

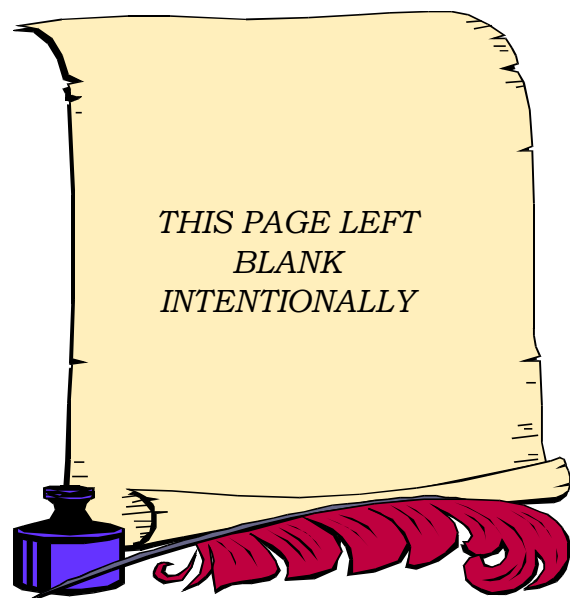
FROM: Heath Wolfe, Regional Inspector General for Audit, Region V, 5AGA

SUBJECT: Chicago Housing Authority  
Outsourced Property Management Contracts Review  
Chicago, Illinois

We completed an audit of the Chicago Housing Authority's Outsourced Property Management Contracts. The audit was part of our Fiscal Year 2001 Annual Audit Plan. Our audit objectives were to: (1) evaluate the Housing Authority's controls over contracts for the private management of family and elderly housing developments; and (2) determine whether the private management contractors were meeting their obligations to the Housing Authority under the terms of their contracts.

In accordance with HUD Handbook 2000.06 REV-3, within 60 days please provide us, for each recommendation without a management decision, a status report on: (1) the corrective action taken; (2) the proposed corrective action and the date to be completed; or (3) why action is considered unnecessary. Additional status reports are required at 90 days and 120 days after report issuance for any recommendation without a management decision. Also, please furnish us copies of any correspondence or directives issued because of the audit.

Should you or your staff have any questions, please contact Ronald Huritz, Assistant Regional Inspector General for Audit, at (312) 353-6236, extension 2675, or me at (312) 353-7832.



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# Executive Summary

We completed an audit of the Chicago Housing Authority's Outsourced Property Management Contracts. The audit was part of our Fiscal Year 2001 Annual Audit Plan. Our audit objectives were to: (1) evaluate the Housing Authority's controls over contracts for the private management of family and elderly housing developments; and (2) determine whether the private management contractors were meeting their obligations to the Housing Authority under the terms of their contracts.

We found that the Housing Authority failed to properly monitor and administer its management agreements with nine private management firms and two resident management corporations. The Housing Authority did not properly monitor its contractors' compliance with requirements of the Minority, Women, and Disadvantaged Business Enterprises and Section 3 Programs. The management contractors also failed to adhere to their management agreements and other requirements for maintenance, work orders, unit inspections, and tenant recertifications.

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## Minority, Women, And Disadvantaged Business Enterprises And Section 3 Programs

The Chicago Housing Authority's Contract Compliance Division did not consistently monitor the private management contractors' compliance with Federal requirements for the Minority, Women, and Disadvantaged Business Enterprises and Section 3 Programs. Specifically, the Housing Authority failed to obtain sufficient documentation from the contractors for 11 private management contracts to support the contractors' compliance with program requirements. Unsupported expenses totaled \$11,223,024. The Housing Authority also failed to obtain documentation from one private management contractor to support the contractor's compliance with the Section 3 requirements.

## Housing Quality Standards/Annual Inspections

The contractors for nine private management contracts failed to properly report or document the results of the Housing Quality Standards or annual inspections performed on the Housing Authority's units in 2001. Specifically, several contractors did not maintain copies of the inspection forms and related work orders in the inspection and/or tenant folders; generate work orders to correct deficiencies found during the unit inspections; properly complete the Housing Quality Standards Inspection checklists to rate the unit inspections performed; and ensure the completed inspection forms were signed by tenants and inspectors. Additionally, one contractor failed to perform any of the Housing Quality Standards inspections that we sampled at one property.

Maintenance And Work Orders

The contractors did not adhere to their management contracts and other requirements for maintenance and repair work orders. Specifically, several firms failed to properly maintain original work order documentation; accurately code “Emergency” work orders; use the Housing Authority’s prescribed work order system; address work orders in a timely manner; maintain adequate preventive maintenance schedules; and subject its maintenance and management staff to criminal background screening and/or drug testing, as required by the private management agreements.

Tenant Recertifications

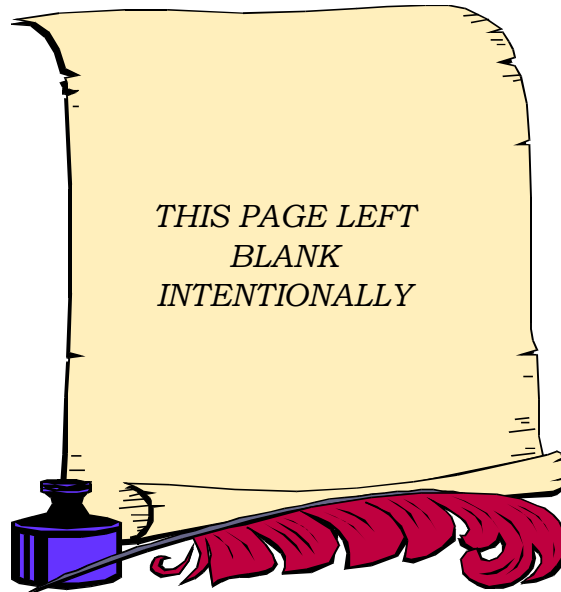
The contractors for seven private management contracts did not perform tenant recertifications properly, timely, or according to Federal Regulations. The contractors did not consistently ensure that tenants signed their recertification documentation and were recertified annually and accurately.

Recommendations

We recommend that HUD’s Director of Public Housing, Chicago Regional Office, ensures that the Chicago Housing Authority: (1) imposes any or all of the available remedies against the contractors for their noncompliance with the Minority, Women, and Disadvantaged Business Enterprises and Section 3 Programs or obtains all necessary documentation to support the unsupported program expenses of \$11,223,024; (2) implements policies and procedures to monitor the performance of its contractors and maintain the required documents to support the contractors’ compliance; (3) provides training and refresher courses for the management contractors to assure that contractors are fully aware of the Federal requirements and standards in place and implements them; (4) implements policies and procedures to correctly perform and document unit inspections at housing developments, and to generate and address repair work orders timely; and (5) assures that its contractors implement policies and controls to recertify the housing developments’ tenants on their move-in anniversary dates and maintain signed certification documentation in tenant files at the housing sites.

We presented our Draft Audit Report to the Chief Executive Officer of the Chicago Housing Authority and to the Director of HUD’s Office of Public Housing, Chicago Regional Office, on May 12, 2003. We held an exit conference with

the Housing Authority's Chief Executive Officer and other officials on June 3, 2003. The Housing Authority and HUD provided written comments to our Draft Audit Report. Excerpts of these comments are included with each finding. The complete text of the Housing Authority's comments is contained in Appendix B; the complete text of HUD's comments is contained in Appendix C.





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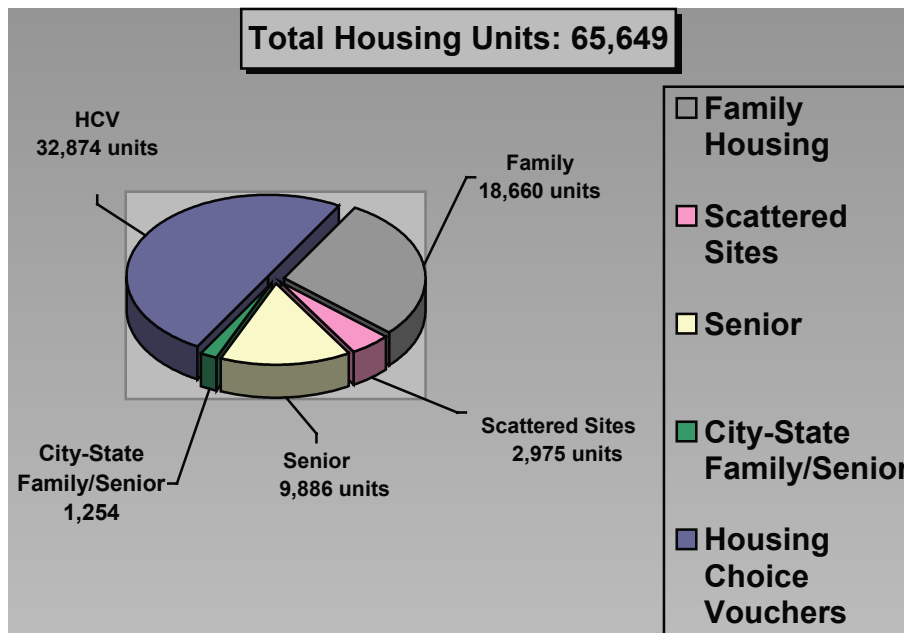
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# Introduction

The Chicago Housing Authority was organized under the United States Housing Act of 1937 to provide low-income people decent, safe, and sanitary temporary housing in the private housing market. The Chicago Housing Authority is the third largest housing authority in the nation. As of December 31, 2002, the Housing Authority had 65,649 housing units, which included senior developments, family developments, scattered sites, city-state housing, and housing choice vouchers throughout the City of Chicago.



In May 1995, HUD assumed control of the Housing Authority due to years of management problems and deteriorated living conditions at the housing authority developments. On May 27, 1999, the City of Chicago and HUD entered into a Memorandum of Understanding for transition of the Housing Authority back to the City's control. The Memorandum of Understanding set the terms and governed the expectations of both entities with respect to the transition.

The Chicago Housing Authority developed its Plan for Transformation, which was approved by its Board of Commissioners on January 6, 2000. The plan provided, among other things, that the Housing Authority's developments would be revamped through rehabilitating units or transforming the sites into mixed income communities. The purpose of the HUD-approved plan was to enhance the Housing Authority's mission of providing affordable housing opportunities in viable communities for lower-income households.

Congress, in Section 204 of the Omnibus Consolidated Rescissions and Appropriations Act of 1996, approved the Moving To Work Program. The program allowed participating public housing authorities to design and test ways to (1) promote self-sufficiency among assisted families; (2) achieve programmatic efficiency; (3) reduce costs; and (4) increase housing choices for low-income households. The purposes of the program included developing effective

strategies for managing public housing and tenant-based housing assistance and achieving self-sufficiency among assisted families.

The Chicago Housing Authority’s Moving To Work Demonstration Agreement was executed between the Housing Authority and HUD on February 6, 2000 for a ten-year term. The agreement allowed the Housing Authority to combine operating subsidies, capital funding, and Section 8 certificate and voucher assistance provided under the Housing Act of 1937 to fund Moving To Work activities.

The Housing Authority receives funding from HUD for operating its low-rent and Section 8 housing programs. For fiscal years 2002, 2001, and 2000, the Housing Authority received low-income housing funds in the following amounts:

<i>Sources</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>
<b>Capital Fund Program</b>	\$132,787,276	\$143,911,958	\$143,246,780
<b>Hope VI Program</b>	-0-	\$92,366,436	\$47,889,666
<b>Public Housing Program</b>	-0-	-0-	\$5,306,622
<b>Drug Elimination</b>	-0-	\$9,151,517	\$88,923,634
<b>Operating Subsidies</b>	\$182,172,937	\$178,733,211	\$178,636,356
<b>Totals</b>	\$314,960,213	\$424,163,122	\$464,003,058

In addition, the Housing Authority received funds of \$102,604,921 and \$211,966,140 from HUD for 2001 and 2002, respectively, for its Moving To Work Program.

One of the Chicago Housing Authority’s policies required that the Minority, Women, and Disadvantaged Business Enterprises be provided the maximum opportunity to compete for and perform contracts financed in whole or in part by Federal funds. For service contracts, contractors, bidders or proposers agree to expend not less than 20 percent of the total contract price inclusive of all modifications and amendments, if awarded, for contract participation by Minority, Women, and Disadvantaged Business Enterprises.

The purpose of the Housing and Urban Development Act of 1968, Section 3, as amended by Section 915 of the Housing and Community Development Act of 1992, was to ensure that the employment and other economic opportunities generated by Federal financial assistance for housing and community development programs were directed toward low- and very low-income persons, particularly those who were recipients of government assistance for housing.

The Housing Authority’s Board of Commissioners is comprised of a Chairperson and eight board members. Terry Peterson is the Chief Executive Officer of the Housing Authority. The Housing Authority’s official records were maintained at its offices located at 600 and 626 West Jackson Boulevard, Chicago, Illinois. We also obtained documentation from the main offices of the management firms located in the City of Chicago and various housing developments.

## Audit Objectives

Our audit objectives were to: (1) evaluate the Housing Authority's internal controls over its outsourced contracts for the private management of family and elderly developments; and (2) determine whether the private management contractors were meeting their obligations to the Housing Authority under the terms of their contracts.

## Audit Scope And Methodology

We performed our audit work between April 2001 and February 2003. The audit covered the management contractors' activities during the period January 1, 2000 through September 30, 2001. This period was adjusted as necessary. We conducted our audit in accordance with Generally Accepted Government Auditing Standards.

To accomplish our objectives, we interviewed staff from the Chicago Housing Authority, the City of Chicago, HUD, and the private management firms and resident management corporations. Additionally, we performed the following activities:

- reviewed management agreements between the Housing Authority and the management firms to determine the performance measures;
- reviewed the Office of Management and Budget Circular No. A-122, Cost Principles for Non-Profit Organizations;
- reviewed the Chart of Accounts used by the various management firms for the Housing Authority's accounting system and cost centers;
- reviewed pertinent sections of the Code of Federal Regulations dealing with Physical Condition Standards (24 CFR 902);
- analyzed Housing Quality Standards unit inspections forms to determine if they were properly completed;
- compared unit inspections to the applicable work order documentation to verify that work orders were generated for deficiencies noted;
- reviewed 24 CFR 960.209, Admissions, Rent and Reexamination; 24 CFR 960.257, Rent and Reexamination; 24 CFR 960.259; HUD Handbook Directive 7465.1 on Public Housing occupancy; and

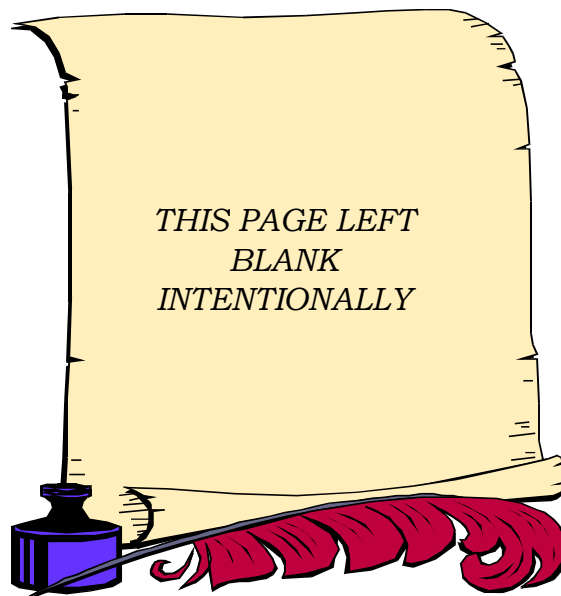
Directive 7465.3 on Public and Indian Housing occupancy, to understand the income verification, tenant admissions, and recertification processes;

- reviewed residential housing leases to determine tenant recertification dates;
- inspected client recertification worksheets, leases, and other documentation to verify that they were signed by the appropriate parties;
- reviewed 24 CFR Part 901.25 for standards on work orders;
- tested work orders for accuracy and timeliness;
- compared work orders to work orders reports to verify that the information entered in the work order system was consistent with the manual work orders;
- reviewed drug testing and criminal background documentation to ensure that employees were tested as required;
- evaluated preventive maintenance schedules to determine if they addressed the physical condition standards;
- reviewed 24 CFR Part 135 and the Housing Authority's Section 3 Manual, Part 2, Responsibilities of Covered Entities, to understand the Section 3 requirements; and
- reviewed files for Minority, Women, and Disadvantaged Business Enterprises certificates, canceled checks, purchase order reports, letters or memoranda, and other applicable documentation to determine if the firms complied with Minority, Women, and Disadvantaged Business Enterprises requirements.

We provided a copy of this report to the Executive Director of the Chicago Housing Authority and to the Director of HUD's Office of Public Housing, Chicago Regional Office.

The Chicago Housing Authority entered into 41 management agreements/contracts with 23 private management firms and resident management corporations between 1998 and 2000. The table on the following page lists the 20 management contracts we randomly selected for review. As the audit progressed, we further adjusted our sample selection as deemed necessary.

<b>Contractor Name</b>	<b>Contract Number</b>	<b>Property/Housing Development</b>
Donald S. Samuelson and Associates	9361	Sheridan and Devon Apartments
	9391	Stateway Gardens
East Lake Management Corporation	9362	Garfield Park Apartments
	9397	Maplewood Courts
Hispanic Housing Development Corporation	9185	Scattered Sites – North Central
Legum and Norman Realty, Inc	9395	Bridgeport Homes
McCormack Baron Management Services, Inc	9388	Wells Complex (Ida B. Wells/Wells)
Property Management One LTD	9396	LeClaire Extension
	9427	Horner - West Haven/Horner Annex
Resident Management Corporation – 2450 West Monroe	9421	2450 West Monroe
Resident Management Corporation – It's Time for A Change	9413	Cabrini Extensions
Resident Management Corporation – Cabrini Rowhouse	9414	Cabrini Rowhouse
Resident Management Corporation – Lake Parc Place	9417	Lake Park Place
Resident Management Corporation – William Green Homes	9416	William Green Homes
The Habitat Company	9366	Racine Apartments
Urban Residential Services	9360	Sheridan and Leland Apartments
William Moorehead and Associates	9368	Kenneth Campbell Apartments
	9389	Robert Taylor Homes A and B
Woodlawn Community Development Corporation	9367	69 <sup>th</sup> and Langley (South Chicago) Apartments
	9173	Scattered Sites – Southeast





## Compliance With The Minority, Women, And Disadvantaged Business Enterprises And Section 3 Programs Was Not Properly Monitored

The Chicago Housing Authority's Contract Compliance Division did not properly monitor the private management firms' compliance with the requirements of the Minority, Women, and Disadvantaged Business Enterprises and Section 3 Programs on a consistent basis. Specifically, the Chicago Housing Authority did not obtain sufficient documentation from the contractors for 11 of 15 private management contracts to support the contractors' compliance with the Federal requirements for the Minority, Women, and Disadvantaged Business Enterprises Program. As of December 2002, the Housing Authority lacked support in its files for a total amount of \$11,223,024. The Housing Authority also failed to obtain documentation from one private management contractor to support the contractor's compliance with the Section 3 requirements.

The issues cited above were primarily due to (1) the Housing Authority staff's lack of knowledge of its Contract Compliance Department's functions; and (2) the Housing Authority's lack of controls over imposing remedies against the contractors for noncompliance with the Minority, Women, and Disadvantaged Business Enterprises and Section 3 requirements. As a result, HUD cannot be assured that funds for the Minority, Women, and Disadvantaged Business Enterprises and Section 3 Programs were used appropriately. HUD lacks assurance that (1) minority contractors had the opportunity to compete for or perform contracts financed in whole or in part by Federal funds; and (2) low- and very low-income persons were provided employment and other economic opportunities afforded by Federal financial assistance for housing and community development programs.

### Private Management Agreement

Section 3.15 of the standardized Private Management Agreement states that a contractor shall comply with the Chicago Housing Authority's Minority Business Enterprise and Women Business Enterprise Participation requirements and submit the Minority and Women Business Enterprises participation plan to the Housing Authority for approval.

Section 3.16 of the standardized Private Management Agreement states that a contractor shall submit its Section 3 plan to the Housing Authority for approval after the award of the agreement but prior to the issuance of the Notice to Proceed. Additionally, a contractor's noncompliance with 24 CFR Part 135 may result in termination of the agreement

for default, debarment, or suspension from future Housing Authority and HUD assisted contracts, and withholding of the Section 3 amount.

Section 8.01 (B) of the standardized Private Management Agreement states that a contractor's failure to perform any of its obligations under the agreement constitutes an event of default.

Section 8.02 of the standardized Private Management Agreement, Remedies, states the Housing Authority may impose remedies against the contractor in the event of a default including terminating the agreement with the contractor; obtaining actual money damages; and withholding all or any part of the contractor's management fees.

Code Of Federal  
Regulations And Section  
3 Manual

24 CFR Part 135 and the Housing Authority's Section 3 Manual, Part 2, Responsibilities of Covered Entities, state that the responsibility of each recipient is to comply with Section 3 requirements and ensure its contractors and subcontractors also comply. This responsibility includes documenting actions taken to comply with the Section 3 requirements, the results of actions taken and impediments, if any; assisting and cooperating with the Assistant Secretary in obtaining the compliance of contractors and subcontractors with the Section 3 requirements; and submitting required reports, and other items.

Minority, Women, And  
Disadvantaged Business  
Enterprises Manual

The Minority, Women, and Disadvantaged Business Enterprises Manual states the Housing Authority shall conduct on-site visits to monitor the contractors' compliance with the Housing Authority's Minority, Women, and Disadvantaged Business Enterprises participation proposal. The Housing Authority shall also track and monitor payments to Minority, Women, and Disadvantaged Business Enterprises, as part of its post-award monitoring process.

Sample Selection for  
Review

To determine whether the Housing Authority and its contractors complied with procurement policies, laws, and regulations contained in the private management agreements, we randomly selected 15 management agreements that were executed or renewed during 2000 to review Minority,

Women, and Disadvantaged Business Enterprises and Section 3 Program activities.

The Housing Authority Did Not Receive Participation Plans And Monthly Reports From Contractors

The Housing Authority's Contract Compliance Division did not review and approve participation/utilization plans for the Minority, Women, and Disadvantaged Business Enterprises and Section 3 programs because the division did not receive the plans from the private management firms to support their program activities. In addition, the Division did not receive monthly status reports from any contractor in 2000 and 2001 as required.

As of December 2002, contractors for 11 of 15 private management contracts had not submitted documentation to the Housing Authority to support their program expenditures totaling \$11,223,024 for the Minority, Women, and Disadvantaged Business Enterprises Program. Additionally, one contractor, Legum and Norman Realty, had not submitted any supporting documentation for its compliance with the Section 3 Program. As a result, the Housing Authority could not determine whether participating contractors complied with program requirements. Also, the contractors were in default of the Private Management Agreement, as defined in Section 8.01 (B) of the document.

On-Site Monitoring Visits Were Not Conducted

The Housing Authority did not conduct on-site monitoring visits to determine whether contractors were complying with the Chicago Housing Authority's Minority, Women, and Disadvantaged Business Enterprises Utilization Plan. A former Senior Manager in the Contract Compliance Division told us she did not know whether conducting on-site visits was part of the Division's responsibilities.

The Housing Authority Did Not Consistently Follow-Up With The Contractors' Compliance

Based on our review of the monitoring files at the Contract Compliance Division, we found copies of violation letters the Housing Authority had sent out to the various contractors for noncompliance with the Minority, Women, and Disadvantaged Business Enterprises and Section 3 Programs. However, there were considerable gaps in the division's follow-up periods. There was no consistent follow-through by the Contract Compliance Division in ensuring that the contractors came into compliance with the program requirements. A Policy and Monitoring Specialist of the Contract Compliance Division informed us that prior

Noncompliance Remedies  
Were Not Imposed

to a meeting held with the private management firms in April 2001, the division did not track and monitor the contractors' compliance with the Minority, Women, and Disadvantaged Business Enterprises and Section 3 Utilization plans.

The Housing Authority's Contract Compliance Division failed to impose remedies against the private management firms that failed to provide documentation supporting their participation in the Minority, Women, and Disadvantaged Business Enterprises and Section 3 Programs. Section 8.02 of the standardized Private Management Agreement provided remedies that the Housing Authority could have imposed against these management firms at its option in the event of a default.

The former Senior Manager of the Contract Compliance Division indicated her division had attempted to apply one of the remedies by withholding contract payments from the private management firms; however, the Housing Authority paid the firms anyway because an employee in the Housing Authority's Executive Office approved the payments. Had the Housing Authority imposed that remedy, contract payments totaling \$112,230 for the Minority, Women, and Disadvantaged Business Enterprises Program, and \$20,060 (1.5 percent of the total contract amount) for the Section 3 Program, would have been withheld. However, the Housing Authority failed to impose any of the remedies that were available. As a result, provisions of the Private Management Agreement were violated, and contractors suffered no consequences for their failure to comply with program requirements.

According to the Assistant Director of Procurement and Contracts, the Housing Authority was unable to sanction private management firms for noncompliance with the programs because the contractors had immediate access to and controlled the funds provided by the Housing Authority.

The table on the following page shows the amounts for 11 contracts that were not supported in the Housing Authority's Contract Compliance Division files.

Contract Number	Total Contract Amount	Minimum Required Amount To Meet Minority, Women, and Disadvantaged Business Enterprises requirement (20% of Total Contract Amount)	Total Amount Supported	Unsupported Amount	Possible Penalties (1% of Unsupported Amount)
9173	\$6,774,025	\$1,354,805	\$120,712	\$1,234,093	\$12,341
9185	\$7,428,963	\$1,485,793	\$323,003	\$1,162,790	\$11,628
9360	\$3,686,122	\$737,224	\$309,392	\$427,832	\$4,278
9361	\$2,721,198	\$544,240	\$90,411	\$453,829	\$4,538
9366	\$4,000,000	\$800,000	\$334,608	\$465,392	\$4,654
9367	\$5,077,566	\$1,015,513	\$190,764	\$824,749	\$8,247
9388	\$10,238,158	\$2,047,632	\$56,752	\$1,990,880	\$19,909
9391	\$7,866,597	\$1,573,319	\$61,000	\$1,512,319	\$15,123
9395	\$1,337,322	\$267,464	\$0	\$267,464	\$2,675
9396	\$7,668,606	\$1,533,721	\$190,614	\$1,343,107	\$13,431
9427	\$11,273,028	\$2,254,606	\$714,037	\$1,540,569	\$15,406
<b>Total Amount</b>	<b>\$68,071,585</b>	<b>\$13,614,317</b>	<b>\$2,391,293</b>	<b>\$11,223,024</b>	<b>\$112,230</b>

## Auditee Comments

[Excerpts paraphrased from the comments provided by the Chicago Housing Authority and HUD on our draft report follow. Appendix B, pages 57 to 65, contains the complete text of the Housing Authority's comments for this finding. Appendix C, pages 67 to 69, contains the complete text of HUD's comments for this finding.]

The total contract amount identified in the audit report represents the "not to exceed" amount of the contracts. This information does not reflect the amount spent during the audit period January 2000 to September 2001. We believe that any amount which may be subject to further action is much lower than the \$11,223,024 of unsupported cost noted in the report.

The Chicago Housing Authority recognizes the importance of maintaining all supporting documentation associated with Minority, Women, and Disadvantaged Business Enterprise compliance. To that end, the private property managers are currently required to submit four documents to support their compliance plan. This documentation is reviewed, approved and maintained by both the Contract Compliance Unit and Asset Management Division.

The Housing Authority's Contract Compliance Procedure Manual outlines the procedures to be followed when the

need to impose sanctions arises for noncompliance. This action can be initiated at the recommendation of Asset Management or the Contract Compliance Unit. The Housing Authority filed its Procurement Procedures Manual and was subsequently approved by HUD in February 2003. Outlined in this manual are the program compliance requirements which must be met by all service providers doing business with the Housing Authority.

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HUD's Comments

The draft report documents that Chicago Housing Authority files did not contain sufficient documentation from the contractor to ensure contractor compliance with the Minority, Women, and Disadvantaged Business Enterprise Program. While files at the Housing Authority may not have contained the appropriate documentation to prove the minority status of these and other firms, there is no indication in the report that the auditors took the logical additional step to contact these firms to determine if they had the required documentation in their files. We believe the problem identified is a paperwork distribution or file problem at the Housing Authority, and the underlying issue is substantially negated.

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OIG Evaluation Of  
Auditee And HUD's  
Comments

OIG procedure is to question the expenditure of HUD funds that violate Federal regulations or that are not fully supported by documentation explaining the nature of the expenditures. For the contractors who did not provide the Housing Authority with the required Minority, Women, and Disadvantaged Business Enterprise certifications, we questioned the total amount of funds related to the services performed or to be performed by those contractors.

The objective of our audit was to assess the performance of the Housing Authority in monitoring the activities of its various property management contractors. Monitoring includes assuring that the contractors provided the Housing Authority with all required documentation. In the case of monitoring the contractors' accountability for its Minority, Women, and Disadvantaged Business Enterprise activities, such documentation should have included letters of

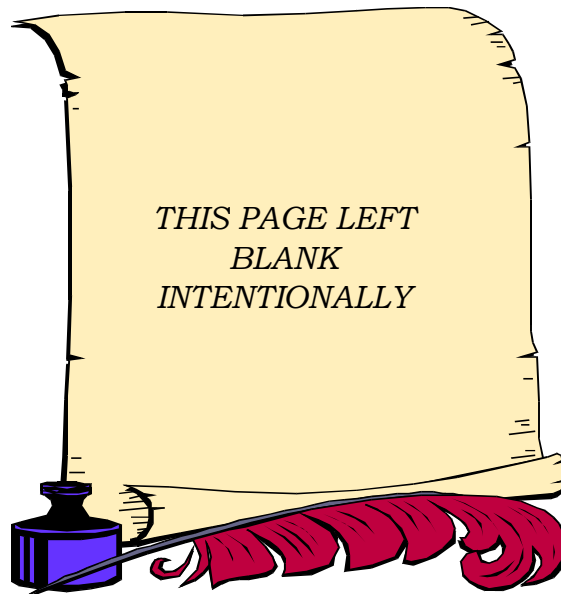
certification establishing the contractor's status as certified Minority, Women, and Disadvantaged Business Enterprise contractors. While the individual contractors may or may not have the required documentation in their own files, the Housing Authority was required to maintain documentation as well. However, this was not consistently done. Therefore, we concluded that the Housing Authority was not exercising the necessary level of monitoring over this activity.

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## Recommendations

We recommend that HUD's Director of Public Housing, Chicago Regional Office, ensures that the Chicago Housing Authority:

- 1A. Imposes any or all of the available remedies per the management agreements against the private management contractors for their noncompliance with the Minority, Women, and Disadvantaged Business Enterprises and Section 3 Program requirements, or obtains all necessary documentation to support the \$11,223,024 in unsupported program expenses.
- 1B. Maintains all required documents and performs monitoring reviews to support contractors' compliance with the Minority, Women, and Disadvantaged Business Enterprises and Section 3 requirements.
- 1C. Implements procedures and controls to assure that sanctions as provided in the Private Management Agreement are applied when contractors fail to comply with the Minority, Women, and Disadvantaged Business Enterprises and Section 3 programs.
- 1D. Implements procedures and controls to review and approve the Minority, Women, and Disadvantaged Business Enterprises and Section 3 Plans during the procurement process.





# Contractors Did Not Properly Report/Document The Results Of Housing Quality Standards Inspections

The private management firms and resident management corporations failed to properly report or document the results of their Housing Quality Standards inspections. Specifically, several management firms failed to (1) maintain copies of the inspection forms and related work orders in the Housing Quality Standards and/or tenant folders; (2) generate work orders to correct deficiencies found during the unit inspections; (3) properly complete the Housing Quality Standards Inspection Checklists to rate the unit inspections; and (4) obtain all required signatures on the completed inspection forms. Additionally, one contractor failed to perform any of the Housing Quality Standards inspections that we sampled at one property.

The management firms' failure to properly report or document the results of their Housing Quality Standards inspections was attributed to (1) clerical oversight, (2) lack of proper training or experience, and (3) lack of standardized Housing Quality Standards Inspection Procedures. Additionally, the Housing Authority's Asset Management Division failed to properly monitor the performance of the private management firms due to the lack of a finalized policy and procedural manual for monitoring the firms. As a result, HUD cannot be assured that the services provided by the contractors to the Housing Authority were effective and efficient, and that all housing units under their management were being maintained in a decent, safe, and sanitary condition.

## Private Management Agreement

Private Management Agreements executed or renewed between the Housing Authority and the private management firms and resident management corporations during 2000, state in:

- Section 3.01, Part E (10) – Inspections, that the contractor shall perform annual housekeeping inspections using a form approved by the Chicago Housing Authority, and conducted in accordance with HUD regulations. Deficiencies resulting from the inspections shall either be corrected or referred to a work order.
- Section 5.03 – Records and Ownership of Documents, Subsection C, that the contractor shall keep and maintain books, accounts, reports, and other documents relating to its activities and expenditures

for a period of at least three years after final payment is made in connection with this agreement.

Code Of Federal Regulations

24 CFR Part 5.703 states that each dwelling unit within a building must be structurally sound, habitable, and in good repair. All areas and aspects of the dwelling unit must be free of health and safety hazards, functionally adequate, operable, and in good repair.

24 CFR Part 5.705 requires any entity responsible for the physical inspection of HUD housing to inspect such housing annually in accordance with HUD-prescribed physical inspection procedures.

24 CFR Part 902.23 (a) – General, requires that public housing be maintained in a manner that meets the standards that constitute acceptable basic housing conditions.

The Housing Authority's Lease Agreement

Section 13 (b) of the Housing Authority's Residential Lease Agreement states that the Chicago Housing Authority shall inspect the condition of the dwelling unit, the equipment within, and any areas assigned to the resident for upkeep. Further, Chicago Housing Authority shall request work orders for all items found to be in disrepair.

The Housing Authority's Inspection Procedures

The Housing Authority's Inspections Procedures state that if any item in the unit fails the inspection, the entire unit fails the minimum standards. Work orders must be generated to correct the deficiencies found in the unit within 24 hours after the inspection has been completed. After the work orders have been generated, a copy of the Inspection form and a copy of each work order generated should be filed in the Housing Quality Standards folder with the tenant file folder.

The Uniform Physical Condition Standards replaced the Housing Quality Standards in 2002. The Uniform Physical Condition Standards were designed to determine whether public housing units are decent, safe, sanitary, and in good repair. Starting June 2002, the Chicago Housing Authority instituted these new standards by issuing new inspection forms to the management firms for inspections of the housing developments.

### Sample Selection For Review

We randomly selected a sample of 221 Housing Quality Standard inspections conducted in 2001 for units at nine property sites under the management of the private firms and resident management corporations. The nine properties were Cabrini Extensions, Garfield Park Apartments, Lake Park Place, Maplewood Courts, Stateway Gardens, Scattered Sites–North Central, Sheridan and Leland Apartments, Sheridan and Devon Apartments, and Racine Apartments. We selected 24 units for our review at each property, with the exception of Stateway Gardens where we selected 29 units, to determine whether the management firms at these properties conducted annual inspections as required and maintained the projects and individual units in a manner to assure they met Housing Quality Standards. We reviewed a total of 207 unit inspection forms for the nine properties.

### Copies Of Inspection Forms And Related Work Orders Not Maintained

The contractors failed to maintain at the housing developments copies of the Housing Quality Standards completed inspection forms and/or their related work orders. At Scattered Sites – North Central and Maplewood Courts, the management firms were unable to provide the fiscal year 2001 Housing Quality Standards inspection forms for eight and six units, respectively. The completed inspection forms were missing from the Housing Quality Standards folders at both properties. The Work Order Clerk at Maplewood Courts did not know where these completed inspection forms were located.

Management at Maplewood Courts was only able to provide from the Housing Quality Standards folders eight of the 55 work orders generated for the unit inspections reviewed. The management firm had to regenerate the remaining work orders from the Creative Computer Solutions system. Additionally, at Scattered Sites – North Central, the work orders for the 2001 inspections were not in any of the Housing Quality Standards folders. The management at Scattered Sites – North Central also regenerated work orders for our review.

### Repair Work Orders Were Not Generated

The contractors failed to generate work orders for some or all defects identified during the Housing Quality Standards inspections at Stateway Gardens, Sheridan and Devon Apartments, Lake Park Place, Racine Apartments,

Scattered Sites – North Central, and Maplewood Courts. The contractors at the six properties did not generate work orders nor did they list the work order numbers on the inspection forms to bring 37 units up to code or standard. Some of the deficiencies for which the contractors did not generate work orders include missing smoke detector, loose tiles in the bathroom, the need for safety bars, cracked window, sparks coming from electrical outlets, clogged drains, and malfunctioning plumbing. The Housing Authority failed to ensure management firms created work orders for all problems reported during the inspections. Unaddressed repairs pose actual or potential safety and health hazards to tenants. It also exposes the Housing Authority and management firms to possible litigation.

The table below represents the four properties where work orders were not generated for some or all defects noted in at least 20 percent of the unit inspection forms reviewed for each property.

Properties	Number of Units Affected	Unit Inspections Reviewed	Totals in Percentage
Stateway Gardens	10	29	34
Lake Park Place	6	24	25
Scattered Sites North Central	10	16	62.5
Maplewood Courts	6	18	33.3

The failure to generate repair work orders, according to a Site Manager at Stateway Gardens, might have been a clerical oversight by the maintenance employee responsible for generating the work orders. The site manager said that it is a legitimate data entry error when a work request written on the inspection form is overlooked.

Failure To Generate Work Orders Within 24 Hours After The Housing Quality Standards Inspections

The contractors failed to create work orders in the Housing Authority’s Creative Computer Solutions system within 24 hours after the Housing Quality Standards inspections were completed. We reviewed 165 work orders initiated for repairs that were identified during the inspections at the nine properties. Of these, 123 work orders (75 percent) were entered into the computer system two to 310 days

after the Housing Quality Standards inspection dates. For instance, the management firm at Stateway Gardens generated 38 work orders five to 310 days after the inspections were completed. The management firm at Maplewood Courts did not enter the defects found during the unit inspections into the Creative Computer Solutions system until nine to 142 days after the Housing Quality Standards inspections.

The following table denotes the range of days the contractors took to generate the work orders outside of the 24-hour period.

<i>Properties</i>	<i>Total Work Orders Received</i>	<i>Work Orders Not Generated Timely</i>	<i>Range of Days</i>
<b>Cabrini Extensions</b>	18	2	2 - 20
<b>Stateway Gardens</b>	42	38	5 - 310
<b>Garfield</b>	1	1	6
<b>Sheridan and Devon</b>	10	1	4
<b>Lake Park</b>	16	11	3 - 85
<b>Sheridan and Leland</b>	9	4	4 - 40
<b>Racine</b>	9	6	2 - 11
<b>Scattered Sites North Central</b>	5	5	38
<b>Maplewood Courts</b>	55	55	9 - 142
<b>Totals</b>	165	123	2 - 310

Housing Quality Standards Inspection Checklists Were Not Completed

Additionally, some work orders generated from the inspections were not addressed during the time period required for repairs to be made. We also noted in some cases that the management firms entered work orders into the system on the day the repairs were made rather than entering them within 24 hours of the inspections. In these cases, the period of delay ranged from several days to several weeks after the inspection was conducted. These delays allowed the maintenance staff more time to complete the work order than what was actually recorded in the Creative Computer Solutions system. The Housing Authority uses the information entered into its computer system to monitor annual inspections of the dwelling units. However, the information was not accurate (see Finding 3).

The contractors failed to properly complete the Housing Quality Standards inspection checklists to rate the unit

inspections at Cabrini Extensions, Stateway Gardens, Sheridan and Devon Apartments, Lake Park Place, Sheridan and Leland Apartments, Racine Apartments, and Scattered Sites – North Central. For 34 units at the seven properties mentioned, we found the contractors failed to use the inspection checklists to identify the severity of the deficiencies found in the units. In a majority of the cases, the contractors would mark the checklists as Passed or Not Applicable, even though the defects or deficiencies were found in certain areas of the units. In a few cases, such as at Lake Park Place, the contractors did not complete the inspection checklists at all.

As one example, for the 8 units with work orders at Cabrini Extensions, the resident management corporation did not indicate on the inspection forms any of the items or deficiencies described on the work orders. Items on the inspection forms either passed or were not applicable. The repair items indicated on the work orders included:

- Checking the stoves/ranges and electricity;
- Repairing entrance door and replacing bedroom doors throughout a unit;
- Plastering ceiling in kitchen and repairing plaster throughout the unit;
- Repairing outlets throughout a unit;
- Repairing a light in hallway and replacing bathroom light fixture;
- Issuing paint/paint kit;
- Repairing bedroom window or windows that did not close; and
- Exterminating units.

A completed Housing Quality Standards inspection form serves as a record of the unit's condition. However, the inspection forms and checklists were not properly completed at various properties. As a result, the Housing Authority was not assured that the conditions of the units were documented properly. In some cases, items were noted in the comments section of the inspection form but they were generally vague as to the severity of the deficiencies in the unit. The inspectors did not use the checklists for the various areas of a unit to rate the severity of the deficiencies as minor, major, or severe. In the

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absence of these ratings, we could not determine whether a unit should have failed or passed the Housing Quality Standards inspection. Also, the deficiencies noted may not have been correctly entered into the Creative Computer Solutions system for repair if the correct ratings were not indicated. As a result, work order records were inaccurate and health and safety violations may have existed that posed a risk to tenants.

At eight properties, the contractors neglected to mark, or improperly marked, the box on the inspection form to indicate whether health and safety deficiencies existed in 89 units. For example, at Sheridan and Devon Apartments, the inspector indicated by checking “Yes” that health and safety deficiencies existed in all 24 units sampled for review. However, based on our review of the inspection forms, there were no health and safety deficiencies noted on a majority of the forms. According to the Site Manager at the property, the inspector made an error by marking the wrong box; the inspector should have checked “No”. At Lake Park Place, the Administrative Assistant (not a trained inspector) who performed all 24 inspections did not rate any of the 24 units sampled for health and safety deficiencies.

The table on the following page shows the number of sampled units at each property that were not rated or improperly rated for health and safety deficiencies.

Finding 2

Properties	Units Not Rated or Improperly Rated for Health and Safety Issues	Total Number of Units Sampled	Percentage of Units Not Rated or Improperly Rated
Garfield Senior	2	24	8
Cabrini Extensions	4	24	16
Racine Senior	4	24	16
Scattered Sites - North Central	8	24	33
Stateway Gardens	10	29	34
Maplewood Courts	13	24	54
Lake Park Place	24	24	100
Sheridan and Devon	24	24	100

Inspection Forms Were Not Signed

The contractors at six properties generally failed to ensure that both the tenants and the inspectors signed the completed inspection forms or had the forms signed within days after the inspection dates. At Lake Park Place, we found that the tenants in 13 units sampled did not sign the completed inspection forms and the inspector did not indicate on the forms that a passkey was used for those unit inspections. The Administrative Assistant at Lake Park Place informed us that the tenants did not sign the forms because they were unavailable and due to her inexperience, she neglected to indicate on the forms that she used a passkey for the inspections. At Scattered Sites – North Central, the inspector failed to sign the completed inspection forms for six units; the tenants for two of six units did not sign the completed inspection forms.

Inspections Were Not Performed

East Lake Management Corporation failed to perform the Housing Quality Standards inspections for the 24 units selected at Garfield Apartments. We found that the inspection checklists for 12 of the 24 units were the same; they were copies of previously marked checklists. The marking in the check boxes was identical for each of those units and the same items were checked on each checklist. The checklists for the remaining 12 units were also the same as the first 12 units with a few variations. The individual who completed the Housing Quality Standards inspection forms marked over the previously checked items for a portion of a checklist, some, or all checklists for the latter 12



units. The checked items were the same as for the former 12 units. Overall, the Comments section of the inspection form's first page varied for all 24 units. The Site Manager of the Garfield Apartments signed as the inspector of all 24 unit inspections reviewed. The Site Manager had not received any training on performing Housing Quality Standards inspections.

Based on our review, we concluded that the inspector did not actually conduct these inspections. Instead, the inspector reproduced or copied previously marked checklists for all 24 units at Garfield Apartments. As a result, the Housing Authority paid the management firm for inspections it did not conduct at Garfield Apartments. A completed Housing Quality Standards inspection form should serve as a record of the condition of a unit. The management firm negligently reported inaccurate information on the conditions of these units.

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### Auditee Comments

[Excerpts paraphrased from the comments provided by the Chicago Housing Authority and HUD on our draft report follow. Appendix B, pages 57 to 65, contains the complete text of the Housing Authority's comments for this finding. Appendix C, pages 67 to 69, contains the complete text of HUD's comments for this finding.]

The Housing Authority's policy regarding inspections is addressed in the Management Agreement. It provides that the contractor shall perform unit and building inspections in accordance with HUD's Uniform Physical Condition Standards. It also provides that additional inspections may be conducted in accordance with procedures outlined in the Housing Authority's Residential Lease, Admission and Occupation Policy, Private Manager Insurance Manual and Management Plan. Monitoring of this policy is the responsibility of the Asset Management and Quality Control staff who perform periodic reviews to ensure that the property managers are complying with inspection requirements.

In April 2002, the Housing Authority implemented Uniform Physical Condition Standards software which

requires the firms to enter all the details regarding inspections as they are being completed. All of the private property managers were trained during the second quarter of 2002 on how to use the software and how to properly complete the new forms. New property managers are required to undergo training within 30 days of the start of their contract. The Housing Authority's long term strategy is to conduct inspections using hand held devices which will be used by all property management staff inspectors when conducting inspections. This initiative will also require that the Housing Authority develop and adopt formal written procedures for conducting the inspections. This initiative will be addressed in the fourth quarter of 2004.

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HUD's Comments

We are not certain that the correct standards are cited in the report to support the findings. The Housing Quality Standards cited apply to the Section 8 program and not the low rent program. We assume you reviewed the low rent program which would require that you identify different inspection procedures based on the Uniform Physical Conditions Standards.

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OIG Evaluation Of  
Auditee And HUD's  
Comments

During the time period covered by the audit, the Housing Quality Standards were the only standards in effect for determining that units, whether Section 8 or low-rent, met the overall objectives of being decent, safe and sanitary. The standardized Property Management Agreement references Housing Quality Standards as the applicable standard. Each of the property management contractors used Housing Quality Standards inspection forms to conduct their own inspections. We obtained copies of these inspection forms directly from staff in the Housing Authority's Asset Management Division as well as from property managers at several housing developments. In addition, Asset Management staff advised us during an interview on July 12, 2002, that the Housing Authority did not institute Uniform Physical Condition Standards at its properties until June 2002, well after the time period covered by the audit. As a result, our use of the Housing

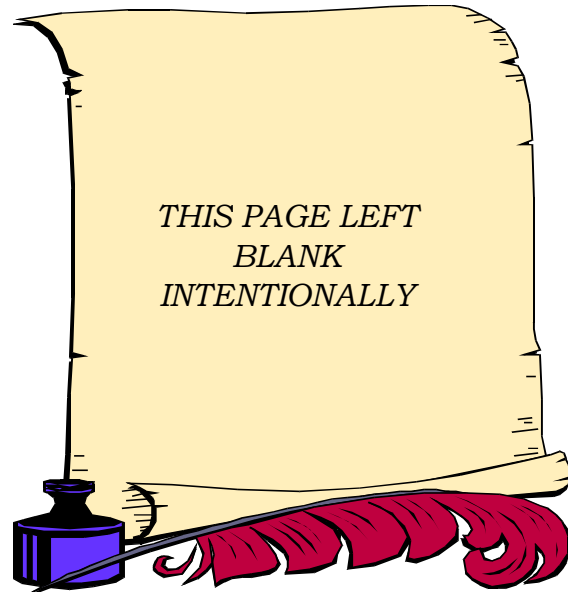
Quality Standards, not the Uniform Physical Conditions Standards, was appropriate in this case.

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Recommendations

We recommend that HUD's Director of Public Housing, Chicago Regional Office, ensures that the Chicago Housing Authority:

- 2A. Implements policies and procedures for monitoring the private management firms' performance of the Uniform Physical Condition Standards inspections.
- 2B. Provides training for the private management firms to properly complete the Uniform Physical Condition Standards inspection form and provides follow-up training on an annual basis.
- 2C. Implements procedures and controls to assure that the management firms generate work orders for deficient items identified during the annual inspections and that work orders are entered into the computer system timely and accurately.
- 2D. Directs the private management firms to implement standardized inspection procedures at the housing developments.



## Property Management Firms Violated Agreements For Maintenance And Work Orders

The private management firms and resident management corporations did not adhere to their management agreements and other requirements for maintenance and work orders. Specifically, several firms failed to (1) properly maintain original work order documentation; (2) accurately code work orders; (3) use the Housing Authority's prescribed work order system; (4) address work orders in a timely manner; (5) maintain an adequate preventive maintenance schedule; and (6) submit its maintenance and management staff to criminal background screening and/or drug testing, as required by the private management agreement.

The management firms' failure to adhere to their management agreements with the Housing Authority was attributed to (1) the inability to create printed work orders from the Housing Authority's computer system; (2) the misplacement of work order documentation; (3) lack of manpower, funding, and/or repair supplies; (4) lack of knowledge of the requirements in the private management agreement or standards; and (5) lack of maintenance standards to address certain work orders. Additionally, the Housing Authority's Asset Management Division failed to adequately monitor the private management firms or maintain sufficient documentation to support such monitoring. As a result, HUD cannot be assured that services provided by the contractors to the Housing Authority were effective and efficient, and that all housing units under their management were being maintained in a decent, safe, and sanitary condition.

### Private Management Agreement

Private Management Agreements executed or renewed between the Housing Authority and the private management firms and resident management corporations during 2000, state in:

- Article 3, Section 3.01 - Services to be Performed, Subsection E, Property Management, that the contractors are required to perform all the duties and responsibilities normally associated with management of the properties; therefore, causing the developments, their buildings, units, appurtenances and grounds to be maintained and secured according to standards acceptable to the Chicago Housing Authority and HUD.
- Article 3, Section 3.01 – Services to be Performed, Subsection E (1), Staffing, that the contractor must perform criminal background screening and drug testing on all staff personnel employed for the management and maintenance of the development.

- Article 3, Section 3.01 – Services to be Performed, Subsection E (11), Work Orders, that the contractor will systematically receive and investigate all services or work order requests from residents and the Housing Authority staff, and correct all deficiencies.
- Article 3, Section 3.01 – Services to be Performed, Subsection E (12), Maintenance and Repair, that the contractor is required to use the Housing Authority’s work order system to develop minor maintenance, preventative maintenance and extraordinary maintenance programs to ensure that the development is maintained in a decent, safe, and sanitary condition.
- Article 5, Section 5.03 – Records and Ownership of Documents, Subsection C, that the contractor shall keep and maintain books, accounts, reports, files, records and other documents relating to its activities and expenditures for a period of at least three years after final payment is made in connection with the management agreement.

Code Of Federal  
Regulations

24 CFR Part 901.25, Work Orders, requires the public housing agency’s work order system to be adequate in terms of how the public housing agency accounts for and controls its work orders, and timely in preparing and issuing work orders. 24 CFR Part 901.25 (a), Component 1, denotes a completion time of 24 hours or less for emergency work orders and states that all emergency work orders should be tracked. 24 CFR Part 901.25 (b), Component 2, states that all non-emergency work orders are to be completed within an average of 25 calendar days.

24 CFR Part 902.23 (a), General, requires that public housing be maintained in a manner that meets the standards that constitute acceptable basic housing conditions.

Work Order Training  
Manual

The Housing Authority’s Creative Computer Solutions work order training manual states that Emergency work orders are physical work items that pose an immediate threat to life, health, and safety of all residents, and should be abated within 24 hours. Urgent work orders are work

items that become “Emergency” if not handled timely and should be abated within 48 hours. Additionally, routine work orders are to be handled as soon as possible and no later than 25 days from the date the work order was generated.

#### Sample Selection For Review

We randomly selected a total of 216 work orders generated during January 2000 through December 2001 for nine properties under the management of five private firms and two resident management corporations to determine whether the management firms or corporations at the selected properties addressed work orders appropriately and attempted repairs in a timely manner. We selected 24 work orders for each of the following nine properties: Cabrini Extensions, Garfield Park Apartments, Lake Park Place, Maplewood Courts, Stateway Gardens, Scattered Sites–North Central, Sheridan and Leland Apartments, Sheridan and Devon Apartments, and Racine Apartments.

#### Management Firms Did Not Maintain Original Work Order Documentation

Six management firms failed to maintain original work order documentation in their tenant or general files. In the majority of cases, the management firms were able to provide recreated versions of the work orders from the Creative Computer Solutions system; however, other firms were unable to reprint the missing work orders.

The management firms were unable to provide the original work order documentation for 80 work orders (37 percent of our sample) at seven of the nine properties we reviewed. For example, East Lake Management Corporation was unable to provide originals of all 24 work orders sampled for Maplewood Courts. According to the Maintenance Clerk, none of the work orders could be located due to lack of documentation at the property site.

At Scattered Sites–North Central, Hispanic Housing Development Corporation was unable to provide the originals for 15 of the 24 work orders we selected for review. The Assistant Manager of Accounting informed us that when the Northwest and North Central Scattered Sites’ offices reorganized, work orders that should have been in tenant files were misplaced because items were not moved properly during the transition. Management staff at Scattered Sites–North Central tried numerous times

unsuccessfully to recreate work orders from the Creative Computer Solutions system. The Assistant Manager of Accounting indicated she had spoken to the Housing Authority’s Asset Manager responsible for the property on several occasions, but nothing had been done about the problem as of August 2002.

The table below lists six properties that could not locate 20 percent or more of originals or copies of work order documentation in their respective files.

Properties	Lake Park Place	Scattered Sites North Central	Garfield Senior	Racine Senior	Maplewood Courts	Sheridan and Leland
Missing Work Orders	5	15	11	8	24	15
Total Work Orders Selected	24	24	24	24	24	24
Percentage Missing	21	63	46	33	100	63

Missing Signatures

The work orders that the firms recreated from the Creative Computer Solutions system did not contain the signatures of the appropriate parties, such as the tenant, maintenance personnel, and management/supervisory personnel. Without proper signatures, neither HUD nor the Housing Authority can be assured that tenant work order requests were properly addressed and resolved. HUD cannot be assured that the work order information contained in the Creative Computer Solutions system was accurate and properly reflected the work that was actually performed by maintenance personnel.

Emergency Work Orders Were Inaccurately Coded Due To Software Problem

Don S. Samuelson and Associates, a private management firm, inaccurately coded Emergency work orders as Urgent work orders at Sheridan and Devon Apartments. For a two-year period, the housing development generated only six Emergency work orders. The Administrative Assistant at Sheridan and Devon Apartments acknowledged that although some repairs should have been categorized Emergency, he did not code them that way in the Creative Computer Solutions system. This was because the system had an apparent software flaw that prevented him from receiving Emergency work orders at his management



office. Instead, he coded the work orders as Urgent instead of Emergency so that his office was able to receive the requests in a manner unaffected by the software problem. Emergency work orders carry a required response time of 24 hours; Urgent work orders carry a response time of 48 hours.

The number and timing of responses to work order requests is a performance indicator that HUD considers when assessing the Chicago Housing Authority's performance, in accordance with the Annual Moving To Work Report. Due to the software problem and the resultant miscoding of the work orders, the management firm did not have the ability to track its Emergency requests, and the Housing Authority reported inaccurate work performance data for this firm and the managed property to HUD in the Annual Moving To Work Report. This situation violated Federal regulations, and work orders requiring the highest priority response (within 24 hours) were not addressed in a timely manner to the possible detriment of tenants. HUD cannot be assured that the management firm maintained the housing units in a decent, safe, and sanitary condition.

We could not determine whether this problem also affected other private management firms or property sites in addition to Sheridan and Devon Apartments.

Management Firms Failed  
To Use The Housing  
Authority's Prescribed  
Work Order System

The management firms for Scattered Sites–North Central, Sheridan and Leland Apartments, and Garfield Apartments failed to use the Housing Authority's prescribed work order system at those properties. The management firms used manual work orders instead of work orders generated by the Creative Computer Solutions system either due to their own preference or their inability to access and print the work orders from the system.

At Sheridan and Leland Apartments, managed by Urban Residential Services, one work order was listed in the Creative Computer Solutions work order report as an Annual work order, but was indicated as Routine on the manual work order. This occurred because the manual work orders used by the management firm did not list Annual as a coding option. The former Site Manager of Sheridan and Leland Apartments informed us that Urban

Residential Services could not generate a work order through the Creative Computer Solutions system because the system did not work. Instead, the management firm prepared work orders manually.

At Garfield Apartments, managed by East Lake Management Corporation, the Site Manager indicated the management firm preferred to use its own manual work orders even though personnel knew how to access and print work orders from the Creative Computer Solutions system. The manual work orders used at Garfield Apartments and Scattered Sites–North Central did not contain all of the same priority coding options of the system-generated work orders. Also, the work completion time was not always included on the manual work order used at Garfield Apartments. We could not determine whether these work orders were properly coded in the Creative Computer Solutions system.

A Chicago Housing Authority Asset Manager advised us that the private management firms should use the Creative Computer Solutions system to record work order information, and the firms should maintain the work orders in the tenant files. The Asset Management Division did not recommend that the management firms use their own work orders because the Creative Computer Solutions work orders should be the work orders that the tenants sign.

To assure consistency in the work orders used by the private management firms and resident management corporations, we recommend that all firms use the Creative Computer Solutions system, or assure that manual work orders contain all of the same reporting elements of the system-generated forms.

Management Firms Failed To Address Work Orders In A Timely Manner

Management firms for seven of the nine properties failed to address work orders in a timely manner. For example, Lake Park Place did not address one routine work order until 36 days after the work item was requested; this exceeded the 25-day time requirement for a routine order by 11 days.

Maplewood Courts had one routine work order that was not addressed until 357 days after the work request was opened.

The work, clearing a bathtub stoppage, was requested on May 4, 2001, but was not addressed until April 26, 2002. The Creative Computer Solutions Training Manual requires that routine work orders be addressed and closed no later than 25 days from the time the work orders are generated.

According to the Work Order Clerk for Maplewood Courts, work orders were not addressed timely for many reasons, such as (1) a tenant not being at home for the necessary repairs to be made, (2) the need for parts to be ordered to complete the repairs, or (3) lack of maintenance staff. The Housing Authority’s Asset Manager for Maplewood Courts informed us that the development had problems addressing work orders because of a lack of funding. Maplewood Courts is a city/state property that receives only a portion of its funding from the Federal government. If a funding source did not provide funds on a timely basis, needed repairs would not be made until the funds were available.

The table below shows the number of actual days for these management firms to close some work orders at these properties compared to the Housing Authority’s time requirement for urgent and routine work orders.

<i>Number Of Days To Complete Work Orders</i>		
<b>Type of Work Orders</b>	Routine	Urgent
<b>Housing Authority’s Time Requirement</b>	25 Days	48 Hours (2 days)
<b>Number of days to complete work orders</b>	36 - 357 days	3 - 275 days

We concluded from our review of work orders that the problem of not addressing orders in a timely manner was partly attributable to the maintenance staff’s lack of knowledge of the requirements or standards. At Maplewood Courts, for example, if the work request was routine, the maintenance staff had 30 days to complete the work order. However, HUD’s regulations and the Housing Authority’s own work order training manual required that routine or non-emergency work orders be closed within 25 days of being generated.

We noted the following serious situations at Scattered Sites–North Central for the period January 1, 2000 through September 30, 2001:

- 786 routine work orders did not meet the 25-day requirement for a routine work order;
- 391 urgent work orders did not meet the 48-hour time requirement for an urgent work order; and
- 24 emergency work orders were not abated within the 24-hour time limit.

Therefore, approximately 16 percent (1,201 of 7,451) of the work orders generated at Scattered Sites–North Central during the period did not meet the Housing Authority’s time requirement for completing the work. Hispanic Housing Development Corporation’s Assistant Manager of Accounting indicated that the Housing Authority did not transfer existing work orders on a timely basis when her firm assumed responsibility for the property from the previous manager.

Firms Failed To Address Annual And Code Violation Work Orders Within A Reasonable Time

Management firms and the resident management corporations did not address annual and code violation work orders within a reasonable time. Maplewood Courts had five annual work orders and one code violation work order that remained unaddressed for more than 100 days. The number of days annual work orders were open ranged from 117 to 403 days. It took 673 days for the code violation work order to be addressed.

The Housing Authority’s Asset Manager for Maplewood Courts said that the property had an insufficient budget that prevented the management firm from addressing work orders in a timely manner. The Housing Authority indicated to us that the City of Chicago generally allowed a 30-day timeframe for resolving code violation items, except for health and safety issues that should be abated immediately.

As a result of not addressing code violation work orders timely, the private management firms and the Housing Authority had no assurance that the housing developments

were maintained in a decent, safe, and sanitary condition for tenants.

#### Completed Work Orders Were Not Signed

Some of the management firms did not ensure that completed work orders contained all the appropriate signatures and/or initials. We found that at five of the nine properties, the management firms did not make sure that the tenants, maintenance personnel, and/or the supervisory personnel signed or initialed the completed work orders. This ranged from one to seven work orders of those sampled at each of the properties.

#### Firms Failed To Maintain Adequate Preventive Maintenance Schedules And Programs

Management firms at five of the nine properties we reviewed did not maintain adequate preventive maintenance schedules. The properties were Lake Park Place, Maplewood Courts, Scattered Sites–North Central, Sheridan and Leland Apartments, and Cabrini Extensions. The resident management corporation at Lake Park Place provided us with checklists for its routine maintenance but not a preventive maintenance schedule.

Preventive maintenance policies and procedures from East Lake Management Corporation for Maplewood Courts were determined to be obsolete. The documents provided did not address the preventive maintenance of the specific buildings, units, or systems of the development. The Maintenance Supervisor at Scattered Sites–North Central did not know if the property maintained a preventive maintenance schedule.

Preventive maintenance programs at Cabrini Extensions and Sheridan and Leland Apartments were inadequate because they did not include a maintenance schedule (Cabrini) and did not address the individual housing units or elevators (Sheridan/Leland).

A preventive maintenance program and/or schedule would ensure that the building and its systems were checked and serviced periodically throughout the year to prevent deterioration and costly repairs.

#### Failure To Submit Staff To Drug Testing And Criminal Background Screening

The management firms did not perform drug testing and/or criminal background screening for the maintenance and management staff at four of nine properties: Sheridan and

Leland Apartments, Cabrini Extensions, Lake Park Place, and Scattered Sites–North Central. Additionally, we could not determine whether the firms conducted drug testing and/or criminal background screening for three other properties due to the lack of documentation.

For instance, the former management firm for Sheridan and Leland Apartments, Urban Residential Services, did not perform criminal background screening and drug testing for its management or maintenance staff, as required by Article 3, Section 3.01 (E)(1) of the private management agreement between the firm and the Chicago Housing Authority. The resident management corporation at Cabrini Extensions performed drug testing on all of its employees; however, it did not perform criminal background screening. The management firm at Scattered Sites–North Central did not perform criminal background screening for personnel hired prior to May 2001.

At least two of the management firms indicated they were unaware that they were supposed to conduct criminal background screening for its maintenance and management staff. The Assistant Director of the Housing Authority’s Asset Management department was not certain whether the firms performed criminal background screening and informed us that the Housing Authority did not monitor whether the management firms performed the required drug testing on its employees.

As a result, HUD and the Housing Authority cannot be assured that the management firms maintained a drug-free work place, as required by state and Federal regulations. Additionally, the management firms failed to ensure that the staff working at these properties posed no threat to the safety of the residents.

Work Order Data Could Not Be Traced To The Creative Computer Solutions System

We were unable to trace work order data from hardcopy documentation to the Creative Computer Solution system download provided by the Chicago Housing Authority on September 17, 2002. We randomly selected a total of 50 work orders for five properties from the Creative Computer Solutions Work Order Status reports for January 1, 2000 through December 31, 2001 to trace the work order data to the work order download from the computer system. We

selected ten work orders for each of the following properties: Sheridan and Leland Apartments, Garfield Apartments, Cabrini Extensions, Lake Park Place, and Sheridan and Devon Apartments.

Of the 50 work orders, we found discrepancies related to 18 work orders (36 percent) at Garfield Apartments, Lake Park Place, and Sheridan and Leland Apartments. Of the eighteen work orders, seven were listed on Creative Computer Solutions Work Order Status reports but were not listed in the Creative Computer Solutions work order system download.

<b>Properties</b>	<b>Work Orders Not Listed in the Creative Computer Solutions System</b>
<b>Sheridan and Leland</b>	1
<b>Garfield</b>	2
<b>Lake Park Place</b>	4

For the remaining eleven work orders, the completion dates on the system work order status report did not match the completion dates listed in the system download. Generally, the completion dates listed on the Creative Computer Solutions download were earlier than the completion dates listed in the work order status reports. The work order data extracted directly from the Creative Computer Solutions system listed the work orders as being abated or closed within a different amount of days than the work order status reports. The table on the following page lists the 11 work orders that had differing dates in the work order status reports and the system download.

<i>Creative Computer Solutions Work Order Status Report</i>				<i>Creative Computer Solutions System Download</i>			
<b>Work Order Number</b>	<b>Request Date</b>	<b>Completion Date</b>	<b>Number of Days</b>	<b>Request Date</b>	<b>Completion Date</b>	<b>Number of Days</b>	<b>Variance in Number of Days</b>
<b>13EBF2</b>	7/17/00	11/2/00	108	7/17/00	7/17/00	0	108
<b>13ED08</b>	7/18/00	8/24/01	402	7/18/00	7/18/00	0	402
<b>13ED0B</b>	7/18/00	8/24/01	402	7/18/00	7/18/00	0	402
<b>13ED81</b>	7/18/00	3/29/01	254	7/18/00	7/18/00	0	254
<b>13EDD7</b>	7/18/00	11/2/00	107	7/18/00	7/18/00	0	107
<b>1339A8</b>	4/11/00	5/4/00	23	4/11/00	4/12/00	1	22
<b>12BD06</b>	2/22/00	2/23/00	1	2/22/00	3/23/00	28	29
<b>14C078</b>	11/8/00	11/17/00	9	11/8/00	11/14/00	6	3
<b>14FEE1</b>	12/23/00	12/28/00	5	12/23/00	12/29/00	6	1
<b>152D85</b>	1/17/01	1/29/01	12	1/17/01	1/17/01	0	12
<b>15DAB2</b>	4/12/01	4/19/01	7	4/12/01	4/5/01	-7	14

Both information sources (reports and download) came directly from the Creative Computer Solutions system; however, they contained conflicting information. Due to the inconsistent dates, it appears as if information was altered. We received the work order status reports before we received the Creative Computer Solutions system download. During a period ranging from three to six months, work order information recorded in the Creative Computer Solutions system inexplicably changed.

For Stateway Gardens, we randomly selected ten work orders from an aged work order report generated May 2001 to trace the work order data to the Creative Computer Solutions system download. According to the download, seven of the ten work orders closed within zero to 21 days of when they were generated. However, 70 percent of the work orders (seven out of 10) from the aged work order report had a significantly higher number of outstanding days for the work orders than recorded in the system download. The variances in the number of outstanding days ranged from nine to 169 days. The table on the following page denotes the seven work orders that had conflicting completion dates between the aged work order report and the system download.



Aged Work Order Report Versus Creative Computer Solutions Download						
Work order Number (a)	Work Description (b)	Request Date (same date on aged report and system download) (c)	Days Outstanding on Work Order report (d)	System Download Close Date (e)	Days Open in the System (f)	Variance between download and report (g) = (d) – (f)
15DDF2	Steam Line	4/16/01	21	4/16/01	0	21 days
15F6D6	Electricity	4/27/01	10	4/28/01	1	9 days
14BBBB	Kitchen Sink Cabinet	11/3/00	185	11/24/00	21	164 days
14BBC9	Kitchen Sink Cabinet	11/3/00	185	11/19/00	16	169 days
15F324	Toilet	4/26/01	11	4/27/01	1	10 days
15C6A4	Water Leak	4/3/01	34	4/21/01	18	16 days
15BFB2	Hot Water	3/28/01	40	4/2/01	5	35 days

According to the Housing Authority's Information Technology Services Department's Assistant Chief Information Officer, work order reports extracted directly from the Creative Computer Solutions system should contain the same information as the system download. Additionally, work order dates (completion and request dates) should be the same for both versions of data, unless someone went into the system and manipulated the data since the last time the work order reports were generated and extracted from the system.

Lack of controls in the Creative Computer Solutions system makes data manipulation easy, thereby making the data unreliable. An unreliable data source would hinder proper monitoring of the management firms' performance. As a result, HUD cannot be assured that the information reported by the Chicago Housing Authority and its contractors on their operations were accurate and reliable.

### Auditee Comments

[Excerpts paraphrased from the comments provided by the Chicago Housing Authority and HUD on our draft report follow. Appendix B, pages 57 to 65, contains the complete text of the Housing Authority's comments for this finding. Appendix C, pages 67 to 69, contains the complete text of HUD's comments for this finding.]

The Housing Authority is in the process of migrating to a new Property Management System scheduled for full implementation in the second quarter of 2004. This new system will address all aspects of work orders comprehensively. The Housing Authority's current policy is to close out emergency (urgent) work orders within 24 hours and to close out routine work orders within 10 days.

Per the management contract, each firm is required to conduct drug testing prior to employment and to conduct random testing throughout the employee's tenure. Effective May 23, 2003, Asset Management will make this requirement part of the discussion at the monthly business meetings to ensure that the firms comply with this contractual obligation.

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HUD's Comments

We are currently monitoring the Housing Authority's efforts on exigent health and safety issues that are identified and input into a Real Estate Assessment Center database. We are contacting Housing Authority staff when and if problems are identified.

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OIG Evaluation Of  
Auditee And HUD's  
Comments

We acknowledge the efforts made by the Chicago Housing Authority to improve operational controls over maintenance work orders and drug testing procedures. These efforts, in combination with our recommendations, if implemented, will enhance living conditions in Housing Authority developments, and ensure that the objective of creating a decent, safe and sanitary environment for all residents is achieved.

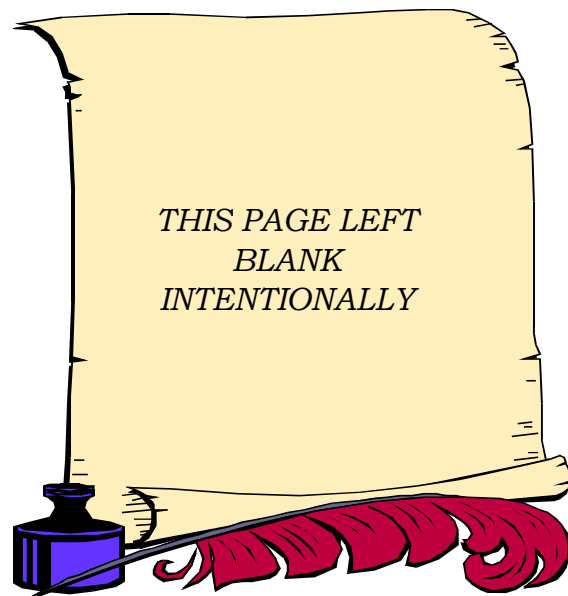
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Recommendations

We recommend that HUD's Director of Public Housing, Chicago Regional Office, ensures the Chicago Housing Authority requires the private management firms to:

- 3A. Implement procedures and controls to code work orders in the Creative Computer Solutions system timely and accurately.

- 3B. Maintain original copies of work order documentation to support the information in the Creative Computer Solutions system.
- 3C. Implement procedures and controls to monitor routine and urgent work orders in a manner that complies with the Creative Computer Solutions Training Manual.
- 3D. Utilize the Housing Authority's Creative Computer Solutions system in order to eliminate the need for manual work orders.
- 3E. Establish and maintain a preventive maintenance schedule for each property.
- 3F. Implement procedures and controls administering drug and criminal background screening for its employees in compliance with management agreements.



## Contractors Did Not Perform Tenant Recertifications Properly

The private management firms did not perform tenant income recertifications properly, timely, and according to Federal regulations. The firms did not consistently ensure that (1) tenant income recertification was performed annually; and (2) tenants and housing personnel signed the recertification forms, leasing contracts and other documentation. The problems occurred because the firms did not have adequate written policies and procedures at the developments for performing recertifications. As a result, the Housing Authority and HUD cannot be assured that residents of public housing were being recertified according to the Housing Authority's and Federal regulations, and that the housing developments were receiving sufficient operating funds.

### Federal Requirements

24 CFR Section 966.4 (a)(2)(i) states the residential lease shall have a twelve-month term. The lease term must be automatically renewed for the same period.

24 CFR Section 960.209 states the public housing authority must reexamine the income and composition of all tenant families at least once every twelve months and determine whether the family's unit size is still appropriate.

24 CFR Section 960.257 states, for families who pay an income-based rent, the Housing Authority must conduct a reexamination of family income and composition at least annually and must make appropriate adjustments in the rent after consultation with the family and upon verification of the information.

### Public Housing Handbook

HUD's Public and Indian Housing Occupancy Reporting Handbook, Directive 7465.3, Chapter Three, states a certification must be signed by the tenant before HUD Form 50058 (Family Report) can be completed. The Housing Authority is required to certify for each tenant household that the tenant information has been verified and the family has certified that it has provided complete and accurate information.

### Chicago Housing Authority's Lease Agreement

The Residential Lease Agreement between the Housing Authority and/or its management firms and the tenant states the initial term of the lease is twelve months unless otherwise modified or terminated.

## Finding 4

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### Sample Selection For Review

To determine whether the management contractors conducted recertifications properly and timely, we selected 24 tenant files from each of the nine properties to review the last recertification performed during the period January 1, 2000 through September 30, 2001. We modified our sample to include the last available recertification for tenants who had moved from the property during our audit period.

### Management Firms And Tenants Failed To Sign Documentation

The private management firms failed to ensure their staff and the tenants consistently signed the certification documents. Based on our review of tenant files at the nine properties, some files were missing signed documentation. We noted at five of the nine properties that tenant files did not consistently contain signed residential lease agreements, Creative Computer Solutions worksheets, and/or income affidavits.

The table below lists the properties at which the tenants and/or management did not sign the recertification documents on a consistent basis.

<i>Properties</i>	<i>Stateway Gardens</i>	<i>Garfield Senior</i>	<i>Sheridan and Leland</i>	<i>Lake Park Place</i>	<i>Cabrini Extensions</i>
<b>Number of non-compliant files</b>	4	5	8	11	20
<b>Number of files reviewed</b>	24	24	23	24	24
<b>Percentage of non-compliant files</b>	17	21	34	46	83

Recertification forms generated by the Housing Authority's Creative Computer Solutions system certify that tenants provided accurate information about their income and family composition, among other items. Staff at the housing developments must certify by their signatures that they verified the accuracy of the tenants' information and that the family was eligible for assistance.

To comply with HUD regulations, a residential lease should be executed by both parties for a tenant to be properly housed. Affidavits used to provide information about the tenant's income should be signed and dated certifying the accuracy of the information.

Property managers were not ensuring that tenants and management staff signed all required documents when tenant recertifications were performed. The staff at one of the properties was not aware that the signed tenant and management certifications were required to process tenant recertifications. Without signed documentation, the Housing Authority cannot be assured that the information provided by the tenants was accurate, reliable and timely. Failure to execute a leasing agreement results in tenants being housed without legal contracts, which could lead to liability by the housing authority.

The management firms did not have adequate written policies and procedures for their recertification process at the housing developments. The firms for the sampled properties informed us that they used the Chicago Housing Authority's Admissions and Occupancy policy as their policies and procedures for the recertification process. However, the Admissions and Occupancy policy did not detail what documentation required signatures, when the tenants should be notified of upcoming recertifications, and what was acceptable as income sources. The acceptable documentation in tenant files varied by property.

#### Tenant Recertifications

Contractors did not consistently perform tenant recertifications on the anniversary of tenants' move-in dates. According to Federal regulations, the rental lease must be automatically renewed for the same term as the initial lease. However, the tenant files at five housing developments contained three or more tenant leases with terms that did not correspond to the dates the tenants moved into the public housing units.

The table on the following page shows the number of leases in our sample with lease dates that did not match tenant move-in dates.

## Finding 4

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Properties	Cabrini Extensions	Garfield Senior	Lake Park Place	Scattered Sites North Central	Stateway Gardens
Number of non-compliant leases	3	4	5	7	9
Total tenant leases	24	24	24	19	24
Percentage of non-compliant leases	13	17	21	36	38

To adjust the dates, at least two of the management firms shortened or extended lease renewals beyond the twelve-month term. For example, Cabrini Extensions had nine tenant leases that extended beyond twelve months. According to property management staff, some of the leases were clerical errors, and others were adjusted intentionally to coincide the tenant recertifications with their move-in anniversary dates. Federal regulations require that residential leases have a twelve-month term.

The effect of these adjustments was that tenant recertifications were not being performed every twelve months as required by Federal regulations and Housing Authority procedures. Furthermore, if the tenant's income status were to change, the absence of a properly completed and timely recertification could result in a loss of operating income to the Housing Authority or overpayment of rental assistance by HUD.

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### Auditee Comments

[Excerpts paraphrased from the comments provided by the Chicago Housing Authority and HUD on our draft report follow. Appendix B, pages 57 to 65, contains the complete text of the Housing Authority's comments for this finding. Appendix C, pages 67 to 69, contains the complete text of HUD's comments for this finding.]

The Housing Authority has launched a program with the assistance of HUD to revamp the process currently in use when performing tenant re-certification and rent calculations. HUD has identified/hired a consulting firm to work with the Housing Authority on these issues. A series of training classes are scheduled throughout the remainder of 2003 for Asset Management, Quality Control, Private



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Property Managers and the Occupancy Department to attend and complete. The Housing Authority is in the process of amending the private firm contract to incorporate mandatory language that will require all personnel performing this function to be certified through an accredited organization. We are also requiring all firms to ensure that the staff attends periodic training.

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#### HUD's Comments

In August 2002, we conducted a Rental Integrity Monitoring Review at the Housing Authority where recertification of tenants and other issues were raised. The Illinois State Office is in the process of monitoring the corrective actions of numerous issues related to the recertification process as identified in our review. In addition, HUD hired a management consultant who is assisting the Housing Authority in improving the recertification process. Included in this support was a comprehensive three-day training session which was held with Housing Authority staff on May 20-22, 2003 to improve their knowledge and skills in this area.

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#### OIG Evaluation Of Auditee And HUD's Comments

We acknowledge the efforts made by the Chicago Housing Authority to improve operational controls over tenant recertification procedures. In the process of addressing our recommendations, the Housing Authority can provide documentation to demonstrate that it corrected the problems cited in our Audit Report.

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#### Recommendations

We recommend that HUD's Director of Public Housing, Chicago Regional Office, ensures that the Chicago Housing Authority's private management firms:

- 4A. Implement procedures and controls to assure that tenant files maintained at the housing sites contain signed certification documentation with complete and accurate income and leasing information.

- 4B. Implement procedures and controls to perform tenant recertifications every twelve months on tenant move-in anniversary dates, and to renew lease contracts according to Federal requirements and Housing Authority policy.

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# Management Controls

Management controls include the plan of organization, methods, and procedures adopted by management to ensure that its goals are met. Management controls include the processes for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

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## Relevant Management Controls

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

- Program Operations - Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Validity and Reliability of Data - Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.
- Compliance with Laws and Regulations - Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.
- Safeguarding Resources - Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.

We assessed all of the relevant controls identified above during our audit of the Chicago Housing Authority's Outsourced Property Management Contracts.

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

## Significant Weaknesses

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

- Program Operations

The Chicago Housing Authority did not obtain sufficient documentation from the contractors for 11 of 15 private management contracts to support the contractors' compliance with the Federal requirements for the Minority, Women, and Disadvantaged Business Enterprises Program. As of December 2002, the Housing Authority lacked support in its files for a total of \$11,223,024 in program activities. As a result, HUD lacked assurance that (1) minority contractors had the opportunity to compete for or perform contracts financed in whole or in part by Federal funds; and (2) low- and very low-income persons were provided employment and other economic opportunities afforded by Federal financial assistance for housing and community development programs (see Finding 1).

- Validity and Reliability of Data

The Chicago Housing Authority's management information system lacked the necessary controls to ensure that the information reported to HUD was accurate and reliable. Work order information was not properly entered into the system by the private management contractors, some of whom used their own manual work orders instead of the system prescribed by the Housing Authority (see Finding 3).

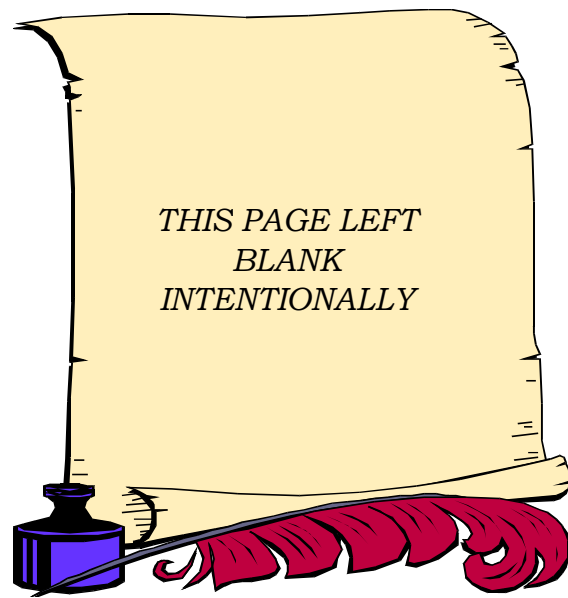
- Compliance with Laws and Regulations

The Chicago Housing Authority and its management contractors failed to comply with Sections 3 and 8 of the standardized Private Management Agreement dealing with contractor obligations under the Minority, Women, and Disadvantaged Business Enterprises and Section 3 Programs. The Housing Authority failed to impose any of the available penalties on contractors for noncompliance with program requirements (see Finding 1).

The private management firms violated provisions of 24 CFR Parts 5 and 902 by failing to correct deficiencies identified during Housing Quality Standards inspections. Therefore, they failed to maintain housing units in a decent, safe, and sanitary condition (see Finding 2).

- Safeguarding Resources

The private management firms did not perform tenant income recertifications accurately or on a timely basis, resulting in potential loss of rental income to the housing developments, and possible overpayment of rental assistance by HUD (see Finding 4).

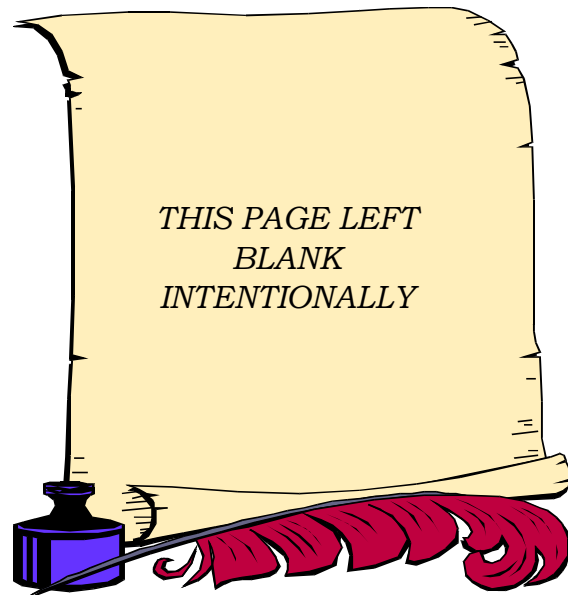


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# Follow-Up On Prior Audits

HUD's Office of Inspector General issued an audit report on the Chicago Housing Authority on December 2, 1998 (Audit Case Number 99-CH-201-1801). That report contained 21 chapters with various recommendations which were issued as a follow-up to a 1996 Office of Inspector General review of the Chicago Housing Authority, entitled Assessment of Progress. The findings/recommendations in the 1998 report were closed as of May 17, 2002. Although that review was not directly related to our current audit, some of the issues were included in this report, such as those related to the Housing Authority's contract and performance monitoring procedures.

The latest Single Audit Report for the Chicago Housing Authority for the year ended December 31, 2001, contained five findings. The findings were not directly related to the findings cited in this report.



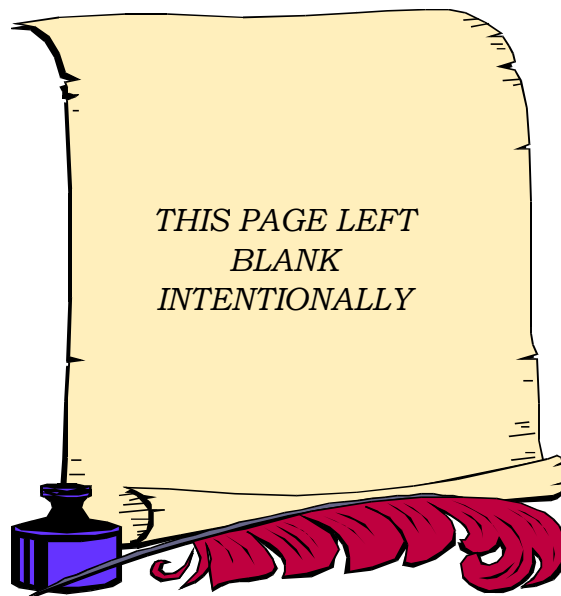


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## Schedule of Questioned Costs

<u>Recommendation Number</u>	<u>Unsupported Costs</u> <sup>1/</sup>
1A	\$11,223,024
Total	<u>\$11,223,024</u>

<sup>1/</sup> Unsupported costs are costs charged to a HUD-financed or insured program or activity and eligibility cannot be determined at the time of the audit. The costs are not supported by adequate documentation or there is a need for a legal or administrative determination on the eligibility of the cost. Unsupported costs require a future decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of Departmental policies and procedures.



# Auditee Comments

## CHANGE. CHICAGO HOUSING AUTHORITY

Sharon Gist Gilliam  
Chairperson

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Vice-Chairperson

Board of Commissioners

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Gail A. Niemann

General Counsel

June 20, 2003

Heath Wolf  
Regional Inspector General for Audit – Region V  
U. S. Dept. of HUD-Office of Inspector General  
77 W. Jackson Boulevard  
Suite 2646  
Chicago, Illinois 60604

**Subject: Chicago Housing Authority Outsourced Contracts Review**

Dear Mr. Wolf:

The Chicago Housing Authority is pleased to submit management responses to the findings included in the HUD OIG review of the Authority's Outsourced Property Management Contracts. Attached are the CHA's management comments to the draft report on HUD's review of the Chicago Housing Authority Outsourced Contracts, a schedule supporting CHA's calculations of unsupported expenses referenced in the management response and documentation supporting the CHA's capital fund program requested by your staff at our exit conference on June , 2003.

At the exit conference we also discussed other changes to the draft report the CHA recommends. Those changes which are as follows:

Page 2 Table - Change the amount for Capital Fund Program for 2002 to \$132,787,276 (per attached document).

Page 7 Paragraph 2 item (1) - Change wording to reflect that the issues addressed above were primarily due to (1) lack of experience in dealing with Contract Compliance Department's functions.

Page 10 Paragraph 3 - Remove the entire paragraph. The reason for requesting this change is that statement cited in the report were made by an individual who is no longer employed by the CHA and these statements can not be verified. In addition, neither HUD nor the CHA have been able to understand the circumstances and reasoning behind the decision to make the payments referenced in the report.

Finally, I believe that the management comments related to the audit time period should be reflected in their entirety when this report is released in order to put the report and findings in the proper context and to reflect the CHAs efforts toward constant improvement.

Should you have any questions or require additional information, please contact me at 312-742-4118.

Sincerely,



Abel Galvan  
Manager – Internal Audits

cc: T. Peterson  
M. Gayles  
T. Gomez  
G. Niemann  
R. Rodriguez

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# CHANGE.

## CHICAGO HOUSING AUTHORITY

### **Management's Comments on the Time Period of the Audit**

In 1999, the CHA and HUD agreed upon a bold and innovative plan to transform the face of public housing in the City of Chicago. HUD and the CHA agreed that CHA needed to find new ways to address the chronic problems associated with the poor physical condition of its housing developments. The most dramatic part of this Plan for Transformation is the ongoing demolition of virtually all of CHA's gallery-style, high rise family developments and their replacement with mixed income communities of affordable and market rate housing mixed in with public housing. Equally significant, however, was HUD's and CHA's commitment to improve the physical conditions of all of CHA's housing developments, whether they were going to be eventually demolished or not.

In order to address this problem, the CHA decided in early 2000 to privatize the management of all of its developments. Although CHA had had some limited experience with private management for its scattered sites units and certain developments, installing private management at all of the developments was a very substantial undertaking and required significant administrative, personnel and other changes. As with any such large undertaking, there were many challenges in implementing it, especially in the earliest days.

HUD was understandably interested in the impact that such a significant change has had on how CHA managed its portfolio of property inventory and in knowing how it was working. Unfortunately, however, HUD picked an audit period starting in January 2000 (and ending in September 2001), which was almost contemporaneous with the beginning of the full privatization initiative. CHA believes that starting the audit period in January 2000 was too early to give any kind of an accurate picture, or even a snapshot, of the program.

In addition to the problems caused by starting the audit so early, it has taken an unusually long time to complete the audit. CHA finds itself in June 2003 responding to comments about its oversight of the private managers for time periods almost two to four years ago. Thus, HUD's findings and recommendations are somewhat stale. Their relevance is further undercut by the numerous improvements and refinements that CHA has adopted as it has gained additional experience with how best to oversee privatized property management. Several of those improvements are noted more specifically below in CHA's responses to several of the audit findings.

### Finding 1

**The CHA did not consistently monitor the private management contractors' compliance with Federal requirements for Minority, Women, and Disadvantaged Business Enterprises and Section 3 Programs. Specifically the CHA failed to obtain sufficient documentation from the contractors for 11 private management contracts to support the contractors' compliance with program requirements. Unsupported expenses totaled \$11, 223,024. The Housing Authority also failed to obtain documentation from one private management contractor to support the contractors' compliance with Section 3 requirements.**

### **Recommendation 1A**

**Impose all the available remedies per the management agreements against the private management contractors for their non compliance with Minority Women and Disadvantaged Business Enterprises and Section 3 Program requirements or obtain all documentation to support the \$11,223,024 in unsupported program expenses.**

# CHANGE.

## CHICAGO HOUSING AUTHORITY

### Management Response

In our analysis of the information provided in recommendation 1A of the draft audit report, the following issues were reviewed and noted:

1. The total contract amount identified in the audit report represents the "**not to exceed**" amount of the contracts. This information does not reflect the amount spent during the audit period January 2000 - September 2001. It should be noted that the contract period for contract 9185 actually began in October 1998 and contracts 9185 and 9427 have contract periods which ended in November of 2002.
2. The contract amounts reviewed during the audit included both management fee and operating subsidy. The operating subsidy included salaries, wages, benefits and other expenditures (including contracts under \$25,000) which are not subject to MBE/WBE or Sec. 3 requirements.

As a result of the issues listed above the CHA believes that the analysis supporting recommendation 1A is incomplete and does not support the conclusion cited in the draft audit report. We believe that any amount which may be subject to further action is much lower than the \$11, 223,024, of unsupported cost noted in the report.

Below the CHA provides an example which illustrates the magnitude of HUD's miscalculation. The CHA researched the related in-house documentation for four contracts cited in the report: 9185, 9388, 9395 and 9427. The CHA then calculated the unsupported amount using the methodology described above. Based on this analysis, the CHA calculates unsupported expenses of \$1,889,620 versus HUD's calculation of \$5,033,006. It should be noted that given the time constraints imposed by HUD, we have not adjusted our calculation for procurements under \$25,000. We anticipate that the results will be less than \$1,889,620 when these expenses are excluded.

Contract Number	HUD OIG Unsupported Amount	CHA Analysis potentially Unsupported Amount	Difference
9185	\$1,162,970	\$ 761,530	\$ - 472,563
9388	\$1,990,880	\$ 812,428	\$ -1,178,452
9395	\$ 267,464	\$ 154,812	\$ - 112,652
9427	\$1,540,569	\$ 160,849	\$ -1,379,720
Total	\$5,033,006	\$1,889,620	\$ -3,143, 386

A detailed analysis is attached to support CHA's calculations.

The CHA is in the process of researching each of the 11 contracts cited in the report to determine the actual amount of unsupported cost, if any, that is subject to remedial action. The CHA will provide a detailed analysis within 90 days of this response.

Subject to the completion of a full analysis, the CHA respectfully requests that the recommendation cited in 1A be modified to indicate that the amounts identified as unsupported are based on certain assumptions which may not hold true. The report should also indicate that the CHA has taken the following steps to improve the monitoring of contracts:

- Increased the Contract Compliance staff from 1 to 4.
- Established direct control over funds by implementing a controlled disbursements account structure at the Harris Bank for all PPMs during the 4<sup>th</sup> quarter of 2002.
- Developed and in the process of conducting, on-going training for to the property managers to reinforce their understanding of procurement requirements including MBE/WBE and Section 3.

# CHANGE.

## CHICAGO HOUSING AUTHORITY

### **Recommendation 1B**

***Maintain all supporting documents and perform monitoring reviews to support contractors' compliance with Minority Women and Disadvantaged Business Enterprises and Section 3 Program requirements.***

#### Management Response (1B)

The CHA recognizes the importance of maintaining all supporting documentation associated with M/W/DBE compliance. To that end, the PPMs are currently required to submit the following documentation at the onset of the contract ( Schedule A-**M/W/DBE, Utilization Plan**, Schedule B-**Letter of Intent M/W/DBE Subcontractors, Suppliers, Consultants**, Schedule C-**Section 3 Utilization Plan**, and Schedule D-**Section 3 Hiring Plan**) to support the PPMs compliance plan. This documentation is reviewed, approved and maintained by both the Contract Compliance Unit and Asset Management. Subsequently, PPMs are also will be required to submit on a monthly basis, additional documentation supporting ongoing compliance and include (1) Regular Payrolls (verify services), and (2) Cancelled checks (verify sub-payments). This documentation is reviewed to monitor compliance and maintained by both the Contract Compliance Unit and Asset Management.

In an effort to enhance monitoring compliance the CHA has implemented some additional initiatives to facilitate monitoring compliance with MBE/WBE and Section 3 Requirements:

- The new management contracts have been divided into two parts, the "Management Fee component" and the "Operating Subsidy component" to facilitate the monitoring and maintaining the supporting documentation.
- The Contract Compliance unit is developing a training program for Asset Managers and PPMs to reinforce their understanding of compliance requirements.
- The CHA has established approval levels requiring Asset Managers to sign off on expenditures over \$10,000. This requirement will prompt the Asset Manager to remind the PPMs about compliance when contracts are greater than \$25,000.
- Expenditures for more than \$100,000 are required to meet more stringent procurement requirements and are processed through the department of Procurement and Contracts.

### **Recommendation 1C**

***Establish Procedures and controls to assure that sanctions as provided in the Private Management Agreement are applied when contractors fail to comply with Minority Women and Disadvantaged Business Enterprises and Section 3 Program requirements.***

#### Management Response

The CHA's Contract Compliance Procedure Manual outlines the procedures to be followed when the need to impose sanctions arises for non compliance. This action can be initiated at the recommendation of Asset Management or the Contract Compliance Unit. Section 8.02 of the CHA's new Management Agreement contract defines progressive remedial actions which may be imposed against PPMs who default on any provisions in the contract. The remedial actions are progressive in nature and range from withholding management fees up to and including termination of the contract.

### **Recommendation 1D**

***Establish procedures and controls to review and approve compliance with Minority Women and Disadvantaged Business Enterprises and Section 3 Plans during the procurement process.***

# CHANGE.

## CHICAGO HOUSING AUTHORITY

### Management Response

The CHA filed its Procurement Procedures Manual and was subsequently approved by HUD in February 2003. Outlined in this manual are the M/W/D/BE and Section 3 compliance requirements which must be met by all service providers doing business with the CHA. Specifically, procurements over \$100,000 are required to meet the stringent procurement guidelines and the service providers must file documentation supporting their intent to comply with M/W/D/BE and Section 3. The M/W/DBE and Section 3 utilization plans must be reviewed and must be approved by the Contract Compliance Unit.

Procurements under \$100,000 are monitored via the Monthly/Quarterly Procurement reports submitted by the PPMs.

Additionally, in April 2003 the Procurement and Contracts Department began preparing the a Procurement Training program which includes information on how to create develop an IFB, RFP, advertising, bidders lists, and compliance with M/W/DBE and Section 3 requirements. The CHA 's goal is to utilize the Procurement Training process to provide the PPMs with on -going instruction to assist them in understanding of the CHA's procurement requirements.

### Finding 2

**The contractors for nine private management contracts failed to properly report the results of the Housing Quality Standards or annual inspections performed on the Housing Authority's units in 2001. Specifically, several contractors did not maintain copies of the inspection forms and related work orders in the in the inspection and/or tenant folders; generate work orders to correct deficiencies found during the units inspection; properly complete the Housing Quality Standards Inspection checklist to rate the unit inspections performed; or ensure the completed inspection forms were signed by the tenants and inspectors. Additionally, one contractor failed to perform any Housing Quality Standards inspections.**

### **Recommendation 2A**

**Establish policies and procedures for monitoring the private management firms' performance of the Uniform Physical Condition Standards inspections**

### Management Response

The CHA policy regarding inspections is addressed in Section 3.01 -10 of the Management Agreement. This section provides that the "contractor shall perform unit and building inspections in accordance with HUD's Uniform Physical Condition Standards (UPCS)." It also provides that additional inspections may be conducted in accordance with procedures outlined in the CHA Residential Lease, Admission and Occupation Policy, Private Manager Insurance Manual and Management Plan. Monitoring of this policy is the responsibility of the Asset Management (AM) and Quality Control (QC) staff, who perform periodic reviews to ensure that the PPMs are complying with the CHA inspections requirements. It is also a CHA policy that all units be inspected as of September 30. A progress report is produced monthly, by property, to monitor the progress of these inspections.

### **Recommendation 2B**

**Provide training for the private management firms to properly complete the Uniform Physical Condition Standards inspection form and provides follow-up training on an annual basis.**

### Management Response

Over the last two years the Asset Management Department along with the Information Technology Services Department have put several control measures in place to address the PPMs performance of UPCS inspection requirements and the documentation of work orders.

# CHANGE.

## CHICAGO HOUSING AUTHORITY

In April of 2002, the CHA implemented Uniform Physical Condition Standards (UPCS) software which requires the firms to enter all the details regarding inspections as they are being completed. All the PPMs were trained during the 2<sup>nd</sup> Quarter, of 2002, on the how to use the software and how to properly complete the new UPCS forms. New PPMs are required to undergo training within 30 days of the start of the contract.

### **Recommendation 2C**

***Establish procedures and controls to assure that the management firms generate work orders for deficient items identified during the annual inspections and that work orders are entered into the computer system timely and accurately.***

#### Management Response

As noted in the response to recommendation 2B, the CHA recently implemented Uniform Physical Condition Standards (UPCS) software to provide uniformity for the PPMs when conducting inspections and generating work orders. The system flags any dangerous & or hazardous items cited and automatically takes the user to the work order screen prompting the user to generate a work order for the cited items. A control feature prevents the user from exiting the screen until a work order is entered and a work order number is assigned. The system also requires that a standard form be used during the physical inspection.

### **Recommendation 2D**

***Ensure that the management firms possess standardized Inspection Procedures at the housing developments.***

#### Management Response

At the completion of the UPCS training, all of the PPMs are provided with written documentation instructing them on how to use the UPCS software. The PPMs are also provided with a standard forms (check list) created by the QC Department. These forms were developed following the guidelines in the HUD inspection booklet and acceptability criteria in the program regulation. This documentation provides uniformity and establishes standard documentation for all inspections.

The CHA's long term strategy is to conduct inspections using hand held devices which will be used by all property management staff inspectors when conducting the UPCS inspections. This initiative will also require that the CHA develop and adopt formal written procedures for conducting the inspections. This initiative will be addressed in the 4<sup>th</sup> Quarter of 2004.

### **Finding 3**

**The contractors did not adhere to their management contract requirements for maintenance and repair work orders. Specifically, several forms failed to properly maintain original work order documentation; accurately code "Emergency" work orders; Use the Housing Authority's prescribed work order system; address work orders in a timely manner; maintain adequate preventive maintenance schedules; and subject it's maintenance and management staff to criminal background screening and/ or drug testing, as required by the private management agreement.**

### **Recommendation 3A**

***Establish procedures and controls to code work orders in the Creative Computer Solutions system timely and accurately.***



# CHANGE.

## CHICAGO HOUSING AUTHORITY

### Management Response 3A

The CHA is in the process of migrating to a new Property Management System scheduled for full implementation in the 2<sup>nd</sup> quarter 2004. This new system will address all aspects of work orders comprehensively. In the interim, on a monthly basis, the Asset Management Department, reviews a detailed listing of all work orders generated by the sites to ensure that the coding assigned to the work orders is appropriate and that any new and existing (open) work orders are addressed in a timely manner. Any discrepancies or findings are discussed in detail at the scheduled monthly meetings between Asset Managers and the PPMs.

### Recommendation 3B

**Maintain original copies of work order documentation to support the information in the Creative Computer Solutions system.**

### Management Response

The PPMs are responsible for maintaining the original documentation related to work orders. To confirm that this is taking place, the Quality Control staff and the Asset Managers conduct periodic reviews of the work order file at the sites to ensure that all work orders are being closed out on a timely basis, signed by the residents upon completion, and filed appropriately.

### Recommendation 3C

**Establish procedures and controls to abate routine and urgent work orders in a manner that complies with the Creative Computer Solutions Training Manual.**

### Management Response

The CHA's current policy is to close out emergency (urgent) work orders within 24 hours and to close out routine work orders within 10 days. Asset Management monitors all work orders by reviewing a daily report which reports on the status of all open or pending work orders. The information in this report is obtained from the information captured in Creative Computer Solutions system. Additionally, the information in the report also helps Asset Managers confirm that the work orders are coded correctly and in some cases prompt them to recode them properly. The Asset Manager must also notify the PPM in writing regarding the miscoded work order. If the miscoding persists the Asset Manager has the authority to impose progressive disciplinary actions up to and including termination of the contract.

### Recommendation 3D

**Utilize the Housing Authority's Creative Computer Solutions system in order to eliminate the need for manual work orders.**

### Management Response

The CHA recognizes the need to automate the work order process and has taken significant steps to do so. The CHA is in the process of migrating to a new Property Management System which will automate the work order process. The new system is scheduled for full implementation in the 2<sup>nd</sup> quarter 2004. Due to this initiative, there are no planned upgrades to the Creative Computer Solutions system. The PPMs must use the UPCS software when reporting conditions which require work resulting in a system generated work order, effectively eliminating the need for any manual work orders.

# CHANGE.

## CHICAGO HOUSING AUTHORITY

### Recommendation 3E

***Establish and maintain a preventive maintenance schedule for each property.***

#### Management Response

The PPMs are required to submit their Annual Plan to the Asset Management Department for purposes of developing the annual budget for the individual properties. The annual plan comprises all the initiatives the PPMs will undertake the following year including preventive maintenance activities. Routine maintenance and preventive maintenance are routinely funded on a priority basis. Although AM has oversight responsibility and has the final approval of all maintenance activities, the scheduling of the preventive maintenance is left up to the discretion of the PPM as long as the maintenance is done and a safe and sanitary environment is provided for the tenants.

### Recommendation 3F

***Establish procedures and controls administering drug and criminal background screening for its employees in compliance with management agreements***

#### Management Response 3F

Per the management contract each firm is required to conduct drug testing prior to employment and to conduct random testing throughout the employee tenure. Effective May 23<sup>rd</sup> 2003, Asset Management will make this requirement part of the discussion at the monthly business meetings to ensure that the firms comply with this contractual obligation.

### Finding 4

**The contractors for nine private management contracts did not perform tenant recertification properly, timely and/or according to Federal Regulations. The contractors did not consistently ensure that tenants signed their recertification documents and were recertified accurately.**

### Recommendation 4A

***Establish procedures and controls to assure that tenant files maintained at the housing sites contain complete and accurate income and leasing information.***

### Recommendation 4B

***Establish procedures and controls to perform tenant re-certifications every twelve months on tenant move-in anniversary dates, and to renew lease contracts according to Federal requirements and Housing Authority policy.***

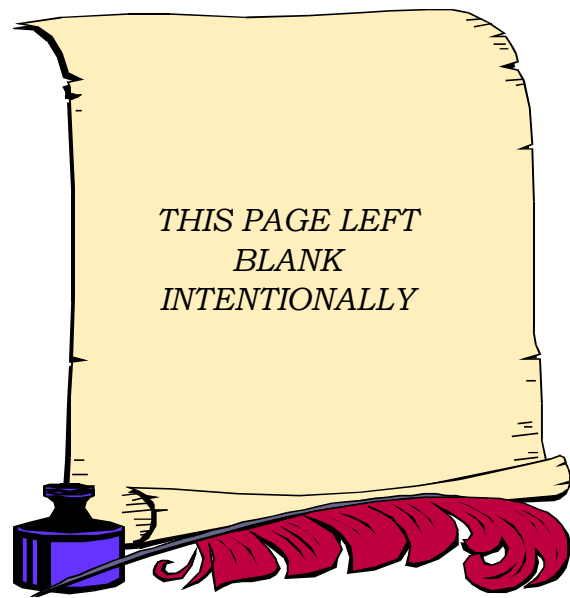
# **CHANGE.**

## **CHICAGO HOUSING AUTHORITY**

### Management Response 4A & 4B

The CHA has launched a program, with the assistance of HUD, to revamp the process currently in use when performing tenant re-certification and rent calculations. To date HUD has identified/hired a consulting firm (MD Strum) to work with the CHA on these issues. A series of training classes are scheduled throughout the remainder of 2003, for Asset Management, Quality Control, PPMs and the Occupancy Department to attend and complete.

Training was held in April 2003 for all PPMs to address proper rent calculation, timely completion of tenant re-certifications, and proper way to verification procedures for documents and information received from the tenants. The next series of trainings was held on May 20, 21 and 22nd, these sessions were attended by QC, AM and the Occupancy Department. Additional sessions will be held with the PPM firms to reinforce and review rent calculation, proper documentation and the timely completion of tenant recertification. CHA is in the process of amending the private firm contract to incorporate mandatory language that will require all personnel performing this function be certified through an accredited organization to perform this function. We are also requiring all firms to ensure that the staff attends periodic training.



# HUD's Comments



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2003 MAY 27 AM 11:58

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OFFICE OF PUBLIC HOUSING

MEMORANDUM FOR: Heath Wolfe, Regional Inspector General for Audit, Region V

FROM: Linford Coleman, Director, Illinois State Office of Public Housing Region V *5/27/03*

SUBJECT: Draft Audit Report- Chicago Housing Authority  
 Outsourced Contracts Review  
 Chicago, Illinois

This memorandum details our response to the subject draft audit report. We will address our comments by finding as presented in the draft report.

**Finding 1. Compliance with the Minority, Women and Disadvantaged Business Enterprises and Section 3 Programs was not Properly Monitored.**

Your draft report documents that Chicago Housing Authority (CHA) files did not “contain sufficient documentation from the contractor,” or “lacked support in the files” to ensure contractor compliance with the Minority, Women and Disadvantaged Business Enterprise Program. However, our review of the list of contractors used to support this finding from the table on page 11, identifies several who are most certainly minority based contractors who would exceed the required thresholds based on our experience. These contractors include the Woodlawn Community Development Corporation, and the Hispanic Housing Development Corporation. While files at CHA may not have contained the appropriate documentation to prove the minority status of these and other firms, there is no indication in the report that the auditors took the logical additional step to contact these firms to determine if they had the required documentation in their files. We believe a substantial number of the contractors identified do meet the minority, women and disadvantaged business definition and the problem you identified is a paperwork distribution or file problem at the CHA, and the underlying issue you have identified is substantially negated.

In addition, we disagree with the dollar level of questioned costs you have identified as a result of this problem, even if your total list of contracts on page 11 is truly in non-compliance. The \$11,223,024 you have identified as “questioned costs” relates to the contract amount and does not relate to any funds that can or

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will be recovered or that were expended on non-HUD related activities. The contractors did provide services for their fees and if they are in violation of the law they will be subject to the 1% penalties identified on Table 11, in the amount of \$112, 230. Based on your analysis, at most, the \$112,230 represents the total of “questioned costs.” We believe that even this amount is overstated based on our analysis in the above paragraph.

**Finding 2. Contractors did not Properly Report/Document the Results of Housing Quality Standards Inspections.**

We are not certain that the correct standards are cited in the report to support the findings. The Housing Quality Standards cited on pages 13 and 14 of the report, apply to the Section 8 program and not the low rent program. Though it is not clear in the report, we assume you reviewed the low rent program, which would require that you identify different inspection procedures based on the Uniform Physical Conditions Standards.

**Finding 3. Property Management Firms Violated Agreement for Maintenance and Work Orders**

The data used to support this finding was generated between January 2000 and December 2001 according to page 25 of your draft report. As a result, some of your data is well over three years old. We are currently monitoring CHA efforts on exigent health and safety issues that are identified and inputted into a REAC database, and contacting CHA staff when and if problems in response are identified. To legitimize your finding and to accurately report the scope of any current problem you need to go back and test more recent data rather than report on the historical data you are currently relying on.

In addition, in the report and recommendations you refer to the “Creative Computer Solutions System.” We do not believe it is appropriate to mention any proprietary system in the report but rather refer to their automated work order system in a generic sense.

**Finding 4. Contractors did not Perform Tenant Recertifications Properly**

Your support for this finding is data reviewed from the period January 1, 2000 to September 30, 2001. Again, as we discussed in Finding 3, we believe your information and conclusions do not reflect the current condition of their recertification problem. In August of 2002, we conducted a Rental Integrity Monitoring Review (RIM) at CHA where recertification of tenants and other issues were also raised. The Illinois State Office is in the process of monitoring the corrective actions of numerous issues related to the recertification process as identified in our RIM review.

In addition, HUD has hired a management consultant who, with the support of the

Illinois State Office, is assisting the CHA in improving the recertification process. Included in this support is a comprehensive three day training session which was held with CHA staff on May 20-22, 2003 to improve their knowledge and skills in this area.

In light of these 2002 and 2003 initiatives this office has promulgated, we believe your 2000 and 2001 information is out-dated and inaccurate and we request that this finding be eliminated from the report.

We appreciate the opportunity to make these comments and ask that they be considered in the compilation of the final report. If you have any questions concerning these comments or you would like to discuss them further, please call Todd Wendorf of my staff, at (312) 353-6236 X 2511.