
AUDIT REPORT



HAMTRAMCK HOUSING COMMISSION PUBLIC HOUSING PROGRAM

HAMTRAMCK, MICHIGAN

2003-CH-1021

SEPTEMBER 30, 2003

OFFICE OF AUDIT, REGION V
CHICAGO, ILLINOIS



Issue Date	September 30, 2003
Audit Case Number	2003-CH-1021

TO: Rita Robinson, Acting Director of Public Housing, 5FPH

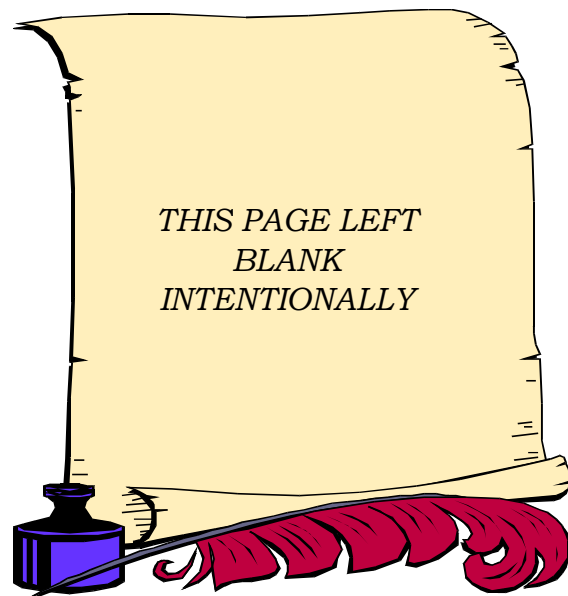

FROM: Heath Wolfe, Regional Inspector General for Audit, 5AGA

SUBJECT: Hamtramck Housing Commission
Public Housing Program
Hamtramck, Michigan

We completed an audit of Hamtramck Housing Commission's Public Housing Program. The audit was performed as a result of a citizen complaint to our Office. The objective of our audit was to determine if the Housing Commission followed admission and occupancy practices in accordance with its Annual Contributions Contract and HUD's requirements. Our audit also determined whether management controls over tenant eligibility, tenant accounts receivable, cash receipts from laundry operations, petty cash, vacancy levels, and operating subsidy calculations were appropriate. The audit resulted in two findings.

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 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 Tom Towers, Assistant Regional Inspector General for Audit, at (313) 226-6280 extension 8062 or me at (312) 353-7832.



Executive Summary

We completed an audit of Hamtramck Housing Commission's Public Housing Program. The audit was performed as a result of a citizen complaint to our Office. The nature of the complaint alleged that potential tenants paid to be placed on the Housing Commission's waiting lists. When placed in units at Colonel Hamtramck Homes, the Commission continued to report the units as vacant to HUD. The objective of our audit was to determine if the Housing Commission followed admission and occupancy practices in accordance with its Annual Contributions Contract and HUD's requirements. Our audit also determined whether management controls over tenant eligibility, tenant accounts receivable, cash receipts from laundry operations, petty cash, vacancy levels, and operating subsidy calculations were appropriate.

We did not find any evidence to substantiate the complainant's allegations. However, the Commission's controls over cash receipts from its laundry operations and petty cash were very weak. The Commission also had an unacceptable turnaround time for filling vacant units. Although other weaknesses existed in the areas of tenant accounts receivable and occupancy procedures in 2002, noticeable improvements were observed in 2003 that made these areas non-reportable issues. We also noted that the Commission's request for operating subsidies were appropriate.

The Housing Commission Lacked Sufficient Controls Over Cash Receipts

The Housing Commission lacked adequate controls over cash receipts from its laundry operations and petty cash. The Commission did not deposit laundry receipts in a consistent and timely manner, and did not replenish and properly maintain its petty cash fund. These conditions occurred because the Commission lacked procedures and controls over these two funds and did not properly segregate duties over cash receipts. As a result, the Commission lost accountability over laundry receipts and significantly exceeded the expenditure authority of its petty cash fund.

Hamtramck Experienced High Vacancy Rates

The Housing Commission had an unacceptable turnaround time for filling vacant units. And, unit 212 at the Hamtramck Senior Plaza was never used to house tenants since the Senior Plaza opened in 1986. For units leased during calendar year 2002, units at Colonel Hamtramck Homes were vacant an average of 176 days, while vacancies at the Hamtramck Senior Plaza averaged 153 days (both included consecutive vacant days carried over from 2001 or earlier). High vacancy rates were caused by a lack of monitoring and oversight by the Commission's staff. As a result, during 2002 the Commission lost at least \$60,908 in rent proceeds for the year that could have been used to offset their

operating subsidy received from HUD. In addition the approximate rent lost by not leasing unit 212 at the Hamtramck Senior Plaza between August 1986 and December 2001 was \$45,563.

During 2002, the Commission's management did not always transfer tenants to the appropriate size unit when the number of family members changed—a requirement under the Housing Commission's Admission and Continued Occupancy policies. During our audit, management took corrective actions to transfer tenants and establish a new policy in this area.

Also during 2002, the Housing Commission did not follow the Commission's collection procedures for rental receipts. In 2003--during the audit--we determined that these procedures were being followed. In addition, we determined that the Commission received an equitable portion of operating subsidy.

Recommendations

We recommend that HUD's Acting Director of Public Housing, Detroit Field Office, ensure that the Housing Commission implements procedures and controls to correct the weaknesses cited in this report.

We presented our draft audit report to the Housing Commission's Executive Director and HUD's staff during the audit. We held an exit conference with the Commission's Deputy Executive Director on September 15, 2003.

We included paraphrased excerpts of the Housing Commission's comments with each finding (see Findings 1 and 2). The complete text of the Commission's comments is in Appendix B.

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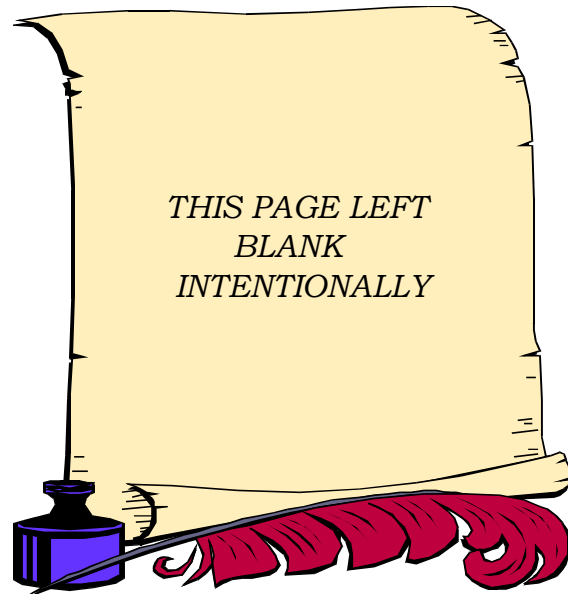
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Introduction

The Hamtramck Housing Commission operates a Public Housing Program that consists of two low-income housing projects: Colonel Hamtramck Homes and Hamtramck Senior Plaza. The Housing Commission was organized under the laws of the State of Michigan to develop and operate housing for low and moderate-income individuals. A five member Board of Commissioners governs the Housing Commission.

Colonel Hamtramck Homes, Project Number 4-1, consists of 300 units in 36 two-story buildings completed in 1943. Hamtramck Senior Plaza, Project Number 4-2, consists of 150 units for the elderly and handicapped in an eight-story building completed in 1986. The Commission administers the Projects under its Annual Contributions Contract with HUD.

The Housing Commission's books and records are located at 12025 Dequindre Avenue, Hamtramck, Michigan. The Commission's Executive Director is Frederick Zajdel. The President of the Board of Commissioners is Douglas J. Rojek.

Audit Objective

The overall objective was to determine if the Housing Commission followed admission and occupancy practices in accordance with its Annual Contributions Contract and HUD requirements. Our audit also determined whether management controls over tenant eligibility, tenant accounts receivable, cash receipts from laundry operations, petty cash, vacancy levels, and operating subsidy calculations were appropriate.

Audit Scope And Methodology

We conducted the audit at HUD's Detroit Field Office and the Housing Commission's Office. We performed our on-site work between January 2003 and August 2003.

To accomplish our audit objectives, we interviewed: HUD's staff and the Housing Commission's staff and tenants.

We analyzed the following items: tenant files and leases; occupancy records; vacancy records; waiting lists; cash receipts from laundry operations and petty cash; bank statements; tenant accounts receivables; operating subsidy forms; tenant rent receipts; rent rolls; and the Commission's policies and procedures. We also reviewed the following documents: HUD's files for the Housing Commission; the Annual Contributions Contract between HUD and the Commission; Parts 901, 960, 966, and 982 of Title 24 of the Code of Federal Regulations; HUD

Handbooks 2000.06 REV-3, 7460.7 REV-3, and 7465.1 REV-2; the General Accounting Office's Standards for Internal Control in the Federal Government issued November 1999 and its Operating Procedures Report Number 4.14; HUD's Public Housing Management Assessment Program Directive Number 7460.5; Federal Register issued on October 1, 2002; HUD's Directive Numbers 5.216, 5.903, 290.9 and 92.203; and the Office of Inspector General's Public Housing Agency Commissioners Program Integrity Bulletin issued in November 1990.

We used Computer Assisted Audit Techniques, including ACL computer application, during our audit to analyze the Housing Commission's occupancy records, vacancy reports, waiting lists, cash receipts, tenant accounts receivable, and operating subsidy.

The audit covered the period January 1, 2002 to December 31, 2002. This period was adjusted as necessary. We conducted the audit in accordance with Generally Accepted Government Auditing Standards.

We provided a copy of this report to the Commission's Executive Director and its President of the Board of Commissioners.

The Housing Commission Lacked Sufficient Controls Over Cash Receipts

The Hamtramck Housing Commission lacked adequate controls over cash receipts from its laundry operations and petty cash. The Commission did not deposit laundry receipts in a consistent and timely manner, and did not replenish and properly maintain the petty cash fund. These conditions occurred because the Commission did not have written policies and procedures over these two funds and did not properly segregate duties over cash receipts. As a result, the Commission lost accountability over laundry receipts and significantly exceeded the expenditure authority of its petty cash fund.

Management Control Requirements

Management controls comprise the plan of organization, methods, and procedures adopted by management to ensure the safeguarding of resources against waste, loss, and misuse. Important features of an adequate management control system include:

- Control should be established early in a transaction and carried through to completion;
- No person should have complete control over all phases of any significant transaction;
- Work should flow from one employee to another without ever returning to an employee; and
- Record keeping should be separate from the operations of handling and custody of assets. For example, the bookkeeping function should be separate from the collection of funds and the issuance of receipts. An employee who collects rents and issues receipts for rental payments should not be responsible for recording the rent payments and making adjustments to tenant accounts.

Responsibilities Of Board Of Commissioners And Executive Director

Public Housing Commissioners have a responsibility to HUD for ensuring that national housing policies are carried out through sound and manageable directives for the Executive Director and employees to carry out. Commissioners are accountable to their locality and can best serve it through continual monitoring to ensure

housing programs are carried out in an efficient and economical manner.

The responsibility for carrying out the Commissioners' policies and managing the Housing Commission's day-to-day operations rests with the Commission's Executive Director. To this end, the Executive Director strives to maintain the Housing Commission's overall compliance with its policies and procedures, and with Federal, State, and local laws.

Laundry Receipts Were Not Deposited Timely

The Commission did not deposit laundry receipts in a consistent and timely manner. We reviewed all laundry fund deposits made in 2002. There were only three deposits of laundry fund money, two in September and one in October.

2002 Laundry Fund Deposits	
Date	Amount
9-09-02	\$4,280
9-18-02	6,753
10-14-02	1,243
Total	<u>\$12,276</u>

Petty Cash Controls Were Inadequate

The Hamtramck Housing Commission lacked adequate controls over its petty cash fund. There were no procedures or controls for the Housing Commission's petty cash fund.

Our review of the Colonel Hamtramck Homes' petty cash fund noted that the fund was not balanced. The petty cash fund was last balanced to \$100 on November 13, 2002. On May 6, 2003 there was a total of \$40 in the petty cash fund indicating that there should have been receipts totaling \$60. However, there were petty cash receipts totaling \$441—indicating that the expenditure authority for the petty cash fund was exceeded.

Other weaknesses noted included three missing petty cash receipts, and the use of hand-written receipt numbers, instead of using pre-numbered receipts. As a result, we concluded that petty cash controls were inadequate, thus allowing receipts from the laundry room to be used to supplement the petty cash fund, and increasing the risk that funds could be diverted.

Procedures And Controls
Were Needed

The Commission lacked procedures and controls for the laundry fund or petty cash fund. There was a total of \$6,826 in laundry fund cash on hand on April 30, 2003, of which \$4,818 was in the Financial Administrator's office in a locked cabinet drawer. We conducted a cash count of the Colonel Hamtramck Homes laundry fund on April 30, 2003. On May 7, 2003, the Financial Administrator informed us that there was additional laundry fund cash in her office. The Executive Director said he was unaware any money was in the Financial Administrator's office. We noted these funds were used to supplement petty cash and to cash two personnel expense checks totaling \$1,370 on April 14, 2003 and April 28, 2003.

Duties Over Cash
Receipts Were Not
Properly Segregated

The Housing Commission did not properly segregate duties over cash receipts. The Commission's Financial Administrator performed various activities without adequate internal checks and balances. Quarters taken from laundry machines were directly given by management to the Financial Administrator to count and deposit. There were no procedures in place to verify the amount of quarters collected from the laundry. We found \$1,380 in quarters in the Financial Administrator's office as part of our unannounced cash count. The Commission purchased tokens from Sears to be used for the laundry machines. The Tenant Affairs Administrator sold the tokens to residents of the Senior Plaza, and the laundry attendants sold them for Colonel Hamtramck Homes. All machines in the senior complex use only tokens. Most machines in the Hamtramck Colonel Homes use only tokens while some machines take only quarters. When a token is properly used it is broken and cannot be used again. The Financial Administrator did not maintain records to indicate the number of tokens purchased or how many tokens should be on hand based on the number sold. Because of the complete lack of controls over this process, there was no way to confirm how much was actually collected in laundry receipts.

As a result of the lack of good cash management controls, Hamtramck Housing Commission employees had an opportunity to misuse or divert the Commission's funds without detection. In addition, employees had an opportunity to misuse the petty cash fund for purposes beyond what the fund was intended for. However, given

these weaknesses, there was no evidence indicating diversion of funds took place. The Commission needs to seriously consider the potential consequences of these weaknesses, and take immediate action to establish controls to fully account for all funds used and generated.

Auditee Comments

[Excerpts paraphrased from the comments provided by the Housing Commission's Executive Director on our draft audit report follows. The Housing Commission's complete text is included at Appendix B.]

The Hamtramck Housing Commission eliminated the practice of accepting cash payment for tenant receivables. The acceptance of cash receipts from the laundry facilities will also be eliminated with the execution of a contract for laundry room operations—to be in place by November 1, 2003.

The Housing Commission started revising its policies on the use of its petty cash funds, along with proper training. The use of pre-numbered receipts will be in effect once ordered forms are received. In the interim, the Commission will revise existing forms to comply with the intent of the recommendation. The Commission estimates these actions will be completed by December 31, 2003.

The Housing Commission started negotiating a contract with Automated Apartment Laundries to operate its laundry operations. Full implementation is expected by November 1, 2003.

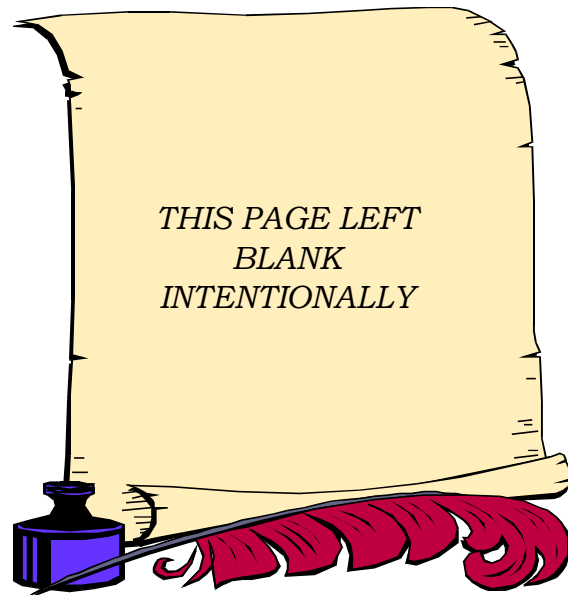
OIG Evaluation Of
Auditee Comments

We agree with the actions taken and in progress by the Hamtramck Housing Commission, and the proposed timeframes for completion. These actions taken and planned by the Housing Commission should help to improve operations and assure that it is operating in accordance with HUD's requirements.

Recommendations

We recommend that HUD's Acting Director of Public Housing, Detroit Field Office, assure that the Hamtramck Housing Commission:

- 1A. Ensures all cash receipts are deposited in a timely manner.
- 1B. Implements procedures and controls over cash receipts and petty cash—to include the use of pre-numbered receipts.
- 1C. Contracts out its laundry room operations using open bids to have the laundry operations operated by a private entity.



The Housing Commission Experienced High Vacancy Rates

The Hamtramck Housing Commission had an unacceptable turnaround time for filling vacant units. One unit at the Hamtramck Senior Plaza was never used to house tenants since the Plaza opened in 1986. For units leased during calendar year 2002, units at Colonel Hamtramck Homes were vacant an average of 176 days, while vacancies at the Hamtramck Senior Plaza averaged 153 days. Both numbers included consecutive vacant days carried over from 2001 or before. The Housing Commission failed to effectively monitor the vacancy rates. As a result, during 2002 the Hamtramck Housing Commission lost at least \$60,908 in rent proceeds for the year that could have been used to offset their operating subsidy received from HUD. In addition, the approximate rent lost by not leasing unit 212 at the Hamtramck Senior Plaza from August 1986 through December 2001 was \$45,563.

HUD's Requirements

24 CFR Part 901 establishes the Public Housing Management Assessment Program. The Program provides a system to measure the performance of public housing agencies using standard criteria. The Agency receives a score of "A" when the actual vacancy rate is less than three percent of units available for occupancy, and an "F" or zero when the actual vacancy rate is greater than 10 percent. For unit turnaround times greater than 50 days, the agency also receives a score of "F" or zero.

Section (d) of 24 CFR Part 901 defines turnaround time as the annual average number of calendar days for vacant units to be prepared for rental and for a new lease to take effect.

HUD Handbook 7460.7 REV-1, Field Office Monitoring of Public Housing Agencies, Paragraph 5-2 (c) requires an agency to complete unit turnaround time on average of no more than 30 days.

Unit Turnaround Time Was Excessive

During 2002, 19 units were leased at the Hamtramck Senior Plaza, and 53 units were leased at Colonel Hamtramck Homes. The units may have been vacated and leased during 2002, or may have been vacated in a prior year and were leased during 2002. The average number of days a unit was vacant for units that were leased during 2002 at the Hamtramck Senior Plaza was 153 days, or more than five months. At Colonel Hamtramck Homes, the average

was 176 days, or over five months. HUD's recommended turnaround time on average is no more than 30 days.

According to 24 CFR Part 901.10, the poorest grade a Public Housing Agency can receive is an F, which is for an agency with an average turnover of greater than 50 days. Based on this criteria, Hamtramck Housing Commission would have received a grade of F. The average turnover time was more than three times the failing rating of 50 days.

Storage Room

The Hamtramck Housing Commission did not obtain a waiver from HUD to exclude one family unit from its vacancy computations. Unit 212, a two-bedroom unit at the Hamtramck Senior Plaza, had not been used to house tenants since the Senior Plaza opened in 1986.

The Executive Director said the unit was vacant since Hamtramck Senior Plaza opened. He said the unit was initially set-aside for a nurse's station. As of the audit, the unit was being used as a storage room.

Waiting List

The vacancy rate at Colonel Hamtramck Homes was not consistent with the high number of applicants waiting for housing. As of January 21, 2003, the waiting list for Colonel Hamtramck Homes was more than sufficient to fill vacant one through four-bedroom units, but was insufficient to fill vacant five-bedroom units. Colonel Hamtramck Homes had a total of 65 applicants waiting for 15 vacant units.

On the other hand, the waiting list for Hamtramck Senior Plaza was insufficient to fill the vacant one and two-bedroom units. The Hamtramck Senior Plaza had a total of three applicants waiting for 11 vacant units. But there were a sufficient number of tenants that could have been transferred from Colonel Hamtramck Homes to fill the vacant one and two bedroom units at the Hamtramck Senior Plaza. There were a total of 19 tenants that were eligible to transfer to a one-bedroom unit and two tenants that were eligible to transfer to a two-bedroom unit.

Prioritizing Vacant Units

The excessive vacancy rates occurred because the Executive Director did not give priority in preparing vacant

units to be reoccupied by arranging for the maintenance department to work on the vacant units in a timely fashion. In addition, the Executive Director did not ensure that the Tenant Affairs Administrator included all dwelling units that were vacant on the vacancy reports.

The Executive Director did not include unit 212 at the Hamtramck Senior Plaza in the vacancy reports because he did not consider the unit to be vacant since it was being used as a storage room.

The Hamtramck Housing Commission lost an estimated \$60,908 in potential rental receipts in 2002 due to the excessive amount of time units were allowed to remain vacant. This occurred despite a large waiting list of applicants, and does not include the recommended 30-day period for getting a unit leased. The average number of months of lost rent during 2002 due to untimely turnaround time of vacant units at the Hamtramck Housing Commission was more than three months. At the Senior Plaza, the Hamtramck Housing Commission lost potential rent by using unit 212 at the Hamtramck Senior Plaza as a storage room. We estimated that rent lost from this unit from August 1986 through December 2001 totaled \$45,563.

During the end of the audit, we noted significant progress in the Housing Commission's efforts to reduce the number of vacant units. Continued management emphasis in this area will greatly help the Commission operate in an efficient and effective manner and help to reduce HUD's outlay for operating subsidy by the \$60,908. This amount is reflected in Appendix A under Funds Put To Better Use.

Auditee Comments

The Housing Commission made considerable progress in preparing units for occupancy once vacancies are known. The goal is to reduce turnaround time on vacant units to no more than 30 days or less. Since August 1, 2003, the Commission's average turnaround time is about 16 days. The Commission expects the revision and improvement of its unit turnaround procedures and controls to be completed by December 31, 2003.

The Housing Commission is currently renovating unit 212 so it may be leased by October 15, 2003. All vacant units are now being reported in a timely manner. The Commission also implemented a vacancy log and received approval from HUD to use another unit as office space for a newly hired Services Manager. In addition, the Commission will conduct quarterly inspections to ensure that individuals listed on lease documents are actually occupying the units. The Commission estimates to complete this action by January 1, 2004.

OIG Evaluation Of
Auditee Comments

The Housing Commission's planned actions fully meet the intent of these recommendations. In addition to ensuring that actual tenants are the same as those listed on the lease, the Commission should also ensure that the tenant's family size coincides with the size of the unit in which they are residing.

Recommendations

We recommend that HUD's Acting Director of Public Housing, Detroit Field Office, assure that the Hamtramck Housing Commission:

- 2A. Implements procedures and controls for its maintenance staff to prepare units for occupancy once vacancies are known.
- 2B. Implements procedures and controls to ensure that its Tenant Affairs Administrator include all dwelling units that are vacant on the Vacancy Reports. If a unit is to be used as a non-dwelling unit, then the Housing Commission should notify HUD to classify and approve the unit as a non-dwelling unit.

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.

Relevant Management Controls

We determined 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 Hamtramck Housing Commission's Public Housing Program.

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 audit, we believe the following items are significant weaknesses:

- Program Operations

The Commission: lacked procedures and controls regarding laundry and petty cash funds; did not properly segregate duties over cash receipts; and failed to maintain accurate vacancy reports (see Findings 1 and 2).

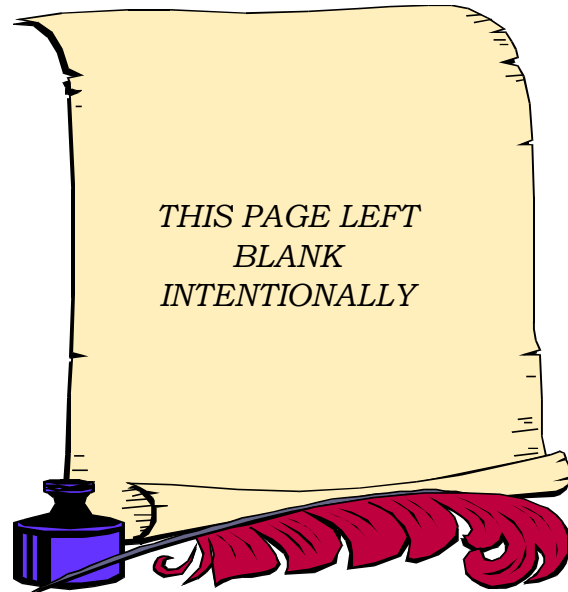
- Compliance with Laws and Regulations

The Housing Commission did not follow HUD's regulation regarding unit turnaround (see Finding 2).

Schedule Of Funds To Be Put To Better Use

<u>Finding Number</u>	<u>Funds Put To Be Put To Better Use 1/</u>
2	<u>\$60,908</u>
Total	<u>\$60,908</u>

1/ Funds To Be Put To Better Use quantify monetary savings from management actions, in response to OIG recommendations that prevent improper obligations or expenditures of agency funds or avoid unnecessary expenditures. For this audit, this consists of rent that the Housing Commission would collect resulting in a decrease in the outlay of HUD funds for operating subsidy.



Auditee Comments

HAMTRAMCK HOUSING COMMISSION

12025 Dequindre Avenue
Hamtramck, Michigan 48212
Office: 313-868-7445
Facsimile: 313-868-0521
TDD/TTY: 313-873-7878
website: hamhousco.com



Frederick A. Zajdel, PHM
Executive Director

September 18, 2003

Mr. Tom Towers
Assistant Regional Inspector General for Audit
477 Michigan Avenue
Room 1790
Detroit, MI 48226-2592

Re: Hamtramck Housing Commission
IG Draft Audit Report

Dear Mr. Towers:

Thank you for the opportunity afforded to HHC staff and me during our meeting of September 15, 2003, to discuss those issues addressed in the draft audit report of the Office of Inspector General for Audit, HUD. Following are management's comments relative to the specific issues contained in the report.

Finding 1: The Housing Commission lacked sufficient controls over cash receipt.

OIG RECOMMENDATIONS:

1A. Ensures all cash receipts are deposited in a timely manner.

We agree with this finding. The Hamtramck Housing Commission is eliminating the practice of "cash receipts". Cash payment of tenant receivables (i.e. rent) is no longer accepted. A public posting to this effect will be in place at both housing complexes upon receipt of the ordered plaques, as well as posted notices. The issue of cash receipts from the laundry facilities will be totally eliminated by the recent execution of a contract with Automated Apartment Laundries for laundry room operations which will take place no later than November 1, 2003.

Mr. Tom Towers
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1B: Implements procedures and controls over cash receipts and petty cash -- to include the use of pre-numbered receipts.

We agree with this finding. Current HHC policies are being revised; proper training in the use of petty cash funds will be provided. Use of printed, pre-numbered receipts will be immediately effected upon receipt of ordered forms; in the interim HHC will adapt current receipt forms to reflect a temporary numbering system. The effect of HHC's "no cash" payment policy coupled with implementation of the contracting out of laundry operations will result in our being able to better monitor petty cash. In summation, revised written procedures and use of pre-printed receipt forms to be in place no later than December 31, 2003.

1C. Contracts out its laundry room operations using open bids to have the laundry operations operated by a private entity.

We agree with this finding. Full execution of our contract with Automated Apartment Laundries is expected within the next few weeks, with full implementation at both housing facilities no later than November 1, 2003.

Finding 2: The Housing Commission Experienced High Vacancy Rates.

OIG RECOMMENDATIONS:

2A. Implements procedures and controls for its maintenance staff to prepare units for occupancy once vacancies are known.

We agree with this finding. As noted in the audit, HHC has already made significant progress in this area. Our goal is to reduce turnaround time to no more than thirty (30) days, preferably much less, on an annual basis. Since August 1, 2003, average turnaround time is 16.16 days. We have already implemented coordinated vacancy reporting/unit inspection/accomplishment of any needed repairs/general preparation for move-in by extensive use of a centralized Vacancy/Prep Log and regularly-scheduled computer generated reports. We are also in the process of improving and revising our unit turnaround procedures and controls. Explicit written procedures shall be in place no later than December 31, 2003.

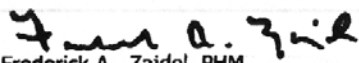
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2B. Implements procedures and controls to ensure that its Tenant Affairs Administrator includes all dwelling units that are vacant on the Vacancy Reports. If a unit is to be used as a non-dwelling unit, then the Hamtramck Housing Commission should notify HUD to classify and approve the unit as a non-dwelling unit.

We agree with this finding. Unit 212 at the Senior Plaza is currently being renovated; we expect the unit to be ready and leased by October 15, 2003. Vacant unit reporting is now being done in a timely manner. We have implemented active use of a consolidated vacancy/prep log and recently received HUD approval for Unit 14 at Col. Hamtramck Homes to be taken "off-line" for use as office space for both our newly-hired Resident Services Manager and (in the near future) the Resident Council. In addition, plans are being made to devise and implement a quarterly inspection policy to ensure that all units are being occupied by the actual parties listed on the lease; our goal is for this to be in effect no later than January 1, 2004.

Please do not hesitate to contact our Administrative Office with any questions you may have.

Respectfully,
HAMTRAMCK HOUSING COMMISSION


Frederick A. Zajdel, PHM
Executive Director

TOTAL P.04

