
AUDIT REPORT



KANKAKEE COUNTY HOUSING AUTHORITY SECTION 8 HOUSING PROGRAM

KANKAKEE, ILLINOIS

2004-CH-1001

NOVEMBER 26, 2003

OFFICE OF AUDIT, REGION V
CHICAGO, ILLINOIS



Issue Date	November 26, 2003
Audit Case Number	2004-CH-1001

TO: Patricia A. Knight, Acting Director of Recovery and Prevention Corps, PB1

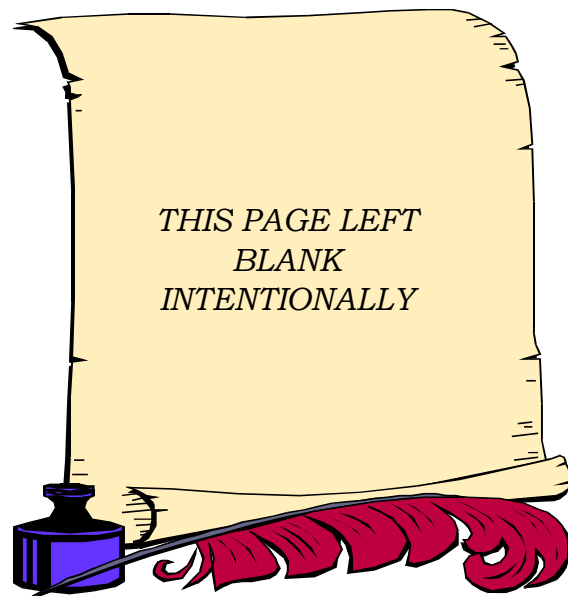
FROM: 
Heath Wolfe, Regional Inspector General for Audit, 5AGA

SUBJECT: Kankakee County Housing Authority
Section 8 Housing Program
Kankakee, Illinois

We completed an audit of the Kankakee County Housing Authority's Section 8 Housing Program. The audit was conducted based upon a citizen's complaint to our Office. The objectives of our audit were to determine whether the Authority: (1) administered its Section 8 Program in an efficient and effective manner; and (2) provided decent, safe, and sanitary housing for its Section 8 tenants. This audit is part of our on-going comprehensive audit of the Authority. This audit resulted in five 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 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 Brent Bowen, Assistant Regional Inspector General for Audit, at (312) 353-6236 extension 2675 or me at (312) 353-7832.



Executive Summary

We completed an audit of the Kankakee County Housing Authority's Section 8 Housing Program. The objectives of our audit were to determine whether the Authority: (1) administered its Section 8 Program in an efficient and effective manner; and (2) provided decent, safe, and sanitary housing for its Section 8 tenants. This audit is part of our ongoing comprehensive audit of the Authority. The audit was conducted based upon a citizen's complaint to our Office. The complainant alleged that the Authority's former Executive Director, who left the Authority in 2001, was not qualified for his position.

The Authority's management controls over its Section 8 Housing Program were very weak. The Authority lacked adequate procedures and controls over Housing Quality Standards and administrative processes.

Section 8 Program Was Not Operated According To Requirements

The Authority's Board of Commissioners did not adequately exercise their responsibility to effectively manage the Authority. The Authority's former Executive Directors did not implement adequate controls to ensure that Section 8 units were free of health and safety violations. Further, the Authority lacked adequate controls over its operations. The Authority's Board and its former Executive Directors did not follow Federal requirements, the City of Kankakee's Ordinance, or the Authority's own policies.

Section 8 Units Did Not Meet HUD's Housing Quality Standards

The Authority's Section 8 units contained health and safety violations. A total of 873 Housing Quality Standards violations were found in 47 of the 50 units inspected. In addition, the Authority failed to properly enforce the City of Kankakee's Ordinance governing the licensing of housing units occupied by persons other than the owners. The violations existed because: (1) the Authority's former Section 8 Inspector lacked the required qualifications and adequate training to perform the inspections; (2) the Authority did not conduct quality control reviews of inspections; and (3) the Authority's former Executive Directors failed to exercise supervision and oversight over the former Inspector's activities.

Controls Over Housing Assistance Payments Need To Be Improved

The Authority failed to comply with HUD's regulations and its Section 8 Administrative Plan regarding Housing Assistance Payments. Specifically, the Authority: made \$36,259 in Housing Assistance Payments for 11 units without executing Housing Assistance Payments contracts

with the landlords; lacked Housing Assistance Payments contracts, lease agreements, and/or tenancy addendums to show \$324,364 in Housing Assistance Payments for 40 units were appropriate; incorrectly calculated Housing Assistance Payments for 19 units; failed to conduct five reexaminations for four tenants; did not complete seven reexaminations prior to the anniversary date for nine tenants; and lacked other required supporting documentation for 56 reexaminations for 29 units. In addition, the Authority failed to review and/or did not have documentation to support its utility allowances and Section 8 Housing Choice Program Payment Standards.

The Authority Did Not Properly Manage Its Family Self-Sufficiency Program

The Authority did not follow HUD's requirements regarding the Family Self-Sufficiency Program. Specifically, the Authority did not properly establish or manage the Program according to the minimum required Program size. The Authority also failed to open a Federally insured interest bearing investment account and deposit escrow balances totaling \$37,383 into the account.

Rent Reasonableness Procedures Need To Be Improved

The Housing Authority did not follow HUD's requirements or its Section 8 Administrative Plan regarding rent reasonableness. Specifically, the Authority did not properly complete rent reasonableness certifications for Section 8 housing units placed under contract. These deficiencies occurred because the Housing Authority did not provide oversight of rent reasonableness reviews and certifications.

Recommendations

We recommend that HUD's Acting Director of Recovery and Prevention Corps, Cleveland Field Office, assures that the Authority implements procedures and controls to correct the weaknesses cited in this report.

We presented our draft audit report to the Housing Authority's Board of Commissioners, HUD's Board Advisor for the Authority, and HUD's staff during the audit. We held an exit conference with two of the Authority's Commissioners and HUD's Board Advisor on October 24, 2003. The Authority agreed with the findings and recommendations cited in our report.

The Authority provided written comments to our draft audit report. We included paraphrased excerpts of the comments with each finding (see Findings 1, 2, 3, 4, and 5). The

complete text of the Authority's comments is contained in Appendix B.

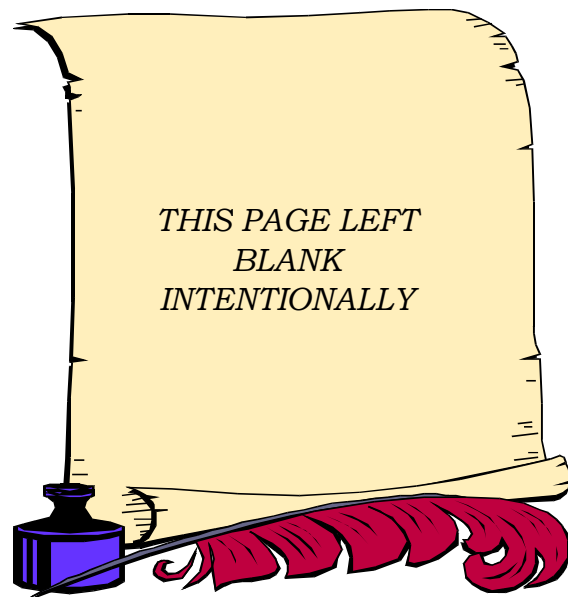


Table Of Contents

Management Memorandum	i
-----------------------	---

Executive Summary	iii
-------------------	-----

Introduction	1
--------------	---

Findings

1. Section 8 Program Was Not Operated According To Requirements	3
2. Section 8 Units Did Not Meet HUD's Housing Quality Standards	9
3. Controls Over Housing Assistance Payments Need To Be Improved	21
4. The Authority Did Not Properly Manage Its Family Self-Sufficiency Program	35
5. Rent Reasonableness Procedures Need To Be Improved	39

Management Controls	43
---------------------	----

Follow-Up On Prior Audits	47
---------------------------	----

Appendices

A. Schedule Of Questioned Costs And Recommendation For Funds To Be Put To Better Use	49
B. Auditee Comments	51

Introduction

The Kankakee County Housing Authority was established under the laws of the State of Illinois. The Authority contracts with HUD to provide low and moderate-income persons with safe and sanitary housing through rent subsidies. A six member Board of Commissioners governs the Authority. During the audit, the Authority's former Executive Director Denise Richardson was terminated effective August 25, 2003. The Authority's current Acting Executive Director is Janice Hypolite. The Authority's books and records are located at 185 North Saint Joseph, Kankakee, Illinois.

As of August 31, 2003, the Housing Authority's Section 8 Housing Program consisted of 540 housing units.

Effective October 8, 2003, HUD's Cleveland Field Office of Recovery and Prevention Corps contracted with Quadel Consulting Corporation for an Advisor to the Authority's Board of Commissioners. The Board Advisor is Elaine Ostrowski. The Board Advisor will advise the Authority's Board, recruit a permanent Executive Director, and recruit staff for the Authority's Low-Rent Public Housing and Section 8 Housing Voucher Programs.

Audit Objectives

The objectives of our audit were to determine whether the Authority: (1) administered its Section 8 Program in an efficient and effective manner; and (2) provided decent, safe, and sanitary housing for its Section 8 tenants.

Audit Scope And Methodology

We conducted the audit at HUD's Chicago Regional Office and the Authority's Office. We performed our on-site work between January 2003 and July 2003.

To accomplish our audit objectives, we interviewed: HUD's staff; the Authority's former and current staff; its Commissioners; and 50 Section 8 tenants.

We analyzed the Authority's: tenant files; Board meeting minutes; audited financial statements; policies and procedures; general ledgers; bank statements and canceled checks; organizational chart; Section 8 Administrative Plan; and its Consolidated Annual Contributions Contract for Rental Certificate and Rental Voucher Programs. We also reviewed: HUD's files for the Authority; Parts 960, 982, and 984 of Title 24 of the Code of Federal Regulations; HUD Guidebook 7420.10; and the City of Kankakee, Illinois' Ordinance #2002-33.

We used Computer Assisted Audit Techniques, including ACL computer application, during our audit to analyze the Authority's Section 8 unit information obtained from the Authority's automated accounting system. A HUD-OIG Appraiser/Construction Specialist performed Housing Quality Standards inspections of 50 of the Authority's Section 8 units. Of the 50 units inspected, 47 units were statistically selected using a universe of the Authority's 369 units inspected by the Authority between August 2002 and February 2003. We used a confidence level of 94 percent, an upper limit of six percent, and an error rate of zero for our sample. The remaining three units were selected so at least one unit from each the Authority's Section 8 landlords was inspected.

The audit covered the period January 1, 1999 through 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 Authority's Acting Executive Director.

Section 8 Program Was Not Operated According To Requirements

The Kankakee County Housing Authority's Board of Commissioners did not adequately exercise their responsibility to effectively manage the Authority. The Authority's former Executive Directors did not implement adequate controls to ensure that Section 8 units were free of health and safety violations. Further, the Authority lacked adequate controls over its operations. The Authority's Board and its former Executive Directors did not follow Federal requirements, the City of Kankakee's Ordinance, or the Authority's own policies. As a result, HUD lacks assurance that the Authority's resources were used to the maximum extent to benefit its Section 8 tenants.

Federal Requirements

Section 10 of the Section 8 Consolidated Annual Contributions Contract, between the Kankakee County Housing Authority and HUD, states the Authority must comply, and must require its landlords to comply, with the requirements of the Housing Act of 1937, HUD's regulations, and other requirements.

Section 15 of the Contract states upon written notice to the Authority, HUD may take possession of all or any of the Authority's property, rights, or interests in connection with the Program. This can include funds held by a depository, Program receipts, and rights or interests under a contract for housing assistance payments with an owner, if HUD determines that the Authority failed to comply with any obligations under this Contract.

24 CFR Part 24.110 permits HUD to take administrative sanctions against employees or recipients under HUD assistance agreements that violate HUD's requirements. The sanctions include debarment, suspension, or limited denial of participation that are authorized by 24 CFR Parts 300, 400, or 700, respectively. HUD may impose administrative sanctions based upon the following conditions:

- Failure to honor contractual obligations or to proceed in accordance with contract specifications or HUD regulations (limited denial of participation);

- Violations of any law, regulation, or procedure relating to the application for financial assistance, insurance, or guarantee, or to the performance of obligations incurred pursuant to a grant of financial assistance or pursuant to a conditional or final commitment to insure or guarantee (limited denial of participation);
- Violation of the terms of a public agreement or transaction so serious as to affect the integrity of an agency program such as a history of failure to perform or unsatisfactory performance of one or more public agreements or transactions (debarment);
- Any other cause so serious or compelling in nature that it affects the present responsibility of a person (debarment); or
- Material violation of a statutory or regulatory provision or program requirements applicable to a public agreement or transaction including applications for grants, financial assistance, insurance or guarantees, or to the performance of requirements under a grant, assistance award, or conditional or final commitment to insure or guarantee (debarment).

Responsibilities Of Board
Of Commissioners And
Executive Director

Public Housing Authority Commissioners have a responsibility to HUD to ensure national housing policies are carried out, and to the Authority's management staff and employees to provide sound and manageable directives. The Board of Commissioners is accountable to their locality and best serve it by monitoring operations to be certain that housing programs are carried out efficiently and effectively.

The responsibility for carrying out the Board of Commissioners' policies and managing the Authority's day-to-day operations rests with the Authority's Executive Director. In particular, the Director must maintain the Authority's overall compliance with its policies and procedures and Federal, State, and local laws.

Section 8 Units Did Not
Meet HUD's Housing
Quality Standards

The Authority's Board of Commissioners and its former Executive Directors failed to ensure that Section 8 units met HUD's Housing Quality Standards. A total of 873 health and safety violations were found in 47 of the 50 Section 8

units inspected. The violations existed because: (1) the Authority's former Section 8 Housing Inspector lacked the required qualifications and adequate training to perform unit inspections; (2) quality control reviews were not performed by the former Executive Directors; and (3) the Authority's former Executive Directors failed to exercise supervision and oversight over the inspections (see Finding 2).

HUD's Chicago Regional Office of Public Housing conducted a monitoring review of the Authority's Section 8 Housing Program in May 2002. HUD identified that 53 percent of the units inspected failed HUD's Housing Quality Standards. Additionally, the Authority's financial audits for fiscal years ending June 30, 1999 through June 30, 2001 reported that the Authority failed to ensure that Section 8 units met HUD's Standards.

Controls Over Housing
Assistance Payments Need
To Be Improved

The Authority failed to comply with HUD's regulations and its Section 8 Administrative Plan regarding Housing Assistance Payments. Specifically, the Authority: made \$36,259 in Housing Assistance Payments for 11 units without executing Housing Assistance Payments contracts with the landlords; lacked Housing Assistance Payments contracts, lease agreements, and/or tenancy addendums to show \$324,364 in Housing Assistance Payments for 40 units were appropriate; incorrectly calculated Housing Assistance Payments for 19 units; failed to conduct five reexaminations for four tenants; did not complete seven reexaminations prior to the anniversary date for nine tenants; and lacked other required supporting documentation for 56 reexaminations for 29 units. In addition, the Authority failed to review and/or did not have documentation to support its utility allowances and Section 8 Housing Choice Program Payment Standards (see Finding 3).

HUD's Chicago Regional Office of Public Housing conducted a monitoring review of the Housing Authority's Section 8 Housing Program in May 2002. HUD identified that the Housing Authority's organization and staff was not appropriate to successfully manage the Authority's Section 8 Program. HUD also identified that the Authority's staff did not appear to be adequate for the financial administration of the Section 8 Program.

The Authority's financial audits for fiscal years ending June 30, 1999 through June 30, 2001 reported that the Housing Authority had not updated its policies and procedures since the 1980s. The financial audits also found deficiencies in tenant files, such as: files not containing signed tenant applications; files missing signed leases; no evidence of annual re-certifications; and no move-in check lists.

The Authority Did Not Properly Manage Its Family Self-Sufficiency Program

The Authority's Board of Commissioners and its former Executive Directors did not ensure that HUD's requirements regarding the Family Self-Sufficiency Program were followed. Specifically, the Authority did not properly establish or manage the Program by maintaining the minimum required Program size. The Authority also failed to open a Federally insured interest bearing investment account and deposit escrow balances totaling \$37,383 into the account (see Finding 4).

Rent Reasonableness Procedures Need To Be Improved

The Authority's Board of Commissioners and its former Executive Directors failed to ensure the Authority followed HUD's requirements or its Section 8 Administrative Plan regarding rent reasonableness. Specifically, the Authority did not properly complete rent reasonableness certifications for Section 8 housing units placed under contract and failed to maintain adequate records of market units for rent reasonableness comparisons (see Finding 5).

HUD's Office of Public Housing conducted a monitoring review of the Authority's Section 8 Housing Program in May 2002. HUD identified that the Authority failed to document that each unit's rent was reasonable based on current rents for comparable unassisted units.

The Authority's Board And Its Former Directors Failed To Take Sufficient Action On Program's Deficiencies

As previously indicated in this finding, the deficiencies in the Authority's Section 8 Program have existed for several years. However, the Authority's Board of Commissioners and its former Executive Directors did not take sufficient action to correct these deficiencies. The Authority's Housing Assistance Payments to its landlords totaled \$2,374,660 between July 1, 2002 and June 30, 2003. Our inspections revealed that 94 percent of the Authority's Section 8 units that were statistically selected for inspection failed HUD's Housing Quality Standards. Based upon the Authority's Payments to its landlords, we projected that \$2,232,180 in

Section 8 Program funds were spent on units that did not meet HUD's Standards. HUD must take immediate action to ensure that its interest and the Authority's Section 8 tenants are adequately protected.

Auditee Comments

[Excerpts paraphrased from the Authority's comments on our draft audit report follow. Appendix B, page 51, contains the complete text of the comments for this finding.]

The Authority intends to secure qualified personnel and implement appropriate procedures and controls to assure the Section 8 Program is operated according to requirements.

**OIG Evaluation Of
Auditee Comments**

The Authority's planned actions, if fully implemented, should improve its operations. However, the deficiencies in the Authority's Section 8 Program have existed for several years. The Authority's Board of Commissioners and its former Executive Directors did not take sufficient action to correct the deficiencies. The Authority's Housing Assistance Payments to its landlords totaled \$2,374,660 between July 1, 2002 and June 30, 2003. Our inspections revealed that 94 percent of the Authority's Section 8 units that were statistically selected for inspection failed HUD's Housing Quality Standards. Based upon the Authority's Payments to its landlords, we projected that \$2,232,180 in Section 8 Program funds were spent on units that did not meet HUD's Standards. HUD must take immediate action to ensure that its interest and the Authority's Section 8 tenants are adequately protected.

HUD's Acting Director of Recovery and Prevention Corps, Cleveland Field Office, should issue a notice of default to the Authority as permitted by Section 15 of the Consolidated Annual Contributions Contract. HUD's default notice should help ensure that the Authority's \$2,232,180 in Section 8 Program funds are used appropriately.

Recommendations

We recommend that HUD's Acting Director of Recovery and Prevention Corps, Cleveland Field Office:

- 1A. Takes administrative action against the Authority's former Executive Directors and its Board of Commissioners for failing to administer the Authority according to Federal, the City of Kankakee, and its own requirements. HUD should provide training and technical assistance to the Authority's staff and its Board of Commissioners regarding their duties and responsibilities.
- 1B. Issues a notice of default to the Authority as permitted by Section 15 of the Consolidated Annual Contributions Contract. HUD's default notice should help ensure that the Authority's \$2,232,180 in Section 8 Program funds are used appropriately.

Section 8 Units Did Not Meet HUD's Housing Quality Standards

The Kankakee County Housing Authority's Section 8 units contained health and safety violations. A total of 873 Housing Quality Standards violations were found in 47 of the 50 units inspected. In addition, the Authority failed to properly enforce the City of Kankakee's Ordinance governing the licensing of housing units occupied by persons other than the owners. The violations existed because: (1) the Authority's former Section 8 Inspector lacked the required qualifications and adequate training to perform the inspections; (2) the Authority did not conduct quality control reviews of inspections; and (3) the Authority's former Executive Directors failed to exercise supervision and oversight over the former Inspector's activities. As a result, the Authority's tenants were subjected to conditions that were hazardous to their health and safety, and HUD's funds were not used efficiently and effectively.

HUD's Requirements

24 CFR Part 982.1(a) requires that Section 8 housing units be decent, safe, and sanitary. 24 CFR Part 982.401(a)(1) states Section 8 housing units must comply with HUD's Housing Quality Standards, both at initial occupancy of the unit and during the term of the assisted lease.

24 CFR Part 982.152(d) permits HUD to reduce or offset any Section 8 administrative fee to a housing authority if the authority fails to perform its administrative responsibilities adequately, such as not enforcing HUD's Housing Quality Standards.

City Of Kankakee's Ordinance #2002-33

The City of Kankakee's Ordinance #2002-33, adopted in June 2002, established minimum standards governing the licensing of housing units occupied by persons other than the owners. The Ordinance states an initial operating license shall be issued upon inspection of the premises. Upon the issuance of the initial license, every operating license will be issued for a period of two years from its date of issuance unless revoked sooner.

The Housing Authority's Requirements

Chapter 10 of the Authority's Section 8 Administrative Plan, revised February 18, 2002, states the Authority will inspect each unit under contract at least annually and have an inspection supervisor perform quality control inspections to

Sample Selection And
Inspection Reports

ascertain that each inspector is conducting accurate and complete inspections.

We selected 50 of the Authority's Section 8 units to inspect. Of the 50 units inspected, 47 units were statistically selected using Computer Assisted Audit Techniques from the Authority's 349 Section 8 housing units that were inspected by the Authority between August 2002 and February 2003. The remaining three units were selected so at least one unit of each of the Authority's Section 8 landlords were inspected. The 50 units were selected to determine whether the Authority assured its Section 8 units met HUD's Housing Quality Standards.

A HUD-OIG Appraiser/Construction Specialist inspected the 50 Section 8 units between April and June 2003. We provided the inspection results to HUD's Acting Director of Recovery and Prevention Corps, Cleveland Field Office, and the Housing Authority's Board Advisor.

Section 8 Units Contained
Health And Safety
Violations

Of the 50 units we inspected, 47 (94 percent) had 873 Housing Quality Standards violations. We determined by reviewing the Authority's own inspection reports that 872 of the 873 violations existed at the time the Authority conducted its most recent inspections. The table on the following page presents a list of the violations by category.

<i>Category of Violations</i>	<i>Number of Violations</i>
Security	161
Electrical Hazards	105
Window Condition	100
Floor Condition	90
Wall Condition	53
Space for Storage, Preparation, and Serving of Food	51
Other Interior Hazards	42
Interior Stairs and Common Halls	24
Ceiling Condition	22
Stove or Range with Oven	18
Plumbing	16
Water Heater	15
Safety of Heating Equipment	14
Lead-Based Paint	12
Refrigerator	12
Condition of Exterior Surfaces	11
Condition of Stairs, Rails, and Porches	10
Garbage and Debris	10
Fixed Wash Basin or Lavatory in Unit	9
Flush Toilet in Enclosed Room in Unit	9
Lead-Based Paint: Owner Certification	9
Refuse Disposal	9
Condition of Foundation	8
Exits	8
Sink	8
Smoke Detectors	7
Ventilation	7
Condition of Roof and Gutters	6
Lead-Based Paint: Exterior Surfaces	6
Site and Neighborhood Conditions	6
Tub or Shower	4
Condition of Chimney	3
Interior Air Quality	3
Evidence of Infestation	2
Electricity	1
Other Potentially Hazardous Features	1
Water Supply	1
Total	<u>873</u>

Security Violations

One hundred and sixty-one security violations were present in 41 of the Authority's Section 8 units inspected. The following items are examples of security violations listed in the table: door latching hardware missing; door frames splintered and in disrepair; use of unacceptable double-key deadbolt locks; missing locks on windows; and non-weatherproof doors.

Finding 2

For example, the exterior door and frame for the living room in the Authority's Section 8 unit at 1915 East Linden Street was heavily damaged, had loose hinges, and was not reasonably weatherproof. The following pictures illustrate security hazards.

Doorframe was heavily damaged and had loose hinges on the living room exterior door in the unit located at 1915 East Linden Street.



The unit located at 541 South Indiana had an unacceptable double-key deadbolt lock on the front entry foyer exterior door.



Electrical Hazards

One hundred and five electrical hazard violations existed in 35 of the Authority's Section 8 housing units inspected. The following items are examples of electrical violations: outlets with open grounds; missing or broken cover plates; outlets not protected by ground fault circuit interrupters; defective fixtures; fixtures incorrectly mounted; unprotected floor outlets; and loose outlets.

For example, an electrical outlet in the right rear bedroom at 769 North Indiana was missing the cover plate. The following pictures provide examples of electrical hazards.

The electrical wall outlet cover plate is missing in the unit located at 769 North Indiana.



Finding 2

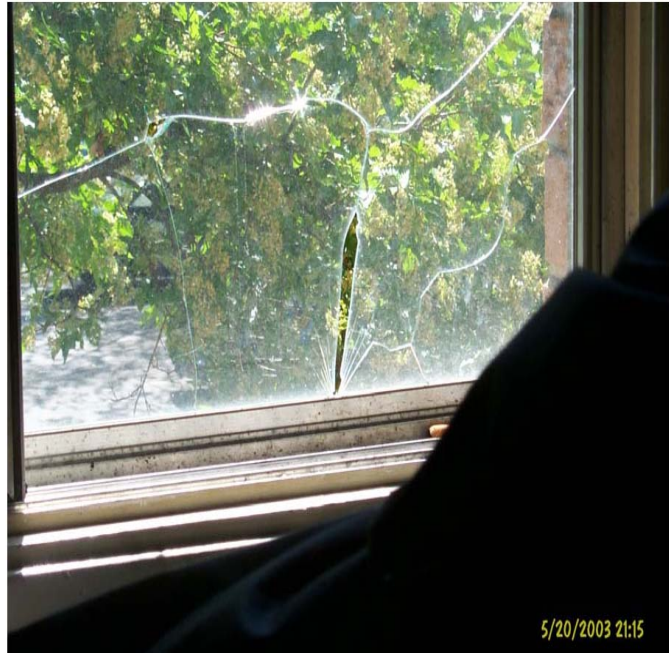
The kitchen wall switch plate cover was broken and created a safety hazard in the unit located at 395 North Rosewood.



Windows

One hundred window related violations were present in 30 of the Authority's Section 8 housing units inspected. The following items illustrate window related violations: missing sash ropes not permitting windows to open and close properly; broken windowpanes; window locks not working properly; and window frames deteriorated and not weatherproof. The following pictures are examples of the window related violations identified in the Authority's Section 8 housing units inspected.

The unit located at 755 South Nelson, Apt. 8E, had a broken storm window pane in the bedroom.



The living room window in the unit located at 1395 East Maple was missing sash ropes. The tenant used props in order to keep the window open.



Floors

Ninety floor related violations were present in 37 of the Authority's Section 8 housing units inspected. The following items are examples of floor related violations: gaps between the floor and the baseboard; missing, loose, damaged, and/or excessively wide joints between each floor tile; and inadequately sealed linoleum. The following

Finding 2

pictures are examples of the floor related violations identified in the Authority's Section 8 housing units inspected.

The kitchen floor in the unit located at 515 East Birch had missing floor tiles and tiles were damaged in numerous places.



The bathroom linoleum floor cover in the unit located at 1053 East Maple had missing pieces.



HUD Funds Were Not
Used Efficiently And
Effectively

24 CFR Part 982.152(d) permits HUD to reduce or offset any Section 8 administrative fee paid to the Housing Authority if the Authority fails to enforce HUD's Housing Quality Standards. The Housing Authority earned \$14,942 in Section 8 administrative fees for the 47 Section 8 units that

did not meet HUD's Housing Quality Standards. The Authority also disbursed \$135,909 of Section 8 Housing Assistance Payments for tenant rental subsidies when the 47 Section 8 housing units did not meet HUD's Housing Quality Standards.

Causes For Deficiencies

The violations existed because: (1) the Authority's former Section 8 Housing Inspector lacked the required qualifications and adequate training to perform inspections; (2) quality control reviews of the inspections were not performed; and (3) the Authority's former Executive Directors failed to exercise supervision and oversight over the inspections.

The Inspector did not receive adequate and updated training on HUD's Housing Quality Standards. As a result, the Authority's former Housing Inspector took, but failed to pass the Housing Quality Standards examination in August 1997 and July 1998. The Inspector said he had not received any additional extended training and was not provided updated training by the Authority. Without adequate training, the Authority's former Inspector could not ensure that tenants lived in units that met HUD's Housing Quality Standards.

As a result of the problems discussed, HUD paid \$135,909 in Section 8 Housing Assistance Payments for units that did not meet HUD's Housing Quality Standards. Also, the Authority received \$14,942 in Section 8 administrative fees for units that failed Housing Quality Standards inspections. In addition, HUD lacked assurance that the Authority used its Section 8 Housing Program funds efficiently and effectively, and the Authority's Section 8 tenants were subjected to conditions hazardous to their health and safety. Also, Section 8 housing units were not decent, safe, and sanitary.

Expired And Unobtained Rental Licenses

The Authority failed to ensure that Section 8 housing units met the City of Kankakee's Ordinance governing the licensing of units occupied by persons other than the owners. Of the 50 units we inspected, four units had expired rental licenses and 10 units' owners never provided the Authority with a copy of a valid rental license.

Finding 2

We contacted the City of Kankakee's Planning and Code Enforcement Department to determine whether the 14 units (four with expired licenses and 10 without evidence they were licensed) had a valid license. The City informed us that the four units still had expired licenses and two units were not inspected to receive a license. The following table identifies the units that had expired rental licenses (or licenses never received).

<i>Unit Address</i>	<i>Status of Rental License</i>	<i>Payments Received From Authority</i>
1053 East Maple	No license issued by City	\$24,910
1101 East Maple #5	Expired on 4/25/2003	762
230 North Cottage	Expired on 10/31/2002	3,880
480 South Indiana	Expired on 9/9/2002	4,050
484 North Saint Joseph	No license issued by City	9,420
720 North Park	Expired on 5/8/2003	<u>361</u>
Total		<u>\$43,383</u>

The Authority's former Executive Director said prior to her tenure, the Authority did not require the Section 8 landlords to provide a copy of their rental license to the Authority. The former Director sent letters in September 2002 to the landlords requesting copies of the licenses and stating that Housing Assistance Payments would be abated for failure to comply. However, the Authority did not abate Housing Assistance Payments to landlords who did not provide a valid license. As a result, the Authority paid \$43,383 in Section 8 Housing Assistance Payments to landlords whose rental licenses were expired or not issued valid rental licenses.

Auditee Comments

[Excerpts paraphrased from the Authority's comments on our draft audit report follow. Appendix B, page 51, contains the complete text of the comments for this finding.]

The Authority abated Housing Assistance Payments for the 47 Section 8 housing units cited in this finding after it conducted a review of the units' records. Many of the landlords' Housing Assistance Payments were subsequently reissued when the units passed inspections. Letters were sent to all other landlords advising them of the Housing Quality

Standard deficiencies. The Authority intends to implement appropriate procedures and controls to assure the Section 8 Program is operated according to requirements.

OIG Evaluation Of
Auditee Comments

The Authority did not provide documentation to support which units passed inspection. The Authority needs to ensure the owners of the 47 Section 8 housing units cited in this finding repair the Housing Quality Standards violations.

The Authority's planned actions, if fully implemented, should improve its procedures and controls to ensure its Section 8 Program is operated according to requirements and Section 8 units meet Housing Quality Standards.

Recommendations

We recommend that HUD's Acting Director of Recovery and Prevention Corps, Cleveland Field Office, assures the Kankakee County Housing Authority:

- 2A. Ensures the owners of the 47 Section 8 housing units cited in this finding repair the Housing Quality Standards violations in their units.
- 2B. Reimburses its Section 8 Housing Program \$150,851 from non-Federal funds for the Section 8 administrative fees collected by the Authority (\$14,942) and the Housing Assistance Payments (\$135,909) improperly made for the Section 8 housing units that did not meet HUD's Housing Quality Standards.
- 2C. Implements procedures and controls to ensure that the Authority's Housing Inspector(s) receives the necessary training to perform the Housing Quality Standards inspections in accordance with HUD's requirements.
- 2D. Conducts regular quality control reviews of completed inspections for its Section 8 Housing Program units as required by HUD's and the

Authority's requirements to ensure that all violations are cited.

- 2E. Reimburses its Section 8 Housing Program \$43,383 from non-Federal funds for Housing Assistance Payments disbursed to owners who lacked a valid rental license.
- 2F. Implements procedures and controls to assure the Authority obtains a valid rental license from owners of rental property prior to issuing the initial Housing Assistance Payments and when the rental license expires.

We recommend that HUD's Acting Director of Recovery and Prevention Corps, Cleveland Field Office:

- 2G. Ensures the Housing Authority's Section 8 units not inspected during the OIG audit are inspected to assure they meet HUD's Housing Quality Standards. If units do not meet HUD's Standards, HUD's Cleveland Field Office of Recovery and Prevention Core should pursue collection of any inappropriately received funds (Housing Assistance Payments and Section 8 administrative fees).

Controls Over Housing Assistance Payments Need To Be Improved

The Kankakee County Housing Authority failed to comply with HUD's regulations and its Section 8 Administrative Plan regarding Housing Assistance Payments. Specifically, the Authority: made \$36,259 in Housing Assistance Payments for 11 units without executing Housing Assistance Payments contracts with the landlords; lacked Housing Assistance Payments contracts, lease agreements, and/or tenancy addendums to show \$324,364 in Housing Assistance Payments for 40 units were appropriate; incorrectly calculated Housing Assistance Payments for 19 units; failed to conduct five reexaminations for four tenants; did not complete seven reexaminations prior to the anniversary date for nine tenants; and lacked other required supporting documentation for 56 reexaminations for 29 units. In addition, the Authority failed to review and/or did not have documentation to support its utility allowances and Section 8 Housing Choice Program Payment Standards. The problems occurred because the Authority lacked procedures and controls over Housing Assistance Payments. As a result, HUD and the Authority lack assurance the Housing Assistance Payments were appropriate.

HUD's Requirements

24 CFR Part 5.216(a)(1)(i) states each assistance applicant must submit the complete and accurate social security number assigned to the assistance applicant and to each member of the assistance applicant's household who is at least six years of age.

Effective April 1, 2000, 24 CFR Part 5.240(c) states the responsible entity must verify the accuracy of the income information received from the family, and change the amount of the total tenant payment, tenant rent or Section 8 housing assistance payment, or terminate assistance, as appropriate, based on such information.

Prior to April 2002, 24 CFR Part 887.355(a) requires a Public Housing Authority to reexamine family income, size, and composition at least annually. 24 CFR Part 887.355(c) states at the regular examination, the authority must adjust the housing assistance payment made on behalf of the family to reflect any changes in the family's monthly income, monthly adjusted income, size, or composition.

Prior to April 2002, 24 CFR Part 887.361(a) states at least annually, the Authority must determine whether there has

been a substantial change in utility rates or other charges of general applicability that would require an adjustment in any utility allowance on the Authority's utility allowance schedule. 24 CFR Part 887.361(b) states if the Authority determines that an adjustment is necessary under paragraph (a) of this section, it must establish a new schedule of utility allowances, taking into account the size and type of dwelling units and other applicable factors. 24 CFR Part 887.361(c) states the Authority must determine if the adjustments to utility allowances affect the amount of housing assistance paid on behalf of the family by recalculating the minimum rent.

Prior to April 1999, 24 CFR Part 982.153(b)(15) states the Authority must examine family income, size and composition, at admission and during the family's participation in the program. The examination includes the verification of income and other family information.

24 CFR Part 982.305(a)(3) states an Authority may not give approval for the family of the assisted tenancy, or execute a Housing Assistance contract, until the lease includes the tenancy addendum.

Prior to April 2000, 24 CFR Part 982.305(b)(2) states the landlord and the tenant must execute the lease before the beginning of the lease term. Beginning in April 2000, the previous citation was moved to (b)(1)(ii) of this section and includes that the lease must contain the HUD-prescribed tenancy addendum.

24 CFR Part 982.305(c)(1) states that the Authority must use best efforts to execute the Housing Assistance Payment contract before the beginning of the lease term. The Housing Assistance Payment contract must be executed no later than 60 calendar days from the beginning of the lease term. 24 CFR Part 982.305(c)(2) states the Authority may not pay any housing assistance payment to the owner until the Housing Assistance Payment contract has been executed. 24 CFR Part 982.305(c)(4) states that any Housing Assistance Payment contract executed after the 60-day period is void, and the Authority may not pay housing assistance payment to the owner.

24 CFR Part 982.402(c) states the family unit size as determined under the Authority subsidy standard is used to determine the maximum rent subsidy for a family assisted in the voucher program.

Prior to April 1999, 24 CFR Part 982.402(c)(2) states the Authority establishes payment standards by number of bedrooms. Beginning in April 1999, the previous citation was moved to (c)(3) of this section. As of April 2000, the same citation was moved to (c) of this section.

Prior to April 1999, 24 CFR Part 982.402(c)(2) states the payment standard for the family must be the lower of: (i) the payment standard amount for the family unit size; or (ii) the payment standard amount for the unit size of the unit rented by the family. Beginning in April 1999, the previous citation was moved to (c)(3)(i) and (ii) of this section. As of April 2000, the same citation was moved to (c)(1) and (2) of this section.

Effective April 1, 2000, 24 CFR Part 982.516(a)(1) requires the Authority to conduct a reexamination of family income and composition at least annually.

Effective April 1, 1999, 24 CFR Part 982.516(a)(2) states the Authority must obtain and document in the tenant file third party verification of the following factors, or must document in the tenant file why third party verification was not available: (i) reported family annual income; (ii) the value of assets; (iii) expenses related to deductions from annual income; and (iv) other factors that affect the determination of adjusted income.

Beginning in April 2000, 24 CFR Part 982.516(f) states the Authority must establish procedures that are appropriate and necessary to assure that income data provided by applicants or participant families is complete and accurate.

Effective April 1, 1999, 24 CFR Part 982.517(c)(1) states that the Authority must review its schedule of utility allowances each year, and must revise its allowance for a utility category if there has been a change of 10 percent or more in the utility rate since the last time the utility allowance schedule was revised. The Authority must

maintain information supporting its annual review of utility allowances and any revisions made in its utility allowance schedule. 24 CFR Part 982.517(d)(1) states the Authority must use the appropriate utility allowance for the size of dwelling unit actually leased by the family rather than the family unit size as determined under the Authority subsidy standards.

HUD's Housing Choice Voucher Guidebook, 7420.10G, Chapter 12.4, requires the Authority to complete the following standard HUD forms during reexaminations: Family Report; and Authorization for Release of Information/Privacy Act Notice. The Authority must notify the family and the owner of the results of the annual reexamination in writing.

Chapter 8.3 of the Housing Choice Voucher Guidebook, 7420.10G, states the Housing Choice Voucher is issued as evidence that the Authority has determined the family to be eligible for the program and plans to subsidize the family. Chapter 8.7 states the family must submit a Request for Tenancy Approval once the family finds a suitable unit and the owner is willing to lease the unit under the Program.

The Housing Authority's Requirements

The Authority's Section 8 Administrative Plan, revised as of February 18, 2002, Chapter 2, Section D, states families are required to provide verification of social security numbers for all family members age six and older prior to admission if they have been issued a number by the Social Security Administration. This requirement also applies to persons joining the family after admission to the program. Failure to furnish verification of social security numbers is grounds for denial or termination of assistance. Persons who have not been issued a social security number must sign a certification that they have never been issued a number. Persons who disclose their social security number but cannot provide verification must sign a certification and provide verification within 60 days. Elderly persons must provide verification within 120 days.

Chapter 12, Introduction, of the Administrative Plan, states the Authority will reexamine the income and household composition at least annually.

Sample Selection Of Tenant Files Reviewed

We selected a statistical sample from the Authority’s 369 Section 8 housing units inspected by the Authority between August 2002 and February 2003 using Computer Assisted Audit Techniques, including ACL computer software. We selected 47 units to determine whether the Authority complied with HUD’s requirements and its Section 8 Administrative Plan regarding Housing Assistance Payments from January 1999 through December 2002. However, two of the 47 units were not occupied until March 2003. Therefore, we were only able to test 45 of the units for compliance.

Housing Assistance Payments Contracts Were Not Executed

Contrary to HUD’s regulations and the Authority’s Section 8 Administrative Plan, the Authority inappropriately made \$36,259 in Housing Assistance Payments for 11 (24.4 percent) of the 45 units from April 2000 through December 2002. The Authority made the Housing Assistance Payments without executing Housing Assistance Payments contracts with the landlords. The following table shows the tenant number, time period, and amount of Housing Assistance Payments made to landlords without executed Housing Assistance Payments contracts.

Tenant Number	No Housing Assistance Payments Contract		Housing Assistance Payments
	To	Through	
105-06	3/1/02	12/31/02	\$4,160
108-06	11/1/02	12/31/02	396
205-08	5/1/02	12/31/02	4,400
308-05	1/1/01	12/31/01	4,162
312-04	6/1/02	12/31/02	3,391
422-03	12/1/02	12/31/02	311
503-02	4/1/00	3/31/01	4,884
532-02	6/1/00	5/31/01	2,100
652-01	5/1/00	4/30/01	6,600
913-02	12/1/02	12/31/02	479
921-01	3/1/02	12/31/02	4,194
1622-01	10/1/02	12/31/02	1,182
Total			\$36,259

Furthermore, the Authority lacked documentation to show \$324,364 in Housing Assistance Payments were appropriate. The Authority could not provide executed Housing Assistance Payments contracts with the landlords, lease agreements, and/or tenancy addendums for 40 (88.9 percent) of the 45 units from January 1999 through December 2002. The following table shows the tenant

Finding 3

number, time periods, and amount of Housing Assistance Payments made to landlords without documentation of an executed Housing Assistance Payments contracts and/or lease agreements and/or tenancy addendums.

<i>Tenant Number</i>	<i>Housing Assistance Payments Contract</i>		<i>Lease Agreement and/or Tenancy Addendum</i>		<i>Housing Assistance Payments</i>
	<i>To</i>	<i>Through</i>	<i>To</i>	<i>Through</i>	
105-06	4/1/99	2/28/02	4/1/99	12/31/02	\$16,141
108-06	5/1/01	10/31/02	5/1/01	10/31/02	5,952
114-02	4/1/00	12/31/02	4/1/00	12/31/02	12,387
202-05	8/1/00	12/31/02	8/1/00	12/31/02	15,246
211-03	2/1/00	12/31/02	2/1/00	12/31/02	12,263
214-05	3/1/01	12/31/02	3/1/01	12/31/02	8,608
235-02	3/1/99	12/31/02	3/1/99	12/31/02	10,493
242-04	3/1/02	12/31/02	9/1/01	12/31/02	7,442
302-04	7/1/99	3/30/01	7/1/99	3/30/01	9,034
303-03	1/1/02	12/31/02	7/1/02	12/31/02	6,372
304-05			11/1/02	12/31/02	1,006
306-04	7/1/99	11/13/01	7/1/99	11/13/01	7,093
308-05	1/1/02	12/31/02	1/1/02	12/31/02	8,137
339-02	6/1/99	12/31/02	6/1/99	12/31/02	16,910
422-03	10/1/99	11/30/02	10/1/99	11/30/02	10,836
503-02	4/1/01	12/31/02	4/1/01	12/31/02	9,264
532-02	6/1/01	1/31/02	6/1/00	1/31/02	3,364
652-01	5/1/01	12/31/02	3/1/01	10/31/02	8,696
658-02			7/1/02	12/31/02	4,080
704-02	3/1/99	12/31/02	3/1/99	12/31/02	14,461
725-01	10/1/00	12/31/02	10/1/00	12/31/02	6,659
730-02			12/1/01	12/31/02	5,005
743-01	11/1/99	12/31/02	11/1/99	12/31/02	10,382
752-01	9/1/01	12/31/02	9/1/01	12/31/02	7,500
758-01			3/1/02	12/31/02	3,362
809-01	2/1/01	12/31/02	2/1/01	12/31/02	6,598
832-01	4/1/00	12/31/01	4/1/00	12/31/01	10,053
858-02			7/1/02	12/31/02	2,388
868-01	10/1/01	12/31/02	10/1/01	12/31/02	4,155
870-02	1/1/02	12/31/02	1/1/01	12/31/01	9,446
909-01	1/1/00	12/31/02	1/1/00	11/31/00	11,772
			1/1/02	12/31/02	
913-02	12/1/01	11/30/02	12/1/01	11/30/02	4,146
921-01	3/1/00	2/28/02	3/1/00	12/31/02	13,518
928-01	5/1/00	12/31/02	5/1/00	12/31/02	8,192
929-01	5/1/01	12/31/02	5/1/01	12/31/02	9,561
1021-01			5/1/01	12/31/02	9,292
1056-01	3/1/01	12/31/02	3/1/01	12/31/01	9,400
1618-01	1/1/02	12/31/02	1/1/02	12/31/02	3,206
1622-01			10/1/02	12/31/02	1,182
1623-01	11/1/02	12/31/02	11/1/02	12/31/02	762
Total					<u>\$324,364</u>

The former Executive Director said she did not sign the Housing Assistance Payments contracts because she wanted to review the contracts prior to signing. However, she has not had time to review the Housing Assistance Payments contracts. The Authority's Occupancy Specialist and former Executive Director both said many different people handle the tenant files and the documents could have been misplaced. Furthermore, the Authority's staff did not review the tenant files for completeness. As a result, Section 8 Housing Program funds were not used efficiently and effectively.

The Authority Did Not Correctly Calculate Housing Assistance Payments

The Authority did not correctly compute Housing Assistance Payments. To determine whether the Authority correctly calculated Housing Assistance Payments, we reviewed 103 initial, annual, and interim income reexaminations conducted between January 1999 and December 2002 for the 45 units. The Authority incorrectly calculated the Housing Assistance Payments for 19 of the 45 tenant files reviewed. The errors occurred because the Authority did not use the appropriate annual and/or adjusted annual income, unit size, utility allowances, and/or Section 8 Housing Choice Voucher Program Payment Standard when calculating the tenants' Housing Assistance Payments.

The Authority made errors during 19 reexaminations for 12 tenants when determining their annual and/or adjusted annual income. The following table includes the tenant number, the number of reexaminations with income calculation errors, and the inappropriate amount of Housing Assistance Payments made for the tenant.

Housing Assistance Payments Errors Due To The Miscalculation Of Annual And/Or Adjusted Annual Income			
Tenant Number	Reexaminations	Excessive Assistance	Deficient Assistance
202-05	1	\$260	
302-04	4	4	
312-04	1	448	
339-02	1	1,380	
422-03	1	156	
532-02	2		\$72
658-02	2	132	
832-01	1		76
868-01	1	858	
913-02	2	921	
1021-01	1	130	
1618-01	<u>2</u>	<u>369</u>	
Totals	<u>19</u>	<u>\$4,658</u>	<u>\$148</u>

The following are examples of the Authority’s incorrect computation of Housing Assistance Payments due to the miscalculation of annual and/or adjusted annual income.

- ❖ The Authority incorrectly calculated income for tenant 339-02. The Authority obtained employment verification from the tenant’s employer showing that the tenant’s annual income was \$17,056. However, the Authority used \$12,480 as the tenant’s annual income. Therefore, the Authority made excessive Housing Assistance Payments of \$1,380 from January 2001 through December 2001.
- ❖ The Authority incorrectly calculated income for tenant 868-01 because the Authority did not include benefits received from Social Security. The Authority miscalculated the tenant’s annual income as \$0. The correct annual income was \$5,520. As a result, the Authority paid excessive Housing Assistance Payments totaling \$858 between November 2000 and September 2001.

Furthermore, the Authority could not provide supporting documentation for the annual income used in 26 reexaminations for 19 tenants. The Authority made \$112,753 in Housing Assistance Payments from February 1999 through December 2002 based on the reexaminations. The following table includes the tenant number, the number

and dates of the reexaminations without supporting documentation for income, and the Housing Assistance Payments made for the tenant.

Housing Assistance Payments Made Without Supporting Documentation For Annual Income		
Tenant Number	Reexaminations	Assistance
105-06	1	\$1,160
108-06	1	3,048
202-05	1	6,372
211-03	1	4,632
242-04	1	2,532
302-04	3	13,592
304-05	2	5,030
306-04	1	4,032
308-05	1	3,926
503-03	1	4,032
658-02	2	7,456
704-02	2	13,093
730-02	1	5,005
743-01	1	3,012
832-01	1	6,489
913-02	1	479
929-01	2	12,783
1021-01	2	10,248
1056-01	<u>1</u>	<u>5,832</u>
Totals	26	\$112,753

Furthermore, the annual income used for five of the 26 reexaminations was zero. Chapter 6, Section E, of the Authority's Section 8 Administrative Plan states families who report zero income are required to complete a written certification every 30 days, undergo an interim recertification every two months, and provide information regarding their means of basic subsistence, such as food, utilities, and transportation. However, the Authority could not provide documentation showing that tenants signed a written certification every 30 days, it performed interim reexaminations every two months, and tenants provided information regarding their means of basic subsistence.

The Authority used an incorrect unit size in its calculation of Housing Assistance Payments in 22 reexaminations for 10 tenants. The following table includes the tenant number, the number of reexaminations with an incorrect unit size, the number of bedrooms used in the reexamination, the actual

number of bedrooms for the unit, and the inappropriate amount of Housing Assistance Payments made for the tenant.

<i>Housing Assistance Payments Errors Due To The Use Of An Incorrect Unit Size</i>					
Tenant Number	Reexaminations	Number Of Bedrooms Used	Actual Number Of Bedrooms	Excessive Assistance	Deficient Assistance
105-05	3	2	1	\$1,194	
214-05	2	3	2	1,620	
235-02	8	2	1	4,720	
302-04	1	3	2	1,309	
658-02	1	4	2	1,650	
909-01	2	3	2	1,500	
913-02	1	4	3		\$36
1021-01	2	4	1	4,275	
1024-02	1	3	2	1,800	
1622-01	1	4	0	1,050	
Totals	<u>22</u>			<u>\$19,118</u>	<u>\$36</u>

The Authority used the incorrect utility allowance in two reexaminations for both tenants 921-01 and 532-02. The Authority used a utility allowance of \$118 and \$112 in the two reexaminations for tenant 921-01. However, the Authority should have used \$104 for the utility allowances. Therefore, the Authority made excessive Housing Assistance Payments of \$128 between March 2002 and December 2002. The error for tenant 532-02 did not result in a change to the Housing Assistance Payments.

The Authority used a Section 8 Voucher Housing Choice Voucher Payment Standard of \$400 in two recertifications for tenant 809-01. The Authority should have used \$475 for the Payment Standard. Therefore, the Authority failed to pay \$900 in Housing Assistance Payments for the tenant from February 2001 through January 2002.

The problems existed due to a lack of training on income and rent calculations and reviewing tenant files for completeness and accuracy. As a result, HUD and the Authority does not have assurance Housing Assistance Payments were appropriate.

Reexaminations Were Not Conducted Or Were Not Completed Timely

Chapter 12, Section B, of the Authority's Section 8 Administrative Plan states the Authority will have all reexaminations for families completed before the anniversary date. However, the Authority failed to conduct

five reexaminations for four tenants and did not complete seven reexaminations prior to the anniversary date for nine tenants. The following table includes the tenant number, anniversary date for the previous reexamination, effective date of the late reexamination, and the number of months the reexamination was overdue.

Reexaminations Not Conducted Or Not Performed Timely			
Tenant Number	Anniversary Date	Effective Date	Months Overdue
308-05	9/1/02	10/1/02	1
422-03	10/1/01	12/1/01	2
532-02	6/1/02	Not Done	
704-02	3/1/00	Not Done	
	3/1/01	4/1/01	1
725-01	2/1/02	Not Done	
730-02	12/1/02	6/3/03	6
743-01	11/1/00	3/1/01	4
928-01	5/1/01	Not Done	
	5/1/02	Not Done	
929-01	5/1/01	7/1/01	2
1021-01	12/1/02	6/1/03	6

The problems existed due to a lack of training on reexaminations and reviewing tenant files for completeness and accuracy. As a result, HUD and the Authority do not have assurance Housing Assistance Payments were appropriate.

The Authority Could Not Provide Other Required Documentation For Reexaminations

Contrary to HUD’s requirements and/or the Authority’s Administrative Plan, the Authority could not provide signed Family Reports, notice letters for rent adjustments, Notice and Consent for the Release of Information, social security number documentation, vouchers, and Requests for Tenancy Approvals in support of 56 reexaminations for 29 tenants from January 1999 through December 2002. The following table includes the type of documentation the Authority could not provide, the number of reexaminations lacking documentation, and the number of tenants for which reexaminations were lacking documentation.

Type of Documentation	Reexaminations	Tenants
Signed Family Reports	28	20
Notice letters for rent adjustments	13	10
Social Security Numbers	24	9
Notice and Consent for the Release of Information	9	9
Vouchers	6	6
Requests for Tenancy Approval	3	3

The Authority’s Occupancy Specialist and former Executive Director both said many different people handle the tenant files and the documents could have been misplaced. Furthermore, the Authority’s staff did not review the tenant files for completeness. As a result, HUD and the Authority do not have assurance required documentation was completed for tenants.

Utility Allowance And Payment Standard Schedules Were Not Updated

The Authority did not review its schedule of utility allowances in 1999 and 2000. The Authority calculated utility allowances from January 1999 through September 2001 based on a utility allowance schedule without an effective date or supporting documentation. The Authority updated its utility allowance schedule on October 1, 2001, but could not provide supporting documentation for the revisions made to the schedule. The Authority failed to review the utility allowances in 2002.

The Authority did not review its Section 8 Housing Choice Program Payment Standards in 1999 and 2000. The Authority used the payment standards from January 1999 through September 2001 based on a schedule without an effective date or supporting documentation. The Authority updated its payment standards on October 1, 2001, but could not provide supporting documentation for the revisions made to the schedule. The Authority failed to review the payment standards in 2002.

Chapter 6, Section P, of the Administrative Plan states the authority will review the utility allowance schedule annually. Section D of Chapter 11 states the Authority reviews the appropriateness of the payment standard annually when the Fair Market Rents are published.

The Authority’s former Executive Director could not explain why the schedule of utility allowances and payment

standards were not reviewed in 1999 and 2000. The former Director said the Authority continued to use the 2001 utility allowance and payment standards schedules in 2002, because the former Director of Section 8, who developed the schedules, was no longer with the Authority and there was no supporting documentation on how the 2001 schedules were developed. As a result, HUD and the Authority lack assurance that the Section 8 utility allowances and payment standards were appropriate.

Auditee Comments

[Excerpts paraphrased from the Authority's comments on our draft audit report follow. Appendix B, page 52, contains the complete text of the comments for this finding.]

The Authority intends to implement the appropriate procedures and controls to assure Housing Assistance Payments are appropriate and the Section 8 Program is operated according to requirements.

OIG Evaluation Of Auditee Comments

The Authority's planned actions, if fully implemented, should improve its procedures and controls to ensure Housing Assistance Payments are appropriate, all required documentation for reexaminations are maintained in the tenants' files, Section 8 tenant's utility allowances and payment standards are reviewed annually, and documentation is maintained to support how the allowances and standards are determined by HUD's regulations.

Recommendations

We recommend that HUD's Acting Director of Recovery and Prevention Corps, Cleveland Field Office, assures the Kankakee County Housing Authority:

- 3A. Reimburses its Section 8 Housing Program \$36,259 from non-Federal funds for Housing Assistance Payments made without executing Housing Assistance Payments contracts with the landlords.
- 3B. Provides documentation to support that it appropriately made \$324,364 in Housing Assistance

Payments. If adequate documentation cannot be provided, then the Authority should reimburse its Section 8 Housing Program from non-Federal funds for the appropriate amount.

- 3C. Reimburses its Section 8 Housing Program \$23,904 from non-Federal funds for incorrectly calculating Housing Assistance Payments due to not using the appropriate annual and/or adjusted annual income (\$4,658), unit size (\$19,118), and utility allowances (\$128).
- 3D. Provides documentation to support the annual income used in 26 reexaminations for \$112,753 in Housing Assistance Payments. If adequate documentation cannot be provided, then the Authority should reimburse its Section 8 Housing Program from non-Federal funds for the appropriate amount.
- 3E. Implements procedures and controls to ensure Housing Assistance Payments are appropriate.
- 3F. Implements procedures and controls to ensure all required documentation for reexaminations are maintained in the tenants' files.
- 3G. Implements procedures and controls to ensure Section 8 tenants' utility allowances and payment standards are reviewed annually and to maintain documentation to support how the allowances and standards are determined by HUD's regulations.

The Authority Did Not Properly Manage Its Family Self-Sufficiency Program

The Kankakee County Housing Authority did not follow HUD's requirements regarding the Family Self-Sufficiency Program. Specifically, the Authority did not properly establish or manage the Program according to the minimum required Program size. The Authority also failed to open a Federally insured interest bearing investment account and deposit escrow balances totaling \$37,383 into the account. As a result, the Authority did not maximize the benefits of its Family Self-Sufficiency Program.

HUD's Regulations

24 CFR Part 984.105(a)(1) states a public housing authority must operate a Family Self-Sufficiency Program at the minimum Program size.

24 CFR Part 984.305(a)(1) states the public housing authority must deposit the Family Self-Sufficiency Program funds of all the families participating in the Program into a single depository account. The authority must deposit the Program funds into one or more of the HUD-approved investments. The total of the combined account funds will be supported in the authority's accounting records by a subsidiary ledger showing the balance applicable to each family participating in the Program.

24 CFR Part 984.305(a)(3) states at a minimum a housing authority is required to report annually to each Program family on the status of its account. At a minimum, the report will include: (i) the balance at the beginning of the reporting period; (ii) the amount of the family's rent payment that was credited to the Program account during the reporting period; (iii) any deductions made from the account for amounts due the housing authority before interest was distributed; (iv) the amount of interest earned on the account during the year; and (v) the total in the account at the end of the reporting period.

Minimum Required Program Size Was Not Maintained

On January 18, 2001, HUD approved decreasing the Authority's Family Self-Sufficiency Program size from 175 participants to 75 participants. As of September 30, 2003, there were 41 participants in the Authority's Program. The Authority did not maintain its minimum required Program

size of 75 participants. The Authority's Family Self-Sufficiency Coordinator said the Authority was not able to maintain the required minimum Program size because the Program is voluntary and many of the residents were not interested in participating due to negative press in the local newspaper.

Escrow Funds Were Not Invested

The Authority did not establish a separate HUD-approved investment account to deposit the Family Self-Sufficiency escrow account credits. The escrow credits totaled \$37,383 as of December 31, 2002. In a memorandum dated August 29, 2001, HUD's Chicago Regional Office of Public Housing notified the Authority that it received a complaint from one of the Authority's tenants who was participating in the Program. The tenant's complaint was that the Authority had not deposited tenant funds under the Program into a separate Federal Deposit Insurance Corporation insured escrow account. HUD instructed the Authority to establish an interest bearing escrow account for the tenants. As of September 30, 2003, the investment account had not been opened. The Authority's Family Self-Sufficiency Coordinator said the account was not opened because it is the responsibility of the Authority's Finance Director. The Authority's Finance Director position was vacant between December 31, 2002 and August 18, 2003. As a result of the Authority's failure to properly establish this account, \$37,383 of escrow funds was not invested and interest was not earned on the escrow funds.

Annual Escrow Balance Reports Were Not Provided

None of the Authority's 41 families participating in the Family Self-Sufficiency Program were provided annual reports showing their escrow balances as required by HUD's regulations. According to the Housing Authority's Coordinator, the Authority's former Director of the Section 8 Program instructed her not to distribute annual reports. The former Section 8 Director said she and the Coordinator had differing views on how to operate the Program. For that reason, the annual reports were never distributed to the Program's participants.

Auditee Comments

[Excerpts paraphrased from the Authority's comments on our draft audit report follow. Appendix B, page 52,

contains the complete text of the comments for this finding.]

The Authority is in the process of establishing a separate Federally insured interest bearing investment account to deposit the escrow funds and providing annual escrow balance reports to the Program's participants once account balances are determined. The Authority intends to implement appropriate procedures and controls to assure the Family Self-Sufficiency Program is operated according to requirements.

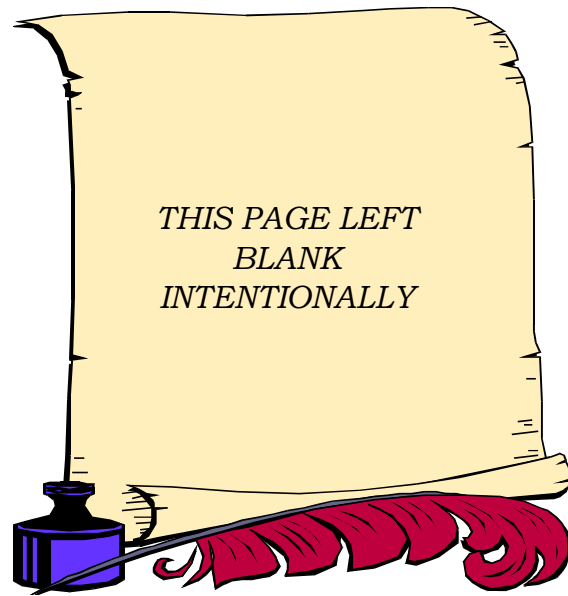
OIG Evaluation Of
Auditee Comments

The Authority's planned actions, if fully implemented, should improve its procedures and controls to ensure the Family Self-Sufficiency Program is operated according to HUD's regulations. However, the Authority needs to determine the amount of interest lost due to not establishing an investment account and deposit the amount into the account appropriately between the participants.

Recommendations

We recommend that HUD's Acting Director of Recovery and Prevention Corps, Cleveland Field Office, assures the Kankakee County Housing Authority:

- 4A. Establishes a separate Federally insured interest bearing investment account approved by HUD and allocates the \$37,383 of escrows funds appropriately between the Program's participants. Determines the amount of interest lost due to not establishing an investment account and deposits the amount into the account appropriately between the participants.
- 4B. Implements procedures and controls to assure that the Authority's Family Self-Sufficiency Program is operated according to HUD's regulations.



Rent Reasonableness Procedures Need To Be Improved

The Kankakee County Housing Authority did not follow HUD's requirements or its Section 8 Administrative Plan regarding rent reasonableness. Specifically, the Authority did not properly complete rent reasonableness certifications for Section 8 housing units placed under contract. These deficiencies occurred because the Authority did not provide oversight of rent reasonableness reviews and certifications. As a result, HUD and the Authority lack assurance that accurate rent reasonableness comparisons were performed and appropriate rents were paid for its Section 8 housing units.

HUD's Regulations

24 CFR Part 982.54(d)(15) requires a public housing authority to establish a method for determining that rents to Section 8 landlords are reasonable, both initially and during the term of a Housing Assistance Payment contract.

Prior to April 2000, 24 CFR Part 982.503(a)(1) states an authority may not approve a lease until it determines that the initial rent to the owner is reasonable. Part 982.503(a)(2) states an authority must re-determine the reasonable rent: (i) before any increase in rent to an owner; (ii) if there is a five percent decrease in the published fair market rents in effect 60 days before the contract anniversary (for the unit size rented by the family) as compared with the fair market rent before the contract anniversary; or (iii) if directed by HUD. Part 982.503(a)(3) states an authority may also redetermine the reasonableness of rent at any other time. Part 982.503(a)(4) states at all times during the assisted tenancy, the rent to owner may not exceed the reasonable rent as most recently determined or redetermined by the authority. Part 982.503(b) states the authority must determine whether the rent to the owner is a reasonable rent in comparison to rent for other comparable unassisted units. To make this determination, the authority must consider: (1) the location, quality, size, unit type, and age of the contract unit; and (2) any amenities, housing services, maintenance and utilities to be provided by the owner in accordance with the lease. Beginning in April 2000, the previous citations were moved to 24 CFR Part 982.507. The subsections remained the same.

The Housing Authority's Requirements

Chapter 11, Section 3, of the Authority's Section 8 Administrative Plan revised February 18, 2002, states the Authority will determine and document on a case-by-case basis that the approved rent is reasonable in comparison to rent for other comparable unassisted units in the market. The Authority will not approve a lease until the Authority determines that the initial rent to owner is a reasonable rent.

Section 3 of the Authority's Administrative Plan states the Authority will maintain automated data on unassisted units for use in making rent reasonableness determinations. The data is updated on an ongoing basis and purged when it is more than six months old. Information is gathered on rental units in the Authority's market area and each unit is rated using the Authority's rent reasonableness system. The Authority uses an appraisal method by comparing the subject unit against selected units in the same area with similar characteristics. Adjustments are made for differences between the subject units and the comparison units.

Sample Selection And Inspection Reports

We statistically selected 47 of the Authority's Section 8 units using Computer Assisted Audit Techniques. The 47 units were selected to determine whether the Authority assured HUD's regulations and the Authority's Section 8 Administrative Plan were followed regarding rent reasonableness.

Certifications Were Not Completed

The Authority failed to perform rent reasonableness certifications. Of the 47 unit's files reviewed, 32 (68 percent) files did not include a certificate of rent reasonableness. The remaining 15 files included a certification; however, the certifications did not include the following required information: the type of unit; a comparison of contract rent versus gross rent; comparable rent for similar type unit documented on the certificate of rent reasonableness; and a comparison to unassisted units.

The Authority's former Section 8 Inspector was responsible for completing a rent reasonableness certificate at the time of the initial unit inspection. However, these certifications were not completed. The Authority's former Director of Section 8 said she told the former Inspector to complete the certificates. However, the former Inspector said he was not aware that he was supposed to complete the certificates. As

a result, HUD and the Authority lack assurance that Section 8 contract rents were reasonable and properly calculated.

Auditee Comments

[Excerpts paraphrased from the Authority's comments on our draft audit report follow. Appendix B, page 52, contains the complete text of the comments for this finding.]

The Housing Authority intends to implement appropriate procedures and controls to assure the Section 8 Program is operated according to requirements.

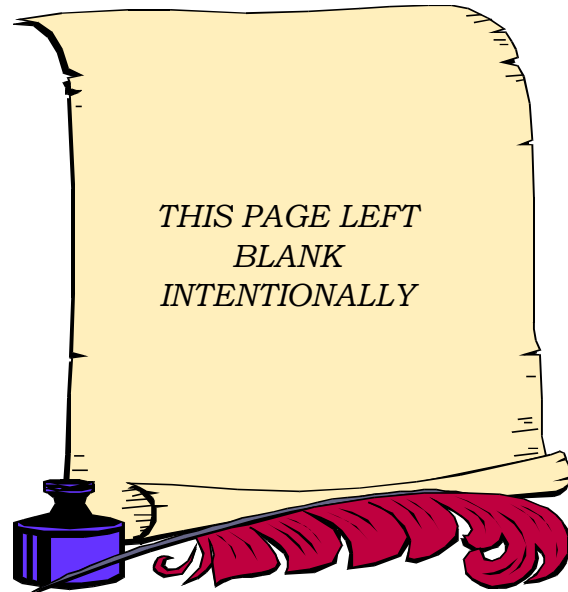
**OIG Evaluation Of
Auditee Comments**

The Authority's planned actions, if fully implemented, should improve its procedures and controls to ensure that rent reasonableness certifications and reviews are conducted according to Federal requirements and its Section 8 Administrative Plan.

Recommendation

We recommend that HUD's Acting Director of Recovery and Prevention Corps, Cleveland Field Office, assures the Kankakee County Housing Authority:

- 5A. Implements procedures and controls to assure that rent reasonableness certifications and reviews are conducted according to Federal requirements and its Section 8 Administrative Plan.



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 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 Kankakee County Housing Authority's Section 8 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 review, we believe the items on the following page are significant weaknesses:

- Program Operations

The Kankakee County Housing Authority was not operated according to Program requirements. Specifically, the Authority did not: (1) ensure its Section 8 housing units met HUD's Housing Quality Standards; (2) ensure its Housing Inspector was qualified and properly trained; (3) perform quality control reviews of housing inspections; (4) use \$60,163 of its Section 8 Housing Program funds in accordance with HUD's requirements and its Section 8 Administrative Plan; (5) have documentation to support \$437,117 in Housing Assistance Payments were appropriate; (6) meet HUD's requirements and its Administrative Plan when conducting reexaminations; (7) review and/or have documentation to support its utility allowances and Section 8 Housing Choice Program Payment Standards; (8) follow HUD's requirements when establishing and managing its Family Self-Sufficiency Program according to the minimum required Program size; (9) open a Federally insured interest bearing investment account and deposit escrow balances totaling \$37,383 into the account; and (10) properly complete rent reasonableness certifications for Section 8 units placed under contract (see Findings 2, 3, 4, and 5).

The Authority's Board of Commissioners lacked adequate oversight. The deficiencies in the Authority's Section 8 Program have existed for several years. However, the Authority's Board of Commissioners did not take sufficient action to correct these deficiencies (see Finding 1).

- Validity and Reliability of Data

The Authority did not maintain accurate books and records regarding Housing Assistance Payments, reexaminations, utility allowances, payment standards, its Family Self-Sufficiency Program, and rent reasonableness comparisons (see Findings 3, 4, and 5).

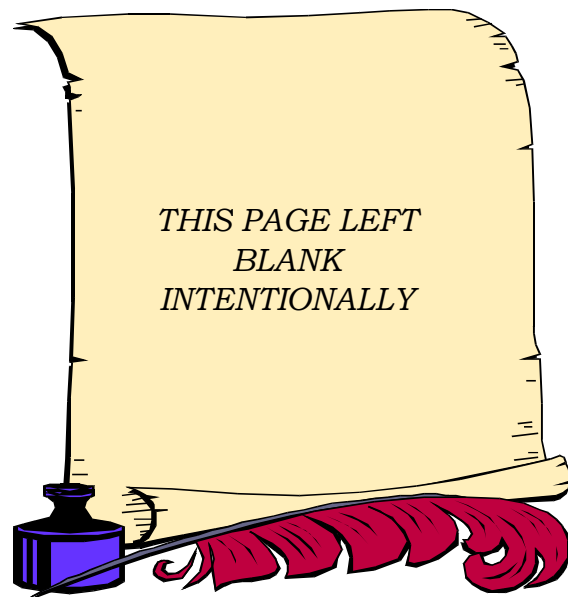
- Compliance with Laws and Regulations

The Authority did not follow HUD's regulations and/or the City of Kankakee's Ordinance regarding health and safety violations for Section 8 housing units, Housing Assistance

Payments, reexaminations, utility allowances, payment standards, its Family Self-Sufficiency Program, and rent reasonableness comparisons (see Findings 2, 3, 4, and 5).

- Safeguarding Resources

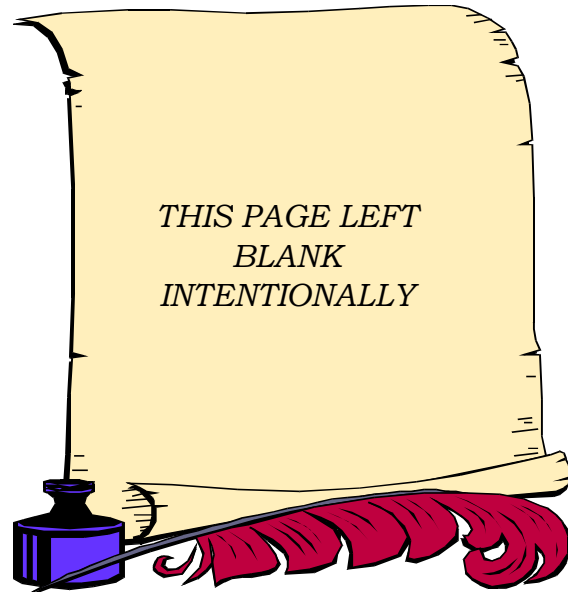
The Authority improperly: (1) paid \$135,909 in Housing Assistance Payments and earned \$14,942 in Section 8 administrative fees when Section 8 housing units did not meet HUD's Housing Quality Standards; (2) paid \$43,383 in Housing Assistance Payments to owners who lacked a valid license; (3) paid \$36,259 in Housing Assistance Payments without executing Housing Assistance Payments contracts with the landlords; and (4) paid \$23,904 in Housing Assistance Payments when it incorrectly calculated Housing Assistance Payments by not using the appropriate annual and/or adjusted annual income, unit size, and utility allowances. Further, the Authority could not support: \$324,364 in Housing Assistance Payments due to not having Housing Assistance Payments contracts, lease agreements, and/or tenancy addendums; and the annual income used in 26 reexaminations for \$112,753 in Housing Assistance Payments (see Findings 2 and 3).



Follow-Up On Prior Audits

This is the first audit of the Kankakee County Housing Authority's Section 8 Program by HUD's Office of Inspector General. The latest Single Audit Report for Kankakee County Housing Authority covered the period ending June 30, 2001. The report contained 11 findings. Three of the findings related to issues reported in this Audit Report.

Independent Auditor's Report	This Report
Housing Authority's Policies and Procedures Not Updated Since the 1980s	Section 8 Program Was Not Operated According To Requirements
Review of Tenant Files Revealed Documentation Deficiencies	Controls Over Housing Assistance Payments Need To Be Improved
Lack of Adequately Trained Employees In All Areas of Housing Authority Business	Section 8 Units Did Not Meet HUD's Housing Quality Standards



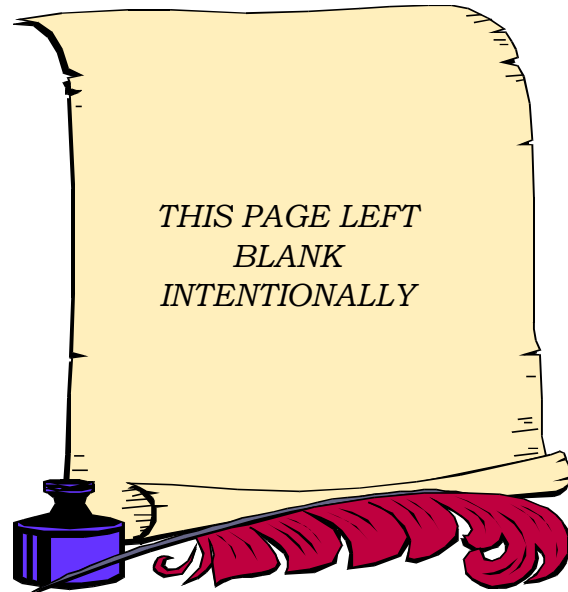
Schedule Of Questioned Costs And Recommendation For Funds To Be Put To Better Use

<u>Recommendation Number</u>	<u>Type of Questioned Costs</u>		<u>Funds To Be Put To Better Use 3/</u>
	<u>Ineligible Costs 1/</u>	<u>Unsupported Costs 2/</u>	
1B			\$2,232,180
2B	\$150,851		
2E	43,383		
3A	36,259		
3B		\$324,364	
3C	23,904		
3D		112,753	
Totals	<u>\$254,397</u>	<u>\$437,117</u>	<u>\$2,232,180</u>

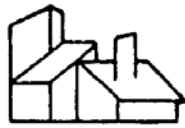
1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law, contract, or Federal, State, or local policies or regulations.

2/ 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.

3/ Funds To Be Put To Better Use are quantifiable savings that are anticipated to occur if an OIG recommendation is implemented, resulting in a reduced expenditure in subsequent periods for the activity in question. Specifically, this includes an implemented OIG recommendation that causes a non-HUD entity not to expend Federal funds for a specific purpose. These funds could be reprogrammed by the entity and not returned to HUD.



Auditee Comments



Kankakee County
Housing Authority

185 N. St. Joseph • Kankakee, Illinois 60901-1289 • (815) 939-7125 • FAX (815) 939-7335

November 12, 2003

Mr. Heath Wolfe
Regional Inspector General for Audit, Region V
Ralph H. Metcalfe Federal Building
77 Jackson Blvd., Suite 2676
Chicago, IL 60605-3507

RECEIVED
2003 NOV 14 AM 9:58
HUD - OIG
OFFICE OF AUDIT
CHICAGO, ILLINOIS

Dear Mr. Wolfe:

We appreciate the opportunity to provide our comments on the draft audit report on the OIG's Audit of the Kankakee County Housing Authority's Section 8 Program.

We acknowledge the serious nature of the findings detailed in the draft audit report and have initiated actions to begin correcting the deficiencies cited. At this time, the KCHA is constrained by limited governance by its Board of Commissioners due to a lack of consensus of its members.

Our comments on the draft audit report follow. In addition, one Commissioner provided comments on the report; his correspondence is enclosed.

Finding 1 – Section 8 Program Was Not Operated According To Requirements

Comments: The KCHA intends to secure qualified personnel and install appropriate procedures and controls to assure the Section 8 Program is operated according to requirements.

Finding 2 – Section 8 Units Did Not Meet HUD's Housing Quality Standards

Comments: The KCHA conducted a review of the records of the 47 Section 8 housing units cited in this finding and housing assistance payments were abated. Many units subsequently passed inspection and landlord payments were reissued. Letters were sent to all other landlords advising them of the HQS deficiencies. The KCHA intends to install appropriate procedures and controls to assure the Section 8 Program is operated according to requirements.

Finding 3 – Controls Over Housing Assistance Payments Need To Be Improved

Comments: The KCHA intends to install appropriate procedures and controls to assure Housing Assistance Payments are appropriate and to assure the Section 8 Program is operated according to requirements.

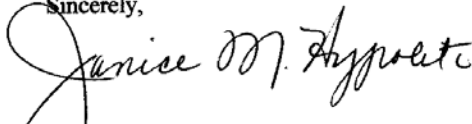
Finding 4 – The Authority Did Not Properly Manage Its Family Self-Sufficiency Program

Comments: The KCHA is taking steps to establish a separate federally insured interest bearing investment account to deposit the FSS escrow account credits, and to provide annual escrow balance reports to participating families once individual family account balances are determined. The KCHA intends to install appropriate procedures and controls to assure the FSS Program is operated according to requirements.

Finding 5 – Rent Reasonableness Procedures Need To Be Improved

Comments: The KCHA intends to install appropriate procedures and controls to assure the Section 8 Program is operated according to requirements.

Sincerely,



Janice M. Hypolite
Acting Executive Director

CC: Frances Jackson, Commissioner
Lillie Jones, Commissioner
Rev. Nathan Richmond, Commissioner
Louis Orta, Commissioner
William Sawyer, Commissioner
Ron Sieling, Commissioner
Linford Coleman, Sr. Director
Illinois State Office of Public Housing
Patricia A. Knight, Recovery and Prevention Corps

FROM :

FAX NO. :

Nov. 05 2003 12:56PM P4

To: Ms. Elaine Ostrowski, Board Advisor, Recovery and Prevention, OIG for Audit

Nov. 5, 2003

From: Bill Sawyer, Chairman, Kankakee County Housing Authority Board of Commissioners

SUBJECT: COMMENTS FOR INCLUSION IN OIG REPORT AND OTHER COMMENTS

During our meeting to discuss the OIG for Audit draft report, Mr. Heath Wolfe stated a proactive approach is needed to address the multitude of problems outlined in the OIG report. Because of problems with a six member KCHA Board, it is difficult if not impossible to have a proactive response. An immediate proactive response could be achieved with appointment of a seventh member and if necessary, an immediate election of officers.

In light of progress achieved by the Board in a recent unified meeting, it would seem we could initiate and sustain greater progress with a seventh KCHA Board member. A recommendation to County Board Chairman Kruse to appoint a seventh member to the KCHA Board of Commissioners is proactive, if made by the Recovery and Prevention team and the OIG.

A seventh Board member is mandated by the Illinois Compiled Statutes, Housing Authorities Act 310 ILCS 10/ wherein it states in part, "or in the event of a vacancy, the presiding officer shall appoint a commissioner, subject to the approval of the governing body, etc." In the interest of those in need of all services this PHA can provide and in the interest of long neglected employees, perhaps the Recovery and Prevention team can suggest to Kankakee County Board Chairman Kruse, the presiding officer, he obey the law of Illinois and appoint a seventh commissioner to immediately help serve the interests of our constituents.

It is ironic problems I reported two years ago to the Inspector General for Investigation and the Inspector General for Audit have just now resulted in these findings and an OIG suggestion of a proactive approach to our problems. I am suggesting HUD take a more immediate and proactive approach when informed of problems such as ours. How this can be achieved with budget, staffing and governmental restrictions calls for a proactive and imaginative approach. Two years or more of degradation and decay in our Section 8 program could have been avoided with a more timely and proactive approach by HUD.

Training of commissioners in the business of running a PHA is essential to effective Board oversight. Accountability is a must for commissioners. This audit should suggest mandatory training for commissioners as a condition of appointment. Removal from the Board should be mandatory if training is not completed. Training should provide testing for commissioner competency. Failure to pass testing should bring removal from the Board. Training should be ongoing with inclusion of new HUD programs.

Managing the PHA should be left to the Executive Director. However, the Board should be intelligent, informed and knowledgeable enough to recognize the ability, performance and effectiveness of the Executive Director, including an understanding of compliance with HUD regulations and requirements.

The OIG for Audit report states, "the audit was conducted based upon a citizen's complaint to our Office." Letters from Mr. Heath Wolfe, attached hereto, justify incorporation of my name as the "citizen" who brought this untenable situation to the attention of HUD. Incorporating my name in the report will ameliorate some of the distaste and disdain I have for a process and an agency that recognizes and rewards a whistle blower with the embarrassment and humiliation of resignation from our Housing Authority Board of Commissioners.

What is HUD's reward for allowing this situation to continue to exist more than two years after I first reported the wrongdoing? Apparently, it is allowing blame to be placed on one person who brought the situation to light.

William Sawyer

C/c
 Heath Wolfe
 Patricia Knight, Steven Porath, Derrick Bozeman
 Linford Coleman
 Mel Martinez

FROM : _____

FAX NO. :

Nov. 05 2003 12:56PM P3



U.S. Department of Housing and Urban Development
Office of Inspector General for Audit, Region V
Ralph H. Metcalfe Federal Building
77 West Jackson Boulevard, Suite 2846
Chicago, Illinois 60604-3507

Phone (312) 353-7832 Fax (312) 353-8866
Internet <http://www.hud.gov/offices/oig>

June 11, 2003

Mr. William Sawyer, Commissioner
Kankakee County Housing Authority
6063 North 5000W Road
Bourbonnais, IL 60914-4416

Dear Mr. Sawyer:

Thank you for your letter to Heath Wolfe, Regional Inspector General for Audit, dated May 21, 2003, in which you expressed your concern about our ongoing audit and the fact that former Executive Director Frank Mason's employment circumstances were not currently being reviewed by our audit staff.

While the above issue is pertinent to the overall assessment of past Housing Authority operations, our current focus has concentrated on the Section 8 Rental Assistance Program. The more urgent need to address how efficiently and effectively this program is being administered is demonstrated by various preliminary findings the audit team has noted thus far. We believe an audit of the Section 8 Program presently serves the mutual best interests of both KCHA's rent assisted tenants and HUD's mission in a more timely manner than does a review of Mr. Mason's engagement as the former Executive Director.

Our plan is to address the Mason issue and other programmatic issues in a subsequent audit of the Housing Authority. While no schedule for this subsequent work has been established yet, we will strive to make the future audit(s) as timely as our staffing resources will permit.

Sincerely,

Ronald F. Huritz
Assistant Regional Inspector General for Audit

FROM :

FAX NO. :

Nov. 05 2003 12:55PM P2



U.S. Department of Housing and Urban Development
Office of Inspector General for Audit, Midwest
Ralph H. Metcalfe Federal Building
77 West Jackson Boulevard, Suite 2648
Chicago, Illinois 60604-3507

January 14, 2002

William E. Sawyer, Commissioner
Kankakee County Housing Authority
6063 North 5000W Road
Bourbonnais, Illinois 60914-4416

Dear Mr. Sawyer:

We received your complaint letter dated January 7, 2002 to Ronald Huritz of my staff. Your complaint is regarding the Kankakee County Housing Authority. We reviewed the complaint and determined that it deals with potential irregularities regarding the Housing Authority's award of an employment contract to its Executive Director Frank Mason. As such, my Office will schedule an audit of the Housing Authority when staff is available. We expect to have available staff sometime during the first quarter of the next Federal Fiscal Year.

Thank you for bringing this matter to our attention. If you have any questions, please contact Mr. Huritz, Assistant District Inspector General for Audit, at (312) 353-6236 extension 2675.

Sincerely,

Heath Wolfe
District Inspector General for
Audit, Midwest

