
AUDIT REPORT



KANKAKE COUNTY HOUSING AUTHORITY LOW-RENT HOUSING UNIT CONDITIONS

KANKAKEE, ILLINOIS

2005-CH-1014

AUGUST 5, 2005

OFFICE OF AUDIT, REGION V
CHICAGO, ILLINOIS



Issue Date	August 5, 2005
Audit Report Number	2005-CH-1014

TO: Linford Coleman, Director of Public Housing Hub, 5APH

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

SUBJECT: Kankakee County Housing Authority's Low-Rent Housing Unit Conditions; Kankakee, Illinois; The Authority's Family Units Were Not in Good Repair, Order, and Condition; and The Authority Improperly Used Funds to Pay Fines for Not Meeting the City of Kankakee's Ordinance on Rental Licensing

HIGHLIGHTS

What We Audited and Why

We audited the Kankakee County Housing Authority's (Authority) low-rent housing unit conditions. The audit was conducted in response to a citizen's complaint to our office and was part of our comprehensive audit of the Authority. Our objective was to determine whether the Authority maintained its low-rent housing units in accordance with the U.S. Department of Housing and Urban Development's (HUD) requirements. We determined whether the Authority maintained its units in good repair, order, and condition, and whether the Authority ensured its low-rent housing units met the City of Kankakee's (City) ordinance on rental licensing.

What We Found

The Authority's

- Housing units were in poor repair. An Office of Inspector General (OIG) appraiser inspected 39 statistically selected family housing units and identified 693 deficiencies causing units not to be in good repair, order, and condition, as well as health and safety issues for 36 of the 39 units.

The appraiser estimated that more than \$152,000 in repairs was needed to bring the 39 units into good repair.

- The Authority improperly used HUD funds to pay \$10,475 in fines for its low-rent housing family units that did not have valid rental licenses issued by the City.

What We Recommend

We recommend that HUD's director of Public Housing Hub, Chicago Regional Office, require the Authority to (1) reduce its low-rent housing operating subsidy for the inappropriately used funds, (2) seek reimbursement from the City for fines that may have been improperly paid, and (3) implement procedures and controls to correct the weaknesses cited in this report.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

Auditee's Response

We provided our discussion draft audit report to the Authority's executive director and HUD's staff on June 15, 2005. We conducted an exit conference with the Authority on June 28, 2005. Based upon the exit conference, we issued a revised discussion draft audit report to the Authority's executive director and HUD's staff on July 18, 2005.

We asked the Authority to provide written comments on our revised discussion draft audit report by July 28, 2005. The Authority's executive director provided written comments to the revised discussion draft audit report on July 22, 2005. The executive director disagreed with our findings and recommendations. The complete text of the Authority's written response, along with our evaluation of that response, can be found in Appendix B of this report.

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BACKGROUND AND OBJECTIVES

The Kankakee County Housing Authority (Authority) was organized under the laws of the State of Illinois as a tax-exempt, quasi-governmental entity under the U. S. Housing Act of 1937. The Authority's central administrative office is located at 185 North Saint Joseph Avenue, Kankakee, Illinois. The Authority, created by the County of Kankakee in 1966, is a private municipal corporation governed by a seven-member board of commissioners. The board members, appointed by the County's board chairman and approved by the county board, set the overall policy in matters concerning the Authority's operations. The executive director, appointed by the board of commissioners, is responsible for coordinating and carrying out the policies established by the board. Since its creation, the Authority has grown from a small operation, providing housing for low-income families, to one of the largest single property managers in Kankakee County.

The Authority was organized to provide housing for low-income families in good repair, order, and condition. The Authority entered into an annual contributions contract with the U.S. Department of Housing and Urban Development (HUD) for the purpose of financing low-rent housing unit construction and the retirement of debt, and entered into another annual contributions contract to provide housing assistance payments to owners of section 8 housing units.

The Authority provides subsidized housing to eligible households in Kankakee County. It operates 308 low-rent housing units in four developments: Midtown Towers, located at 340 North Dearborn Street; Azzarelli High-Rise, located at 145 West Broadview Drive; and Locust Street Complex and Wildwood Complex, which are scattered sites. The Authority also has six Turnkey III Homeownership Opportunity program (Turnkey III) units in one development called Old Fair Park. These programs are funded through rental receipts and operating subsidies from HUD. In addition, grants are received annually for the renovation and modernization of these units.

The low-rent housing program is not limited to the rental and maintenance of physical facilities, but also operates programs designed to resolve many of the social and economic problems experienced by low-income families. It is the Authority's goal to assist in improving the living conditions of persons choosing to reside in its low-rent housing and Turnkey III programs. As of January 1, 2004, the Authority is working under a memorandum of agreement with HUD that specifies performance target dates and strategies to improve the Authority's overall operations.

Our objective was to determine whether the Authority maintained its low-rent housing units in accordance with HUD's requirements. We determined whether the Authority maintained its units in good repair, order, and condition, and whether the Authority ensured its low-rent housing units met the City of Kankakee's (City) ordinance on rental licensing. We focused on the scattered family sites located at Locust Street Complex and Wildwood Complex, since these family units scored lowest in an overall inspection by HUD's Real Estate Assessment Center in August 2004. The Housing Authority was subsequently rated as a standard performer (overall) by the Center in 2005.

RESULTS OF AUDIT

Finding 1: The Authority's Low-Rent Family Units Were Not in Good Repair, Order, and Condition

The Authority's low-rent housing family units were not maintained in good repair, order, and condition. An Office of Inspector General (OIG) appraiser identified 693 deficiencies, which included 93 health and safety violations, in 39 statistically selected low-rent housing family units inspected. The appraiser estimated that \$152,499 in required repairs was needed to ensure the 39 units were in good repair, order, and condition. Although the Authority converted five percent of its units to be accessible to persons with disabilities, in at least one example, many of the converted items did not comply with the uniform federal accessibility standards. The problems occurred because the Authority (1) identified deficiencies during its inspections but did not repair them, (2) failed to include all noted deficiencies on work orders, and (3) had inadequate quality control reviews of repairs to ensure units were free of deficiencies. As a result, tenants were subjected to poor housing units, and the Authority did not efficiently and effectively use \$118,666 of HUD provided operating subsidies for making repairs to the 39 units.

Public Housing Agencies Must Maintain Units in Good Repair, Order, and Condition

The Authority's administrative plan provides for the annual inspection of its low-rent housing units using a combination of HUD's uniform physical condition standards and local codes. These standards are described in 24 CFR [*Code of Federal Regulations*], part 902. The Authority was also operating under the former annual contributions contract (HUD-53011). In it, section 209 requires the Authority to at all times maintain each public housing project in good repair, order, and condition.

To evaluate the repair, order, and condition of the Authority's low-rent housing units, an OIG appraiser inspected a statistical sample of 39 units using housing quality standards and local code. Maintaining public housing projects in accordance with standards which meet or exceed housing quality standards is required per section 6(f)(3) of the Housing Act of 1937 (42 U.S.C. 1437d(f)(3)). This requirement is also recognized in 24 CFR [*Code of Federal Regulations*], subpart B, part 902.20.

Additionally, the uniform federal accessibility standards set forth requirements for facility accessibility by physically handicapped persons for federal and federally funded facilities. HUD adopted these standards in 24 CFR [*Code of Federal Regulations*], part 40, effective October 4, 1984.

Sample Selection and Inspections

We selected a statistical sample of the Authority's low-rent housing family units using computer assisted auditing techniques. A statistical sample of 39 units was selected from the Authority's 85 family units using audit command language. The units were selected to determine whether the Authority's units were maintained in good repair, order, and condition.

During January 2005, an OIG appraiser inspected the Authority's 39 low-rent family units. The appraiser is a registered architect with a Bachelors Degree in Architecture, has 25 years experience inspecting HUD properties, and 14 years experience with the U.S. military inspecting army reserve training facilities. During the audit, we provided our inspection results to HUD's Chicago Regional Office director of public housing hub and the Authority's executive director.

Low-Rent Family Units Were Not in Good Repair, Order, and Condition

The Authority's 39 low-rent family units inspected had 693 deficiencies—indicating that they were not in good repair, order, and condition, and did not meet the City's housing code. Of the 693 deficiencies, 93 were health and safety deficiencies. Thirty-six of the 39 units contained at least one health and safety deficiency. The deficiencies ranged from 6 to 37 per unit.

From a comparison of the Authority's annual inspection reports to the inspection reports prepared by the OIG appraiser, 26 of the 39 units had health and safety deficiencies for at least a year. The deficiencies related to medicine cabinet outlets that did not have ground fault circuit interrupter protection. The Authority's former maintenance supervisor identified 23 of the 26 units' deficiencies related to the ground fault circuit interrupter protection. These deficiencies were recorded by the former supervisor on the Authority's annual inspection forms, but were not recorded on the Authority's work orders, or resolved within 24 hours as required by HUD. The Authority's executive director said the problem was an oversight because the maintenance supervisor informed him of the medicine cabinet outlet deficiencies that were in the high-rise units, but was not informed the problem also existed in the family units.

The OIG appraiser estimated the total cost of required repairs to bring the 39 units to a livable condition would cost \$152,499. The following table shows the types of deficiencies identified.

Types of deficiencies	Number of deficiencies
Cabinets, doors, closets, and hardware	160
Electrical fixtures and systems	104
Doors, windows, and screens	90
Plumbing fixtures and systems	80
Refrigerators/Ranges	73
Walls/Ceilings	58
Floors, carpets, and tiles	32
Heating/Air conditioning	26
Painting	24
Walks, steps, and guardrails	15
Stairs, walkways, and community spaces	12
Garbage disposal and exhaust fans	7
Exterminating	7
Exterior lighting	4
Gutters, downspouts, and splash blocks	1
Total	<u>693</u>

Cabinets, Doors, Closets, and Hardware

There were 160 deficiencies related to cabinets, doors, closets, and hardware identified in 38 of the Authority's 39 low-rent units inspected. The deficiencies included: kitchen cabinets improperly installed protruding from under the countertop; sink cabinet bottom panels deteriorated and moldy; kick plates on kitchen cabinets missing caulking; doors and fronts of sink cabinets deteriorated; drawers on kitchen cabinets were broken; hinges on cabinet doors had failed; loose doorframes at bathrooms and in danger of falling out; closet doors to bedroom closets without frames and leaning against the door openings; bedroom doors with impact holes in them; closet doors in bedrooms were off their tracks; bedroom door latches were loose; and door latches were missing. The following pictures are examples of cabinets, doors, closet, and hardware deficiencies.

The unit at 307 North Evergreen had kitchen cabinets with two broken drawers and missing front panels; sink cabinet had moisture damage and was delaminating; and the kitchen cabinet door hinges were damaged and did not keep doors straight and closed.



The unit located at 543 South Gordon had a broken latch and doorframe.



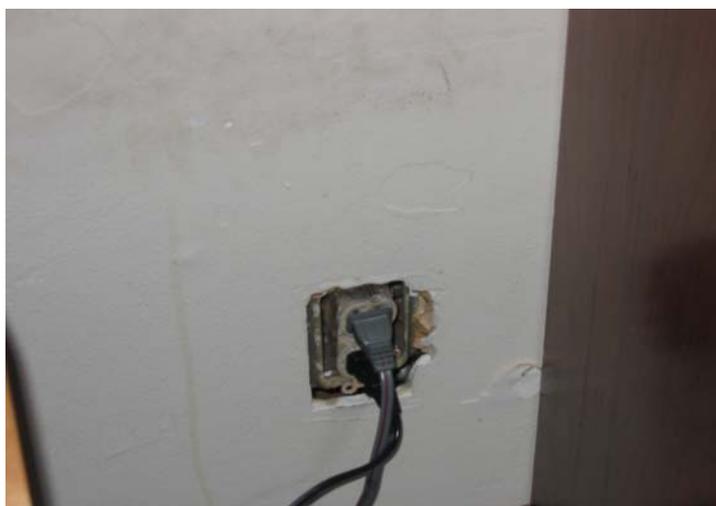
Electrical Hazards

We identified 104 electrical deficiencies in 35 of the Authority's 39 low-rent units inspected. The deficiencies identified included: ground fault circuit interrupter outlets did not trip when tested; light fixtures were missing their protective globes; light switch plates missing; broken electrical outlet cover plates; loose electrical outlets; electrical outlets on bathroom medicine cabinets not protected by ground fault circuit interrupters; ceiling light fixtures loose and hanging from their wires; improper washer/dryer outlet wired on the wall surface from the electrical panel box without using conduit or standard connections; and electrical outlets on walls of rooms not grounded. The following pictures are examples of the electrical deficiencies.

The unit located at 727 West Harbor had a ceiling light fixture in the master bedroom closet that was loose and hanging from its wires.



The electrical outlet cover plates were missing from the walls for the unit located at 321 North Evergreen.



Doors, Windows, and Screens

We identified 90 exterior door, window, and screen deficiencies in 35 of the Authority's 39 low-rent units inspected. The deficiencies included items such as: bottom flange on windows snapped off; screens on front entrance storm doors torn; torn screens on windows; window screens missing from windows; front steel entrance door frames were rusted, were not square and plumb, and doors were sagging—creating large gaps between the door and frame; and front and back entrance screen doors were torn and missing latches. The following pictures are examples of deficiencies with exterior doors, windows, and screens.

The front entrance storm door screen was torn and missing its latch for the unit located at 307 North Evergreen.



The unit located at 1843 Meadowview had windows with serious mold problems.



Deficiencies Noted during Inspections and not Repaired, and Failure to Include All Deficiencies on Work Orders

During the fiscal year 2004 annual inspections that were conducted in April 2004, the Authority's maintenance staff identified 30 deficiencies; however, they were not repaired and were subsequently identified during our inspections. Examples of these deficiencies included: missing and/or torn screens to windows and doors; handrails missing and/or having loose brackets; and electrical outlets on the

bathroom medicine cabinets that were not protected by means of a ground fault circuit interrupter.

Although the Authority would note the deficiencies on its inspection worksheet, the information did not consistently get included on a work order. For example, the Authority would document on the inspection form the deficiency of not having ground fault circuit interrupters on the medicine cabinets, but would not ensure that the information was included on a work order for repairs. Another example was not generating work orders for excessive moisture in units—causing holes and/or mold on walls, ceilings, and window panes.

Not Prepared to Make Adequate Repairs

The Authority's maintenance staff was not prepared to make the required repairs in the units for such items as electrical, caulking, ranges, and drywall. Thirty-five of the 39 units required some form of electrical repairs that the Authority's maintenance staff were not equipped to make. Examples of poor workmanship included having paint over electrical plugs which made it difficult for the outlets to be tested; electrical outlets with reversed polarity that may damage electrical equipment—caused by the outlets being improperly installed; and medicine cabinet outlets not having ground fault circuit interrupter protection.

In 23 of the units, floor tiles in many parts of the units (kitchen, living room, bathroom, and bedrooms) were missing, broken, loose, and/or improperly installed, leaving large gaps between them making it very difficult to keep the floors clean. In 17 of the units, either the oven or several burners on the stoves would not ignite—causing a health and safety deficiency.

In 16 of the units, the caulking around the tub was moldy and unevenly installed over old moldy caulking. There were 10 units where the maintenance staff performed sloppy and uneven drywall repair patches that required correction.

Inadequate Quality Control Reviews

Prior to December 2004, the Authority had not performed any type of quality control reviews of its unit inspections. The Authority's maintenance plan, which includes a section on the procedures for performing quality control reviews, was revised on May 19, 2004, and made effective July 1, 2004. However, the quality control reviews were not implemented until December 2004.

The Authority's technical services manager and its maintenance foreman were responsible for performing the quality control reviews. During the December 2004 quality control reviews, the Authority reported it performed 24 quality review inspections and cited 2 units requiring corrections due to failed

inspections. However, there was no followup by the Authority on the reviews to ensure the adequacy of the corrections.

The Authority's executive director said the quality control reviews were implemented months after the revision to the maintenance plan because of the phase-out of the position of the maintenance supervisor, the hiring of a new technical services manager, the time needed to get acclimated to the position, union negotiations, and certifications of the Management Assessment Sub-System and the Section Eight Management Assessment Program. The memorandum of agreement—which the Authority is currently operating under—addresses the quality control reviews as a work-in-progress because certain parts of the Authority had to be reorganized prior to fully implementing quality control reviews.

**Not In Full Compliance with
Uniform Federal Accessibility
Standards**

Although the Authority converted five percent of its units to be accessible to persons with disabilities, many of the converted items did not comply with the uniform federal accessibility standards. One of the Authority's handicapped units was included in our statistical sample of units to be inspected. The unit was not in compliance because of the following deficiencies:

- Due to the obstruction of the kitchen base cabinets, the maximum side reach height of the cupboards was not within 46 inches above the floor.
- The kitchen had an open space under the sink for wheelchair access, but did not have a 30-inch countertop work surface with an open space underneath.
- The kitchen exhaust hood light and fan control switches were 65 inches above the floor on the hood. Remote switches should be located within 46 inches above the floor.
- The grab bars at the bathtub complied with uniform federal accessibility standards; however, the shower controls were left in the center of the tub instead of being offset close to the bathtub edge. The grab bar behind the toilet bowl was 30 inches long and the uniform federal accessibility standards require a 36-inch long grab bar behind the toilet bowl.
- The heat-regulating thermostat was at a height of 60 inches instead of 54 inches as required.

Conclusion

The Authority did not effectively use \$118,666 of HUD operating subsidy for fiscal years 2004 and 2005 to ensure the 39 inspected housing units were in good repair, order, and condition. With full implementation of our recommendation regarding improved procedures and controls, this should help ensure that \$254,735 in HUD operating subsidy in fiscal year 2006 is efficiently and effectively used by the Authority for its 85 low-rent family housing units.

Recommendations

We recommend that HUD's director of Public Housing Hub, Chicago Regional Office, assure that the Authority

- 1A. Reduce its performance funding operating subsidy for fiscal year 2006 by \$118,666 for the 39 units that were not good repair, order, and condition.
- 1B. Perform the necessary repairs to correct all deficiencies identified in the 39 low-rent housing family units inspected.
- 1C. Conduct complete maintenance inspections on all other low-rent housing family units not inspected during the audit to identify deficiencies and perform the necessary repairs to correct the deficiencies.
- 1D. Implement adequate procedures and controls to ensure that annual inspections of its low-rent housing units are conducted and identified deficiencies corrected as required by HUD and the Authority's requirements. These procedures and controls should help the Authority properly use \$254,735 in HUD performance funding operating subsidy in fiscal year 2006.
- 1E. Inspect of all of its handicapped units and makes repairs to ensure the units comply with the uniform federal accessibility standards.

Finding 2: The Authority Improperly Used HUD Funds to Pay Fines for Units Not Meeting the City Of Kankakee's Ordinance on Rental Licensing

The Authority improperly used HUD funds to pay fines by the City for failing to ensure its low-rent housing units met the City's ordinance governing the licensing of units occupied by persons other than the owners. Of the Authority's 85 low-rent housing family units, 33 lacked a valid rental license issued by the City. The Authority used \$10,475 in low-rent housing operating subsidy to pay fines imposed by the City. However, the Authority's cooperation agreement contained a provision that may have exempted the Authority from paying these fines. As a result, HUD funds were not used efficiently and effectively, and the Authority may be entitled to have these fines reimbursed by the City.

Fines Imposed by the City

The Authority was charged fines by the City for failing to ensure its low-rent housing units met the City's ordinance governing the licensing of units occupied by persons other than the owners. The City's ordinance number 2002-33, adopted in June 2002, established minimum standards governing the licensing of housing units occupied by persons other than owners. Paragraph PM112.1 of the ordinance states that no person, corporation, or other entity shall rent, lease, or allow a person other than the legal owner to occupy any dwelling unit within the City unless it has issued a current unrevoked operating license in the name of the legal owner of record for the specific dwelling unit.

Further, paragraph PM112.2 of the ordinance states an initial operating license will be issued upon the inspection of the premises, and a determination by the City that the premises comply with the applicable property maintenance code, and fire/life safety codes as amended. Upon the issuance of an initial license, every operating license will be issued for a period of two years from its date of issuance, unless revoked sooner. The City had requirements prior to its 2002 ordinance regarding the licensing of rental units.

The Authority had 33 of 85 low-rent housing family units that were fined for not having a valid rental license issued by the City (see Appendix C of this report). Prior to 1999, the City did not require the Authority to have a valid rental license for its low-rent housing units because the Authority's position was it was exempt from the jurisdiction of the City's ordinance. Starting in 1999, the City started requiring the Authority to obtain rental licenses for its low-rent housing units when landlords of other rental properties began to complain and felt the Authority should be held to the same licensing standards they were.

Prior to March 2005, the Authority paid \$4,100 in fines and had a balance of \$18,525 due to the City. On March 25, 2005, the City accepted payment of \$6,375 in full satisfaction and settlement of the Authority's outstanding debt. The executive director said HUD low-rent operating subsidy funds were used to pay the fines;

however, he said he was not aware that prior authorization from HUD was needed before making such payment.

Cooperation Agreement

Even though the Authority failed to ensure its low-rent housing family units met the City's ordinance governing the licensing of units occupied by persons other than the owners, its existing cooperation agreement with the City contained language that may have exempted it from paying the fines.

According to the cooperation agreement, signed July 7, 1969, in so far as the City may lawfully do so, the City may grant such deviations from the building code of the City as are reasonable and necessary to promote economy and efficiency in the development and administration of such project, and at the same time safeguard health and safety. This language may preclude the Authority from having to pay fines relating to its low-rent housing units—given that the payment could impact the economy and efficiency of its operations.

Additionally, according to Office of Management and Budget Circular A-87, section 16—fines, penalties, damages, and other settlements resulting from violations (or alleged violations) of, or failure of the government unit to comply with federal, State, local, or Indian tribal laws and regulations are unallowable except when incurred as a result of compliance with specific provisions of the federal award or written instructions by the awarding agency authorizing in advance such payments.

As a result, the Authority should seek to obtain reimbursement of \$10,475 in fines paid to the City. If the Authority is unable to obtain reimbursement, then the Authority should reduce its performance funding operating subsidy for fiscal year 2006 for the improperly used HUD funds.

Recommendation

We recommend that HUD's director of Public Housing Hub, Chicago Regional Office, assure that the Authority

- 2A. Invoke its cooperation agreement to have the fines of \$10,475 returned to the Authority's low-rent housing program. If the Authority is unable to get the City to reimburse for the fines paid, then the Authority should reduce its performance funding operating subsidy for fiscal year 2006 by \$10,475 for the 33 units that lacked a valid rental license.
- 2B. Implement procedures and controls to ensure its low-rent housing units have valid rental licenses and the use of HUD funds to pay fines meets Office of Management and Budget Circular A-87.

SCOPE AND METHODOLOGY

We conducted the audit at HUD's Chicago Regional Office and the Authority's office. We performed our on-site audit work from July 2004 through January 2005.

To accomplish our audit objectives, we interviewed the Authority's staff, the City code official, and tenants of the low-rent housing family units.

We analyzed the Authority's tenant files, board meeting minutes, organizational chart, and the annual contributions contract for its low-rent housing program. We also reviewed HUD's files for the Authority, its memorandum of agreement with the Authority, Office of Management and Budget Circular A-87, the City's ordinance number 2002-33, and 24 CFR [*Code of Federal Regulations*] parts 5, 901, and 902.

We used computer assisted auditing techniques to analyze the Authority's low-rent housing unit information obtained from its automated accounting system.

As a basis for selecting the sample, we used the total population of 85 occupied low-rent housing family units as of July 31, 2004, to determine the sample size of units to review. We set the confidence level at 90 percent, the precision at 10 percent, and the expected error rate at 50 percent. The sampling software determined that our sample size should be 39 units.

The sample method chosen was simple random sampling for attributes. Simple random sampling is the basic sampling technique in which each item is chosen entirely by chance, and each item of the population has an equal chance of being included in the sample.

This audit was the final phase of our comprehensive audit of the Authority. The audit was conducted in response to a citizen's complaint to our office.

The audit covered the period July 1, 2002, through June 30, 2004. This period was adjusted as necessary. We conducted the audit in accordance with generally accepted government auditing standards.

INTERNAL CONTROLS

Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved:

- Effectiveness and efficiency of operations,
- Reliability of financial reporting,
- Compliance with applicable laws and regulations, and
- Safeguarding resources.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

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

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

We assessed the relevant controls identified above.

A significant weakness exists if internal controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

Significant Weaknesses

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

- Program operations

The Authority did not operate its low-rent housing units in accordance with federal and City requirements regarding its program operations (see findings 1 and 2).

- Validity and reliability of data

The Authority failed to ensure that valid and reliable data were used to complete its unit inspections (see finding 1).

- Compliance with laws and regulations

The Authority failed to comply with Office of Management and Budget Circular A-87 regarding the use of HUD funds to pay fines (see finding 2).

- Safeguarding resources

The Authority failed to ensure that its HUD funding was used in the most efficient and effective manner (see findings 1 and 2).

APPENDICES

Appendix A

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

Recommendation number	Ineligible 1/	Funds To Be Put to Better Use 2/
1A	\$118,666	
1D		<u>\$254,735</u>
2A	<u>10,475</u>	
Totals	<u>\$129,141</u>	<u>\$254,735</u>

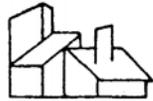
- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or federal, state, or local policies or regulations.
- 2/ “Funds to be put to better use” are quantifiable savings that are anticipated to occur if an OIG recommendation is implemented, resulting in reduced expenditures at a later time for the activities in question. This includes costs not incurred, deobligation of funds, withdrawal of interest, reductions in outlays, avoidance of unnecessary expenditures, loans and guarantees not made, and other savings.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments



Kankakee County _____
_____ *Housing Authority*

P.O. Box 965 • Kankakee, Illinois 60901-1289 • (815) 939-7125 • FAX (815) 939-7335

July 22, 2005

Mr. Tom Towers
Assistant Regional Inspector General for Audit
U.S. Department of Housing & Urban Development
HUD – Office of Inspector General
477 Michigan Ave, Room 1780
Detroit, MI 48226-2592

Subject: KCHA Response to Draft Audit Report 2005-CH-101X
Letter dated July 18, 2005

Dear Mr. Towers:

This letter is in response to the draft audit report issued by the HUD Office of Inspector General on the Kankakee County Housing Authority's (KCHA) Low-Rent Housing Unit Conditions.

The KCHA is not in agreement with the findings noted in the IG report for the following reasons:

Comment 1

1. The audit report makes no mention that the units were inspected using improper inspection methods. The KCHA units were inspected using the Housing Quality Standards (HQS) inspection criteria, whereas it is our understanding that HUD implemented the Uniform Physical Conditions Standard (UPCS) for its Public Housing units approximately five years ago. Based on an email from you, the IG converted their HQS inspections to UPCS, but from information this Agency has received, this conversion process is not likely to bring forth the same results.

Comment 2

2. The report cites that medicine cabinet GFI's were in violation and had not been addressed. The KCHA provided documentation from City Code to one of your agents stating that this is not a violation and need not to be addressed except under major renovation or repair situations. Although the previous KCHA inspections noted these on the forms, it did not mean that the KCHA needed to address them at that time.

Comment 3

3. Due to the inspection method used by the IG, site violations appear to have been considered in the unit inspection.

Ref to OIG Evaluation

Auditee Comments

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Comment 4

4. The KCHA believes that there were some assumptions and resulting comments made by the IG as it relates to the maintenance staff not prepared to make the required repairs. The instances cited were generalized. The KCHA maintenance staff personnel are qualified to make minimum repairs depending on the severity and qualifications needed.

Comment 5

5. In regards to quality control, the IG is assuming and commenting that follow up was not performed to ensure the adequacy of the corrections.

Comment 6

6. In regards to the Cooperation Agreement, although the KCHA has an understanding with the City since February 2005, that all fines will be avoided where possible, the section cited by the IG states "in so far as the Municipality may lawfully do so, (i) grant such deviations from the building code of the Municipality..." that the Municipality "may" is the key issue here. To the KCHA knowledge, this section was never amended to eliminate these fines prior to our understanding and the agreement as it stands does not specifically state the KCHA is exempt from certain fines, etc. The KCHA also will take exception to the repayment of these funds, from the City or to HUD. One of your inspectors approached the E.D. and stated that it was her understanding "that the only funding the Authority receives comes from HUD... So is it safe to say that HUD funds were used to pay the fines to the City of Kankakee?" The E.D. replied that she was correct. This is a classification issue and the comment was made based on the fact that the moneys came out of the general fund, which is generated from HUD subsidies as well as rental income, etc. This money for the repayment could be from either source.

Comment 7

Referring to some of your inspectors EHS findings, i.e., "tripping hazards". This was where cable for television was run from one room to the next. The Maintenance Staff addressed these and disconnected the cable. In follow up inspection for the 24-hour violation, the cable was back. Again taken out. But an agency cannot inspect units every day, so these things will happen until the next inspection in the unit. The same holds true for smoke detectors – the battery may be missing and replaced, and checked, but at any time the tenant can remove these and it would not be found until another inspection takes place. In the real world, a unit will pass inspection one day and fail the next.

Comment 8

The inspector cited the Housing Authority for storm doors. The KCHA does replace these damaged doors when identified. It has also placed in its five-year plan to replace all of the storm doors (as well as other items such as cabinetry) for the family sites, when and if money comes available. In the last year the KCHA has replaced over thirty stoves and refrigerators each. Thousands were spent on replacement parts for cabinets. So the moneys available were being used, but the Housing Authority could only afford so many.

Comment 9

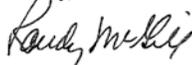
Mr. Tom Towers
July 22, 2005
Page 3 of 3

The reports states that in conclusion, the KCHA did not effectively use \$118,666 in operating subsidies for 2004 and 2005 and money for the \$10,475 in fines to the City. Your audit, although it covered the period of July 1, 2002 through June 30, 2004, was performed during the period of July 2004 through January 2005. This Administration had been here for the most 4 months prior to this. KCHA staff provided an extensive amount of time to the onsite inspectors during this period, naturally taking away from the job at hand. This period was a rebuilding period for the Agency – completing its team and developing and implementing the changes needed to turn the agency around. Roofs were being put on the units, site conditions were being improved, shed doors were purchased and installed for the family site units, old dirty carpeting was replaced in each of the high-rises (a real serious health hazard), units were being brought back online as well as filling a great amount of vacancies caused by the previous administration, issues on operational matters were being addressed, relationships with local government agencies were being rebuilt, and the list goes on, and for the most part, a new Board was being seated.

The work the KCHA is facing has to be prioritized and done in logical sequence. It also has to be done in conjunction with available funds. A comment from one of your agents stated that the IG was not interested in the positive, only as much of the negative that you could find. There appears to be no consideration that the Agency is in a “rebuilding” phase and that a great deal of positive work in moving toward the overall objectives had been made. Furthermore, by the end of August 2005 the KCHA should have rental licenses for all its units.

As the Administration continues to bring the Housing Authority back into full compliance, the KCHA wishes to express its concern that any suggestion of a reduction of moneys will severely cripple the Agency especially at a time that Congress and HUD are continuing to cut funding to an already under funded program. This will only hurt the people the Agency serves.

Sincerely,



Randy McGill
Executive Director
Kankakee County Housing Authority

cc: KCHA Board of Commissioners
Mr. Linford Coleman
Ms. Patricia Knight
Mr. Elmore Richardson
Mr. Steven Porath

OIG Evaluation of Auditee Comments

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| Comment 1 | The unit inspections performed by OIG's appraiser were performed using proper inspection methods. The inspections were conducted in accordance with 24 CFR [<i>Code of Federal Regulations</i>] subpart B, part 902.20(c). Part 902.20(c) state that HUD-conducted physical inspections required by this part (the requirement to follow uniform physical condition standards) do not relieve the public housing authority of the responsibility to inspect public housing units as provided in section 6(f)(3) of the Housing Act of 1937 (42 U. S. C. 1437d(f)(3)). This section of the Housing Act states that housing agencies must maintain public housing projects in accordance with standards that meet or exceed housing quality standards. In addition, part 902.20(d) states that public housing authorities must continue to adhere to state and local building and maintenance codes. We converted our housing quality standard inspection results to the City's local code to determine whether the cited repairs were still required for these units. Our reported results reflect the number of repairs needed. |
| Comment 2 | Documentation provided by the City's Code Enforcement Department states the presence of ground fault circuit interrupters shall only be required during new construction; <u>when a change in occupancy exists</u> ; or when a condition exists that would pose imminent danger. Of the 39 units inspected, 20 units were occupied by tenants who moved in since January 2002. Consequently, ground fault circuit interrupters were required in those units. |
| Comment 3 | We did consider site violations in the unit inspections to determine what repairs, if any, were needed with the condition of the foundation, stairs, rails, porches, roofs and gutters. |
| Comment 4 | Based on observations of the units and repairs made by the maintenance staff, there were instances of poor workmanship. Examples included paint over electrical plugs; floor tiles improperly installed leaving large gaps; and uneven caulking around tubs that was installed over moldy caulking. HUD's Recovery and Prevention Corps previously identified areas needing improvement in a memorandum of agreement with the Authority as of January 2004. Areas requiring improvement included enhancing the maintenance staff's capabilities; assessing maintenance employee skills and determining employee training needs; obtaining and conducting training to enhance employee skills; and investigating the feasibility of providing competency-based training with continuing education credits. |

OIG Evaluation of Auditee Comments

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| Comment 5 | The Authority was unable to provide documentation to support that it performed quality control reviews of its unit inspections prior to December 2004. |
| Comment 6 | According to Office of Management and Budget Circular A-87, section 16— fines, penalties, damages, and other settlements resulting from violations (or alleged violations) are not allowable expenses if paid with federal funds. Therefore, the Authority would normally be required to reimburse its public housing program with non-federal funds for the payment of any fines. However, we recommended that the Authority first attempt to seek relief from the City based on language contained in its cooperation agreement. If this is not a viable alternative, the Authority needs to reduce its fiscal year 2006 operating subsidy. |
| Comment 7 | We understand that in some instances tenants may be responsible for some of the deficiencies noted in our inspection reports. Based upon comments received from the Authority and HUD, we adjusted the number of deficiencies cited to exclude tripping hazards and missing smoke detectors. However, we still provided 24-hour notices to HUD and the Authority for any appropriate actions needed. |
| Comment 8 | We recognize and commend the Authority for the continued improvements it is making to enhance the housing units, but it is also our responsibility to report on all deficiencies found during our inspections. |
| Comment 9 | We are aware of the changes taking place at the Authority and with the constraints on available funding. By ensuring the Authority has rental licenses for all of its units is a step in the right direction, and shows the commitment the Authority has for its tenants. Our objective was to ensure the Authority is providing housing that is in good repair, order and condition. Additionally, our role is to provide balanced reporting by answering our audit objectives either positively or negatively—depending on the audit results. |

Appendix C

UNITS CHARGED FOR LACKING A VALID RENTAL LICENSE FROM THE CITY OF KANKAKEE

<i>BUILDING</i>	<i>ADDRESS</i>	<i>CITY</i>	<i>COMMENT</i>
Wildwood Complex (Scattered Sites)	1495 East Pine	Kankakee	Applied for on 9/9/04
Wildwood Complex (Scattered Sites)	2052 Patrick	Kankakee	Applied for on 8/11/04
Wildwood Complex (Scattered Sites)	543 South Gordon	Kankakee	Applied for on 9/9/04
Wildwood Complex (Scattered Sites)	637 South Gordon	Kankakee	Applied for on 9/9/04
Wildwood Complex (Scattered Sites)	703 (802) West Harbor	Kankakee	Applied for on 5/7/04
Wildwood Complex (Scattered Sites)	705 (804) West Harbor	Kankakee	Applied for on 5/7/04
Wildwood Complex (Scattered Sites)	709 (808) West Harbor	Kankakee	Applied for on 5/7/04
Wildwood Complex (Scattered Sites)	711 (810) West Harbor	Kankakee	Applied for on 5/7/04
Wildwood Complex (Scattered Sites)	713 (812) West Harbor	Kankakee	Applied for on 5/7/04
Wildwood Complex (Scattered Sites)	715 (814) West Harbor	Kankakee	Applied for on 5/7/04
Wildwood Complex (Scattered Sites)	717 (816) West Harbor	Kankakee	Applied for on 5/7/04
Wildwood Complex (Scattered Sites)	719 (818) West Harbor	Kankakee	Applied for on 5/7/04
Wildwood Complex (Scattered Sites)	721 (820) West Harbor	Kankakee	Applied for on 5/7/04
Wildwood Complex (Scattered Sites)	723 (822) West Harbor	Kankakee	Applied for on 5/7/04
Wildwood Complex (Scattered Sites)	725 (824) West Harbor	Kankakee	Applied for on 5/7/04
Wildwood Complex (Scattered Sites)	727 (826) West Harbor	Kankakee	Applied for on 5/7/04
Wildwood Complex (Scattered Sites)	729 (828) West Harbor	Kankakee	Applied for on 5/7/04
Wildwood Complex (Scattered Sites)	731 (830) West Harbor	Kankakee	Applied for on 5/7/04
Wildwood Complex (Scattered Sites)	733 (832) West Harbor	Kankakee	Applied for on 5/7/04
Wildwood Complex (Scattered Sites)	735 (834) West Harbor	Kankakee	Applied for on 5/7/04
Wildwood Complex (Scattered Sites)	737 (836) West Harbor	Kankakee	Applied for on 5/7/04
Wildwood Complex (Scattered Sites)	739 (838) West Harbor	Kankakee	Applied for on 5/7/04
Wildwood Complex (Scattered Sites)	741 (840) West Harbor	Kankakee	Applied for on 5/7/04
Wildwood Complex (Scattered Sites)	851 (850) West Harbor	Kankakee	Applied for on 5/7/04
Wildwood Complex (Scattered Sites)	853 (852) West Harbor	Kankakee	Applied for on 5/7/04
Wildwood Complex (Scattered Sites)	855 (854) West Harbor	Kankakee	Applied for on 5/7/04
Wildwood Complex (Scattered Sites)	857 (856) West Harbor	Kankakee	Applied for on 5/7/04
Wildwood Complex (Scattered Sites)	859 (858) West Harbor	Kankakee	Applied for on 5/7/04
Wildwood Complex (Scattered Sites)	861 (860) West Harbor	Kankakee	Applied for on 5/7/04
Wildwood Complex (Scattered Sites)	863 (862) West Harbor	Kankakee	Applied for on 5/7/04
Wildwood Complex (Scattered Sites)	865 (864) West Harbor	Kankakee	Applied for on 5/7/04
Locust Complex (Scattered Sites)	1044 North Chicago	Kankakee	Applied for on 8/12/04
Locust Complex (Scattered Sites)	1046 North Chicago	Kankakee	Applied for on 8/12/04