



*U.S. Department of Housing and Urban Development  
Office of Inspector General for Audit, Midwest  
77 West Jackson Boulevard, Room 2646  
Chicago, Illinois 60604-3507*

*Phone (312) 353-7832 Fax (312) 353-8866*

## Audit Related Memorandum 98-CH-201-1804

December 11, 1997

TO: Joann Adams, Director, Office of Public Housing, Michigan State Office

FROM: Dale L. Chouteau, District Inspector General for Audit, Midwest

SUBJECT: Followup on OIG Review  
Assessment of Progress Made on Agreements With HUD  
Detroit Housing Commission  
Detroit, Michigan

We completed a followup to the OIG April 30, 1996 review on the Detroit Housing Commission entitled Assessment of Progress Made on Agreements with HUD. The objective of our review was to determine whether the Commission had taken appropriate actions to correct the problems identified in the previous report. Since the OIG is doing a nationwide review of the implementation of HOPE VI grant funds and the Detroit Housing Commission is included as part of the review, we did not review HOPE VI funds as part of this review.

To a great extent, the Commission took actions to address the problems found in the previous report. The actions the Commission took required the development of new procedures and methods of doing business as well as multilevel coordination between internal and external sources. As with any endeavor of this size, some actions were delayed or overlooked and need emphasis.

Within 60 days, please provide us, for each recommendation made in this report, 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. Also please furnish us copies of any correspondence or directives issued because of the audit.

Should your staff have any questions, please have them contact me at (312) 353-7832.

---

# Executive Summary

We completed a followup to the OIG April 30, 1996 review on the Detroit Housing Commission entitled Assessment of Progress Made on Agreements with HUD. The objective of our review was to determine whether the Commission had taken appropriate actions to correct the problems identified in the previous report. Since the OIG is doing a Nationwide review of the implementation of HOPE IV grant funds and the Detroit Housing Commission is included as part of the review, we did not review HOPE IV funds as part of this review.

To a large extent, the Commission has taken actions to address the problems found in our previous report. However, as with any endeavor of this size, some actions have been delayed or overlooked and need increased emphasis.

---

Extensive Progress Has  
Been Made But Some  
Improvements Are Still  
Needed

The Commission has made progress in all of the 16 problem areas identified in our April 30, 1996 report. The Commission was operating under a Memorandum of Agreement with HUD because it was on HUD's troubled housing list. On March 10, 1997, HUD removed the Commission from the troubled housing list; therefore, the Memorandum of Agreement was no longer applicable. At that time 22 of 118 goals in the Memorandum of Agreement had not yet been completed. To ensure the uncompleted goals are followed through on, the Commission and HUD's Michigan State Office were negotiating an Operational Improvement Plan that should include all uncompleted goals.

We determined that the Commission took actions since our initial review that should significantly improve the Commission's operations. However, for this to happen the actions need to be fully implemented. Of the 16 areas we reviewed, 3 are particularly significant, since they more directly affect the living conditions of tenants. These are:

Vacancy Reduction/Unit Turnaround - The Commission significantly improved its vacancy rate and implemented new procedures that reduced turnaround times at its stable developments. The improved rate resulted mainly from demolition of uninhabitable units and the removal of units scheduled for modernization work from the vacancy roles. The improved vacancy rate should be sustainable if the Commission strictly follows its tenant admission and evictions procedures, promptly fills its units upon

completion of modernization work, and extends its new unit turnover procedures to the distressed developments after modernization work is complete.

Maintenance - The Commission implemented a site based maintenance concept that is an improvement over the previous centralized system. A preventive maintenance team was established and it completed all necessary unit inspections. The Commission also established a system to ensure timely completion of work orders. However, Maintenance Supervisors did not document quality reviews of any inspections or completed work orders. The Commission developed new job descriptions for all Commission employees including maintenance personnel, and a system to evaluate the performance of its staff; however, no performance evaluations had been done.

Security - The Commission implemented its security plan. The immediate impact of the plan appears to be successful based on the Commission's evaluation of arrest trends. However, the Commission needs to develop a method and criteria to measure the long term effectiveness of each element in the plan. The Commission also needs to expand its search for additional funding beyond the more obvious Federal sources.

Each Chapter in this report provides an update to the corresponding Chapter in our April 30, 1996 report.

## Recommendations

We recommend that the Director of the Public Housing Division ensures the Commission takes necessary actions to correct the problems cited in this report. The recommendations in the previous report were not controlled in HUD's Audits Management System because this followup review was scheduled. The recommendations in this report will be controlled in the Audits Management System.

We presented the draft chapters and recommendations included in this report to the Executive Director of the Detroit Housing Commission. We held an exit conference with the Director of the Commission on November 6, 1997. The Commission provided written responses for each chapter. The comments are included in their entirety with each chapter.

---

# Table of Contents

---

---

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

---

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

---

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

---

## Chapters

Chapter 1 - Progress Under Agreements With HUD	5
--	---

Chapter 2 - Vacancy Reduction\Unit Turnaround	13
---	----

Chapter 3 - Maintenance	19
-------------------------	----

Chapter 4 - Modernization Programs	27
------------------------------------	----

Chapter 5 - Inspections	31
-------------------------	----

Chapter 6 - Admissions and Continued Occupancy Policy	35
--	----

Chapter 7 - Tenant Evictions	39
------------------------------	----

Chapter 8 - Contract Award Procedures	41
---------------------------------------	----

Chapter 9 - Efficiency and Adequacy of Purchasing Procedures	47
---	----

Chapter 10 - Accounting Systems and Controls	49
--	----

Chapter 11 - Untimely Payments to Vendors	55
---	----

Chapter 12 -Tenants' Accounts Receivable	59
Chapter 13 - Inventory of Fixed Assets and Supplies and Materials	65
Chapter 14 - Personnel Practices	69
Chapter 15 - Management Information System	73
Chapter 16 - Security	77

---

## Appendices

A Distribution	83
----------------	----

---

# Introduction

Former HUD Secretary Cisneros and the Mayor of Detroit signed a Partnership Agreement on December 15, 1995 to guide the Commission toward meeting HUD's goal of providing decent, safe and sanitary housing. One part of the Agreement was to create a Housing function independent of the City. On May 22, 1996, the Detroit Housing Department was changed from a City Department to the Detroit Housing Commission. This change gave the Housing function a greater amount of independence in the key areas of personnel, procurement, finance and human resources. All housing functions and staff were transferred to the Commission. However, the City Council still needs to amend the City ordinance to create a completely independent Housing Authority and transfer all assets.

The Commission planned to submit the necessary draft amendments to the City Council by the end of November 1997.

The Commission is governed by a five member Board of Commissioners. The Mayor of Detroit appoints the Commission members for two-year terms. Carl Green is the Commission's Executive Director. He is responsible for the Commission's day to day operations.

The Detroit Housing Commission currently owns and operates 6,535 public housing units. The Commission also operates Section 8 certificate, voucher, moderate rehabilitation and new construction programs totaling 2,534 units.

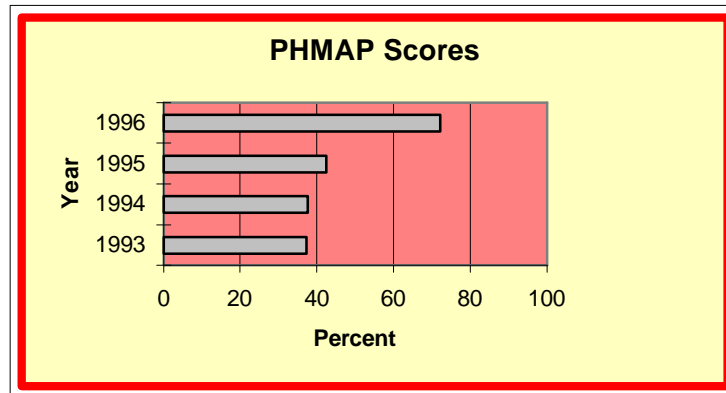
The Commission received \$54.41 million in HUD operating subsidies and \$52.29 million in Comprehensive Grant funds over the last two years. HUD also approved the Commission for the following additional funding:

<b>Source of Funding</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
HOPE VI (Urban Revitalization)	\$40,307,264	\$48,020,227	\$34,200,000
Major Reconstruction of Obsolete Projects	19,578,300		
Vacancy Reduction Program	16,618,750		
<b>Total Additional Funding</b>	<b>\$76,504,314</b>	<b>\$48,020,227</b>	<b>\$34,200,000</b>

HUD classified the Commission as operationally and financially troubled in 1979. The Commission remained troubled until 1997. To address the long standing problems, HUD and the Detroit Housing Commission (Department) signed a Memorandum of Agreement on July 1, 1995 and the Secretary of HUD and the Mayor of Detroit entered into a Partnership Agreement on December 15, 1995. The Partnership Agreement outlined critical areas that needed immediate attention. In April 1996, HUD and the Commission issued a revised Memorandum of Agreement which included all the critical areas outlined in the Partnership Agreement.

The Commission made progress in all areas of the Memorandum of Agreement and on March 10, 1997, was removed from the troubled housing list. HUD confirmed that the Commission achieved a

score of 72.18 on the Public Housing Management Assessment Program. A public housing agency is designated as troubled if it achieves a score of less than 60 percent. The following table shows the Commission's total Public Housing Management Assessment Program scores from 1993 to 1996:



---

Review Objective

The objective of this review was to determine whether the Commission had taken appropriate actions to correct the problems identified in the OIG report dated April 30, 1996.

Scope and Methodology

Our review assessed the actions taken by the Commission between April, 1 1996 through June 30, 1997. We extended the period as necessary. We did the on-site work from June to September 1997. We interviewed HUD personnel working with the Commission and the Commission's own personnel to evaluate the corrective actions taken or planned to address the issues and recommendations contained in the April 30, 1996 report. To assess the progress and the adequacy of actions, we reviewed the following:

- HUD monitoring reviews and other correspondence
- Public Housing Management Assessment Program records
- 1996 Memorandum of Agreement
- Policies and procedures for accounting, procurement, unit inspections, admissions and continued occupancy, rent collections, contracting, change orders, purchasing and work orders
- Marketability studies for the developments
- Employee training records and schedules, and training expenditures

- Vacancy reduction plan and unit rehabilitation status
- Vendor payment status reports, and accounts receivable reports
- Unit inspection files
- Management information system modules
- Security plan

We provided a copy of this review to the Mayor of the City of Detroit and the Executive Director of the Detroit Housing Commission.



## Progress Under Agreements With HUD

To address the long standing problems at the Detroit Housing Commission, HUD and the Commission signed a Memorandum of Agreement that listed areas for improvement. In addition, HUD and the City of Detroit entered into a Partnership Agreement. The Agreement outlined critical areas that needed immediate attention for the Commission to establish an effective housing program. HUD and the Commission issued a revised Memorandum of Agreement in April 1996 that included the action items from the Partnership Agreement. The Commission initiated actions to address the areas listed in the Agreements. Therefore, our April 30, 1996 report recommended that the Commission follow through on its actions. We also recommended that if the Commission and the City did not follow through on the agreements, HUD should seek a receiver for the Commission.

---

### Observations

Memorandum of Agreement. On March 10, 1997, the Commission was removed from the troubled housing list. HUD confirmed that the Commission had achieved a score of 72.18 under the Public Housing Management Assessment Program. A public housing agency is designated as troubled if it achieves a score of less than 60 percent. Because the Commission is no longer troubled, the Memorandum of Agreement is no longer applicable.

The Commission made progress in all areas included in the Memorandum of Agreement; however, the Commission had not completed 22 of the 118 goals in the Agreement. The uncompleted goals related to: vacancy reduction; collection of rents; operation of independent financial management systems; implementation of the Memory Lane Computer System; construction work at Parkside Homes; and complete separation from the City. To ensure the uncompleted goals are followed through on, HUD's Michigan State Office and the Commission were negotiating an Operational Improvement Plan that will include all the uncompleted goals in the Agreement.

Partnership Agreement. The April 1996 Memorandum of Agreement included all the actions outlined in the Partnership Agreement between the Secretary and the Mayor of Detroit. Progress on these actions is included in the applicable chapters of this review with the exception of the following:

- Separation from the City government. On May 22, 1996, the Detroit Housing Department became the Detroit

Housing Commission. All housing functions and staff were transferred to the Commission. As a result, the Commission gained independence in key areas of personnel, procurement, and finance. For example, the Commission obtained the authority to handle all significant personnel functions. The Commission's Administrator of Support Services now advertises for vacant positions, devises test questions, conducts interviews, makes hiring decisions, takes disciplinary actions and assigns duties. The Administrator developed job descriptions, performance standards and an employee training program.

On July 31, 1996, the State of Michigan enacted Public Act 18 which allows local governments to either retain public housing as an internal function or make it independent. Under this Act, the City Council needs to amend a City ordinance to make the Commission completely independent. The Commission hired a legal firm to prepare the draft amendments to make the Commission independent, but the amendments had not been presented to the City Council. The Director said the process was delayed because the legal firm took excessive time to develop the amendments. The Commission's Legal Counsel received the draft amendments from the legal firm on June 11, 1997 and was reviewing the documents for sufficiency and accuracy. The Legal Counsel plans to present the draft amendments to the City Council in November 1997.

- Renovation and modernization of Jeffries Homes. As of July 31, 1997, the Commission demolished 989 of the planned 1,438 units. Additionally, the Commission completed modernization of 42 units and initiated work on the remainder of the 448 units planned to be modernized. The Commission has the funding to demolish the remaining 449 units and to modernize the 448 units; therefore, the Commission's planned summer of 1998 target date for completion of the work is realistic. The Commission secured \$49.8 million through HOPE VI to construct 370 new units and plans to start the construction of the new units in the spring of 1998. The Commission's planned completion date for this action in the summer 2000 also appears reasonable.

- Renovation and modernization of Parkside Homes. The Commission planned to demolish 658 of 1,066 units at Parkside. As of June 30, 1997, the Commission had demolished 616 units and had the funds to demolish the remaining 42 units. According to the Commission's proposed plan, it will rehabilitate 408 units and construct 162 new units. The total cost of \$89 million is proposed to come from a mixed financing package as follows: \$47.6 million in HOPE VI funds, \$5.2 million in Comprehensive Grant funds, \$21 million from tax credits, \$5.8 million in HUD development funds and \$9.5 million in mortgages and downpayments.

The construction phase has been delayed pending HUD's approval of the financing package. The Commission sent all documents to the Office of the Deputy Assistant Secretary for Public Housing Investments in HUD Headquarters on March 8, 1997, sent modified documents on July 15, 1997, and evidential material on August 18, 1997. The Capital Needs Unlimited Consultant who is assisting with the processing of the package expects approval by the end of November 1997. We contacted the Rehabilitation Specialist in Headquarters and she said the package was complete and the end of November was a good estimate for approval. Because of the funding process, the Commission is behind on its target to complete all units by 1999. The Commission plans to establish a new target upon approval of the funds.

- Revitalization of Herman Gardens Homes. The approved plan for Herman Gardens calls for a total of 672 units. The Commission has demolished 836 units of Herman Gardens' 1,573 units and plans to demolish another 463 units. The Commission will renovate 274 townhomes, and construct 222 new townhomes and 176 single family units. The Commission has \$43,778,300 in Urban Revitalization (HOPE VI) and Major Reconstruction of Obsolete Projects funds to cover demolition, renovation, and site preparation and construction of 496 units. The plan calls for the single family units to be funded by the Michigan State Housing Development Authority in a unique program where the units will be for low-income rental for 15 years and thereafter can be sold to the residents. The

Commission's Deputy Director estimated that it will take between 12 and 18 months to obtain the funding from the State.

On March 31, 1997, the Commission requested its architect to develop the renovation designs and solicit Requests for Proposals to provide project management, legal services and technical assistance. However, the Commission has not initiated contacts with the State to obtain funds to construct the 176 single family units. The Commission was waiting to complete demolition efforts before approaching the State with funding proposals. As a result, the Commission has no assurance that the funding will be received or that it can meet its planned 2001 target date for the complete revitalization of Herman Gardens. We believe the delay in contacting the State is unwarranted and that the Commission needs to immediately initiate contact with the State and develop alternative options in case State funding is not obtained.

- Alternative management options. The previous review reported that the Commission selected Parkside and the scattered sites as the two pilot sites for alternative management options. With HUD approval, the Commission changed the sites to Parkside and the Brewster development. The Brewster development has been managed by Management Systems Inc. for over two years. For Parkside, the Commission awarded the management contract to another private management company who will begin managing the development as soon as the financing package for the revitalization of Parkside is approved by HUD.

The alternative management option at Brewster was working well. The uncollected rent at Brewster was only 1.86 percent as of June 30, 1997 compared to the 13 percent average for all of the Commission's developments. Also the vacancy rate at Brewster was only eight/tenths of one percent. Brewster had only two vacant units out of 250. If the private management option continues to be effective at Brewster and is effective at Parkside, the Commission needs to consider using this management option at other developments.

---

## Management Comments

While the Detroit Housing Commission (DHC) acknowledges the work completed by the OIG, and agrees with the analysis in spirit, the Detroit Housing Commission wishes to note its disagreement with a number of the conclusions reached. In addition, the Detroit Housing Commission wishes to note its concern that citing the same issue more than once increases the quantity of Recommendations and is a misleading indication of the issues needing attention.

Also, the Detroit Housing Commission has been working closely with the local HUD office on its Operational Improvement Plan (OIP). Many of the recommendations cited throughout this audit are being addressed within the time frames established in the Operational Improvement Plan. It appears that while conducting this audit, the OIG did not review and consider the issues addressed in the Operational Improvement Plan as an adequate indication of the Detroit Housing Commission's progress.

Recommendation 1A. While the Detroit Housing Commission agrees with the OIG analysis of the facts, the Housing Commission disagrees with the conclusions implied by the finding. The Detroit Housing Commission will include any uncompleted tasks from the April, 1996 Memorandum of Agreement in the Operational Improvement Plan (OIP) currently being developed in cooperation with HUD. The Detroit Housing Commission wishes to note that some of the items in the initial Memorandum of Agreement were intended to be ongoing. In addition, many planned items required HUD approval, which was delayed due to national changes in leadership. The Detroit Housing Commission and HUD are now working cooperatively with the new administration to complete tasks in the revised Operational Improvement Plan.

Recommendation 1B. The Detroit Housing Commission concurs. The Detroit Housing Commission's Executive Director plans to submit draft amendments to conform the powers granted by City ordinance with the provisions of State law to make the Detroit Housing Commission independent.

Recommendation 1C. While the Detroit Housing Commission agrees with the spirit of this recommendation, the Detroit

Housing Commission strongly disagrees with the apparently uninformed conclusion reached by the OIG and respectfully requests removal of this finding. The Executive Director has held regular meetings with the State in this regard and will continue to do so. While no funding is guaranteed, the State has been forthcoming in their efforts to assist the Detroit Housing Commission to be as competitive as possible, including instructing the Detroit Housing Commission not to submit an application for tax credits for more than one development at a time.

Recommendation 1D. The Detroit Housing Commission disagrees with this finding. In the City of Detroit, there is a strong commitment to public service employees. The Detroit Housing Commission has invested in this staff by providing the most highly regarded private industry training in property management. The Detroit Housing Commission believes that public employees can perform their jobs as well as those in private industry, and will continue to provide training and other support to help them achieve the high standards of management the Detroit Housing Commission expects.

Recommendation 1E. While this recommendation is directed to the Michigan State Office of HUD, the Detroit Housing Commission agrees to collaborate, but wishes to note that discussions regarding HOPE VI projects do not reside solely with the local HUD office, but rather with the Office of the Assistant Secretary for Public Housing. The Detroit Housing Commission will collaborate with the appropriate HUD office to expedite all HOPE VI matters requiring HUD approval.

---

## OIG Evaluation of Management Comments

We acknowledge the Commission's concern that the implementation of a recommendation in Chapter 2 would result in a similar corrective action. Accordingly we removed the recommendation. In accomplishing our review we did not evaluate the Operational Improvement Plan since the document was under development and not finalized.

We acknowledge that the Commission did not have control over all of the uncompleted goals in the Memorandum of Agreement. Our conclusion was only that goals were uncompleted and needed to be controlled in the Operational Improvement Plan that the Commission and HUD were in the

process of developing.

Our conclusion that negotiations need to be conducted with the State for funding 176 single family units at Herman Gardens was based on interviews with the Commission's Deputy Director that indicated no action had been taken. Further, the Commission did not have any documentation to support that meetings were held or that the State had instructed them to only submit applications for tax credits for one development at a time. The Commission still needs to develop alternative options in case State funding is not obtained.

We do not disagree that public employees can perform their jobs as effectively as private employees; however, this does not appear to have been the case in the past in regard to the Commission. That is why the Memorandum of Agreement had a goal to evaluate alternative forms of management. We acknowledge the Commission can choose its own form of management as long as it is not on HUD's troubled housing list.

---

## Recommendations

We recommend that the Director of Public Housing, Michigan State Office ensures that the Detroit Housing Commission:

- 1A. Includes all the uncompleted goals from the April 1996 Memorandum of Agreement in the Operational Improvement Plan.
- 1B. Submits to the City Council the draft amendments to authorize the Commission's complete separation from the City.
- 1C. Aggressively negotiates with the State to obtain funding for 176 single family homes at Herman Gardens and develops alternative options in case State funding is not obtained.
- 1D. Compares the effectiveness of the Commission managed developments to privately managed developments and pursues the management method that is most effective.

We also recommend that the Director of Public Housing, Michigan State Office:

- 1E. Collaborates with the Commission to ensure the funding package to renovate and modernize Parkside Homes is followed through on and any required changes are immediately addressed.



## Vacancy Reduction/Unit Turnaround

The OIG review dated April 30, 1996 reported that in order to reduce the excessive vacancy rates at its high needs and distressed developments, the Housing Commission planned to rehabilitate units and demolish obsolete units. The Commission also planned to improve its unit turnaround program. As a result, we recommended that the Commission (1) implement a job order contracting system by December 31, 1996 to help speed unit turnover, and hire a vacancy reduction consultant by May 31, 1996 to coordinate vacancy reduction efforts; (2) continue to make progress in implementing all Memorandum of Agreement strategies and Partnership requirements relative to vacancy reduction and unit turnaround; and (3) implement the new unit turnaround procedures at stable sites, evaluate them, adjust them as necessary, and then implement them Commission wide by December 31, 1996.

### Observations

The Detroit Housing Commission awarded three Job Order Contracts to improve unit turnover. Additionally, the Commission assigned a Vacancy Reduction Coordinator to monitor vacancy reduction efforts and hired a consultant on retainer to assist the Vacancy Reduction Coordinator as needed. The Commission was behind on rehabilitating units, but was developing an Operational Improvement Plan with HUD to ensure past agreements are completed. The Commission implemented new unit turnaround procedures at its stable developments and the turnaround time at those sites was reduced. However, procedures have not been implemented Commission wide.

The Detroit Housing Commission significantly improved its vacancy rate. This occurred because the Commission implemented Memorandum of Agreement Strategies that included a HUD approved demolition and modernization plan covering 2,422 units. The Commission's vacancy rate decreased to approximately 6 percent. Under the Public Housing Management Assessment Program, units under the HUD approved plan are not part of the vacancy calculation. The following chart shows the Commission's vacancy rates under the Public Housing Management Assessment Program for 1993 through 1996 and the rate for 1997 per our computation.

Year (June)	Available Units	Vacant Units	Percentage of Units Vacant
1993	9007	3465	38
1994	9007	3693	41
1995	9007	4337	48
1996	8707	4376	50
1997	4071	262	6

We believe the Commission's current vacancy rate will be sustained if the Commission strictly follows its tenant admission and evictions procedures, promptly fills its units upon completion of modernization work, and extends the unit turnover procedures it uses at its stable sites to each development after modernization is complete.

The Commission Implemented A Job Order Contracting System And Hired A Vacancy Reduction Consultant

The Commission awarded three Job Order Contracts on July 21, 1996. The contracts are fixed price and contain 60,000 detailed repair and construction tasks and specifications with established unit prices. The contractors help prepare vacant units for occupancy. The Commission used a combination of its preventive maintenance teams, site based maintenance staff, and the job order contractors to prepare units for occupancy. As a result, the Commission reduced the average turnaround time at its stable developments. For the year ended June 30, 1997, the turnaround time at stable developments was 39 days compared to 51 days as of June 30, 1996.

The Commission's overall unit turnaround time including severely distressed and high needs developments was 589 days. A Commission gets a failing grade under the Public Housing Management Assessment Program if the time exceeds 50 days. However a commission's overall Public Management Assessment Program score will not include unit turnover in the calculation as long as its overall vacancy rate is at an acceptable rate. Currently, the unit turnover rate of the Commission is not included since the Commission's vacancy rate is only 6 percent. As an alternative to our recommendation to obtain a consultant to coordinate vacancy reduction efforts, the Commission appointed a Vacancy Reduction Coordinator in June 1996. Additionally, the Commission obtained a Consultant on retainer to help the Coordinator if necessary. We found the

The Commission Was  
Developing An  
Improvement Plan

Coordinator tracked the status of all units under the vacancy reduction program and all units under the unit turnaround program. The Coordinator held weekly meetings with the Asset Managers to obtain the status of each unit and to ensure occupancy efforts were coordinated.

The Commission and HUD extended the original Memorandum of Agreement completion date of December 1996 to December 1997 to agree with the projections of the Commission's architect. However, after the extension, the Commission discovered design flaws at 9 of its 12 development sites. At those sites, the original design plans did not meet City code requirements and the contractor had to redo them. On August 6, 1997, the Commission issued the contractor a Notice of Intent to Default so that it can recover damages related to the design deficiencies.

As of June 30, 1997, the Housing Commission had rehabilitated 371 of the 1,311 units under the Vacancy Reduction Plan. Of the remaining 940 units, 409 were about half completed and the remaining 531 were less than 30 percent complete. Because of the design flaws, the Commission was not on schedule to meet its revised target for rehabilitating the 1,311 units. The Commission needs to reassess its progress and take immediate steps to expeditiously complete the rehabilitations.

Since the Commission was no longer on the troubled housing list, the Memorandum of Agreement is no longer valid. However, to ensure the Commission continues to improve, HUD and the Commission were negotiating an Operational Improvement Plan for all the uncompleted strategies and goals in the Agreement. In the vacancy reduction area, the Memorandum contained 50 items. The Commission completed 32 of them. Eighteen items were not completed. Fourteen of the items were to rehabilitate units at various developments, two were for security related items, and two were for the removal of handicap barriers. These vacancy reduction goals need to be included in the Operational Improvement Plan.

As reported in our previous review, one of the major elements included in the Partnership Agreement between the Secretary and the Mayor was to address the vacancy problems at Jeffries

Homes, Parkside Homes, and Herman Gardens. To successfully address the vacancy problems, the Commission needed to develop funding sources. The Commission coordinated its vacancy reduction efforts with its modernization program and as a result has \$158.7 million available for work at Jeffries Homes, Parkside Homes and Herman Gardens as follows:

<i>Sources of Funds</i>	<i>Amount</i>
<i>Comprehensive Grant Program (unobligated)</i>	\$ 21,784,879
<i>Home Ownership Opportunities for Everyone (HOPE)</i>	109,583,501
<i>Major Reconstruction of Obsolete Projects (MROP)</i>	21,989,535
<i>Parkside Development Funds</i>	5,381,200
<b>Total</b>	<b>\$158,739,115</b>

In addition, the Commission plans to use \$27.7 million in low-income housing tax credits available under the Tax Reform Act of 1986. As a result, the Commission has obtained all the funding it believes is necessary to complete work at the three developments.

New Turnaround Procedures Were Implemented

The Commission developed written policies and procedures for its unit turnaround program in August 1996, trained its managers in December 1996, and implemented the procedures at the end of December 1996. The procedures use a combination of on-site maintenance personnel, preventive maintenance teams, and job order contracts. As previously mentioned, the new procedures have resulted in a 12 day reduction in unit turnover time at the Commission's stable sites. Since the Commission has not completed modernization work at any of its distressed sites, the new turnaround procedures were not used outside of the stable developments. These procedures need to be applied at all the distressed sites upon completion of modernization work.

---

## Management Comments

Recommendation 2A. The Detroit Housing Commission disagrees with the conclusion. The Detroit Housing Commission continually assesses the progress of its modernization program. Design flaws have precipitated the

need for change orders and movement has been deliberate and cautious because of the Detroit Housing Commission's commitment to completing quality work, within budget constraints and without design deficiencies. These delays are necessary to insure compliance with City code and efficient and effective design. The Detroit Housing Commission staff will continue to work aggressively to minimize delays to the extent possible.

Recommendation 2B. The Detroit Housing Commission disagrees with the recommendation because it misstates the facts. The recommendation confuses the vacancy reduction Memorandum of Agreement items with the vacancy reduction grant implementation schedule. The vacancy reduction grant, due to be completed by December 31, 1997, is being monitored closely by the Detroit Housing Commission staff. Staff is working aggressively to complete the grant in a timely manner, and any revisions needed will be expeditiously forwarded to HUD for their review.

Recommendation 2C. The Detroit Housing Commission concurs with the spirit of the recommendation; however, the Detroit Housing Commission's interpretation of the facts differs. The unit turnaround procedure being implemented for units coming back from Modernization is the same as that implemented for other Detroit Housing Commission units. The Detroit Housing Commission is also modifying its unit turnaround procedure to account for the units in the high needs or distressed sites because they are generally older housing stock and have been vacant for longer periods of time.

---

## OIG Evaluation of Management Comments

The Commission disagrees with our conclusion that it needs to reassess its progress in rehabilitating units, but says it will continue to work aggressively to minimize delays to the extent possible. If it does so it will accomplish the intent of our recommendation.

Our review found that items in the vacancy reduction plan based on the vacancy reduction grant were not completed. One of the Memorandum of Agreement goals was to implement the tasks included in the vacancy reduction plan. Since Recommendation 1A requires the inclusion of this goal in the Operational Improvement Plan, we deleted the

recommendation related to the goal in this Chapter.

The Commission indicates that its new turnaround procedures are used at all stable developments which should include the newly modernized developments. Further, the Commission says it is modifying its unit turnaround procedure to account for units in the high needs or distressed sites. As a result, the Commission has taken and planned actions that will resolve the unit turnover problems presented in this Chapter.

---

## Recommendations

We recommend that the Director of Public Housing, Michigan State Office ensures that the Detroit Housing Commission:

- 2A. Reassesses its progress in rehabilitating 1,311 units and takes necessary steps to expedite the process.
- 2B. Uses the new unit turnover procedures at newly modernized developments.

## Maintenance

The OIG review dated April 30, 1996 determined that the Detroit Housing Commission had initiated the process of improving its maintenance procedures to alleviate past problems of unsound maintenance practices. We recommended that HUD: (1) continue to watch the Commission's progress in implementing and following a preventative maintenance program. The program should include effective preventive maintenance work requirements, assessments of resources needed, priorities, and quality control inspections; (2) closely follow the Commission's progress in implementing its site based maintenance initiative by June 30, 1997; (3) assure that the Commission reassesses its staffing needs upon completion of its maintenance and modernization efforts; (4) assure that the Commission establishes procedures and controls to complete work orders in a timely manner and confirm the work was adequately accomplished; (5) require the Commission to establish procedures and controls to allow development managers to use blanket purchase orders to obtain routine materials; and (6) assure the Commission establishes standards and a system to evaluate the performance of its maintenance staff responsible for resolving work orders.

---

### Observations

As of June 30, 1997, the Housing Commission had fully implemented only one of the six recommendations. The Commission was taking actions to address four recommendations; however, the process was taking longer than originally expected. The remaining recommendation, to reassess staffing needs upon completion of maintenance and modernization work, has not been addressed since the planned modernization work was not completed. The Commission has: established a preventative maintenance team that completed all unit inspections, but did not document any quality control reviews; implemented its site based maintenance initiative; established a system to assure timely completion of work orders, but did not document any supervisory quality verifications; and authorized three of its five asset managers to use blanket purchase orders to obtain routine materials. The Commission developed new job descriptions with specific duties that can be evaluated. The Commission also developed a system to evaluate the performance of its maintenance staff, but as of June 30, 1997, had not evaluated any staff.

### A Preventive Maintenance Program Was Implemented

The Detroit Housing Commission continued to effectively implement its preventive maintenance program. The Commission completed the preventive maintenance inspections of all units and major systems. The Housing Commission's maintenance staff used control checklists to track the completion of each inspection and the completed inspection

forms were retained in the Maintenance office. The Commission assessed needed resources and assigned four inspectors, 14 repair persons and 16 painters to conduct preventive maintenance and Housing Quality Standards inspections.

Based on a review of fifteen randomly selected units, we determined that the inspections were adequately completed on all units; however, for seven units, all work orders were not written as noted in Chapter 5 of this report. We also did not find evidence that quality control reviews of the inspections had been accomplished. The Assistant Superintendent said quality control reviews were done but not documented.

A Site Based  
Maintenance Initiative  
Has Been Implemented

The Commission implemented its site based maintenance initiative. The Commission assigned maintenance staff to its development sites. The staff reported to the on-site Development Managers. The Managers were responsible for supervising the on-site maintenance staff and assuring work was properly completed.

We interviewed six Development Managers and all six confirmed the site based maintenance initiative was superior to the central maintenance concept used in the past. They said the assignment of maintenance personnel to their developments provided them the flexibility to more effectively use maintenance personnel to satisfy changing priority and workload demands. Our review of maintenance reports showed the Development Managers were receiving the open work order reports needed to assign maintenance personnel under the site based initiative.

A Staff Reassessment Has  
Not Been Completed

The Housing Commission did not reassess its staffing levels, because planned modernization work was on-going. Since the modernization effort at the Commission is very extensive and depends on future funding, a realistic estimate of when all work will be completed is not feasible at this time.

Although the recommendation in our April 30, 1996 report was to reassess staffing needs upon completion of maintenance and modernization work, we believe the recommendation should be implemented incrementally. The Commission can reassess its staffing needs at each project as modernization work is completed at that project. An incremental



implementation would allow the Commission to ensure its maintenance staff at each modernized development is sufficient to adequately maintain the development at the time modernization work is completed.

#### Controls Were Established Over Work Order Completion

The Commission established procedures to assure timely completion of work orders; however, Maintenance Supervisors did not document any reviews to assure quality work. In addition, as reported in Chapter 5 of this report, preventive maintenance work orders were not always immediately written when inspections were done; therefore, there is no assurance preventive maintenance work orders were timely completed. To correct this problem, we recommended procedures be developed to ensure work orders are immediately written for discrepancies found during preventive maintenance inspections.

The Commission implemented a computerized work order system that provides open work order reports for each project as well as closed work order reports and labor reports. Daily, the Development Managers and Maintenance Supervisors printed out the open work order reports and the computer generated work orders. The Managers submitted the completed work orders to the Management Information System Division for closing. The Commission, however, did not maintain evidence to show quality reviews were conducted and the work accomplished was adequate.

We selected 26 closed work orders at three projects to determine whether the work was satisfactorily completed. We found the work was done and except for one instance the quality of the work was adequate. The one instance involved not painting a wall after a hole was patched. The Managers told us that they periodically call a small sample of tenants to verify satisfaction with maintenance work but such reviews were not documented and could not be verified. We do not believe calling tenants as a quality check is sufficient. Since tenants do not necessarily have maintenance expertise, some representative sample of work orders needs to be physically reviewed by Maintenance Supervisors to ensure repairs are proper and standards are met.

#### Blanket Purchase Orders Were Being Phased In

The Housing Commission authorized three of its five Asset Managers to purchase routine materials directly from suppliers using blanket purchase orders it executed with various local

suppliers. The first Asset Manager who was approved to make purchases said the use of the blanket purchase orders saves time, since materials are quickly obtained and work completed rather than reassigning workers to other jobs until materials become available.

The Executive Director said the use of blanket purchase orders has been implemented in phases to ensure there are adequate controls and problems do not arise. The Director said he plans to approve the other two Asset Managers to make purchases when he is sure the system has adequate controls and is working as expected. However, the Commission did not have written procedures covering the use of blanket purchase orders. We reviewed the unwritten procedures with the Asset Managers who were authorized to make purchases. We found the procedures were not adequate. For example, the purchase request provided to the Purchasing Department did not contain the signature of the on-site manager who should be the originator of the request.

To ensure effective use of blanket purchase orders, the Commission needs to develop written procedures that include checks and controls designed to substantiate the validity of purchases.

An Evaluation System Has  
Been Developed But Not  
Implemented

The Commission developed job descriptions for all maintenance positions. The descriptions included the specific duties on which employees can be evaluated. We randomly selected and reviewed 13 of 33 job positions that were maintenance related. All 13 job descriptions contained adequate criteria that can be used to evaluate an employee's performance.

The Commission developed instructions and the forms to use to evaluate its employees. The Commission also developed performance evaluation training for its supervisors. As of June 26, 1997, three in house training sessions had been given to 27 maintenance supervisory personnel. However, the Commission had not started using its evaluation system. The Support Services Administrator said the delay in developing the new job descriptions and in training all supervisors slowed the implementation of the evaluation process. The Administrator expects all persons will be on an annual review cycle by the end of December 1997.

---

---

## Management Comments

Recommendation 3A. The Detroit Housing Commission already has procedures in place to document quality reviews of preventive and routine maintenance. It should be noted that the Management Information Systems Division MIS did perform a quality review sample survey by telephone to 200 residents who had work orders completed in March, 1997. In sites where the Detroit Housing Commission has modernization programs underway, problem areas were noted, and the Detroit Housing Commission wrote up work orders for any items not already covered under existing modernization contracts. Because of the Commission's commitment to quality, the Detroit Housing Commission is in the process of hiring a General Manager for its Quality Control Division, which will further enhance its efforts in this area. The Detroit Housing Commission has developed a quality review procedure for all work orders. This includes work orders generated by the annual Preventive Maintenance/Housing Quality Standards Inspections and resident generated maintenance work orders. It includes sample surveying of residents (by mail and/or telephone) and physical reviews of a representative sample of all residences receiving maintenance/repair services for specified time periods.

Recommendation 3B. The Detroit Housing Commission wishes to note that on a regular basis, the Executive Director and the General Manager of Administrative Services assess and evaluate the status of each site's work load requirements and make changes in maintenance personnel.

Recommendation 3C. See response to Recommendation 3A above. The Detroit Housing Commission is concerned that the OIG is duplicating its recommendations.

Recommendation 3D and 3E. The Detroit Housing Commission agrees with the spirit of the recommendation, but not the conclusion. The procedures in question are in place, and the Detroit Housing Commission has instituted measures to insure that site staff is complying with the procedures.

Recommendation 3F. There is an important clarification to be made regarding implementation of the Performance Evaluation

System for maintenance employees. The OIG's observations included the statement: "The (Support Services) Administrator expects all persons will be on an annual review cycle by the end of December, 1997." The Support Services Administrator indicates that this commitment applies specifically to those skilled and semi-skilled trades persons and journeymen covered by the City of Detroit union contract with the Building Trades Council. While this covers the vast majority of maintenance employees (approximately 90 percent), there are job classifications not covered by this agreement and under the jurisdiction of other unions (e.g. Laborers, AFSCME). These employees will not be included in the Performance Evaluation System until discussions have been completed with their unions. Therefore, the Detroit Housing Commission will have included all its maintenance employees covered by the union contract with the Building Trades Council in an annual performance evaluation review cycle by December 31, 1997. Other maintenance employees will be included in the performance evaluation review cycle by March, 1998 upon successful completion of discussions with their respective unions.

---

### OIG Evaluation of Management Comments

The actions the Commission has taken and planned should correct the problems in this chapter.

Our review found there was no documentation to show quality reviews were conducted. We commend the Commission's effort to have its Management Information Systems Division do a quality review telephone survey of completed work orders. Although residents can provide valuable feedback on whether an action is completed and the work appears neat, most tenants do not have the expertise to know if the work meets proper maintenance and quality standards. The Commission needs to do physical quality reviews of work orders by qualified maintenance personnel.

At the time of our review, modernization work had not been completed at any of the Commission's developments. Therefore we recommended that a reassessment be made of the number of maintenance staff needed for each development when work is completed.

Recommendation 3A addresses quality reviews of preventive

maintenance inspections and work, while Recommendation 3C addresses quality reviews of other work orders; therefore, there is no duplication.

The Commission said it has procedures in place for blanket purchase orders and has instituted measures to insure the site staff is complying with the procedures. At the time of our review, the Commission did not have written procedures for the use of blanket purchase orders. Additionally, the unwritten procedures that were in use did not have adequate controls.

We misunderstood the Support Services Administrator's response given during the review on when an evaluation cycle would be implemented for all maintenance employees. We do not believe the additional three months time required to complete the task for the last 10 percent of maintenance employees is significant. Accordingly, we revised our recommendation to allow for the additional time required to complete the task.

---

## Recommendations

We recommend that the Director of Public Housing, Michigan State Office ensures the Detroit Housing Commission:

- 3A. Establishes procedures to document physical quality reviews of preventive maintenance work by qualified maintenance personnel, and starts using the procedures to document reviews on a representative sample of all preventive work accomplished.
- 3B. Incrementally assesses the adequacy of its maintenance staff at each development as modernization work at the development is completed.
- 3C. Establishes procedures to document physical quality reviews of repairs accomplished as a result of maintenance work orders by qualified maintenance personnel, and starts using the procedures to document the review of a representative sample of all work orders completed.
- 3D. Develops written procedures and controls for the use of blanket purchase orders.

- 3E. Authorizes the remaining two Asset Managers to use the blanket purchase orders.
  
- 3F. Has included all its maintenance employees covered by the union contract with the Building Trades Council in an annual performance evaluation review cycle by December 31, 1997 and the rest of its maintenance employees by March 31,1998.

## Modernization Programs

The OIG review dated April 30, 1996 reported that the Commission proceeded with some modernization work without the benefit of marketability studies. The Commission also did not: require contractors to comply with handicap requirements; follow its payment procedures; and obligate its Comprehensive Grant Funds in an expeditious manner. As a result, we recommended that the Commission: (1) use completed market studies for planning before starting new contractual work on which such studies may have an impact; (2) comply with all aspects of Title 24 of the Code of Federal Regulations, Section 8.22, at Smith Homes, Charles Terrace, and all other developments that qualify; (3) establish procedures and controls to comply with the payment procedures in contracts; and (4) take appropriate corrective measures if the Commission begins to lag in the expeditious obligation of Comprehensive Grant Funds.

---

### Observations

The Housing Commission received marketability studies for its developments and used them before starting new modernization work. We determined the Commission complied with the Code of Federal Regulations Title 24, Section 8.22, handicap requirements, but did not always follow the payment procedures in its contracts. The Commission expeditiously obligated its Comprehensive Grant Funds.

### The Commission Used Marketability Studies

Between March and July 1996, the Housing Commission received ten marketability studies covering all its developments. Since April 1996, the Commission contracted for modernization work for two developments and reviewed the marketability studies for these developments before the contracts were awarded. The studies analyzed certain characteristics such as the type and cost of current housing in the area, housing characteristics in demand, image perceptions of various types of housing alternatives, attributes necessary to attract residents, importance of unit features, development characteristics and security provisions. In general, all studies indicated that there was demand for the Commission's units if certain characteristics were met. To take advantage of the marketability studies, the Commission also issued change orders to the three contracts that our previous review found had been awarded without the benefit of a study. For all three, the market studies said the developments needed to be air conditioned to be competitive with other developments. As a result, the Commission issued change orders to the contracts to include central air conditioning. Although the Commission was responsive to the market studies, it should have used

The Commission Complied With Handicap Requirements

competitive procedures in procuring the additional work (see Chapter 8).

Handicap requirements in the Code of Federal Regulations require public housing to be designed and constructed so it is readily assessable to and usable by individuals with handicaps. This requirement applies when modernization work is undertaken at a facility that has 15 or more units and the cost of the alterations is 75 percent or more of the replacement cost of the facility. Five percent of the total dwelling units must be accessible for persons with mobility impairments.

The Housing Commission complied with the five percent handicap accessibility requirements for its Modernization contracts. Fifteen percent (35 out of 227) of the units at Charles Terrace and 16 percent (10 out of 156) of the units at Smith Homes were designed and contracted to be handicap accessible units. Five percent (11 out of 200) of the units at Harriet Tubman and five percent (21 out of 409) at Sheridan I and II were contracted to be handicap accessible.

Contract Payment Procedures Were Not Always Followed

The Detroit Housing Commission did not always follow the payment procedures in its contracts. We reviewed the two modernization contracts that were substantially complete at the time of our review, and found the Commission did not follow proper payment procedures for one of them. The Contracts, for Diggs Homes Vacancy Preparation and Sheridan I and II Interior Modernization, required a 5 percent retainer unless contract problems were noted.

For the Sheridan Interior Modernization contract, the Commission approved a payment of \$68,249 on June 13, 1997. This left a retainer of only two percent. The Improvement Specialist who approved the payment said she was instructed to approve it by the General Manager. The General Manager was unable to provide an explanation for the deviation from the contract payment requirements. Although the contract has satisfactorily proceeded to date, the Commission will lack adequate leverage to assure a satisfactory resolution if problems should develop.



The Commission  
Expediently Obligated Its  
Comprehensive Grant  
Funds

The OIG review of April 1996 determined that the Commission had made improvements in the obligation of Comprehensive Grant funds. The Commission has continued to make improvements. As of June 30, 1997, the Commission had obligated 85 percent (120 million/142 million) of Comprehensive Grant funds available. This compares to 60 percent at the time of our previous review. The Commission had spent all funds over three years old and obligated all funds over two years old. Under the Public Housing Management Assessment Program a housing commission earns a grade of A if it does not have unexpended funds over three fiscal years old and a grade of A if it does not have unobligated funds over two fiscal years old.

Management Comments

Recommendation 4A. The Detroit Housing Commission agrees with the spirit of the recommendation, but disagrees with the conclusion. The Detroit Housing Commission has established a Contracts Administration Unit, headed by a Program Administrator, that is responsible for reviewing and processing invoice payment approvals on all contracts. Staffing and staff training of that unit have been strengthened.

In addition, the Detroit Housing Commission believes that the recommendation as written mistakenly implies that the Detroit Housing Commission violates payment procedures, and respectfully recommends to the OIG that the language be clarified. In addition, the Detroit Housing Commission wishes to note that the cases on which the OIG based its recommendation had extenuating circumstances: there was no deviation in policy, but rather resulted from a misunderstanding between the General Manager and the Housing Improvement Specialist, who was a new employee. The Detroit Housing Commission has established procedures and controls to ensure compliance with payment procedures in contracts through the establishment of a Contract Administration Unit.

OIG Evaluation of  
Management Comments

The action the Commission has taken to establish a Contracts Administration Unit should, if effectively used, assure compliance with contract payment procedures. Our recommendation was not intended to imply that the Commission intentionally violated payment procedures; however our review found some deviations from contract

requirements occurred.

---

## Recommendations

We recommend that the Director of Public Housing, Michigan State Office assures the Detroit Housing Commission:

- 4A. Establishes controls to ensure compliance with the payment procedures in its contracts.

## Inspections

The OIG review dated April 30, 1996 determined the Commission did not have sound inspection procedures and did not do sufficient Housing Quality Standards/Preventive Maintenance Inspections to preserve and effectively use its viable housing units. As a result, we recommended that HUD assure the Commission developed: (1) procedures for personnel to understand and follow inspection requirements; and (2) procedures and controls to complete inspections on all its viable units by January 8, 1997 and bring the units up to HUD's Housing Quality and the Commission's preventive maintenance standards.

### Observations

As of June 30, 1997, the Housing Commission developed and communicated inspection procedures to necessary personnel and completed all inspections recommended in the April 1996 OIG review. The Commission, however, had not written work orders for all needed work or completed repairs for all units.

### Unit Inspections Were Complete But All Needed Repairs Were Not

The Detroit Housing Commission did not meet its Memorandum of Agreement target date to complete all inspections and bring units up to HUD's Housing Quality and the Commission's preventive maintenance standards by January 8, 1997. The Commission completed the inspections as of June 30, 1997, but had not corrected all of the deficiencies noted during the inspections.

The Housing Commission's Assistant Superintendent of Maintenance prepared an inspection schedule that started July 1, 1996. The Commission used its Housing Quality Standards/Preventive Maintenance staff to do the inspections and make repairs that were not normal maintenance items. For normal maintenance items, work orders were generated for the applicable project's maintenance staff to complete. The Commission's Housing Quality Standards/Preventive Maintenance staff consisted of 4 inspectors, 14 repair persons, and 16 painters. The Commission fell behind in meeting its schedule when some of the Housing Quality Standards/Preventive Maintenance crew were diverted to help with vacancy reduction work.

As of June 30, 1997 the Commission reported that all inspections were complete and its units had been repaired so that they all met HUD's Housing Quality Standards and the Commission's preventive maintenance standards.

We randomly selected and reviewed files for five units to verify that the new inspection procedures were followed, proper signatures were obtained, inspections were documented, and work orders were written to address the deficiencies identified.

We randomly selected and visited 10 units at four developments to verify inspections were performed and repairs were satisfactorily completed. We found that all inspections were completed. However, for seven units, all work items such as broken floor tiles and painting of walls after repairs were not completed. None of the uncompleted work items we identified were violations of HUD's Housing Quality Standards; however, they did violate the Commission's preventive maintenance standards.

The Commission had not generated work orders for the work items we found incomplete. The Assistant Superintendent said after the inspections are performed, the maintenance staff makes appointments with the tenants to start the repair work and at that time writes the work orders. This is done so that work orders do not remain outstanding for long periods while arrangements are being made to gain access to the units to do the work. The Superintendent also said work orders were not written for non-Housing Quality Standards violations on units that were scheduled to be modernized. For those units where the preventive maintenance inspections noted violations existed and work orders were not written, the tenant files did not contain an explanation of why work orders were not written.

Immediately writing work orders to address violations found during inspections helps assure discrepancies are not overlooked and materials are on hand when work can be done. Additionally, the number of uncompleted work orders provides the Commission with valuable information needed to properly plan maintenance workload and ensure preventive maintenance is accomplished.

The Commission  
Developed and  
Communicated Inspection  
Procedures

The Housing Commission developed inspection procedures and communicated them to its personnel. The Commission gave the procedures to its Housing Managers, and trained the Foremen, Asset Managers and Site Managers.

Based on interviews with the Commission's staff and our review of the randomly selected units and files, we determined the Commission's personnel were aware of the procedures and

---

generally followed them when they performed inspections and wrote work orders. Although some work was still not done, we believe the Commission's staff has taken effective actions to improve the condition of its units.

---

## Management Comments

Recommendation 5A. The Detroit Housing Commission agrees that the Preventive Maintenance/Housing Quality Standards inspection form should reflect pending modernization work, and will follow up with staff to ensure adequate documentation is kept in this regard. However, the Detroit Housing Commission has already instituted procedures in conjunction with Preventive Maintenance/Housing Quality Standards Inspections. Entry and exit interviews are now conducted with the Site Manager and Foreman. The Detroit Housing Commission's Public Housing Management Assessment Program Coordinator is responsible for conducting site audits and reviews 100 percent of the Preventive Maintenance Inspection files.

The Detroit Housing Commission has instituted procedures to ensure that work orders are written immediately upon completion of Inspections. Effective 9/29/97, a listing of work orders is being generated twice daily. Additionally, procedures are being developed for instances in which work orders are not immediately written for non-Housing Quality Standards deficiencies. In such cases, a notation will be made on the inspection form indicating the reason. A copy of the completed inspection form remains at the site and documentation of the reasons when work orders are not written will be entered into the individual unit files. In addition, the Detroit Housing Commission respectfully notes that this recommendation is somewhat repetitious (please see Chapter 3).

---

## OIG Evaluation of Management Comments

The actions the Commission plans and has taken should resolve the conditions reported in this chapter when the actions are fully implemented. The recommendation in Chapter 3 was made to address documentation of quality control reviews, whereas Recommendation 5A deals with writing of work orders for all deficiencies.

---

## Recommendations

We recommend that the Director of Public Housing, Michigan State Office ensures the Detroit Housing Commission:

- 5A. Develops procedures to assure work orders are written for all deficiencies noted during annual inspections and justifies in the unit files the reasons when work orders are not written.

## Admissions And Continued Occupancy Policy

The OIG review dated April 30, 1996 determined that the Commission's developments were subject to criminal elements, lease violations and abuse because new admissions and screening procedures were not implemented. The review also found refurbished units were not quickly occupied because of a lack of coordination between the Tenant Placement Office and modernization and preventive maintenance personnel. As a result, we recommended that the Detroit Housing Commission implement: (1) new admissions and continued occupancy policies and procedures developed in February 1996; and (2) a system of written communication between maintenance personnel making units ready for occupancy and the Tenant Placement Office. The review noted that the new policies incorporated intensive screening of potential applicants including police background checks and home visits and required the applicants to demonstrate the ability to pay rent and other charges.

### Observations

The Detroit Housing Commission took adequate steps to implement the OIG recommendations. The Commission initiated intensive screening of applicants. The screening includes police background history checks for all applicants and home visits for some applicants. The Commission developed a system of written communication between Modernization and Preventive Maintenance Personnel and the Tenant Placement Office to allow it to effectively pre-screen prospective tenants and prepare them for immediate occupancy when units become available.

### Police Background Checks Were Implemented

The Commission initiated police background checks in April 1997. As of May 26, 1997, the Commission completed background checks on 622 applicants: 319 were approved; 169 were disapproved; and the results for 133 were pending. The Commission trained all the personnel in its Resident Selection Office staff in the implementation of the new policies and procedures.

### Alternative Procedures For Home Visits Were Implemented

The Detroit Housing Commission did not do home visits on all applicants, as required by its policies and procedures. Instead, the Commission sent a landlord verification questionnaire to each applicant's last landlord, and only scheduled a home visit if the questionnaire was not returned or the information provided in it was unfavorable. The questionnaire contains detailed questions about the applicant's rent payment habits, upkeep and care of the property, and personal habits. The Supervisor of the Tenant Placement Office said the Commission did not have sufficient staff to do home visits on all applicants. In this time

of funding cutbacks and limited resources we believe the Commission's alternative procedures, if diligently followed, are adequate to effectively screen tenants' housekeeping habits. The Commission needs to document its alternative procedures to ensure they are consistently followed.

An Adequate System Of  
Communication Was In  
Place

The Detroit Housing Commission implemented an adequate system of written communication between maintenance personnel making units ready for occupancy and the Tenant Placement Office.

As of May 30, 1997, the Commission centralized the unit assignment and leasing process. A weekly vacancy tracking report was prepared by maintenance personnel and provided to the Supervisor of the Tenant Placement Office. The Tenant Placement Office used the report to assign applicants on its waiting list for immediate occupancy of units.

---

## Management Comments

Recommendation 6A. The Detroit Housing Commission concurs with the analysis performed by the OIG on this item. The Admissions and Continued Occupancy Policy, Section 1.G.2 (g), is currently being revised to reflect the existing alternative procedure on home visits to applicants as described. The Detroit Housing Commission sends a landlord verification questionnaire to each applicant's current and previous landlord. The Resident Selection Office conducts home visits with applicants who have no previous landlord information and with any applicant for which the Detroit Housing Commission receives an unfavorable landlord report. The Resident Selection Office conducts telephone follow-up with landlords that fail to respond to the questionnaire.

---

## OIG Evaluation of Management Comments

The actions the Commission is taking to update its Admissions and Continued Occupancy Policy with the alternative procedures on home visits should help ensure the alternative procedures are consistently followed.

---

## Recommendations

We recommend that the Director of Public Housing, Michigan State Office ensures the Detroit Housing Commission:



- 6A. Updates its policies and procedures to reflect the alternative procedures developed in lieu of performing a home visit for each applicant being offered housing.

## Tenant Evictions

The OIG review dated April 30, 1996 noted that the Commission experienced major delays in its eviction process due to District Court-imposed case filing limits and the inability of the Commission to get writs authorizing the eviction executed in a timely manner. In order to improve the process, the Commission developed new eviction procedures and received court approval to increase the number of case filings. As a result, we recommended that the Commission should establish procedures and controls to implement and enforce the new rent collection policy and maintain an active liaison with the District Court.

---

### Observations

The Detroit Housing Commission trained its staff on its eviction process which is part of the new rent collection policies and procedures. The Commission began to enforce the new procedures in May 1997 and established controls to ensure writs for eviction were executed timely. Because of the recent implementation, we could not evaluate what impact the eviction program has on delinquent rent collections; however, we were able to determine the new process represents a more coordinated and aggressive approach than past efforts. The Commission maintained an active liaison with the District Court.

### The New Eviction Policies And Procedures Were Enforced

On May 2, 1996, the Board of Commissioners approved the Commission's new rent collection policies and procedures which contain new eviction procedures. Because the Commission changed its system of tracking tenants to make its new system more effective, and the accuracy of all delinquent account balances needed to be verified before the Commission's General Counsel would take action, the new eviction procedures were not fully implemented until May 1997.

The Commission's General Counsel said the Commission experienced problems in the past, and the Court dismissed cases because tenant account balances were not accurate. The Commission's Senior Accountant began to verify delinquent account balances in July 1996 and completed the verification process in August 1997. The Commission trained its staff in February 1997 and started to enforce the new eviction procedures in May 1997.

The new eviction procedures require the Commission's Legal Division to provide a list of writs authorizing eviction to each

Development Manager. The Court Bailiff advises the on-site Manager of the date and time of eviction and the on-site Manager informs the resident of the eviction. On the day of the eviction, the Bailiff removes the resident's personal belongings and the on-site Manager secures the unit.

Prior to the implementation of the new eviction procedures, between January and April 1997, the Commission filed only eleven writs for eviction, an average of three per month. From May 2 to August 7, 1997, the Commission filed 80 writs for eviction, an average of 20 per month. Thirty-nine of the tenants were evicted, 14 moved out on their own, 6 paid their past due rents, 7 were canceled by the District Court pending appeals by tenants, and 14 were pending as of September 22, 1997.

The Commission  
Maintained Liaison With  
The District court

Our previous report noted that the Commission successfully petitioned the District Court and got the number of court filings for delinquent rents increased to 35 cases per day from 30 per day. The Court is now allowing the Commission to file 40 cases per day.

The Commission has continued to maintain its own legal division with three full time attorneys. One attorney and three staff members specialize in tenant/landlord activities. The attorney said they have a good relationship with the Courts and do not have problems with the Bailiff's Office in getting writs for eviction executed. Our previous review determined that because of poor liaison, 21 out of 56 open writs for evictions on February 7, 1996 had expired. As of September 30, 1997, there were 14 open writs and none had expired. We found the Legal Division tracked the status of each writ daily.

---

## Management Comments

The Detroit Housing Commission agrees with the observations and the conclusion that no recommendations are merited in this Chapter.

---

## Recommendations

Based on the actions the Commission has taken, no additional recommendations are necessary.

## Contract Award Procedures

The OIG review dated April 30, 1996 determined the Commission needed to take steps to increase the number of bids it received when soliciting construction contracts. The review also determined that the Commission did not prepare cost estimates before a contract was awarded to establish reasonable cost guidelines or document its review of contractor payment vouchers to ensure amounts were reasonable for the work performed. As a result, we recommended that the Commission: develop methods and controls to increase contract competition; develop controls and procedures to prepare cost estimates before awarding service contracts; and document its reviews of contractor payment vouchers submitted for completed work.

---

### Observations

Since the April 30, 1996 report, the Commission took steps to increase contract competition. The Commission, also prepared cost estimates for awarding service contracts and documented reviews of payment vouchers. However, for three contracts that were in process and had been competitively awarded, the Commission did not competitively bid significant work changes.

### The Commission Increased Competition

In our prior review, we determined that only a limited number of contractors normally bid on proposals for construction contracts. For example, for the five contracts we reviewed, only one bid was received on two contracts and two bids were received on the other three. Since then, the Commission has taken adequate steps to increase the number of bids it receives when soliciting construction contracts. The Commission awarded four construction contracts between April 1996 and June 1997. The Commission received between four and six bids for each proposal.

The Manager of Purchasing said the Commission increased competition through an outreach program to identify more contractors. For example, on March 27, 1996, the Manager spoke at the Booker T. Washington Business Association about business opportunities at the Detroit Housing Commission. The Manager also attended the 16th Annual Michigan Minority Procurement Conference on May 21, 1997. The Conference focused on the opportunities within the State of Michigan that are available to minority business owners.

The Commission now maintains a mailing list of qualified contractors that includes the contractors' fax numbers. The

Cost Estimates Were Prepared For Service Contracts And Payment vouchers Were Reviewed

Commission uses the list to notify contractors of future bid proposals. For example, on April 10, 1997, the Commission sent, via fax, advance notices to 222 contractors informing them of upcoming proposals for Jeffries Homes West and the Villages at Parkside.

The Commission established adequate controls to assure cost estimates were prepared before service contracts were awarded and that contractor payment vouchers were reviewed for reasonableness before payments were made for completed work. We reviewed two service contracts that were awarded during 1996 and 1997 for snow removal and lawn services. We found the Commission had prepared a cost estimate for each proposal before it solicited bids.

The Commission's contract payment procedures now require contractor payment vouchers for service contracts to be reviewed before they are submitted to the Accounting Department for payment. However, the Maintenance Superintendent could not find his written procedures for the review and he had not distributed them to the developments. He said he instructed his on-site maintenance foremen to review the vouchers for completion of work and accuracy of the amount and to sign the vouchers to show they had been reviewed. The Superintendent said he did not have any examples of incorrect vouchers, but if one is found the on-site foreman would contact him and he would return the voucher to the vendor. We reviewed contractor payment vouchers for all five payments made in July 1997 and found all vouchers were signed indicating they had been reviewed before the payments were made.

Since various maintenance personnel at the different developments are involved in the review process, we believe oral procedures are not sufficient. The review process needs to be put in writing and distributed to all maintenance units at each development to ensure the process is consistent and everyone knows what their responsibilities are and how to proceed if a discrepancy is found.

Change Orders That  
Added Significant Work  
Were Not Competitively  
Bid

The Commission significantly changed the scope of work for three contracts that it competitively awarded in 1995, but it did not competitively bid the change orders. The change orders were approved in June 1996 and were made to add air conditioning to six buildings that were being renovated at the Jeffries and Douglas high rise developments and to incorporate the Commission's consultant's recommendations to make more effective use of facilities. For example, the first floor of each high rise contained offices. The consultant recommended that the offices be converted to rental units. The air conditioning change was recommended in the 1996 marketing study that was not available when the contracts were awarded. The changes resulted in 63, 62, and 23 percent increases to the original contracts of \$3,548,669, \$3,617,000, and \$13,957,740, respectively.

The Commission's Executive Director said he allowed the work to be accomplished under no-bid change orders because he did not want to delay the rehabilitation work. He said the Commission would have otherwise had to cancel the contracts and rebid all the work and that would have resulted in excessive costs. The cost of the change orders was based on cost estimates prepared by the Commission's architect who was independent of the contractors.

The Commission did not have any support to show it considered competitively bidding the change orders or that the competitive option was not economically or logistically feasible. Although the cost was estimated by an independent source, we believe the best prices are assured by using the competitive bid process.

On April 9, 1997, the Detroit HUD Office of Public Housing issued a Notice of Deficiency to the Commission for the three contracts. The HUD Office instructed the Commission to obtain HUD's approval for future change orders over \$100,000. On September 4, 1997, the Commission adopted new procurement procedures that require HUD's approval for all change orders that are over \$100,000 or exceed 25 percent of the original contract amount.

---

## Management Comments

Recommendation 8A. The Detroit Housing Commission wishes to note that written procedures for contractor payment vouchers have been distributed to each site in the form of a manual, and are available for review by all Detroit Housing Commission staff. OIG mistakenly concluded that maintenance personnel review and approve all payment vouchers for service contracts at their site. In fact, maintenance personnel at the different sites only concur on the payment vouchers. It is the responsibility of management staff to approve the vouchers.

Recommendation 8B. The Detroit Housing Commission disagrees with this recommendation since this recommendation was made with no indication that the Detroit Housing Commission is currently not following its procurement procedures. Prior to adoption of new procedures there were no threshold limits. Since the adoption of new procedures in September, the Detroit Housing Commission has not prepared any change orders exceeding \$100,000 or 25 percent of the original contract price. However, even prior to the adoption of the new procurement procedures, the Detroit Housing Commission submitted change orders to HUD for review and recommendations.

---

## OIG Evaluation of Management Comments

The Commission's response refers to the approval process for contract payment vouchers. Our issue refers to the Commission not having written procedures for maintenance personnel to review the reasonableness of payments before the vouchers are approved by management.

The change in procedures to require HUD's approval on all change orders over \$100,00 or 25 percent of the original contract price should help assure funds are effectively spent on change orders. HUD needs to ensure this procedure is followed.

---

## Recommendations

We recommend that the Director of Public Housing, Michigan State Office ensures the Detroit Housing Commission:

- 8A. Distributes written procedures for review of service contracts to the maintenance staffs at all developments.
  
- 8B. Follows its procurement procedure to obtain HUD's approval for all change orders over \$100,000 or 25 percent of the original contract price.



## Efficiency And Adequacy Of Purchasing Procedures

The OIG review dated April 30, 1996 determined the Commission processed all of its purchase requests through the City's complex purchasing system and did not have sufficient purchasing agents. Therefore, processing was not timely. Additionally, the Commission had not implemented Section 3 requirements. As a result, we recommended that the Commission assess whether an increase in staff made prior to the end of the previous review alleviated untimely processing of requisitions, and take corrective action if it did not. The review also recommended that HUD evaluate the Commission's Section 3 procedures and assure Section 3 requirements were included in all contracts.

### Observations

Since the April 30, 1996 report, the time to process requisitions decreased approximately 50 percent, and the Commission has taken additional actions that should further reduce the time. HUD evaluated the Commission's Section 3 procedures and assured Section 3 requirements were included in all contracts.

### Purchasing Delays Were Reduced

The 1996 OIG review found it took the Commission staff an average of 69 days to process a purchase order from the time it received the purchase request. The Head Purchases Agent said the Commission had only one purchasing agent and the lack of staff caused the untimely processing of requisitions. At the end of our previous review, the Commission hired an additional purchasing agent.

Our current review showed the Commission reduced its purchase order processing time. Since the last review, the Commission reduced the processing time to an average of 35 days for purchase requests under \$25,000. As in the previous report, we did not include requisitions over \$25,000 since, until full separation from the City, the requisitions must flow through the City's system over which the Commission has no control.

The Commission's Asset Managers said they were satisfied with the purchasing process and were not experiencing any lengthy delays.

To further reduce the requisition time, the Executive Director has incrementally given Asset Managers the authority to obtain routine maintenance supplies and materials directly from approved vendors when the items are not readily available. He

gave the authority to one Asset Manager on January 24, 1997 and extended it to two more on July 8, 1997. He plans on giving the authority to the remaining two managers when he is confident the system is operating effectively with proper controls. We believe the actions the Commission has taken and is planning to take adequately address the untimely requisition issue.

Section 3 Requirements  
Were Included In  
Contracts

HUD has evaluated the Commission's Section 3 procedures and approved them on July 21, 1997. The Director of Fair Housing and Equal Opportunity said HUD had monitored the Commission to assure that Section 3 requirements were included in all contracts.

We reviewed the latest five contracts to verify that the Commission's Section 3 procedures were followed and Section 3 requirements were included in each contract. We found all contracts contained the required Section 3 requirements.

---

Management Comments

The Detroit Housing Commission concurs with the conclusion that no recommendations are merited in this Chapter.

---

Recommendations

Based on the actions the Commission has taken, no additional recommendations are necessary.

## Accounting Systems and Controls

The OIG review dated April 30, 1996 determined the Commission did not have an effective accounting system for its financial activities. The Commission used the City's financial management system, but it also maintained a separate internal system for HUD reports, which resulted in duplication. As a result, we recommended that HUD closely watch the Commission's progress and take necessary corrective measures to ensure effective actions to: (1) implement a new accounting system and stop using other financial and reporting systems; (2) train the accounting staff on the new system by June 1996; (3) obtain and implement written financial management operations, cash management, and budgetary control policies and procedures by June 30, 1996; and (4) develop an internal audit work plan and start using it by June 1996.

### Observations

The Detroit Housing Commission was still in the process of implementing the new accounting system titled "EMPHSYS" from Memory Lane Software and was still using the City's accounting system. The Commission had stopped using its internal system for HUD reporting and was using the new accounting system to prepare HUD reports or was manually accumulating necessary data required for the modules that were not fully operational. The Commission received new written accounting policies and procedures from TAG Associates, a consultant the Commission hired to develop the procedures. However, the procedures were based on the City's accounting system and need to be modified for the Memory Lane system. Since the Commission was still required to use the City's accounting system when its manual was developed, it decided to have the manual developed on the system it was using, but directed that the manual be a general document that could be easily modified for the new system. The Commission developed an internal audit work plan. The Audit Division's interoffice memorandums indicated that reviews were performed and problems found; however, the review results were not formally documented, no reports were issued, and problems found were not corrected.

### The New Accounting System Was Not Completely Operational

The Detroit Housing Commission had not fully implemented its new accounting system. The Commission installed the eight accounting-related software modules listed in the OIG review of 1996; however, two of the modules -- Inventory, and Bank Reconciliation -- were not operational. The other six modules were operational and providing necessary information and reports. The Commission's Deputy Director said there were

software problems for the two modules that caused the system to lock up. The Commission was waiting for Memory Lane to provide necessary software changes for the two modules before the modules could become operational. The Commission said it has experienced delays from Memory Lane. As a result, on September 23, 1997, it along with 15 other housing authorities formed a users group to help share information and work out similar problems. The Deputy Director expects all modules to be operational by November 30, 1997.

Since the Commission is not officially separated from the City, the Commission was obligated to use the City's accounting system. However, the Commission obtained a waiver from the City that allowed the Commission to use its own accounting system as of September 1, 1997. The Commission started using its own accounting system for the modules that were operational.

The Staff Was Provided Training

Between September 1996 and May 1997, the Commission provided training to its accounting staff on Comprehensive Grant Administration, Contract Management and Procurement, the HUD Chart of Accounts, Accounts Receivable, Windows 3.1 and Windows 95, Force Account Administration, Financial Statements and HUD Reporting, and the new accounting system modules that became operational. The staff still needs training on the inventory and bank reconciliation modules. In our opinion, the training given to date was relevant to the performance of accounting work. We reviewed the training provided to the accounting staff with the HUD Team Leader in charge of monitoring the Commission. The Team Leader said the courses met the Commission's training needs and were necessary.

Accounting Policies Were Not Written For The New System

The Housing Commission received written accounting policies and procedures from TAG Associates and implemented the policies and procedures. However, since the Commission was not officially separated from the City and was still using the City's financial system when the policies and procedures were developed, the policies and procedures address the City's system and require modification to properly encompass the Memory Lane System.

The Deputy Director said the Commission needed a manual to

document procedures for the system that its staff was using; therefore, the Commission had TAG Associates develop the manual using the City's procedures. However, the manual was designed to be a basic document that could be easily updated to address the Memory Lane System. The Director said the procedures will be modified to address the new system by December 31, 1997.

An Internal Audit Plan Was Developed And Audit Work Initiated

The Detroit Housing Commission established an Internal Audit Division and the Division's internal documents indicated audit work was initiated in June 1996. The Division performed compliance testing on Housing Quality Standards, tenant accounts receivable, vacancies, and work orders. The Division's interoffice documents between the person doing the review and the Audit Division Manager indicated problems were found. The Division did not formally document the results of any of its reviews nor did it release the results in reports to the Executive Director and responsible personnel as required by the Commission's Internal Audit Protocol. Therefore, corrective actions were not initiated to address the problems found in the reviews. The person who was the Audit Division Manager, before the function was contracted out, said she did not issue reports because her staff was unqualified and she had to concentrate her time on gathering information for the Public Housing Management Assessment Program.

The Executive Director said the Commission was having difficulty hiring and keeping an experienced internal audit staff to carry out the audit work on a continuous basis. The Commission, therefore, decided to contract out the audit function until it can get a qualified staff. The Commission executed a contract on June 30, 1997 with an independent audit firm for one year with an option to extend it for another year.

## Management Comments

Recommendation 10A (since deleted) and 10C (now 10B): There have been subsequent action and developments that bear materially on the draft recommendations. The Detroit Housing Commission wishes to also note the duplication of recommendations in this area. As regards the full implementation of the Accounting System, see also comments on Chapter 13 and 15.

The Inventory Module is installed and will be fully operational by November 30, 1997. All programming errors have been corrected, the materials and supplies inventory data has been loaded and a catalog has been generated.

The Bank Reconciliation Module is installed and will be fully operational by November 30, 1997. The Detroit Housing Commission is in the process of completing negotiations and procedures with the City and then will be able to issue its own checks.

Recommendation 10B (now 10A): The Detroit Housing Commission concurs with this recommendation and will update the accounting procedures manual currently reflecting the policies and procedures for the City's financial system to reflect the Memory Lane System used by the Detroit Housing Commission. However, this manual can not be completed until the Commission is officially separated from the City.

Recommendation 10D (now 10C): The Detroit Housing Commission executed a contract on June 30, 1997 with an independent audit firm to perform the audit function until qualified staff can be obtained for the Detroit Housing Commission's Internal Audit Division. This firm is currently reviewing all the work previously performed by the Internal Audit Division and will submit written reports to the Detroit Housing Commission. The Detroit Housing Commission believes there are no outstanding findings, but will utilize any reports to take appropriate corrective action.

Recommendation 10E (now 10D): The Detroit Housing Commission believes this recommendation is an extension of Recommendation 10D (now 10C), and requests this recommendation be removed from the report. The Detroit Housing Commission has already indicated that any issues submitted by the contracted audit firm will be used internally to initiate the appropriate corrective action.

---

## OIG Evaluation of Management Comments

The actions planned and taken by the Commission should correct the problems found. We agree that Recommendation 15A addresses the issue of getting all modules operational;

therefore, we deleted the similar recommendation in this Chapter. We acknowledge that the Commission's response to Recommendation 10C also addresses Recommendation 10D, however, the recommendations involve two separate actions. Consequently, we are retaining both recommendations.

---

## Recommendations

We recommend that the Director of Public Housing, Michigan State Office ensures the Detroit Housing Commission:

- 10A. Modifies its accounting procedures to address the Memory Lane System by December 31, 1997.
- 10B. Trains its accounting staff on the Inventory and Bank Reconciliation modules.
- 10C. Requires written internal audit reports on the reviews performed by the Commission's and contracted audit staffs.
- 10D. Informs responsible managers of the problems found in reviews done by the Audit Division that were not released and ensures corrective actions are taken.

## Untimely Payments to Vendors

The OIG review dated April 30, 1996 determined the Commission took excessive time to make payments to vendors. At the time of our review, a consultant was in the process of writing a report on the Commission's financial management procedures, including the procedures for the vendor payment process. As a result, we recommended that the Commission implement the controls and procedures the consultant developed for payment of vendor invoices and evaluate their effectiveness.

### Observations

The Housing Commission took steps to resolve the untimely payment process. It hired an additional accountant for its accounts payable department, implemented the new procedures developed by the consultant, and trained its staff on the new procedures. As a result of his evaluation of the process' effectiveness, the Commission's Senior Accountant developed an internal procedure to ensure the correct vendor number is on an invoice and entered into the City's system before a payment is processed. When the vendor number was incorrect or was not entered into the City's system, the City sent the invoice back to the Commission which increased the processing time. As a result, the Commission reduced the number of days it took to make vendor payments.

However, the Commission needs to make another procedural change to further reduce the payment process. We assessed the timeliness of 71 vendor payments made in July 1997. The Commission took an average of 49 days to process the payments compared to the 76 days reported in the April 30, 1996 review. This still exceeds the Commission's goal of 30 days. We believe a goal of 30 days is attainable and is necessary in order for the Commission to take advantage of prompt payment discounts and to have an acceptable payment reputation.

Currently it is taking the Commission an average of 34 days to submit the payment documents to the City's Voucher Division and it takes the City an average of 15 days to process the payments. In 1996, it took the Commission 41 days to submit the payment documents to the City and the City took an additional 35 days to process them.



Accounting Department  
Does Not Have Full Control  
Over Invoices

The Commission received its accounts payable procedures from TAG Associates in October, 1996. The Commission implemented the procedures and the procedures contain effective internal controls over the vendor payment process. When the Commission implemented the procedures, it established a post office box to be used exclusively for the receipt of vendor invoices. The invoices were distributed to approving authorities and then sent to the Accounting Department. Thus, the Accounting Department which is responsible for prompt payment had no way to track the vouchers through the approval process to ensure they were promptly processed. The Commission's Senior Accountant recognized this problem in his evaluation of the process; however, he was in the process of gathering data to support his position and had not yet taken steps to change the procedures. We found the approval authorities took an average of 15 days to verify a service was received and the information on a payment voucher was correct. We believe verification should normally not take more than 3 days. All payment vouchers need to flow to the Accounting Department to be logged in and then be distributed to the approving officials. This change in procedures would give the Accounting Department the ability to track payment vouchers and identify and correct delays causing late payments.

---

Management Comments

Recommendation 11A: The Detroit Housing Commission agrees with the recommendation. As indicated in the OIG's observations and findings, a post office box was established to be used exclusively for the receipt of vendor invoices. All invoices should be logged in by the Accounting Division and forwarded to the respective approving authority. This procedure has been followed with construction contracts. The Detroit Housing Commission acknowledges that a log-in date has not been noted for other invoices. The Accounting Division is reinforcing this procedure to ensure that all invoices are logged in prior to distribution to the approving authorities. Therefore, the Detroit Housing Commission suggests alternative working for Recommendation 11A, as indicated below:

“Recommendation 11A: Reinforces its payment process procedures requiring all vendor invoices to be submitted to the designated post office box for log-in by the Accounting

Division prior to distribution for verification and approval.”

As indicated in the Detroit Housing Commission’s comments on Chapter 4, a Contracts Administration Unit has been established. All invoices for contract payments received at the post office box are logged in by the Accounting Division, forwarded to the Contracts Administration Unit and then to the approving authority. The Contracts Administration Unit is responsible for monitoring, following-up and checking the invoice approval process to ensure timely and accurate verification of invoices by the approving authorities. In some instances, invoices have been submitted by contractors to the project/contract managers/administrators rather than sent directly to the post office box. The Contracts Administration Unit is reinforcing, with all construction contractors, the policy of submitting all invoices to the post office box.

The Detroit Housing Commission believes implementation of the above procedures will result in reaching its goal of no more than 30 days to process payments.

---

## OIG Evaluation of Management Comments

The actions the Commission has taken and planned should correct the problem in this Chapter. The Commission’s suggested wording of the recommendation will achieve the purpose we intended; therefore, we changed the recommendation to reflect the Commission’s wording.

---

## Recommendations

We recommend that the Director of Public Housing, Michigan State Office ensures the Detroit Housing Commission:

- 11A. Reinforces its payment process procedures requiring all vendor invoices to be submitted to the designated post office box for log-in by the Accounting Division prior to distribution for verification and approval.

## Tenant's Accounts Receivable

The OIG review dated April 30, 1996 determined that the Commission's Tenants Accounts Receivables were excessive. As a result, we recommended that the Commission establish: (1) controls and procedures to implement and enforce new rent collection procedures; and (2) controls to enforce a 10/10 repayment program. All delinquent tenants that met the program criteria should have had an agreement by April 15, 1996, or the Commission should have initiated lease enforcement actions; and (3) obtained the services of a collection agency by June 30, 1996.

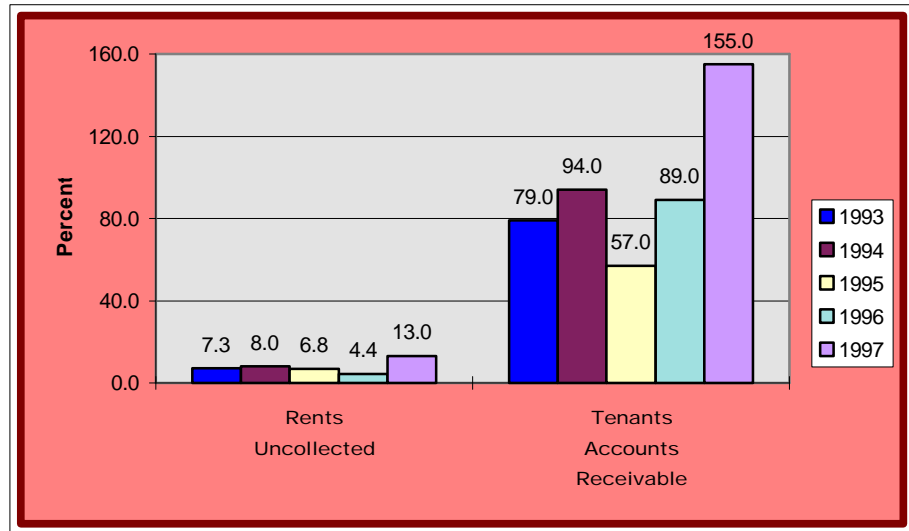
### Observations

The Detroit Housing Commission completed implementation of its new rent collection policies and procedures in May 1997, developed new resident repayment programs as an alternative to continuing the 10/10 repayment program, and contracted with a collection agency (credit bureau) to provide debt collection services. The alternative resident repayment programs appear to be effective. However, we could not evaluate the effectiveness of the new rent collection policies and procedures because the Commission only recently began using them, and the agency had not begun debt collection services.

### Performance Measures Have Not Improved

On June 30, 1997, the Commission's tenant accounts receivable balances were still excessive. Under the Public Housing Management Assessment Program, a tenant accounts receivable balance of over 10 percent (moneys owed by tenants divided by average monthly rent charges) earns a failing grade. The measurement excludes tenants who have entered into formal up-to-date repayment agreements. The Commission's tenant accounts receivable was 155 percent on June 30, 1997. The tenants in possession owed \$769,514 and the average monthly charges were \$495,595.

As the following graph shows, the Commission's accounts receivables percent increased significantly since our previous review:



Effective March 31, 1997, HUD eliminated Tenants Accounts Receivable as one of the performance indicators under the Public Housing Management Assessment Program, but retained Rents Uncollected as an indicator. Rents Uncollected measures for an assessment year the balance of dwelling rent uncollected from residents in possession as a percentage of rent to be collected. Rents Uncollected of over 10 percent is a failing grade. The Tenants Accounts Receivable indicator was deleted to eliminate duplication because Rents Uncollected is a better indicator of a commissions current management practices. Rents Uncollected focuses on the current year and does not include past year debts for tenants who have vacated units before the current assessment year.

For 1996, rents uncollected were 4.4 percent. However, as of June 30, 1997, rents uncollected were 13 percent. The General Manager of Operations and the Senior Accountant said the increase occurred because the Commission did not take any action against delinquent tenants for the nine months preceding April 1997. Instead, the Commission concentrated on updating its records to account for tenants by their social security numbers and to verify the balances (see Chapter 7). The Commission completed updating the records in May 1997. The Commission needs to have accurate balances and use of a tenant's social security number to enforce collection actions is superior to relying on just a unit number; however, the Commission should not have stopped collection actions while it

revised its records. The Commission could have initiated appropriate action as the records were updated. The delay unnecessarily increased the Commission's Tenants' Accounts Receivable balance and lowered the probability that some accounts will be collected. The Commission needs to immediately increase its efforts to bring all delinquent accounts current.

### New Policies And Procedures Were Implemented

The Board of Commissioners approved the Commission's new rent collection policies and procedures on May 2, 1996. The Commission believed it needed to change its records to reflect each tenant's social security number and verify the correctness of all balances before it implemented the policies and procedures. As a result, it did not implement the policies and procedures until May 1997 when it completed the verification and update. In February 1997, the Commission trained its staff on the new rent collection policies and procedures. Thirty three persons attended the training. There was at least one representative from each of the 16 developments at the training. Based on interviews with two of the five Asset Managers and two of the fifteen on-site Managers, and reviews of repayment agreements, court filings for non payment of rent, and eviction actions since May 1997; we determined the Commission implemented its new rent collection policies and procedures.

To assure the new procedures were followed the on-site Managers met twice a month with the Asset Managers and the General Manager of Operations to discuss operations at each development. They discussed uncollected rents, notices to quit, tenant charges, vacancy reduction, inspections and other project related matters. The site Managers also prepared weekly delinquent accounts reports that showed the number of delinquent accounts, non-payment notices, termination notices, and payment plans. Although we verified the new procedures were in use, we could not evaluate their effectiveness due to the recent implementation.

### The Commission Established New Repayment Programs

Our 1996 review noted the Commission started using a repayment program known as the 10/10 Moratorium Program. After the approval of new rent collection policies and procedures on May 2, 1996, the Commission stopped using the 10/10 Moratorium Program and developed two new types of repayment programs. The first type is offered by the on-site

Manager as an alternative to the eviction process. The residents pay no more than 10 percent of their income, in addition to their regular rent. The repayment plan cannot be longer than 12 months. The second arrangement is initiated by the Commission's Legal Department after legal action for eviction for non-payment of rent has started. A consent judgment is negotiated that provides for a fifty percent payment of all rent owed; and a payment plan for the balance owed. The agreement must be completed in not more than six months. The negotiation of a repayment plan can be a lengthy process since the tenant may choose to delay signing an agreement until legal actions for eviction are in process.

Under the new procedures, the Commission entered into repayment agreements with 252 tenants between May 1 and August 7, 1997. The tenants owed \$68,385 in back rents. Our review of the July 31, 1997 rent rolls showed there were another 892 tenants who had rents 60-days past due. Although the Commission has made progress since May, we believe its inaction for nine months preceding April 1997 needs to be overcome by increased efforts to get all tenants who are over 60 days late on their rent immediately under a repayment agreement or initiate eviction action.

A Credit Bureau Will  
Collect Delinquent Rents

On June 30, 1997, the Commission signed an agreement with a credit bureau who will help the Commission recover money from residents who vacated with delinquent accounts. At the time of our review, the Commission had not yet used the credit bureau. The Senior Accountant had just finished verifying the list of 536 former tenants who owed the Commission \$268,000. The Accountant was waiting for the Legal Department to complete review of the letter he plans to send each former tenant. The letter provides the former tenant 5 days to respond and an opportunity to pay before the account is turned over to the credit bureau for collection.

---

## Management Comments

Recommendation 12A: In regards to the OIG's observations and findings on Repayment Programs, the Detroit Housing Commission agrees, and offers the following for consideration. The draft report states, "The negotiation of a payment plan can be a lengthy process since the tenant may choose to delay signing an agreement until actions for eviction are in process." This does not take into account the additional legal fees added

to the tenant's account, currently \$49.50. This can be a significant amount, especially for tenants paying minimal rents, equaling a month or two of rent.

There are a couple of minor corrections to the observations and findings regarding the use of a credit bureau to collect delinquent rents from former tenants. The agreement was actually signed on June 30, 1997, not July 1, 1997 as stated in the draft. Also, the forthcoming letter that will be sent to former tenants will provide them with 5 days to respond, not 10 days as stated in the draft.

Recommendation 12B: In addition, the draft report indicates the Detroit Housing Commission should increase its efforts to ensure all tenants who are over 60 days past due are put under a repayment agreement or evicted (Recommendation 12B). This recommendation is unnecessary under the new rent collections policies and procedures discussed earlier in the chapter. Those procedures require action be taken far sooner than 60 days. If rent is not paid by the fifth working day of the month, a *Notice to Quit for NON-Payment of Rent (14 day notice)* is sent to the tenant on the sixth day. This triggers the eviction process. The Detroit Housing Commission respectfully notes that this recommendation is not needed, since the rent collection policies and procedures referenced in the previous recommendation call for much swifter action.

Recommendation 12C: The Detroit Housing Commission concurs. The Legal Division at the Detroit Housing Commission has hired additional staff, and the implementation of this recommendation is expected by November 30, 1997.

Recommendation 12D: The effective implementation of the Detroit Housing Commission's rent collection policies and procedures is already included in the Operational Improvement Plan being developed in cooperation with HUD.

---

## OIG Evaluation of Management Comments

We changed our report to reflect the correct date when the agreement with the credit bureau was signed and the proper number days a tenant is given to respond to a delinquency letter.

We acknowledge that if the new rent collection policies and

procedures are strictly followed, no tenants will have accounts receivable of over 60 days. However, at the time of our review 892 tenants had rent over 60 days past due. Our recommendation is intended to address these tenants.

---

## Recommendations

We recommend that the Director of Public Housing, Michigan State Office ensures:

- 12A. The Commission's rent collection policies and procedures are effective and reduce the rents uncollected balance to at least the 10 percent acceptable level for the new Public Housing Management Assessment Program rents uncollected indicator.
- 12B. The Commission increases its efforts to ensure all tenants who are over 60 days past due on their rent are put under a repayment agreement or evicted.
- 12C. The Commission expeditiously refers delinquent accounts for vacated tenants to the credit bureau.
- 12D. The Commission's Operational Improvement Plan includes the effective implementation of rent collection policies and procedures as an action item.



## Inventory of Fixed Assets And Supplies And Materials

The OIG review dated April 30, 1996 determined the Commission did not have a sound inventory control system in place for materials and supplies and had not conducted a physical inventory of fixed assets in over three years. The review also found the Commission's policy of capitalizing all items over \$150 was not expedient or practical and the Commission did not adequately control its appliances. As a result, we recommended that HUD: (1) assure the Commission developed and implemented a materials inventory and fixed assets systems by June 30, 1996 and established controls so all inventories were completed by December 31, 1996; (2) strongly encourage the Commission to update its Capitalization Policy to only capitalize items over \$500 and to control its ranges and refrigerators by recording the items in the tenant lease files.

### Observations

The Commission updated its Capitalization Policy to capitalize items over \$500 and established adequate controls over its ranges and refrigerators. However, the Commission was still in the process of developing and implementing its materials and fixed assets inventory systems and was also in the process of completing and certifying materials and supplies and fixed assets inventories.

### Capitalization Policy Was Updated And Controls Established Over Appliances

On August 6, 1996, the Commission updated its Capitalization Policy to only capitalize items costing over \$500. The Commission tagged and coded all items over \$500. The Commission also established a system to control its ranges and refrigerators. Each site manager maintains Appliance Record Cards for each unit. The unit number and address, building number, brand name of the appliances and serial numbers are recorded on each card. We randomly selected 14 cards from three developments and determined all 14 cards were properly completed and contained the information required by the control system.

### New Inventory System Was Not Fully Implemented

The Materials Manager said the Commission experienced several problems that caused major delays in implementing its inventory systems. The Commission experienced problems with the contractor hired to develop and implement the inventory systems. Additionally, the Memory Lane System locked up when the Commission tried to access inventory data loaded into the system.

The contract with Environmental and Technical Controls contained the following scope of services: develop a stock

numbering and bin labeling system; label stock locations; complete a physical inventory; compile an inventory log; and load data into the inventory module of the Memory Lane System. However, the Contractor did not develop a complete stock numbering and bin labeling system, and did not perform an accurate physical inventory. As a result, on July 17, 1996, the Commission removed the contractor from work on the contract and formally terminated the contract in October 1996.

The Commission then assumed responsibility to complete the contracted tasks using in-house resources and a different contractor to perform a fixed assets inventory.

In July 1996 and 1997, the Commission conducted physical inventories of materials and supplies. The independent auditors, Arthur Andersen, verified and validated the 1996 inventory in October, 1996. The independent audit firm of Peat, Marwick, and Mitchell is in the process of verifying the 1997 inventory. However, for the process to be effectively completed, the Memory Lane Inventory Module must be operational so the inventory data can be correctly loaded. The Memory Lane consultant said the Commission has all the necessary software to get the system operational. The Commission is in the process of loading the data into the system and making it operational. The Deputy Director expected this process to be completed by November 30, 1997.

The Commission contracted with McCright and Associates to conduct a physical inventory of Fixed Assets in June 1997. The firm completed the Fixed Assets inventory, and issued the final results on August 29, 1997. The Computer Services Manager said the results will be integrated into the Memory Lane Inventory Module by October 30, 1997.

It is important that the Commission gets the Memory Lane Inventory Module operational as soon as possible. The taking of physical inventories becomes meaningless if the results are not put into a system that is able to continually update the results and use them to track and control inventory items.

---

## Management Comments

Recommendation 13A: The Detroit Housing Commission has made additional progress since this information was gathered. The Inventory Module is installed and will be fully operational

---

by November 30, 1997. All programming errors have been corrected, the materials and supplies inventory data has been loaded and a catalog has been generated. During the month of November, 1997, the Detroit Housing Commission's Materials Management staff will be trained, tests will be performed and instructions developed for staff ordering supplies and materials.

Recommendation 13B. The Fixed assets Inventory module is installed and will be fully operational by November 30, 1997. Delays in the loading of this module were due to the Detroit Housing Commission's commitment to ensuring that the system is working at maximum efficiency and usefulness. The Detroit Housing Commission determined that it needed to add some additional fields to the Memory Lane module.

---

## OIG Evaluation of Management Comments

The actions the Commission has taken and plans should correct the problems presented in this Chapter. A one month delay to allow the Commission to gather data for additional fields it added to the Memory Lane module is reasonable. We revised Recommendation 13B to account for the delay.

---

## Recommendations

We recommend that the Director of Public Housing, Michigan State Office ensures the Detroit Housing Commission:

- 13A. Has implemented the Updated Memory Lane Inventory Module and that the materials and supplies inventory data have been properly loaded into the system.
- 13B. Loads the Fixed Assets inventory data into the Memory Lane Inventory Module by November 30, 1997.

## Personnel Practices

The OIG review dated April 30, 1996 determined the Commission took too long to fill vacant positions, often hired unqualified or inexperienced personnel, did not have employee performance standards, had inadequate lines of authority and poor communication, and had insufficient staff training. As a result, we recommended that the Commission: (1) assume control of its personnel functions from the City to the maximum extent possible; (2) develop procedures that require all future searches for key positions to be competitive and based on job qualifications; (3) establish controls to ensure new position descriptions, that were scheduled to be written, adequately portrayed the job functions and were completed by June 30, 1997; (4) develop performance standards by June 30, 1997, negotiate with the unions, and use the standards to periodically evaluate the performance of all employees; (5) implement controls to assess communications and keep in force initiatives started in December 1995 to improve communications; and (6) establish procedures and controls to effectively assess training needs, and properly fund and complete needed training.

---

### Observations

The Housing Commission implemented all of the recommendations in the OIG April 30, 1996 review with the exception of using new performance standards to evaluate employees.

The City of Detroit granted the Commission the authority to handle all significant personnel areas. The Commission's Administrator of Support Services now advertises for vacant positions, devises test questions, conducts interviews, makes hiring decisions, takes disciplinary actions and assigns duties. The Administrator has developed job descriptions, performance standards, and an employee training program.

### Procedures Were Developed For Filling Key Positions

The Housing Commission established new written policies and procedures for its Human Resources function to use in filling vacant positions. The Commission also established a written recruitment and selection process to fill key management positions.

The procedures established open competition for all jobs. Since our last review, the Commission hired 114 general workers. Our random sample of 16 of the general employees hired showed it took the Commission an average of 14 days after the initial job announcement to hire the individual. For key management positions, the Commission's procedures established a search committee and a selection committee to recruit and evaluate candidates and to make recommendations

to the Commission. Since April 1996, the Commission hired only one senior management official. This individual, the General Manager of Assisted Public Housing, was hired within four and one half months. The four and one half months taken to hire the management official and the 14 days for the general employees are a significant improvement over the 7 month average we determined the Commission took to hire all employees at the time of our last review.

Position Descriptions And Performance Standards Were developed But An evaluation Process was Not Implemented

The Housing Commission did not complete its new position descriptions until August 13, 1997 and was still in the process of training its supervisory personnel on a newly developed evaluation process. The Support Services Administrator said the delay in developing the new job descriptions and in training all supervisors slowed the implementation of the evaluation process.

We reviewed 13 of the new job descriptions, and found they contained specific job criteria that can be used to evaluate employee performance. The Commission developed written performance standards for each job category and the standards are contained in each job description. The Commission also developed a program to evaluate the performance of its employees. The program is based on the position descriptions and the performance standards contained in the descriptions.

The Commission's Managers were in the process of being trained on performance evaluations by the Commission's Support Services staff. As of August 27, 1997, 40 of 67 supervisory staff had completed the training sessions. The Administrator said all supervisors will be trained and all persons will be on an annual review cycle by the end of December 1997. The Commission does not have to negotiate the evaluation process with its unions, but only notify them of the revised procedures before implementation.

The Communication Process Was Adequate

The Director continued the policies to improve communications that were reported in our 1996 review. The Asset Managers, Division Heads and other supervisory staff continued their periodic meetings. A weekly status report is also provided to the Director. The Maintenance Superintendent in charge of Housing Quality Standards and Preventative Maintenance operations said the various staff meetings help keep his staff focused on their objectives and

promote teamwork.

The Commission also continued publishing a periodic newsletter to inform staff and other interested parties about events involving the Commission. We believe the newsletter along with the regularly scheduled staff meetings and bi-weekly General Manager meetings are an effective means to ensure operating results are reported to those that are responsible for making managerial decisions.

The Commission's Support Services Administrator evaluates the adequacy of external communications. She does this by an on-going review of various publications and information released by the Commission, and by being the point of contact when questions arise. She said the bi-weekly General Manager meetings serve as a measure for the adequacy of internal communications.

The Commission's  
Training Program Has  
Improved

The Commission committed and spent significant resources to train its staff. In 1997, the Commission spent \$461,382 to train 1,020 persons. The curriculum included 68 different courses. This is an increase of 10 courses and 762 persons trained over the previous year. The Support Services Administrator established a training program for each job classification with a list of required courses in each classification. The Housing Commission also appointed a Training Coordinator who helped provide in-house training and continually reevaluated course adequacy and training needs. We reviewed the training program developed by the Housing Commission and the courses given to Commission personnel with the HUD Team Leader responsible for monitoring the Commission. The Team Leader believed the type and amount of training courses were appropriate for the Commission. The Team Leader said the training was a great improvement over past years.

## Management Comments

Recommendation 14A: The Detroit Housing Commission is essentially in agreement with the observations and findings of the OIG in this Chapter, with one clarification. The goal for inclusion of all employees in an annual performance review cycle by December 1997 was intended by the Support Services Administrator to be in the context of implementation for all maintenance employees covered by the City of Detroit contract with the Building Trades Union (see comments on Chapter 3,

Recommendation 3F.) Discussions need to be held with all other unions prior to implementation for other affected employees. This process is expected to be completed by March 1998. Therefore, the Detroit Housing Commission is proposing alternative wording for Recommendation 14A, as follows:

“Recommendation 14A: Fully implements the evaluation process by including all employees in an annual performance review cycle by March 1988.”

---

**OIG Evaluation of  
Management Comments**

We misunderstood the Support Services Administrator’s response, given during the review, on when an evaluation cycle would be implemented for all maintenance employees. We do not believe the additional three months time required to complete the task represents a significant delay. Accordingly, we revised our recommendation as suggested by the Commission.

---

**Recommendations**

We recommend that the Director of Public Housing, Michigan State Office ensures the Detroit Housing Commission:

- 14A. Fully implements the evaluation process for all employees based on the new performance standards by the end of March 1998.

## Management Information Systems

The OIG review of April 30, 1996 reported that the Detroit Housing Commission had started implementing its management information initiatives that included a management information systems plan. The plan included installation of an integrated financial management system, intelligent work stations and a wide area network. We recommended that the Commission establish controls and procedures to complete its management information initiatives and periodically assess its information needs.

### Observations

The Commission installed all 17 modules included in its integrated financial management system. Ten of the 17 modules were operational. The Commission also completed the installation of intelligent work stations and a wide area network.

### The Financial Management System Was Installed But Not Fully Operational

The Commission installed all 17 modules in its integrated financial management system; however, only 10 of the modules were operational as of August 30, 1997. One module was partially operational and the remaining six were not. The ten operational modules included: Section 8, Low-Income Tenant Accounting, Tenant Accounts Receivable, General Ledger, Accounts Payable, Budgeting, Comprehensive Grant, Accounts Receivable, Waiting List, and Work Orders. To assess the usefulness of the modules, we interviewed Managers who were using them and verified that necessary reports were produced. The Managers said the modules were performing satisfactorily and providing necessary information and reports. For example, on-site Managers at three developments said they were very pleased with the work order module. We verified that the system provided the Managers with the status of open work orders and showed them the work order number, unit number, name of the tenant, priority and elapsed days.

The Inspections module was partially operational. It was being used to track the Section 8 inspections but not the Low-Income Housing inspections. The six non-operational modules included: Inventory, Requisitions, Purchasing, Bank Reconciliation, Vacancy Tracking, and Family Self Sufficiency. The Computer Services Manager said he prioritized his work to get the most difficult modules operational first. He said, although all the modules were implemented, unforeseen problems that arose with installation, scheduling staff for



training, and providing the training to the staff delayed the process to make them operational.

The Manager said the Commission also experienced delays because of software and implementation problems. He said he has been working with Memory Lane Systems to correct the problems as they occur, but it is a very time consuming process. According to the Manager, the Commission has focused its efforts to make all modules fully operational, by November 30, 1997.

Intelligent Work Stations  
And A Wide Area  
Network Were Installed

The Commission's Management Information Systems plan included installation of over 200 intelligent work stations located at the Central Office, Warehouse and 16 project sites. As of August 30, 1997, the Commission had connected 278 work stations. We randomly reviewed 25 of the work stations at the Warehouse and Central Office and found all were operational. Additionally, the work station at each of three developments we visited was operational. The system users said the work stations were a vast improvement over the past where they had to depend on the timely preparation and distribution of centrally produced information.

Management Information  
Needs Are Periodically  
Assessed

The 1996 review reported that the Commission had a Management Information Systems Committee that met periodically to identify and satisfy management information system needs. We found the committee met periodically until May 1997 and did react to feedback from system users. For example, the committee recommended that the work order system be modified to include the name of persons closing work orders, after users reported the information would enable them to better perform their jobs. Previously, the system only recorded the identification of the person who entered work data in the system. The Computer Services Manager said he temporarily suspended the meetings to allow the staff to concentrate on getting all modules operational. The meetings were resumed on October 14, 1997.

The Manager said he assesses management information needs through open communication with the division heads and system users. He said the users contact him or someone in his Division directly if they have problems. The Manager created a form for users to report problems to his Division by fax or electronic mail. We found the forms were used and the

Division responded to them. For example, on August 23, 1997, a user in the Administrative Services Division sent a form to the Management Information Systems Division to report that two work stations were not working properly. The Management Information Systems Division immediately corrected the problem and noted on the form that loose cables were reconnected.

---

## Management Comments

Recommendation 15A: The Detroit Housing Commission is essentially in agreement with the observations and findings of the OIG in this Chapter. As reported in the observations and findings, the Detroit Housing Commission continues to focus its efforts on making all modules fully operational by November 30, 1997. Additional progress has been made since the information in this Chapter was gathered. As of October 30, 1997, implementation of the Purchasing, Requisitions and Vacancy tracking (Public Housing Management Assessment Program) modules was in progress and staff training was being arranged. Progress has also been made on the Inventory module (see comments on Chapter13). The Detroit Housing Commission concurs with this recommendation and is expeditiously implementing all modules.

Recommendation 15B. The Detroit Housing Commission concurs with this recommendation. The Management Information Systems Committee meetings resumed October 14, 1997.

---

## OIG Evaluation of Management Comments

The actions the Commission has taken and plans should resolve the problems presented in this Chapter. Since the Management Information Systems Committee meetings were resumed in October, we revised our report and deleted the recommendation to resume the meetings.

---

## Recommendations

We recommend that the Director of Public Housing, Michigan State Office ensures the Detroit Housing Commission:

- 15A. Has all 17 modules of its integrated financial management system operational as expeditiously as possible.

## Security

The previous OIG review of April 30, 1996 reported the Commission was in the process of establishing a security program to combat crime and security problems in its housing developments. The Commission established a Public Housing Support Section in February 1995 with the support of the Detroit Police Department. The Commission also developed a written security plan in May 1995 that included ten items to assist the Support Section in reducing both the opportunity and potential for criminal activity. The Commission planned to have the plan fully implemented by June 30, 1996. As a result, we recommended that HUD: (1) assure the Commission established controls and procedures to fully implement its security plan by June 30, 1996 and developed measures of effectiveness to evaluate the propriety of its security fund expenditures; and (2) assist the Commission in identifying and obtaining funds needed to maintain a successful security program.

---

### Observations

Since our April 30, 1996 report, the Commission implemented the ten items in its security plan. One item, to open a community store, was changed and instead, vending machines were installed in all high rise buildings. The immediate impact of the plan appears to be successful based on the Commission's evaluation of arrest trends. However, the Commission had not developed a method and criteria to measure the long term effectiveness of each element of the plan. The Commission assigned the Acting Program Administrator in the Planning Division to locate alternate funding sources for security. The Administrator obtained additional funding from two sources; however, the Administrator limited her search to Federal sources.

### The Security Plan Was Implemented

The Commanding Officer of the Commission's Support Section said the implementation of the security plan is an on-going and fluid process. The items in the plan must be continuously monitored and modified as needed. For example, one of the ten items required the Public Housing Support Section to train residents in crime prevention and organize volunteers from the public housing community to form neighborhood watches and do community patrols. The Commission has two officers who are qualified to give community policing training. During 1997, the officers trained 24 residents from 10 of the Commission's 16 developments.

The officers trained the residents on how to monitor activities that violate laws, ordinances, and regulations related to public housing; how to look for and identify community problems

dealing with administration, maintenance or tenants; how to work in groups; and how and where to report problems. After training, the residents are expected to form community patrols or act as resident monitors. The Commission did not have any community patrols formed as a result of the training, but did have resident monitors at eight senior citizen developments. The Commission did not keep data or develop criteria to measure the effectiveness of the resident monitors.

Training only 24 residents for community policing is not adequate. The Commanding Officer said he attended resident meetings and explained the program; however, he could not get residents to volunteer. He said one of the Commission's priorities is to form tenant patrols. Because of the difficulty in getting participation, on September 19, 1997, the Executive Director authorized the Commanding Officer to explore methods of compensation to increase program participation.

Another item in the security plan required the Support Section to increase person to person contact between police and residents by assigning a police officer to each development. The Commanding Officer of the Support Section said the daily presence of a police officer at each development encourages residents to take a more active role in helping deter crime. For example, on August 21, 1997, residents at the Jeffries Development called the Support Section to report suspected drug activity at one of its units. The Support Section responded and arrested three persons, of whom one was a tenant, and confiscated crack cocaine and weapons. The three persons were charged with a felony and the Support Section initiated eviction actions against the tenant under the "One Strike and You Are Out" criteria. The resident vacated the unit on September 9, 1997 before the eviction process was completed. The Support Section has 41 police officers and it ensures a police officer is assigned to each development daily.

The Commission Needs To Measure Long Term Effectiveness

The Commanding Officer said he currently measures the effectiveness of the security program by reviewing the pattern of arrests. He said the program is working if felony arrests go down and misdemeanor arrests goes up. If security measures are successful, the number of felony arrests should decline, and as the officers have more time to investigate lessor crimes, the misdemeanor arrests should rise. He said the felony crimes should decrease because many of the felonies are caused by persons not living in public housing and their access to the

developments decreases as security is increased. Based on this criteria, the Commission's Security program is working. In 1996, the Housing Support Section arrested 695 felons and made 1,325 misdemeanor arrests. In 1995, the Housing Support Section arrested 865 felons and made 858 misdemeanor arrests. We believe the measure of effectiveness based on an arrest pattern is valid for the short run when new security programs are being implemented as is the case at the Commission. However, the Commission needs to develop more sophisticated criteria to measure both its current security programs and any new security expenditures after the initial impact of implementation is over and arrest patterns stabilize.

The Commission Is Working To Obtain Alternative Sources Of Security Funding

The Commission assigned the Acting Program Administrator in the Planning Division to locate alternative sources of security funding. The Administrator said she receives HUD assistance when needed. She reviews all the Notices of Funding Availability on a regular basis and browses through the internet to identify possible sources of funds for security. As a result of this effort, in July 1997, the Commission applied for a \$1,799,352 grant from the Department of Justice's Office of Community Oriented Policing Services. If the grant is approved, the Commission plans to use the funds to add 24 full-time police officers to its force. The Commission was also awarded a \$2,122,250 Drug Elimination Grant in 1996 that will be used for the security program.

Although the Administrator was actively searching for sources of alternative funds, she could take further steps that could increase results. The Administrator's research activities were largely limited to obvious sources and she did not use "The Catalog of Federal Domestic Assistance." The Catalog is a government-wide publication of Federal programs, projects, services and activities that provide assistance or benefits. The Catalog is available through the Government Printing Office. If the Commission pursues partnerships with non-profit organizations and private agencies, identifies funds available from various local and State agencies, and uses the Federal Catalog, it could increase its access to funds. As a result of decentralization and empowerment initiatives, State and local agencies have more discretion over the expenditure of funds awarded under various Federal programs. Also, since security initiatives should be mutually beneficial to the City and private organizations, the Commission has some leverage to negotiate assistance.

---

## Management Comments

Recommendation 16A: The Housing Support Section's current procedures and controls to evaluate performance effectiveness include Daily and Monthly Statistical Reports generated by Preliminary Complaint reports, Patrol Activity Logs, and input from residents. These statistical reports measure police runs (calls to police by residents), arrests made within and around the individual Public Housing developments (felony and misdemeanor), the time spent, and the miles traveled. The reports also measure the cost of each officer and the vehicles used. The Housing Support section is currently evaluating these methods and will take the necessary actions to refine the established measures used to evaluate the effectiveness of security initiatives. The Housing Support section, Program Planning Division and the Detroit Housing Commission residents (via the monthly security meetings) will work together to ensure policies and procedures are in place to measure the effectiveness of present and future security initiatives.

Recommendation 16B: The Housing Support section currently uses the statistical reports described in recommendation 16A to evaluate the need of each Public Housing development. Currently there are four (4) major developments (Herman Gardens, Jeffries, Brewster/Douglass and Parkside) where additional security measures and the need for special attention have been identified. The Detroit Housing Commission appropriately addresses these areas by modifying security programs and shifting resources to the developments with the greatest need. The Housing Support Section also provides resources to joint efforts to increase effectiveness. An example is the newly implemented task force made up of members of the Housing Support Section, Drug Enforcement Administration (D.E.A.), Alcohol Tobacco and firearms (A.T.F.), and the Inspector General's Office-HUD, to combat drug and gang related activity at public housing developments. Additional programs are also being discussed that would increase patrol in the community, encourage proactive policing, and further resident involvement.

Another example of how the Detroit Housing Commission modifies its security programs as necessary is the modification of the Lobby Monitor Program. This program utilizes on-site resident volunteers to monitor the common areas at senior

buildings. The modification to this program is a direct response to resident input at the monthly security meetings and will improve the effectiveness of the security program.

Recommendation 16C. The Detroit Housing Commission agrees that attempts will continue to seek funds for the security initiatives, but believes corrective action is not necessary since identifying resources is an on-going task in the Program Planning Division. During the period of June through August, 1997, the Program Planning Administrator had primary responsibility for preparing ten grant applications, with security being only one of many resident-identified priorities. While the Catalog of Federal Domestic Assistance was not utilized, the sources and periodicals researched and utilized do incorporate the most relevant and currently programs available from that document. Since the information for this chapter was collected, the Detroit Housing Commission has hired a General Manager for Program Planning (October, 1997) and further augmented the staff. These actions underscore the Detroit Housing Commission's commitment to aggressively pursue all possible funding sources. The formation of partnerships with non-profit and private organizations is also an on-going activity in the Program Planning Division.

---

## OIG Evaluation of Management Comments

We believe the Commission misunderstood the intention of recommendations 16A and 16B. Our review found the Commission needed to develop ways to measure the effectiveness of security efforts after arrest patterns stabilize at the developments. We reworded Recommendation 16A to clarify it.

Recommendation 16B was intended to address the shifting of resources to the types of security programs that are the most successful based on the measurements developed in response to Recommendation 16A. The recommendation was not addressing the allocation of the resources between the developments. We also reworded the Recommendation 16B to clarify it.

Although the Commission said it believes corrective action is not necessary, it took action to augment its Program Planning staff after our review was completed. The increase in staff will allow the Commission to more aggressively pursue security funding opportunities. The Commission needs to obtain access

to the Catalog of Federal Domestic Assistance.

---

## Recommendations

We recommend that the Director of Public Housing, Michigan State Office ensures the Detroit Housing Commission:

- 16A. Develops procedures and controls to establish performance criteria and measure the effectiveness of each type of security program at each development after arrest patterns stabilize.
- 16B. Uses measures of effectiveness resulting from Recommendation 16A to shift funding to the security programs that are the most effective.
- 16C. Attempts to increase security funds by forming partnerships with non-profit and private organizations, researching funding assistance from local and state agencies, and exploring funding opportunities in the Catalog of Federal Domestic Assistance.



# Distribution

Secretary's Representative, Midwest  
 State Coordinator, Michigan State Office (2)  
 Director, Public Housing Division, Michigan State Office (2)  
 Assistant General Counsel, Midwest  
 Field Controller, Midwest  
 Director, Accounting Division, Midwest  
 Deputy Secretary, SD  
 Assistant Secretary for Congressional and Intergovernmental Relations, J (Room 10120)  
 Deputy Assistant Secretary for Public Affairs, W (Room 10220)  
 Chief of Staff, S (Room 10000)  
 Counselor to the Secretary, S (Room 10234)  
 Senior Advisor to the Secretary for Communication Policy, S (Room 10222)  
 Director, Administrative Service Center 1  
 Assistant to the Deputy Secretary for Field Management, SDF (Room 7106)  
 Chief Financial Officer, F (Room 10164)  
 Deputy Chief Financial Officer for Finance, FF (Room 10164)  
 Acquisitions Librarian, Library, AS (Room 814)  
 Assistant Secretary for Public and Indian Housing, P (Room 4100)  
 Comptroller/Audit Liaison Officer, Public and Indian Housing, PF (Room 5156) (3)  
 Director, Housing and Community Development Issue Area, U.S. GAO,  
 441 G Street, NW, Room 2474, Washington DC 20548  
 The Honorable John Glenn, Ranking Member, Committee on Governmental Affairs,  
 United States Senate, Washington DC 20515-4305  
 The Honorable Fred thompson, Chairman, Committee on Governmental Affairs,  
 United States Senate, Washington DC 20515-4305  
 Ms. Cindy Sprunger, Subcommittee on General Oversight and Investigations, Room 212  
 O'Neill Office Building, Washington DC 20515  
 Mr. Pete Sessions, Government reform and Oversight committee, Congress of the  
 United States, House of Representatives, Washington DC 20510-6250  
 Associate General Counsel, Office of Assisted Housing and Community Development, CD  
 (Room 8162)