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**Audit Related Memorandum  
99-CH-201-1801**

December 2, 1998

Memorandum For: Debra A. Torres, Director of Public Housing, Illinois State Office

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

Subject: Followup on OIG Review  
Assessment of Progress  
Chicago Housing Authority  
Chicago, Illinois

We completed a followup to the OIG September 30, 1996 review of the Chicago Housing Authority entitled Assessment of Progress. The objective of our review was to determine whether the Authority had taken appropriate actions to correct the problems identified in the previous report. Further, since our previous review, the Authority's Inspector General determined that the Authority expended HOPE VI funds for two self sufficiency programs that did not achieve program objectives. Therefore, as part of this review, we also assessed the adequacy of the Authority's internal controls over the HOPE VI self sufficiency programs and construction activities to ensure program goals and objectives are met.

The Authority took actions to address the problems found in our previous review; however, as with any effort of this size, some actions were delayed or overlooked and require increased emphasis. Of particular importance are those actions related to Security, Preventive Maintenance, Annual Inspections, and Risk Management that can affect the living conditions of tenants. The Authority did not have an adequate system of controls to ensure that projects funded by HOPE VI achieved their program goals.

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.

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# Executive Summary

We completed a followup to the OIG September 30, 1996 review of the Chicago Housing Authority entitled Assessment of Progress. The objective of our review was to determine whether the Authority had taken appropriate actions to correct the problems identified in the previous report. Since our previous review, the Authority's Inspector General determined that the Authority expended HOPE VI funds for two self sufficiency programs that did not achieve program objectives. Therefore, as part of this review, we also assessed the adequacy of the Authority's internal controls over the HOPE VI self sufficiency programs and construction activities to ensure program goals and objectives are met.

The Authority took actions to address the problems found in our previous review; however, as with any effort of this size, some actions were delayed or overlooked and need emphasis. We also concluded that the Authority did not have an adequate system of controls to ensure that projects funded by HOPE VI achieved their program goals.

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## The Authority Has Made Progress But Still Needs Improvements

The Authority made progress in addressing the problems we identified in all 20 Chapters of our September 30, 1996 report. On September 14, 1998, the Authority was removed from HUD's troubled housing list. However, the Authority stills needs to complete actions to correct problems identified during our previous review. We believe problems in the following four areas are particularly significant, since they more directly affect the living conditions of the tenants:

Security - The Authority did not have a formal method for measuring the effectiveness of its security initiatives. The Authority Police Department's senior staff, who were in place during our previous review, were no longer employed by the Authority. The Department's current senior staff did not have a copy of the September 30, 1996 report and were unfamiliar with the recommendation to establish procedures and controls to establish and evaluate performance measures. As a result, no actions were taken to formally address the recommendations.

Preventive Maintenance - The Authority did not develop and implement a preventive maintenance schedule for all systems using the needs assessment that was completed in May 1998. The Assistant Director of the Operational Services Division said he did not use the physical needs assessment to develop a comprehensive preventive maintenance program because the maintenance needs of

the developments were assessed annually. The Authority's annual assessments, however, did not sufficiently address the preventive maintenance needs of the developments. The inspections were not proactive and only items in need of immediate repair were addressed.

Annual Inspections - The Authority did not develop thorough and comprehensive procedures for Housing Quality Standards inspections. Between August and October 1997, the Authority issued three memoranda to its staff outlining procedures for annual building inspections; however, the memoranda were not comprehensive. The Authority did not develop or implement policies and procedures to conduct quality control reviews of Housing Quality Standards inspections to ensure inspection accuracy, and did not ensure work orders were initiated for needed repairs identified during unit inspections.

Risk Management - The Authority's Risk Management Department performed annual inspections of all the Authority's buildings to identify hazardous conditions that could result in a liability to the Authority. However, no work orders were prepared because many of the work items duplicated work orders previously requested by the development managers, and the Risk Management Department had not developed a method to eliminate duplicate work orders.

Chapters 1 through 20 in this report provide an update to the corresponding Chapters in our September 30, 1996 report.

The Authority Lacks Assurance Projects Funded By HOPE VI Meet Program Goals

Since our previous review, the Authority's Inspector General determined that the Authority expended HOPE VI funds for two self sufficiency programs that did not achieve program objectives. As a result, as part of this review, we assessed the adequacy of the Authority's internal controls over the HOPE VI self sufficiency programs and construction activities to ensure program goals and objectives are met. We found that the Authority did not have an adequate system of controls to ensure that projects funded by HOPE VI achieved their program goals.

**Recommendations**

We recommend that the Director, Office of Public Housing, HUD Illinois State Office ensures the Authority 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 Chicago Housing Authority. We held an exit conference with the Authority's Executive Director and other officials on October 28, 1998. The Authority provided written comments to our draft chapters and recommendations. The complete text of the comments are included in Appendix A with the exception of attachments to the comments that were not necessary for understanding the Authority's comments. A complete copy of the comments including the attachments was provided to HUD's Office of Public Housing.

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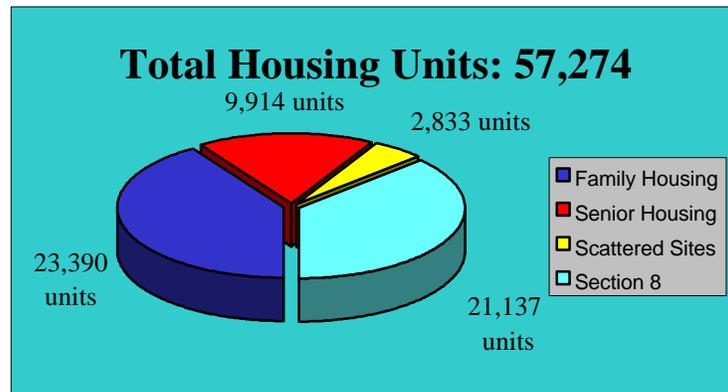
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# Introduction

The Chicago Housing Authority was organized in 1937 under the housing laws of the State of Illinois. The Authority was established to develop, acquire, lease, operate and administer low rent housing programs.

The Chicago Housing Authority is the third largest public housing authority in the Nation. It administers over 57,274 public housing units located across the City of Chicago. The following chart categorizes the Authority's units:



The Housing Authority received over \$501 million in HUD operating subsidies over the last three years. HUD also approved the Housing Authority for the following additional funding:

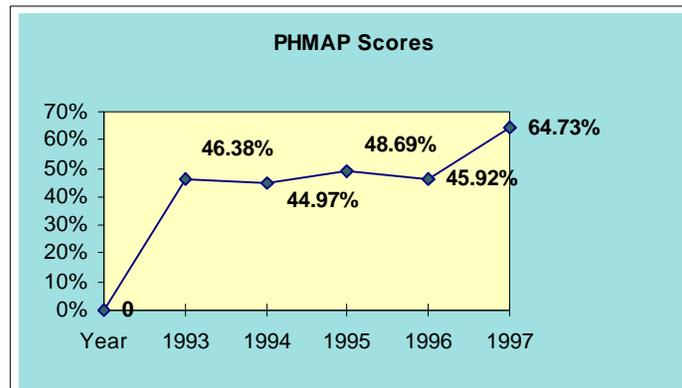
Sources	1995	1996	1997
Comprehensive Grant	\$145,090,576	\$145,203,346	\$116,055,155
Hope VI	400,000	67,918,550	
Drug Elimination	10,008,250	9,278,539	9,050,270
<b>TOTAL</b>	<u>\$155,498,826</u>	<u>\$222,400,435</u>	<u>\$125,105,425</u>

HUD classified the Housing Authority as operationally and financially troubled in 1979. On May 30, 1995, HUD took control of the Authority and designated the former Secretary's Representative of the Illinois State Office to serve as the Chairman of a five member Executive Advisory Committee. The Committee served as the Authority's Board of Directors. The former Secretary's Representative of the Illinois State Office resigned on November 21, 1997. On December 31, 1997, Karen A. Newton, the Director for the Office of Troubled Agency Recovery, was appointed as the Chairwoman of the Committee. The Authority's Executive Director is Joseph Shuldiner.

To address the Authority's long standing problems, the Deputy Assistant Secretary for Distressed and Troubled Housing Recovery sent a Blueprint to the Secretary on June 11, 1995; the Authority developed a Long Term Strategic Plan dated February 15, 1996; and the Authority signed a Memorandum of Agreement on August 20, 1996.

The Blueprint identified HUD's goals as: (1) bringing meaningful, positive changes to the Authority's residents, and (2) strengthening the Authority in order to provide a safe, decent and livable environment for its residents. The Authority was operationally restructured and its top managerial positions were replaced. The Authority developed a Long Term Strategic Plan to effectively translate the Blueprint into a functional mission-oriented improvement plan. The Plan's mission was to ensure the provision of affordable housing opportunities in viable communities for lower-income households. The Memorandum of Agreement established performance goals for the development of management systems and programs for treating the severely distressed developments.

The Authority has made progress in all areas of the Memorandum of Agreement and on September 14, 1998, was removed from the troubled housing list. HUD confirmed that the Authority achieved a score of 64.73 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 Housing Authority's total Public Housing Management Assessment Program scores from 1993 to 1997:



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### Review Objectives

The objectives of this review were to: (1) determine whether the Authority had taken appropriate actions to correct the problems identified in the OIG report dated September 30, 1998; and (2) assess the adequacy of the Authority's internal controls over the HOPE VI funded self sufficiency programs and construction activities to ensure program goals and objectives are met.

### Scope and Methodology

Our review assessed the actions taken by the Authority between June 1, 1996 through June 30, 1998. We extended the audit period as necessary. We performed the on-site work from March 1998 through September 1998. To evaluate the corrective actions taken or planned to address the issues and recommendations contained in the September 30, 1996 report and to assess the adequacy of the Authority's internal controls to ensure HOPE VI program

goal and objectives are met, we interviewed appropriate Authority managers and staff from all 21 functional areas we reviewed. We interviewed the Authority's Deputy Executive Directors to verify the interpretation of policies and procedures and to clarify staff responses. In addition, we:

- evaluated performance measures for security initiatives by interviewing Authority police, residents, and assessing the Authority's Management Reports;
- reviewed the Authority's resident lease and evaluated its lease violation notice to ensure the Authority enforced house rules;
- traced the Physical Needs Assessment to the Comprehensive Five-Year Action Plan to verify that the Assessment was used to prepare the Plan;
- evaluated development maintenance plans to determine if they included a preventive maintenance schedule;
- tested work orders for accuracy;
- compared unit inspections to work order reports to verify that work orders were written for needed repairs;
- interviewed maintenance and housing management staff to verify work order training, that employees had access to the computerized work order system, and that the system was used to monitor employee performance and the work order backlog;
- evaluated housekeeping inspection documentation and waiting list procedures to assess resident screening;
- contacted residents to determine if they were made aware of their lease requirements and had received tenant handbooks;
- reviewed selected reports to determine if the accounting and management information systems provided useful information;
- compared employee performance evaluations to staff job description to ensure employees were rated on their job responsibilities;
- compared grant applications to the Authority's funding records to determine if the Authority pursued alternative sources of funding; and
- used the Authority's Inspector General Reports, Grant Administration's Monitoring Reviews, and Development Initiatives Division's Management By Objective Reports and Annual Work Plans to assess the effectiveness of the controls to ensure HOPE VI objectives are met.

We provided a copy of this report to the Executive Director of the Chicago Housing Authority.

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# Security

The OIG review dated September 30, 1996 determined that the Authority did not have an adequate system to evaluate the success of the security initiatives that had been and would be implemented. Also, the Authority had not developed site-based security plans or house rules. As a result, we recommended that the Authority: (1) develop procedures and controls to establish and evaluate performance measures for each security initiative undertaken; (2) immediately start to develop site-based security plans for the Cabrini Green, Ida B. Wells, Altgeld Gardens, and ABLA Homes developments; (3) develop all site-based security plans by December 31, 1997; and (4) develop house rules by December 31, 1996 and immediately begin to enforce the rules.

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## Observations

The Authority did not develop procedures and controls to establish and evaluate performance measures for each security initiative undertaken. The Authority also did not develop an overall site-based security plan for Cabrini Green, Ida B. Wells, Altgeld Gardens, and ABLA Homes, nor for any of its other developments, although it did develop a physical security plan for the Cabrini Green and ABLA Homes. However, physical security is only one aspect of an overall site-based security plan. The Authority developed house rules and was enforcing them.

## Performance Measures Were Not Established

The Authority did not have a formal method for measuring the effectiveness of its security initiatives. The Authority Police Department's senior staff, who were in place during our previous review, were no longer employed by the Authority. The Department's current senior staff did not have a copy of the September 30, 1996 report and were unfamiliar with it. As a result, no actions were taken to formally address the recommendations. We provided a copy of the report to the Police Department's senior staff during our review.

The Authority's Police Department provided us with the performance measures it was using to evaluate security initiatives included in HUD's Blueprint, the Authority's Memorandum of Agreement with HUD, and its Long-Term Plan, a total of 46 initiatives. The Authority had performance measures for 40 of the initiatives.

The Police Department's performance measures for seven of the initiatives were adequate, but there was no documentation to show that required information was

gathered, evaluated and used to make decisions regarding use of resources and the scope of the initiatives.

The measures for 33 of the 40 initiatives were not adequate to determine if the initiatives were meeting their objectives. The measures were merely indicators that the initiative had been implemented, rather than a measure of the effectiveness of the initiative. For example, one security initiative was to open a mini-police station at Cabrini Green and staff it with 11 officers. The performance measure verified the opening of the mini-station and the assignment of 11 officers. The performance measure did not evaluate the impact that the opening of the mini-station had on security at Cabrini Green. The purpose of the mini station was to reduce criminal activity at and around Cabrini Green. The performance measure should have evaluated the change in criminal behavior by analyzing crime statistics and feedback from residents and businesses.

The Police Department had not developed performance measures for the remaining 6 initiatives. The Department said it did not develop measures for five initiatives because they believed the initiatives were the responsibility of another department, and the sixth because it had not started. We believe the measurement and tracking of all security initiatives should be the responsibility of the Police Department. Also, an initiative does not have to be implemented for the Department to develop criteria on which to measure it.

Site-Specific Security Plans Have Not Been Developed

The Authority's security plans were not prepared on a site-specific basis. A site-based security plan contains a detailed analysis of crime patterns for each development. The plan outlines personnel, equipment, and physical improvements required to enhance security measures.

In lieu of specific site-based security plans, the Authority's Police Department assigned officers to four Districts (Central, West, North, and South), the Henry Horner Detail, Administration, Special Assignments, a Special Operations Group, and the Federal Task Force. The officers were then deployed to individual developments by the respective District and/or watch commanders. The Authority also implemented community-oriented policing at

some of its family developments as part of its overall security plan.

A site-based security plan analyzes crime patterns and addresses unique security needs of each development. The Authority's approach to security assumes similar developments have similar security problems and that the same approaches can be used to address the problems. Although the developments may have similar problems, the developments are each different, do not necessarily mirror each other, and have unique needs based on location, configuration, and population mix. The site-based security plan provides information that can provide a more efficient allocation of resources than the Authority's global approach.

Some Physical Site-Specific Security Plans Have Been Developed

Although the Authority was not planning to develop a site-based security plan for each development, it had developed a physical security plan for the Cabrini Green, ABLA Homes, Robert Taylor, and Henry Horner developments. The physical modifications include fencing and controlled access to buildings. However, a physical security plan is only one part of a site-based security plan. The Authority needs to develop a site-based security plan for each development.

Without a formalized site-based security plan for each of its developments, the Authority cannot properly prioritize security initiatives and provide the most effective security at the lowest cost.

House rules were developed and enforced

In November 1996, the Authority incorporated house rules into its resident leases. Section Seven of the Authority's lease, Resident's Obligations, contains the house rules.

We contacted the managers of three developments to determine if the house rules were being enforced. All three managers provided us examples of house rule violators who were referred to the Authority's Legal Department for eviction. We investigated six of the examples and found: one resident was evicted; one resident moved out voluntarily; in two cases the Authority worked an agreement with the tenants that resolved the situation; and two cases were being worked by the Legal Department.

Based on this information, we believe the house rules are effective and are being adequately enforced.

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## Auditee Comments

Excerpts from the Authority's comments follow. Appendix A, page 130, contains the complete text of the comments.

We disagree that the Authority did not develop procedures and controls to establish and evaluate performance measures. The information is indicated in the Authority Management Report. We shall, however, be more detailed and site-based for each initiative development by development in a future report. Performance measures will be implemented for all security initiatives.

A site-based security plan has been established in our patrol strategy that is congruent with Chicago Alternative Policing Strategy. The Strategy is the overall police services delivery system for all of the City of Chicago. It is community policing, problem solving policing, and utilizing traditional and nontraditional approaches. The Authority's Police Department strategy is congruent with the community policing, problem solving strategy of the Chicago Alternative Policing Strategy. We shall document the customized diversity of each strategy in operation at each site.

The review indicated that the performance measure did not evaluate the impact that the opening of the mini-station had on security at Cabrini-Green. We disagree with this observation. Not only was a mini-station opened at Cabrini-Green, but it was expanded to a 24-hour station and the Authority Management Report submitted to the OIG documented substantial crime reduction in Cabrini-Green for the year 1997. Crime reduction is an established performance and output measure.

We shall develop and implement procedures and controls to establish and evaluate performance measures for all security initiatives undertaken. (Crime data analysis collections, time surveys and resident satisfaction surveys).

We shall develop site based security plans. This will include resource allocation of personnel and equipment, physical improvements required to enhance security measures,

community involvement in problem identification and problem solving, and human resource and quality of life initiatives.

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## OIG Evaluation of Auditee Comments

The Authority indicated it had developed procedures and controls to establish and evaluate performance measures. It further indicated that the information was contained in the Authority Management Report. The Report provides overall statistical information on security related areas such as crimes, complaints, arrests, and evictions. The Authority did not maintain documentation to show that the Report was used to evaluate the effectiveness of individual security initiatives.

There is no evidence that the Authority's Police Department's community policing and problem solving strategy is site-based. The Authority acknowledged that it needs to document the customized diversity of each strategy in operation at each site.

The Authority indicated it will develop and implement procedures and controls to establish and evaluate performance measures for all security initiatives. The Authority also said it would develop site based security plans. If the Authority follows through on these two actions, the problems outlined in this Chapter should be corrected.

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## Recommendations

We recommend that the Director of Public Housing, Illinois State Office, assures that the Chicago Housing Authority:

- 1A. Develops and implements procedures and controls to establish and evaluate performance measures for all security initiatives undertaken.
- 1B. Develops site-based security plans for all developments.

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## Modernization/Redevelopment of Housing

The OIG review dated September 30, 1996 determined that the Authority had initiated plans for the redevelopment of Cabrini Green, Henry Horner, Lakefront, Washington Park, and Clarence Darrow developments. However, the Authority did not prepare a comprehensive plan for the overall rehabilitation of the five developments or any of its other developments. The Authority planned to complete a 20 year cash needs assessment to identify the capital needs and expenditures for the Authority's developments over the next 20 years by September 30, 1996 and a viability study to assess the cost effectiveness of revitalizing its buildings by December 31, 1996. Additionally, the Authority planned to complete a marketing study to develop a plan to support full occupancy in viable buildings and developments by March 31, 1997.

We recommended that HUD assure that the Authority: (1) perform a viability assessment with a 20-year cash needs forecast by December 31, 1996; (2) develop a marketing plan by March 31, 1997; and (3) develop a comprehensive modernization/redevelopment plan for all of its developments once the viability assessment and marketing plan were completed.

### Observations

As of June 23, 1998, the Authority had completed the viability assessment and physical needs assessment with a 20-year cash needs forecast. The Authority did not complete the marketing plan and did not develop a comprehensive modernization and redevelopment plan for all of its developments.

### The Viability Assessment Has Not Been Approved By HUD

The Chicago Housing Authority hired TAG Associates to complete the Authority's viability assessment. Under Section 202 of the Omnibus Consolidated Rescissions and Appropriations Act, public housing agencies were required to identify distressed public housing that should be demolished and replaced with Section 8 tenant-based rental assistance, if the housing could not be economically revitalized. Based upon the requirements of Section 202, the Authority determined that a viability assessment was required for the following 17 developments: Brooks Homes; Brooks Extension; Jane Addams Homes; Grace Abbott Homes; Cabrini Extension North; Cabrini Extension South; Cabrini Rowhouses; Green Homes; Dearborn Homes; Henry Horner; Robert Taylor A; Robert Taylor B; Rockwell Gardens; Stateway Gardens; Washington Park; Wells Extension; and Wells Homes. The viability assessments identified buildings in 16 of the 17 developments that should be demolished or revitalized. The viability assessment for

Wells Homes is in process and is expected to be completed by December 31, 1998.

In accordance with Section 202, seven of the 17 developments also required the completion of a second cost test. These seven developments were: Dearborn Homes, Cabrini Extension South, Green Homes, Rockwell Gardens, Stateway Gardens, Wells Extension, and Wells Homes. The Authority completed the second cost test for six of the seven developments. The cost test required for Wells Homes was in process. The six tests showed that the cost to convert the public housing developments to Section 8 averaged 12 percent more than the cost of revitalization.

The 16 completed draft assessments and the six cost tests were submitted to HUD's Office of Policy, Program and Legislative Initiatives for Public and Indian Housing for approval on May 18, 1998. The cost test for Wells Homes will be forwarded to HUD when completed. Before HUD approves the Authority's viability assessment, a marketing study assessing the impact of unit demolition on affordable housing in the area needs to be completed. The marketing study is scheduled to be completed in the Spring of 1999.

A Physical Needs  
Assessment Was  
Conducted

On December 10, 1996, the Authority hired TAG Associates, who subcontracted with On-sight Insight, a consultant that specializes in capital planning, to complete a physical needs assessment of all the Authority's developments. The consultant conducted site visits of the developments; identified development needs; and updated the Authority's capital improvements plan. A physical needs assessment was completed for ninety-two developments consisting of 1,060 buildings. The field work for the assessment was completed between January 6 and May 24, 1997. The assessment reports for the developments were issued between January 27 and June 14, 1997.

We believe the assessments provide necessary information for future planning. Each development's physical needs assessment provides detailed information on the condition of the development's structures and systems; repair work required; the age and expected useful life of the structures and systems; a 20-year cash needs forecast for repairs and replacements; and the year funds are needed. The Authority

The Authority Has Not Performed A Marketing Study Or Developed A Comprehensive Plan

used the physical needs assessment to develop its Five-Year Action Plan.

Although the Authority completed a viability assessment and a physical needs assessment, it did not perform a marketing study or develop a comprehensive modernization and redevelopment plan for each development.

The Authority's Deputy Director of Management Analysis and Planning said the Authority delayed the marketing study pending the completion of the viability assessment in order to avoid spending resources studying developments that may not be viable. However, before HUD approves the Authority's viability assessment, a marketing study assessing the impact of unit demolition on affordable housing in the area needs to be completed. The marketing study is now scheduled to be completed in the Spring of 1999. A marketing study and plan are needed to determine what and where the demands are for the Authority's services, and to ensure scarce resources are used effectively to address the demands.

The Authority did not develop a comprehensive plan for each development. Although the plans cannot be completed without marketing studies, we did not find any documentation to support that comprehensive plans were under development, or scheduled. Additionally, we did not find that anyone was responsible to ensure the plans were completed. A comprehensive plan is needed to ensure all programs and initiatives for a development properly interface, are consistent, and do not result in a waste of resources. For example, the expenditure of modernization resources should consider the interaction and impact of the viability study, demand for units, available resources, the physical needs assessment, and community input.

## Auditee Comments

Excerpts from the Authority's comments follow. Appendix A, pages 136 and 145, contains the complete text of the comments.

Director of Management Analysis and Planning Comments:  
The report does not clearly state that, because of the revitalization of the property, only seven were subject to the cost test, the others were exempt based on the rule.

The report does not accurately reflect the status of conducting market studies for our properties. It is true that the Authority did not conduct an authority-wide market study for various reasons: (1) market studies were already underway at HOPE VI or proposed HOPE VI sites, and (2) a market study was required and included in the scope of the planners hired by Development Initiatives. The Development Initiatives Division has undertaken the task to coordinate the results of any studies or planning activities.

Further the comments that say "since the viability only covered 17 developments, we believe the marketing study and the development of a plan should have already been initiated" are not accurate. The sites included in the viability assessment represent more than 1/2 of our stock. Plans were generated as a result of the strategic planning process occurring at various sites, and both the viability and physical needs assessments are the first tools necessary to determine what the market consists of. The site based waiting lists at all senior properties will require a marketing analysis and strategy.

### OIG Evaluation of Auditee Comments

We determined that the Authority did not conduct a marketing analysis and did not have any documentation to show when a study was planned or who is responsible. The Director of Management Analysis and Planning does not oversee the Development Initiatives Division. The planner contracts she refers to in her comments do not require the performance of marketing studies. The Development Initiatives Division did not respond to our Chapter or indicate they were responsible for the marketing studies. The Director of the Authority's Modernization Division said the Division will be responsible for the marketing studies (see Director of Modernization comments below).

We acknowledge that the 17 developments include more than one-half of the Authority's housing stock; however, that does not change our conclusion that the marketing study and development of a plan should have been initiated.

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**Auditee Comments**

Director of Modernization comments: The Modernization Division concurs with HUD's recommendation that the CHA conduct a marketing study and develop a comprehensive plan for each of our developments.

In light of this, the Modernization Division will assume responsibility for developing the Request For Proposal as well as administering the contracts with the firms that will conduct the marketing studies and subsequent plans. We will submit to you a time schedule to complete this study in the immediate future.

**OIG Evaluation of Auditee Comments**

The actions the Modernization Division plans should help resolve the problems identified in this Chapter if the Division follows the actions through to completion. However, the Authority still needs a comprehensive plan for each development. The plan should, at a minimum, incorporate the results of the marketing study and plan; viability assessment; physical needs assessments; available and projected resources; and input of the community.

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**Recommendations**

We recommend that the Director of Public Housing, Illinois State Office, assures that the Chicago Housing Authority:

- 2A. Performs a marketing study and based on the results develops a marketing plan as required by HUD.
- 2B. Develops a comprehensive plan for each development. The plan should, at a minimum, incorporate the results of the marketing study and plan; viability assessment; physical needs assessments; available and projected resources; and input of the community.

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## Work Order System

The OIG review dated September 30, 1996 determined that the Chicago Housing Authority had developed policies and procedures for its work order system. However, the policies and procedures for emergency work orders were not sufficient to operate an effective work order system and were not distributed to the appropriate personnel. The Authority established a training class in work order management, but not all maintenance superintendents and supervisors had attended. On April 1, 1996, the Authority began using a computerized work order system. The system automated the work order process; however, the number of backlogged work orders steadily increased to over 49,000 by the end of June 1996. The Authority established new performance standards for its maintenance personnel, but did not plan to use the standards until its January 1, 1997 performance evaluations.

We recommended that HUD assure the Authority: (1) reviewed its emergency work order policies and procedures, developed procedures to operate the system effectively, and included the new procedures in its maintenance manual; (2) trained all its maintenance superintendents and supervisors on work order procedures by December 31, 1996; (3) distributed the revised maintenance manual to all applicable personnel; (4) developed procedures to distribute weekly activity reports to development managers and for the managers to use the weekly reports to manage their work order backlog; (5) implemented the use of performance standards to monitor staff performance; and (6) performed a review of the work order backlog, assessed staff needs, and developed a "get well" plan if the backlog situation would result in less than a passing Public Housing Management Assessment Program grade.

### Observations

As of July 14, 1998, the Chicago Housing Authority had fully implemented three of the six recommendations from our previous report. The Authority trained its maintenance staff on its work order procedures, distributed work order reports to development managers, and implemented the use of performance standards to monitor staff performance. In addition, although the Authority developed emergency work order policies and procedures to operate an effective emergency work order system as suggested by our fourth recommendation, the Authority needed to expand the procedures in relation to code violation emergency work orders. The Authority also did not ensure all applicable personnel received its maintenance manual; and did not develop a plan to address its work order backlog.

### The Maintenance Staff Received Training On Work Order Procedures

The Authority trained all of its maintenance superintendents and supervisors on its work order procedures. The Authority's Customer Service Center held three classes on

general work order procedures, recording work orders in its automated system, and closing out work orders.

We interviewed seven employees from one privately managed development and two Authority managed developments to verify that the employees received the training. All the employees we talked to attended the training offered by the Customer Service Center.

Work Order Reports Were Distributed To Staff

The Authority's Management Analyst for Operational Services distributed daily completed work order reports to all regional, property, and housing managers. The work order reports identified the number of work orders completed during a day. The Authority's Manager for the Customer Service Center distributed a daily outstanding emergency work order report to all regional, property and housing managers. The report identified all emergency work orders outstanding.

We interviewed two of the Authority's regional managers and three managers at two developments to determine if they received the work order reports. The staff said they received the daily work order reports from the Authority's Operational Services Division and the Customer Service Center. We verified that the managers used the reports to track outstanding work orders and monitor the staff's performance.

The managers said they also have access to the automated work order system and have the ability to print additional reports they deem necessary to manage work orders. We verified that the managers had access to the system and were able to print reports. We believe the Authority's managers have sufficient information available to them to effectively manage the work orders.

Performance Standards Were Used To Evaluate Staff

The Chicago Housing Authority implemented the use of performance standards to monitor staff performance. We reviewed 23 performance evaluations for housing management and maintenance employees to determine if the Authority used the standards to evaluate its staff. All employee evaluations referenced performance standards related to the employees' responsibilities. For example, the maintenance employees were evaluated on standards related

Emergency Work Order  
Procedures Were  
Improved

to timely completion of work orders, service provided to customers, and ability to complete a task in one visit.

We reviewed the Authority's emergency work order procedures and found that, with the exception of emergency code violation work orders, the procedures included the necessary elements for an effective system. The procedures were included in the Authority's maintenance manual. We tested 11 standard emergency and three code violation emergency work orders to determine if they were processed in accordance with the policies and procedures. Overall, we found the Authority's personnel followed the work order procedures. However, we found some required information was missing on two emergency and one code violation emergency work orders. The two standard emergency work orders were missing tenant signatures and one was missing the material used. The code violation emergency work order was missing the supervisor's initials. Tenant signatures and supervisor initials on completed work orders helps assure that work is satisfactorily completed. Recording of material used acts as a safeguard against misuse of materials and serves as a source of information for determining inventory levels and reorder points.

In March 1998, the Customer Service Center began performing quality control audits of completed work orders. At the time of our review, audits had not been completed on the developments involving our sample work orders. However, we reviewed the quality control procedures and a sample report and found the procedures and report encompassed all items to be completed on the work orders for proper close-out. We believe the audits will help correct the type of problems we discovered in our sample of emergency work orders, if the audits are diligently conducted and reported.

The Authority's emergency work order procedures need to be expanded to include steps to ensure emergency code violation work orders are expeditiously identified and input to the work order system with the correct receipt date. The Authority used the date it input code violation work orders into its work order system as the request date. However, the request date should be the date the notice of a violation is received from the City. For work orders that are not generated at the same time a complaint is received, HUD's

Public Housing Management Assessment Program regulations require a housing authority to report the date/time the request is received and entered into the system. We found that the three code violation emergency work orders we reviewed did not identify the date the Authority received the written notice of the violations from the City. Additionally, the Authority did not enter the violations into the system until five, nine and 18 days after the Authority received the notice of violation. HUD's Public Housing Management Assessment Program requires all emergency work orders to be abated within 24 hours.

The Authority's Customer Service Center Manager said the code violation work orders were not entered timely due to a shortage of staff. However, we determined the problems occurred because the Authority's work order procedures did not contain adequate instructions for entering work orders generated at a different time than when the request was received. The procedures also did not contain steps to ensure written packages from the City were immediately reviewed to identify emergency conditions for immediate input to the system. As a result, the Authority's completion times for the code violation work orders were understated. Additionally, emergency repairs were not abated within 24 hours.

Maintenance Staff Did Not Receive The Maintenance Manual

The Authority did not assure that all maintenance staff received the maintenance manual. According to the Customer Service Center Manager, the maintenance manual was given to staff when they attended training on the work order system. We interviewed 45 employees from one privately and two Authority managed developments to determine if the staff received the maintenance manual. Eleven of the 45 employees said they did not receive the manual. The Authority could not provide an explanation as to why the employees did not receive a copy.

To ensure the consistent application of the Authority's procedures, it is imperative that all staff be given copies of the maintenance manual.

A Plan To Target Outstanding Work Orders Has Not Been Developed

The Authority did not develop a "get well" plan to reduce the work order backlog and has not obtained a passing Public Housing Management Assessment Program grade for work orders. Outstanding work orders rose from 49,411 as

of June 1996 to 56,200 in June 1998, an increase of 6,789. The Authority attributed the increase to a better tracking system and increased attention on annual inspection, code violation, and preventive maintenance work orders. Additionally, in July 1997, the Authority revised its work order policy to classify defective smoke detectors as an emergency. Non-emergency work orders for defective smoke detectors issued prior to July 1997 were reclassified as emergency.

The Authority took steps to reduce the increased backlog problem. In June 1997, the Authority assigned work order teams to address outstanding code violation and emergency work orders. The teams consisted of craftspeople and maintenance mechanics who were dedicated to the Operational Services Division to address the work order backlog.

Between September and December 1997, a weekly newsletter on the work order system was published. The Authority's developments are segregated into five regions. Regions one through four include Authority managed developments and the fifth region includes all privately managed developments. The newsletter included data on work orders, such as, the week's best and worst performance by region. The newsletter was used as a motivational tool. Regions began competing against one another to achieve the highest work order completion rate.

As a result of its actions, the Authority reduced its percentage of work orders outstanding from 21 percent as of December 31, 1996 to 17 percent as of December 31, 1997. The following table illustrates the decrease in the percentage of outstanding work orders at year-end:

	<i>12/31/96</i>	<i>12/31/97</i>
<i>Work Orders Requested</i>	189,479	303,414
<i>Work Orders Completed</i>	(149,239)	(251,870)

<b>Total Outstanding Work Orders</b>	40,240	51,544
<b>Percentage of Work Orders Outstanding</b>	21%	17%

Although the Authority reduced its percentage of work orders outstanding, the Authority received a failing score for work orders in its latest Public Housing Management Assessment submitted to HUD on February 27, 1998. The Authority needs to develop a plan to reduce its backlog of outstanding work orders. If the backlog is not reduced, the Authority will continue to receive a failing grade for completion of emergency and routine work orders.

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**Auditee Comments**

Excerpts from the Authority’s comments follow. Appendix A, page 177, contains the complete text of the comments.

The Authority shall revise its work order procedures to address work orders not generated when received and to include procedures that ensure code violations from the City of Chicago are properly recorded and completed. All applicable Housing management staff shall receive the Authority's preventive maintenance manual by March 31, 1999. Housing Management procedures shall be revised to ensure maintenance manuals are properly disseminated. The Authority is currently revising its procedures to ensure outstanding work orders are addressed and completed in a timely manner.

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**OIG Evaluation of Auditee Comments**

The actions the Authority plans to take should correct the problems presented in this Chapter if the actions are followed through to completion.

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**Recommendations**

We recommend that the Director of Public Housing, Illinois State Office, assures that the Chicago Housing Authority:

- 3A. Revises its work order procedures to address work orders not generated when received and to include steps that ensure code violation packages from the City of Chicago are immediately reviewed to identify emergency conditions for immediate input to the work order system.

- 3B. Distributes the maintenance manual to applicable personnel.
- 3C. Develops a plan to reduce its backlog of outstanding work orders.

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## Preventive Maintenance

The OIG review dated September 30, 1996 determined that the Chicago Housing Authority implemented a preventive maintenance program for its heating systems, but did not have a preventive maintenance program for other mechanical systems or its units. We recommended that HUD assure that the Authority develop a funding plan for the repair of maintenance deficiencies and use the physical needs assessment to develop and implement a preventive maintenance schedule by June 30, 1997.

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### Observations

As of June 17, 1998, the Chicago Housing Authority developed a funding plan for the repair of maintenance deficiencies. Additionally, the Authority implemented a preventive maintenance program for the elevator systems, and for rodding and catch basin cleaning for its high-rise units. However, the Housing Authority did not use the physical needs assessment to develop and implement an overall preventive maintenance schedule.

### A Funding Plan Was Developed

The Chicago Housing Authority developed a funding plan for the repair of maintenance deficiencies. The Authority used the physical needs assessment to develop their Comprehensive Grant Program Five-Year Action Plan which was approved by HUD on September 18, 1998. We reviewed the portion of the Five-Year Plan that related to the Judge Green and Harold Ickes developments and found the Five-Year Action Plan detailed capital improvements at the developments and the amounts budgeted for the work. It appears that the Authority has developed an adequate funding plan for its Comprehensive Grant Program; however, the plan does not include a periodic schedule for preventive maintenance to prolong the life of existing systems.

### The Needs Assessment Was Not Used To Develop A Preventive Maintenance Program

The Authority did not meet its target date of June 30, 1997 to develop and implement a preventive maintenance schedule for all systems using the physical needs assessment (see Chapter 2). The Authority's Operational Services Division is responsible for the implementation and oversight of the Authority's preventive maintenance program. The Assistant Director of the Operational Services Division said he did not use the physical needs assessment to develop a comprehensive preventive maintenance program because the

maintenance needs of the developments were assessed annually.

In lieu of a formalized preventive maintenance program for all systems based on the needs assessment, the Authority assessed the maintenance needs of the developments annually. In the fall of 1997, the Authority established an in-house committee, comprised of staff from the Authority's non-Maintenance Division to conduct annual inspections of the developments' building exteriors, common areas, and mechanical systems. Work Orders were written for below average or unsatisfactory items found during the inspections.

The Authority's annual assessments however, did not sufficiently address the preventive maintenance needs of the developments. The inspections are not proactive and only items in need of immediate repair are addressed. The Authority does not have a program addressing ways to extend the life of building systems and structures. A preventive maintenance program should identify repair actions that are necessary throughout the year to prevent equipment failures and the need to perform unscheduled maintenance.

The Authority Had Preventive Maintenance Schedules For Some Systems

The Authority implemented preventive maintenance schedules for its elevators and high-rise plumbing systems in addition to its program for heating systems that we mentioned in our previous report. However, these programs are only a start. The Authority still needs to develop a preventive maintenance program for its other systems and units incorporating the results of the needs assessment. The Authority should also reevaluate the preventive maintenance schedules it has developed for the elevators, plumbing, and heating systems to ensure the results of the needs assessment are adequately addressed.

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#### Auditee Comments

Excerpts from the Authority's comments follow. Appendix A, page 137, contains the complete text of the comments.

The sections relevant to viability and the completion of the physical needs assessment are correct.

It should be stated that the Physical Needs Assessment was not commenced for the purpose of developing a preventive maintenance program. Rather, it was completed to assist the Authority to develop and prioritize its modernization dollars. The Authority agrees that the data can be incorporated into the Authority's preventive maintenance plan.

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**OIG Evaluation of  
Auditee Comments**

The OIG understood the initial purpose of the physical needs assessment. In our previous report, we recommended that the physical needs assessment also be used to develop a preventive maintenance schedule. The physical needs assessment provides the Authority with a valuable tool to develop an effective preventive maintenance program. Although, the Authority agreed that the data could be incorporated into the Authority's preventive maintenance plan, it did not provide any specific actions it plans to take in that regard. The Authority's comments did not address the development of a funding plan or a preventive maintenance program.

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**Recommendations**

We recommend that the Director of Public Housing, Illinois State Office, assures that the Chicago Housing Authority:

- 4A. Uses the physical needs assessment to develop and implement preventive maintenance schedules for all systems and developments.
- 4B. Verifies that the established preventive maintenance programs adequately address the results of the needs assessment.

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# Vacancy Reduction/Unit Turnaround

The OIG review dated September 30, 1996 determined that the Authority did not have an effective Vacancy Reduction/Unit Turnaround Program. Specifically, the Authority did not: adequately track unit turnaround information at the development level; included non-dwelling units in calculating its vacancy rate; did not ensure that units completed under the Vacancy Reduction Program met HUD's Housing Quality Standards; and did not coordinate the rehabilitation and occupancy of units between the Vacancy Reduction Department, Development Managers, and the Occupancy Department.

As a result, we recommended that the Authority: (1) implement weekly tracking of unit turnaround from date of vacancy to reoccupancy and implement a reporting system to track vacant unit turnaround at the development level by December 31, 1996; (2) expeditiously identify and deprogram all non-dwelling units; (3) develop procedures to verify that units completed under the Vacancy Reduction Program meet HUD's Housing Quality Standards; and (4) develop coordination procedures between the Vacancy Reduction Department, Development Managers, and the Occupancy Department.

## Observations

The Authority took actions that resolved one of the four recommendations from our previous report. The Authority deprogrammed all non-dwelling units.

Although the Authority implemented a system for tracking unit turnaround time from the date of vacancy to the date of reoccupancy, the information was incomplete and inaccurate and as a result was not used by development managers. The Authority did not develop procedures to verify that rehabilitated units met HUD's Housing Quality Standards. Also, the Authority did not develop coordination procedures between the Force Account Labor Department, Occupancy Department, and the Development Managers.

## Non-Dwelling Units Were Deprogrammed

The Authority identified and deprogrammed all non-dwelling units. On June 30, 1997, HUD approved the Authority's request to designate 663 units as non-dwelling units, all of which were subsequently deprogrammed.

## The Authority Was Not Properly Tracking Unit Turnaround

The Authority implemented a system for tracking the unit turnaround time from the date of vacancy to date the of reoccupancy. However, the tracking system did not include information regarding the number of days units were vacant prior to repair/rehabilitation, the time to repair/rehabilitate each unit, or the time it took to occupy a unit after it was

repaired. Also, the tracking system improperly included the time that units were undergoing major rehabilitation under the Modernization or Vacancy Reduction Programs. HUD Handbook 7460.5 exempts Modernization units from the calculation of unit turnaround time. As a result, the turnaround information was incomplete, inaccurate and of little use to Development Managers.

Procedures To Ensure Units Met Housing Quality Standards Were Not Developed

The Authority did not develop procedures to ensure that rehabilitated units meet HUD's Housing Quality Standards. Rehabilitation of vacant units is currently performed by the Modernization Division's Force Account Labor Department. Previously, units were rehabilitated under the Vacancy Reduction Program which ended in September 1997.

Under the current Force Account Labor Department's procedures, a unit turnover punch list is completed by both a Housing Management Department representative and a Force Account Labor Department representative. The list indicates the rehabilitation work that was completed and the overall condition and cleanliness of the unit. However, the punch list does not indicate whether the unit meets HUD's Housing Quality Standards.

Our prior audit determined that rehabilitated units did not always meet HUD's Housing Quality Standards. Because the Authority did not implement our recommendation to develop procedures to ensure that units meet HUD's Housing Quality Standards, there is no assurance that rehabilitated units are decent, safe, and sanitary.

Rehabilitation Of Units Was Not Coordinated With The Occupancy Department

There were no coordination procedures between the Force Account Labor Department, Development Managers, and the Occupancy Department regarding the availability of rehabilitated units. There was also no coordination regarding the prioritization of units to rehabilitate based on the greatest demand.

The lack of coordination procedures resulted in units remaining vacant for extended periods. For example, between February and April 1998, the Force Account Labor Department rehabilitated 73 units at the Rockwell Gardens Development. As of August 31, 1998, less than half of the rehabilitated units were occupied. In May 1998, the Force

Account Labor Department rehabilitated three units at the Prairie Courts Development. Two of the three units were not occupied until August 1998. The Director of Occupancy said the units were not filled timely because there was a lack of demand. Proper coordination should have identified the lack demand before resources were spent to rehabilitate the units.

As of October 13, 1998, the Authority placed the Modernization Force Account Labor Department under the Housing Management Department. The Housing Management Department is planning to develop formal coordination procedures between the Force Account Labor Department, Development Managers, and the Occupancy Department.

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## Auditee Comments

Excerpts from the Authority's comments follow. Appendix A, pages 156 and 177, contains the complete text of the comments.

The Authority is currently revising its computer system records to include tracking the number of days units were vacant prior to repair/rehabilitation, the time to repair each unit and the time it took to reoccupy a unit after it was repaired.

The Modernization Division believes that a system for verifying that rehabilitated units meet HUD's Housing Quality Standards is already in place. The punch list referenced in the report actually encompasses all the requirements necessary to assure that each unit is decent, safe, and sanitary according to Housing Quality Standards, and is approved by management as part of the process of accepting the unit for reoccupancy.

We believe that the examples cited in the report did not accurately represent the complete circumstances surrounding these assignments. In the case of the Rockwell Gardens property at 2450 West Monroe, these units had previously been occupied by Rockwell residents who had vacated these units specifically for the purpose of allowing comprehensive rehabilitation of the property, and these households had been temporarily relocated to other buildings in that development pending the completion of

rehabilitation. The same is true of the units rehabilitated at 2822 South Calumet, in the Prairie Courts community. This building has been targeted by the Relocation Department as a relocation resource for families moving out of buildings at the Robert Taylor Homes, and documentation is being processed by the Relocation Department.

On October 13, 1998, the Authority restructured its major departments and now both Housing Management and the Modernization division report to the Assistant Executive Director of Operations. This change will help to ensure a coordination between Force Account, Development Managers and Occupancy. New procedures will be completed by March 1999.

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### OIG Evaluation of Auditee Comments

The Authority's planned action to revise its computer system should result in useful unit turnaround information for Authority management. However, the Authority needs to ensure that units undergoing major rehabilitation under the Modernization or Vacancy Programs are not included in the calculation of unit turnaround time.

We do not agree that the punch list currently used for rehabilitated units encompasses all requirements necessary to ensure that the units meet Housing Quality Standards. The punch list only rates the overall cleanliness and appearance of the unit as good, fair, or poor. Rating a unit's cleanliness and appearance does not provide assurance that the unit meets safety standards.

After receiving the Authority's comments, we attempted to verify when the rehabilitated units at Rockwell Gardens and Prairie Court were occupied. The Authority did not have documentation to show when the 73 units at Rockwell Gardens were reoccupied subsequent to the rehabilitation. A Force Account Labor Department Program Coordinator said that the units were vacant four months after completion of the rehabilitation work. Additionally, we obtained information that the Prairie Courts rehabilitated units were occupied; however, two of the three units were not occupied until August 1998. We modified our draft finding accordingly.

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The reorganization of the Office of Operations and development of coordination procedures should ensure timely occupancy of rehabilitated units. The Authority needs to develop procedures for coordination between the Force Account Labor Department, Occupancy Department and the Development Managers.

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## Recommendations

We recommend that the Director of Public Housing, Illinois State Office, assures that the Chicago Housing Authority:

- 5A. Implements an effective system for tracking of unit turn-around time.
- 5B. Develops procedures to verify that rehabilitated units meet HUD's Housing Quality Standards.
- 5C. Develops coordination procedures between the Force Account Labor Department, Development Managers, and the Occupancy Department. The procedures should ensure units are repaired/rehabilitated on the basis of demand and applicable personnel are aware of projected completion dates so units can be promptly occupied.

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## Funding for Maintenance and Modernization

The OIG review dated September 30, 1996 determined that the Authority had not developed a financial plan for funding maintenance and modernization efforts. The purpose of the financial plan was to find a way to spend maintenance and modernization funding for its intended purpose and not on security. Also, the Authority had not targeted and linked up with appropriate resources or closed out modernization programs that were over three years old. The review found that the Authority had contracted to have an Authority-wide viability assessment completed by December 31, 1996.

We recommended that HUD assure that the Authority: (1) develop a maintenance and modernization financial plan that targeted and linked up with appropriate resources by December 2000; (2) use the viability assessment it planned to complete, to coordinate its modernization and capital improvement programs with its 1996-1997 Comprehensive Grant Program plan; and (3) close out all of the open modernization programs related to the Comprehensive Improvement Assistance and Comprehensive Grant Programs that were over three years old.

### Observations

As of July 23, 1998, the Authority had partially implemented two of the three recommendations. The Authority reduced the amount of maintenance and modernization funding spent on security and targeted and linked up with appropriate resources. But, it had not developed a financial plan. The Authority completed its viability assessment and submitted it to HUD for approval on May 18, 1998. However, it has not used the assessment to coordinate its modernization and capital improvement programs. The Authority fully implemented the remaining recommendation to expend grants that were over three years old.

### A Financial Plan Was Not Developed

The Authority established an informal committee to find ways to reduce the amount of maintenance and modernization funding spent on security. Participants in the committee included staff from the Modernization, Maintenance, Security, Housing Management, and Community Relations and Involvement Departments.

The Authority achieved its objective to reduce the amount of funding spent on security. Our previous review showed the Authority spent \$58,107,000 of its maintenance and modernization funding on security. That amount has been reduced by \$35,400,000. The 1998 budget plans to use

\$25,500,000 of maintenance and modernization funding on security.

Where 48 percent of Comprehensive Grant funds were spent on security in 1996, 20 percent was budgeted for 1998. As of July 31 1998, the Authority's expenditure rate for security will result in a security budget overrun if continued. The Authority has taken steps to reduce the rate of expenditure. The Finance Department's Special Programs Accounting Manager said Comprehensive Grant funds will not be used for any cost overruns should they occur.

Although the Authority reduced the amount spent on security, it did not document the actions it took to reduce costs in a financial plan. Since the reduction of the amount of maintenance and modernization funds used for security is a continuing goal, we believe a written financial plan is necessary to ensure there is continuity to actions that have been taken and that the actions represent sound decisions for the Authority's overall security, maintenance and modernization programs.

The Authority Has Targeted And Linked Up With Resources

The Authority has begun to target and link up with appropriate resources for funding maintenance and modernization activities. The target date for completion of this action is December 2000.

For example, on June 13, 1998, the City of Chicago Mayor's Office issued a press release announcing \$1.4 million of beautification and site improvements to Hilliard and Ickes Homes. The site improvements represented the combined efforts of the City, the Authority and private-sector contributors (Peoples Energy Corporation and Dominick's Finer Food Incorporated). The City spent \$951,500, the Authority \$410,000 and the private sector contributed \$85,000.

On June 30, 1998, the Authority submitted an application to the Illinois Department of Natural Resources for an open space land acquisition and development grant for a Lathrop Riverwalk. The Authority requested \$200,000 for the development of the edge of the North Branch of the Chicago River at the Authority's Julia Lathrop Homes.

### A Viability Assessment Was Completed

A viability assessment was completed and submitted to HUD for approval on May 18, 1998 (see Chapter 2). The Authority is awaiting final approval of the plan by HUD to incorporate the assessments in the modernization and capital improvement programs and to coordinate the modernization and capital improvement programs with its 1998-1999 Comprehensive Grant Program plan. Before HUD approves the Authority's viability assessment, a marketing study assessing the impact of unit demolition on affordable housing in the area needs to be completed. The marketing study is scheduled to be completed in the Spring of 1999. The Director of Modernization is responsible for ensuring that the process is completed upon HUD's approval of the viability assessment.

### Old Modernization Program Funds Were Expended

In our previous report we identified six modernization and comprehensive grant programs that were over three years old with unexpended grant funds. As of August 21, 1998, the Authority had spent the grant funds for the six programs.

## Auditee Comments

Excerpts from the Authority's comments follow. Appendix A, page 146, contains the complete text of the comments.

The Authority is not convinced that OIG's recommendation that the Chicago Housing Authority develop and prepare an additional written financial plan is necessary, given the fact that the Authority has several large documents that discuss financial planning.

OIG's recommendation to develop a financial plan to ensure maintenance and modernization funds are effectively spent appears superfluous to the existing federal requirements of the Comprehensive Grant Program. What exactly is missing from the documents listed above that should be contained in the proposed financial plan?

The observation that the Authority did not document the actions taken to reduce the amount of money spent on security is not accurate. The 1998 Comprehensive Grant Program Annual Strategy Statement reads: "While public safety and security will continue to be a priority, changing times call for a re-examination of our approach to this crucial issue. Over the past several years, increased use of Comprehensive Grant Program funding for public safety and

other management improvements, resulting in decreased availability of funding for physical improvements to the Authority's dwelling structures and grounds, has led to severe neglect and deterioration of our communities. In many cases, dwelling structures, even those located in otherwise viable communities, have now deteriorated well beyond the point of economical repair. We must now meet the challenge of beginning to appropriately use Comprehensive Grant Program funds to focus on key areas, which have a significant impact on the quality of life for our residents. Therefore, the 1998 submission aggressively increases funding for dwelling structures and resident initiatives, and moves the Authority's Comprehensive Grant Program budget toward compliance with the regulatory guidelines for expenditures of these funds."

OIG Evaluation of  
Auditee Comments

The focus of our observation was the development of a financial plan that documented where and how security funds were reduced. We believe this is important to ensure there is continuity to actions that have been taken and that the actions represent sound decisions for the Authority's programs. We agree that the Comprehensive Grant Program budget showed that the total amount allocated for security was reduced; however, it did not document the individual programs from which the funds were reduced, nor did any of the Authority's other financial planning documents. In order to adequately evaluate the effect of the reduction on the Authority's security programs, the Authority needs to be able to identify the source of the reductions. We revised our recommendation to make it more clear.

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Auditee Comments

The Modernization Division concurs with the recommendation to incorporate the viability assessment into capital improvement programs. In fact, this has already been done. The 1998 Comprehensive Grant Program Annual Submission included the complete draft viability assessment as an appendix.

Comprehensive Improvement Assistance Program 915 was closed out, with all of the remaining funds drawn down from the Line of Credit Control System on August 21, 1998. It is unknown what the explanation about Gautreaux and Habitat delays is based on.

OIG Evaluation of  
Auditee Comments

The Authority incorporated the draft viability assessment into its 1998 Comprehensive Grant Program annual submission. The Authority needs to incorporate the viability assessment that is approved by HUD into its modernization and capital improvement programs.

Based on the documentation provided by the Authority with its comments, we revised the Chapter to show that all Grants were closed out.

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Recommendations

We recommend that the Director of Public Housing, Illinois State, Office assures that the Chicago Housing Authority:

- 6A. Documents the actions it has taken to reduce security costs in a financial plan to ensure there is continuity to the actions and that the actions represent sound decisions for the Authority's programs.
  
- 6B. Upon HUD's approval of the viability assessment, incorporates the assessments into its modernization and capital improvement programs and coordinates the modernization and capital improvement programs with the 1998-1999 Comprehensive Grant Program plan.

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# Annual Inspections

The OIG review dated September 30, 1996 determined that the Chicago Housing Authority had: adopted City sanitary codes and incorporated the codes into HUD's Housing Quality Standards format; revised its inspection form; trained its staff on unit inspections and work order priorities; developed and implemented procedures for inspecting one-tenth of units at each development on a monthly basis; and developed and revised reports to track and monitor unit inspections, inspection work orders, and time to complete the work. The Authority had not developed comprehensive inspection procedures or implemented a job order contracting system. Additionally, we determined that annual unit inspections were not always effective and work orders were not initiated for all necessary repairs identified by the inspections.

As a result, we recommended that HUD assure the Authority: (1) conduct quality control reviews of inspections to ensure the inspections are accurately conducted and inspection forms are properly completed; (2) develop thorough, comprehensive inspection procedures and include the new procedures in the Maintenance Manual and Housing Quality Standards Training Manual; (3) evaluate each development to determine if all annual inspection forms completed after April 1, 1996 were sent to the Customer Service Center to initiate work orders; (4) implement controls that ensured work orders were written to address deficiencies identified by inspections; and (5) identify the funds and implement a new timetable for initiating a job order contracting system.

## Observations

As of September 11, 1998, the Authority had partially implemented one of the five recommendations. The Authority developed policies and procedures for quality control audits of development files. However, the Authority did not develop policies and procedures for conducting quality control reinspections. The Authority did not: develop comprehensive inspection procedures; implement controls that ensured work orders were written to address inspection deficiencies; and identify the funds and implement a new timetable for initiating a job order contracting system.

## Quality Control Audits of Development Files Were Performed

In March 1998, the Authority developed and implemented policies and procedures for quality control audits of development files. The procedures include steps to ensure Housing Quality Standards inspection forms are properly completed. The Customer Service Center began performing quality control audits of development files in March 1998. As of August 18, 1998, the Customer Service Center completed 92 file audits.

We reviewed the Customer Service Center's audit reports for four developments. We determined that the audits were

Comprehensive Inspection  
Procedures Were Not  
Developed

conducted according to the Authority's procedures, and follow-up audits were conducted when necessary. The audits provide the Authority with assurance that inspection forms are properly completed.

The Authority did not develop thorough and comprehensive procedures for Housing Quality Standards inspections or include the procedures in their Maintenance and Training Manuals. The training manual used by the Authority was prepared by the National Center for Housing Management. The National Center used this manual as part of a Housing Quality Standards training course attended by Authority employees. The manual was course specific and did not include Authority operating procedures.

Between August and October 1997, the Authority issued three memoranda to its staff outlining procedures for annual building inspections, file maintenance for Housing Quality Standards inspections, distribution of inspection reports, and amendments to inspection forms. The staff used these procedures to conduct annual and building inspections. However, these memoranda are not comprehensive. The memoranda did not address all the procedures essential to conducting effective Housing Quality Standards inspections. For example, the memos did not address: when inspections should be performed (i.e. concurrent with annual recertifications); who is responsible for performing the inspections; when work orders should be written; and the reinspection of units for quality control.

Quality Control  
Reinspections Were Not  
Performed

The Authority did not develop or implement policies and procedures to conduct quality control reviews of Housing Quality Standards inspections to ensure inspection accuracy. The Customer Service Center Manager said the staff who performed the file audits were unable to perform unit reinspections because the job descriptions approved by the union did not include the requirement to perform reinspections. However, the Authority had not pursued any actions to get reinspections added to the job descriptions. As of September 11, 1998, the Authority did not have any plans in place to address the reinspection of units to ensure inspection accuracy. Quality control inspections are important to provide assurance that inspections are properly conducted and that work orders are initiated when necessary.

Work Orders Were Not  
Generated For Needed  
Repairs Identified During  
Inspection

The Authority did not ensure work orders were initiated for needed repairs identified during unit inspections. We selected a sample of nine units from three developments to determine if work orders were initiated for needed repairs. We reviewed all 17 inspections completed after April 1, 1996 on the nine units. Nine of the 17 inspections reported work needed to be accomplished. However, only two of the inspections had work orders written to address the needed repair items. We identified 18 items requiring repair for which work orders were not written. For example, work orders were not generated for a leak under a kitchen sink, a bedroom ceiling leak, and a roach infestation. The Authority has not developed a comprehensive policy or established controls to ensure work orders are written for all problems reported during the Housing Quality Standards inspections.

A Job Order Contracting System Was Not Established

The Authority did not establish a job order contracting system. A job order contracting system establishes a unit price book that identifies the direct labor, equipment, and material costs by construction task. The system allows the Authority to establish the price of a contract before it is advertised and; thus, bypass the Request For Proposals process. As a result, the time required to procure services is reduced.

According to the Director of Modernization, a job order contracting system was not established because the Authority did not have funds available to hire a consultant. However, in the 1998 Comprehensive Grant budget approved on August 28, 1998, \$1 million was allocated to hire a consultant to assist the Authority in the development of a job order contracting system. The Director plans to issue a request for proposal for a consultant by November 30, 1998.

Auditee Comments

Excerpts from the Authority's comments follow. Appendix A, page 159, contains the complete text of the comments.

While HUD's recommendation to implement a Job Order Contracting System is sound, I am unclear as to why this recommendation is included in the chapter on Annual Inspections.

One of the areas that were cited as a deficiency was the lack of quality control re-inspections. While the technical wording of the OIG report is accurate, there are no formal policies and procedures in place for the re-inspection of

Annual inspections, this suggests no re-inspections were completed for that reporting period, and that is a false assumption.

Quality Control re-inspections were completed by a team of four administrative staff. Re-inspections were conducted in the following developments: Cabrini-Green Homes; Stateway Gardens; Judge Green Senior Units; Trumbull-Lowden Homes, and ABLA Homes. A ten percent sample was taken of the various unit counts to give a statistical sampling of the developments. As problems were identified, corrective steps were identified, and relayed to the development staff.

To formalize this procedure for the future, and to comply with the suggestions of the OIG, we must develop written re-inspection policies, and implement them as soon as possible.

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### OIG Evaluation of Auditee Comments

The Job Order Contracting System recommendation is included in the Chapter on Annual Inspections because it was listed under component five, Annual Inspection of Units/Systems, in the Authority's June 21, 1996 draft Memorandum of Agreement, which was the basis for our previous review.

The Authority agreed it did not have policies or procedures for quality control of annual inspections; and that it needed to develop procedures. The Authority indicated that it performed some inspections at five of its developments. We requested documentation to support the inspections; however, the Authority did not provide any. We did not find any documentation during our review to support that quality inspections were conducted. The Authority needs to develop and implement reinspection policies and procedures.

The Authority did not provide comments addressing the fact that comprehensive inspection procedures were not developed and that work orders were not generated for needed repairs.

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### Recommendations

We recommend that the Director of Public Housing, Illinois State Office, assures that the Chicago Housing Authority:

- 7A. Develops thorough and comprehensive procedures to use when performing Housing Quality Standards inspections.
- 7B. Develops and implements policies and procedures to conduct quality control reviews of Housing Quality Standards inspections.
- 7C. Establishes controls and procedures that ensure work orders are generated for deficient items identified during Housing Quality Standards inspections.
- 7D. Expeditiously implements a job order contracting system.

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# Housing Management Functions

The OIG review dated September 30, 1996 determined that the Authority did not have effective controls over its housing management functions and that it needed to decentralize its decision making. At the time of our previous review, the Authority was in the process of implementing corrective actions.

To ensure the Authority improved its housing management functions, we recommended that the Authority should: (1) implement a development-based resource management system, and develop uniform field-based policies and procedures and a uniform property management reporting process; (2) improve communications and internal reporting between the site managers and the Central Office, and create site-based management plans for each development; (3) identify all major housing functions to assess cost efficiency and effectiveness; (4) continue to identify opportunities for delegating management activities; and (5) determine the effectiveness of delegating management responsibilities to the developments.

## Observations

The Authority fully implemented two of the five recommendations from our prior audit report and partially implemented one recommendation. The Authority: implemented development-based resource management, developed uniform field-based policies and procedures, developed a uniform property management reporting process, and continued to identify opportunities to decentralize management activities. The Authority improved communications and internal reporting between site managers and the Central Office; however, it did not implement site-based management plans for its developments.

The Authority did not identify the major housing functions, and it did not review the effectiveness of actions taken to delegate responsibilities to the developments.

## The Authority Implemented Development-Based Resource Management

Our previous review determined the Authority's development-based resource management strategy included plans to contract with a consulting firm to perform a skills assessment of the Authority's property management staff, implement a new computer system, and train its staff on the development-based budget process.

The Authority contracted in late 1996 with a consultant to perform an assessment of its property management staff. The consultant's report was issued on December 27, 1996.

The report recommended that the Authority develop a training program to cover topics such as computer program skills, developing high performance teams, and effective management skills.

We verified that the Authority was providing training courses in the areas recommended by the consultant. For example, in 1997 and 1998, the Authority's training courses included Performance Management, Effective Team Building, Leadership, and various computer software courses.

The Authority's development-based resource management strategy included implementation of a new integrated management information system purchased from Creative Computer Solutions. The integrated system includes modules for: (1) tenant accounting, (2) purchasing, (3) general ledger, (4) fixed assets, (5) bank reconciliation, (6) inventory control, (7) housing eligibility, (8) accounts payable, and (9) maintenance work orders. We reviewed reports generated by the new system to determine if the modules were functioning and if the reports were useful. We believe the reports generated by the system provide useful information to the Authority's management and HUD. However, the tenant accounting, housing eligibility, work orders, and fixed assets modules do not properly interface because they are based on older versions of software (see Chapter 13).

The Authority trained its staff on the property-based budgeting system during 1997. The training goal was met and the Authority completed a property-based budget for Fiscal Year 1997 (see Chapter 12).

The Authority Developed  
Uniform Field-Based  
Policies And Procedures

As part of the Authority's reorganization of the Housing Management Division, policies and procedures were reviewed and revised. Our review of selected policies and procedures determined that the Authority needs to further revise its procedures relating to work orders (see Chapter 3), vacancy reduction/unit turnaround (see Chapter 5), annual inspections (see Chapter 7), admissions and evictions (see Chapter 9), rent collections (see Chapter 10), and asset management (see Chapter 14).

The Authority Developed  
A Uniform Property  
Management Reporting  
Process

The Authority implemented a new property management reporting system. Under the new system, information is submitted by the developments to the Central Office using the monthly Authority Management Report. The information reported by the developments includes budgeted versus actual operating expenses, available units, vacancies, rents collected, work orders, Housing Quality Standards inspections, recertifications, code violations and move-ins/move-outs. The information is reviewed by staff in the Housing Management Division and the Office of Management Analysis and Planning to evaluate the performance of the housing developments.

Both Regional Property Managers and one of two Housing Managers we interviewed said the Authority Management Report process provided useful information for managing their developments. The other Housing Manager said although the information was useful at the development level, the reporting process was an unnecessary micromanagement tool. We believe the reporting process serves as a useful tool to improve management and coordination.

The Authority Identified  
Opportunities To  
Decentralize Management  
Activities

The Authority reorganized its Housing Management Division in May 1997. Under the reorganization, the Director of Housing Management delegated the following activities to Housing Managers: (1) annual inspections, (2) supervising maintenance staff, and (3) processing tenant recertifications. Additionally, the authority to approve purchase requisitions was delegated to Housing Managers for purchases up to \$3,000; to Property Managers for purchases up to \$10,000; and to Regional Property Managers for purchases up to \$25,000. The Authority also implemented a property-based budgeting system. The system gives each Housing Manager control over his/her development's funds. We believe the Authority has made significant progress in decentralizing its housing management functions.

The Authority hired a consultant to recommend strategies for reducing its overhead costs. The consultant issued a discussion paper on May 4, 1998 that contained recommendations to further decentralize housing management functions. As of September 1998, the Authority had not acted upon the consultant's

Communications Between Site Managers And the Central Office Have Improved

recommendations. The Authority needs to assess the consultant's recommendations and implement those that will reduce overhead costs and further decentralize management.

The reorganization of the Housing Management Division improved communications between site managers and the Central Office. The Director of Housing Management holds bi-weekly meetings with the Regional Property Managers and quarterly meetings with all Housing Managers. Additionally, the Regional Managers hold weekly meetings with their Housing Managers and there is constant verbal and written communication between all managers. The Regional Property Managers and both Housing Managers we interviewed said there was good communication between the Housing Management Division and the Central Office. They believed the process provided them with timely information to perform their jobs.

Site-Based Management Plans Were Developed But Not Implemented

Each of the Authority's Housing Managers developed a site-based management plan for their development. The plans were developed as part of the Registered Housing Manager certification process. We reviewed plans for five developments and found that each plan contained general information about the development it was based on, and identified problem areas and a corrective action plan. However, the Housing Management Division did not implement the site-based management plans or establish a date for their implementation. We believe the site-based management plans need to be implemented since they are an important tool that can be used to measure performance and track progress for each housing development.

The Authority Did Not Identify Major Housing Functions

The Authority's Memorandum of Agreement with HUD required the Authority to identify all existing major housing functions so they could evaluate the effectiveness and efficiency of the functions. At the time of our last review, the Authority had identified six areas related to the maintenance housing function. However, the Authority had not identified other functions such as occupancy, accounting, security, and redevelopment.

The Director of Housing Management said the Authority identified additional major housing functions during the reorganization of the Housing Management Division. However, the Authority could not provide any

documentation to support what the additional functions were or that they had been evaluated for effectiveness and efficiency. As a result, HUD lacks assurance that the Authority has assessed the cost effectiveness and efficiency of its housing management functions.

The Authority Did Not Review The Results Of Delegating Responsibilities To The Developments

The Authority did not review the results of actions taken to delegate responsibilities to the developments. The Director of Housing Management believed insufficient time had elapsed since the reorganization of the Authority's Housing Management Division. The Director said the reorganization was not fully implemented until November 1997. The Director believed a review of the delegation of responsibilities would not be useful until the reorganization has been in effect for at least one year. We agree with the Director's conclusion to wait for one year after the reorganization. The Authority should review its delegation decisions beginning in December 1998.

Auditee Comments

Excerpts from the Authority's comments follow. Appendix A, page 177, contains the complete text of the comments.

The Authority has reviewed the consultant's recommendations and shall implement recommendations that are believed by the Authority to reduce overhead costs and further decentralize management. Because of the importance of site-based management plans, the Authority is continuing to review the process to ensure all Authority departments are properly coordinated. This includes the Authority's centralized computer system. The Authority has identified the major housing functions and shall complete an evaluation of each function's efficiency and effectiveness. The Authority shall complete the review of the results of actions taken to delegate responsibilities to the developments.

OIG Evaluation of Auditee Comments

The actions the Authority plans to take should correct the problems presented in this Chapter if the Authority also implements the site-based management plans prepared by its development managers.

Recommendations

We recommend that the Director of Public Housing, Illinois State Office, assures that the Chicago Housing Authority:

- 8A. Assesses the recommendations in the consultant's May 4, 1998 discussion paper and implements those that will reduce overhead costs and decentralize management.
- 8B. Implements site-based management plans for each of its developments.
- 8C. Completes the identification of major housing functions in order to evaluate the functions' cost effectiveness and efficiency.
- 8D. Reviews the results of actions taken to delegate responsibilities to the developments.

## Admissions and Evictions

The OIG review dated September 30, 1996 determined that the Authority did not admit and evict tenants in a consistent manner to ensure problematic tenants were not allowed into housing or were promptly removed. The Authority did not have an adequate written policy, use standard procedures, or adequately communicate information to development managers.

As a result, we recommended that the Authority: (1) fill its home visit inspector positions to ensure home visits were completed as part of the screening process; (2) develop procedures to ensure all applicants are screened using revised screening procedures the Authority had developed; (3) coordinate efforts with its legal department to provide a consistent application of the Gautreaux decree for developing and using waiting lists; (4) develop procedures to coordinate on potential evictions and the need for social services; (5) assure its tenant lease contained provisions required by HUD regarding certain conditions for eviction when a resident's behavior interferes with the rights of other residents, and used the lease; (6) complete lease training for all residents to ensure they understand the lease; (7) make the new tenant handbook available to all residents when they recertify their leases; and (8) develop a site-based resident orientation manual and implement a site-based resident orientation process.

### Observations

The Authority took actions that resolved five of the eight recommendations from our prior review. Specifically, the Authority: (1) expeditiously filled its home visit inspector positions; (2) developed procedures that ensured all applicants were screened before being placed in units; (3) coordinated efforts with its legal department to provide a consistent application of the Gautreaux decree; (4) completed lease training for all residents; and (5) made the new tenant handbook available to all residents when they recertified their leases.

The Authority did not develop procedures to coordinate potential evictions and the need for social services. Also, the Authority's resident lease did not contain provisions required by HUD. Further, the Authority did not develop a site-based resident orientation manual and implement a site-based resident orientation process.

### Home Visit Inspectors Were Expeditiously Hired Not Effective

Our previous review determined that the Authority had implemented housekeeping inspections as a screening tool to ensure that potential new residents properly cared for their residences. The initial housekeeping inspections were performed under contract. At the time of our previous review, the Authority's home visit contract was expiring.

Therefore, the Authority needed to either extend the contract or hire its own home visit inspectors. In September and October 1996, the Authority hired three Home Visit Inspectors.

Procedures Were Developed To Ensure Appropriate Screening

The Authority developed screening procedures that ensured all applicants were screened before being placed in a unit. The new screening procedures required screening to be performed close to the time of physical occupancy. We randomly selected two resident files and found that both residents were screened within two months before being placed in housing. We believe the Authority's new screening procedures will improve the quality of its future tenants, because the admission decisions are based on current credit and criminal information.

Coordination Efforts Existed Regarding The Gautreaux Decrees' Requirements

The Authority coordinated efforts between its Occupancy and Legal Departments to ensure consistent application of the Gautreaux decree in managing its waiting lists. In the past, because of inconsistent application of the decree, persons were able to indefinitely remain on top of the Authority's waiting list while refusing to accept housing units. The Occupancy Department developed guidelines based on the Legal Department's interpretations of the Gautreaux requirements. We determined the guidelines were reflected in the Authority's computerized waiting lists.

Under the new guidelines, an applicant at the top of the Authority's overall waiting list is offered available housing. If the offer is refused, the applicant must declare a preference for a particular housing development. If there are no units available at the selected development, the applicant is placed on a site-specific waiting list for the housing development of choice.

All Residents Received Lease Training

Our prior review determined that the Authority approved a new resident lease but did not train its residents on the lease requirements. Since that review, lease training has been provided at the time of initial lease signing for new residents and at recertification for in-place residents. The training was provided by Development Managers using a standard outline prepared by the Office of General Counsel that covered the various sections of the approved lease. We interviewed four Development Managers and each said they used the outline to explain the lease to all new and

recertified residents. We interviewed five residents and each confirmed that they had received lease training. We believe lease training is necessary to ensure residents are aware of their responsibilities and obligations.

New Tenant Handbook  
Was Provided To All  
Residents

Our prior review determined that the Authority was planning to distribute its new tenant handbook to new residents but not to in-place residents. We recommended that the handbook be provided to all residents to ensure that all residents were aware of their rights, privileges, and responsibilities. All four Development Managers that we interviewed said they provided the new tenant handbook to all new and recertified residents. We interviewed five tenants. All five said they were given a copy of the tenant handbook when they signed their lease.

Evictions Were Not  
Coordinated Between  
Development Managers  
And The Social Services  
Division

The Authority did not develop procedures for Development Managers and the Social Services Division to coordinate potential evictions and the need for social services. The Director of Housing Management and the Assistant Director of Operational Services said coordination procedures were not developed due to other priorities.

All four Development Managers that we interviewed said they only informally coordinated with the Social Services Division regarding evictions when they believed it was necessary. For example, the Development Managers said they may contact the Social Services Division regarding a potential eviction involving severe weather, a large number of small children, or a handicapped individual. However, without formal procedures, there is no assurance that all residents receive fair and equitable treatment.

Resident Lease Does Not  
Reflect New HUD  
Provisions

On December 5, 1996, the Authority revised its residential lease agreement. The revised lease did not contain a new provision required by HUD. Specifically, HUD Notice 96-27 states that housing authorities may bypass grievance procedures for evictions involving any activity, not just criminal activity, that threatens the health, safety, or right to peaceful enjoyment of the premises by other tenants or housing authority employees. The Authority's new lease does not provide for a waiver of grievance proceedings for evictions involving non-criminal activity. As a result, residents involved in non-criminal activity that interferes

with rights of other residents or employees can not be removed from public housing during the grievance process.

A Site-Based Resident Orientation Manual And Process Were Not Established

The Authority did not develop a site-based resident orientation manual, nor did it implement a site-based resident orientation process. The Director of Housing Management and the Assistant Director of Operational Services said the orientation manual and related process were not developed due to other priorities.

The site-based resident manual and orientation process are necessary to ensure that residents are made aware of their rights and responsibilities concerning matters unique to their particular housing development.

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Auditee Comments

Excerpts from the Authority's comments follow. Appendix A, page 177, contains the complete text of the comments.

The Authority is currently revising its procedures to ensure coordination between Development Managers and outside social service agencies. The recommendation for revising the resident lease is being reviewed by our Legal department and if not precluded by law will be presented to the Chicago Housing Authority executive staff. The revised site-based resident orientation manual will be completed the first quarter in Fiscal Year 99.

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OIG Evaluation of Auditee Comments

The actions the Authority plans to take should correct problems presented in this Chapter if the actions are followed through to completion.

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Recommendations

We recommend that the Director of Public Housing, Illinois State Office, assures that the Chicago Housing Authority:

- 9A. Develops procedures for Development Managers and the Social Services Division to coordinate on potential evictions and the need for social services.
- 9B. Revises its resident lease to provide for a waiver of grievance procedures for evictions involving any activity, not just criminal activity, that threatens the health, safety, or right to peaceful enjoyment of the

premises by other tenants or housing authority employees.

- 9C. Develops a site-based resident orientation manual and implements a site-based resident orientation process.

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# Rent Collections

The OIG review dated September 30, 1996 determined that the Authority's uncollected rent balance was consistently excessive. As a result, we recommended that HUD assure the Authority: (1) continue to develop sources for orientation programs and financial services to assist its tenants to meet the minimum monthly rent requirement, and (2) establish controls to ensure all uncollectible accounts are referred each month to a collection agency.

## Observations

The Authority continued to develop sources for orientation programs and financial services to assist its tenants to become more self-sufficient. The minimum rent was reduced from \$25 to zero; therefore, the Authority no longer needed to refer tenants with zero income to public agencies for assistance in paying their rent. The Authority did not establish controls to ensure uncollectible accounts were referred each month to a collection agency.

## Programs Were Conducted For Residents To Become More Self-Sufficient

The Authority continued to coordinate with various service agencies to conduct programs for its residents to become more self-sufficient. Between July 1996 and April 1998, 46 courses were conducted. Under the Family Self-Sufficiency Program, sessions were presented on Child Care Referrals, Education Referrals, Job Training, Job Placement, and Rent Disregard. Social Services/Delegate Agencies also conducted workshops on home care, money management, interviewing skills/techniques, and relocating. Based on the number of sessions and the variety of subjects, we believe the Authority's effort to increase tenant awareness of the tenants' responsibilities was adequate.

## The Authority's Minimum Rent Was Reduced To Zero

At the time of our last review, HUD required all tenants to pay a minimum of \$25 a month in rent. This caused the Authority to have to arrange assistance for approximately 1,500 tenants who could not meet the minimum rent payment. On February 28, 1997, the Authority reduced its minimum rent from \$25 to zero. The change was authorized by HUD Notice PIH 96-81 dated September 30, 1996. As a result, the Authority no longer needed to refer tenants with zero income to public agencies for assistance in paying rent.

## Delinquent Tenants Were Not Referred To A Collection Agency

The Authority did not refer delinquent tenants to its collection agency. The Tenant Accounting Department

suspended referrals to the collection agency in April 1997 because the employee who was performing the function transferred to another position within the Authority. A new employee was hired in November 1997; however, as of July 15, 1998, no delinquent tenants were referred.

The Authority's Tenant Accounting Manager said referrals were not been made because the new employee needed to be trained. However, we believe the Authority has been negligent in not making referrals. We determined the individual who is responsible to refer delinquent accounts did not receive any formal training, and was merely provided with information on the requirements necessary to make referrals.

The Collection Agency  
Made No Collection

Between September 1996 and March 1997, the Authority referred a total of 59 cases to the collection agency. However, the collection agency took no collection action on any of the cases. A principal for the agency said the agency took no action because it did not receive adequate information to determine the validity of the amount owed or to locate the individual. He said the agency did not contact the Authority to express its concerns with the information the Authority provided. Additionally, we determined that the Authority did not follow up with the collection agency to get the status on the cases the Authority referred. The complete breakdown in communication between the Authority and the collection agency, and lack of initiative shown on the part of both resulted in a totally ineffective collection program.

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Auditee Comments

Excerpts from the Authority's comments follow. Appendix A, page 138, contains the complete text of the comments.

We concur with the observations and recommendations included in the OIG report. Although the Tenant Accounting department was understaffed for a period during 1997, an effort should have been made to reprioritize responsibilities such that the collection efforts could continue. Also, there is an obvious need to improve communications between the Authority and its collection agency. Therefore, the Tenant Accounting department will take the following actions:

1. Arrange a meeting with the collection agency to determine the specific information that the agency requires to perform its collection actions.
2. Inform the CHA Property Managers of the specific information that they will need to provide to Tenant Accounting on a monthly basis.
3. Provide a list of new tenants to be referred for collection to the agency on a monthly basis.
4. Follow up with the agency on a monthly basis to receive the status of all tenants who have previously been referred to the agency.

In the future when staffing shortages such as this occur, the manager, assistant controller and controller will agree on how to reprioritize responsibilities such that key tasks can continue to be performed.

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#### OIG Evaluation of Auditee Comments

The actions the Authority plans to take should correct the problems identified in this Chapter if the actions are fully implemented and enforced.

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#### Recommendations

We recommend that the Director of Public Housing, Illinois State Office, assures that the Chicago Housing Authority:

- 10A. Immediately takes steps and develops controls to ensure all uncollectible accounts are referred each month to a collection agency.
- 10B. Establishes procedures to obtain the status of cases referred to its collection agency and to evaluate the performance of the agency. Replaces the agency if it does not meet acceptable performance standards.

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# Procurement and Contracting

The OIG review dated September 30, 1996 reported the Authority did not have an effective procurement process. As a result, we recommended that the Authority: (1) establish written procedures outlining the emergency procurement process and incorporate the procedures in the Maintenance Manual; (2) establish procedures and controls to verify that items purchased through the open hardware accounts are for emergency purposes; (3) implement procedures to notify reviewing officials of the terms of the open supply and service accounts' purchase agreements; (4) require its vendors to show discounts received on applicable invoices so the Authority has assurance it is receiving the discounts to which it is entitled; (5) review its purchase agreements to ensure they reflect the correct discounts; (6) assess its procurement process by September 30, 1997 to ensure the problems the planned Memorandum of Agreement strategies were created to eliminate have been corrected or take action to make additional changes; and (7) develop procedures to conduct a periodic analysis of its contracting process and initiate actions necessary to improve the process.

## Observations

As of July 31, 1998, the Authority took actions that resolved four of the seven recommendations from our previous report. The Authority established written emergency procurement procedures and incorporated them in its Maintenance Manual; discontinued the use of open hardware accounts and established effective controls to use petty cash resources for emergency purchases; and ensured its annual requirements contracts contained the correct discounts.

The Authority did not require its vendors to show discounts given on invoices; did not assess its procurement process to ensure its Memorandum of Agreement strategies had been addressed; and did not develop procedures to conduct periodic analyses of its contracting process.

In addition to the problems that have not been corrected since our previous review, we determined the Authority did not always obtain competitive bids when required, and executed some contract amendments subsequent to their effective dates.

## The Authority Established Written Emergency Procurement Procedures

The Authority established written procedures for acquiring materials to abate emergency conditions and included them in its Maintenance Manual. The procedures state that if materials are not available at the development's stockroom or the warehouse, supplies or materials can be obtained

through the open purchase orders or “Open Hardware Accounts” that were established with area hardware stores.

However, the Authority no longer uses the open purchase orders or open hardware accounts to purchase materials for emergency repairs, and the manual has not been changed to reflect the new procedures. In lieu of the open purchase orders or open hardware accounts, the Authority uses the development’s petty cash funds to make emergency purchases. We reviewed the petty cash procedures and found they contain adequate controls and provide a reasonable method to obtain emergency supplies. However, to ensure maintenance personnel understand the procedures and know they can be used for emergencies, the procedures need to be included in the maintenance manual.

Vendors Did Not Show Discounts On Invoices

In order to determine whether the Authority received discounts to which it was entitled, we reviewed invoices related to two annual requirements contracts. Both contracts properly disclosed the discount percentages provided by the vendors. One of the contracts specified that the Authority would receive a discount of 83 percent of the vendor’s catalog list prices. The other contract specified that the Authority would receive a discount of 62 percent of the vendor’s catalog list prices. The Authority advised reviewing officials of the terms of the contracts. However, the contracts did not require the vendors to show the applicable discounts on the invoices.

We determined the Authority received the vendor discounts in accordance with the contracts with a few exceptions that were immaterial. However, requiring the vendor to show the discounts on the invoices is an important control that provides assurance that personnel unfamiliar with the terms of the contract will not overlook the discount.

The Authority Hired A Consultant To Do A Procurement Assessment

The Authority hired a consultant to identify its Purchasing and Contracts Department’s business processes and requirements. The assessment was not done in response to our prior audit recommendation and did not specifically address the Memorandum of Agreement strategies.

The consultant’s review included interviews with Authority personnel; reviews of reports, regulations, policies, procedures, audits, files, goals, and performance objectives;

and on-site visits to Authority offices and the central warehouse.

The consultant issued a report on March 6, 1998 that contained recommendations to: (1) consolidate all purchasing, contracting, contract administration, warehousing, and surplus property management activities under one procurement department; (2) dispose of obsolete stock; (3) conduct a customer satisfaction survey with its vendors; (4) organize information in the computer system to develop meaningful measures of what must be managed; (5) require and support professional certification of the Procurement and Warehouse staff; and (6) educate Authority personnel about Procurement requirements. The Deputy Executive Director of Finance and Administration said the Authority is in the process of implementing the consultant's recommendations.

Although the consultant's recommendations should assist the Authority in improving its procurement function, we could not determine to what extent specific Memorandum of Agreement strategies were addressed. The Authority still needs to assess its procurement process to ensure the planned Memorandum of Agreement strategies were corrected.

The Authority Did Not Develop Procedures To Periodically Analyze Its Contracting Process

The Authority's Procurement Manual did not contain procedures to perform a periodic analysis of its contracting process. The Authority's Director of Purchasing and Contracts acknowledged that the Manual did not include the procedures. The Director said he was in the process of revising the Manual to incorporate the review procedures and planned to complete the revision by November or December 1998. The Director prepared a checklist to be used for periodically assessing the Authority's procurement process. This checklist will be used to ensure that procurements are being executed in accordance with applicable Federal laws, Presidential executive orders, and HUD procurement handbooks. We reviewed the checklist and found it to be very thorough. We believe the checklist will be a good basis for a procurement assessment when procedures for its use are implemented.

Although procedures had not been developed, the Authority performed one review of the contracting process. In

December 1997, one of the Authority's Purchasing Managers performed a review of selected purchase orders issued during November 1997. The review found deficiencies in eight of 39 purchase orders reviewed. The deficiencies included lack of evidence of fair and reasonable pricing (6 instances), lack of supporting documentation (1 instance), and lack of proper approval (1 instance). However, there was no indication that any actions were taken by the Authority to correct the problems. Written procedures for periodic reviews are important to provide assurance that reviews are done, address the correct areas, and that corrective actions are taken when problems are found.

The Authority Executed  
Contracts After The  
Effective Dates

We reviewed four contracts to assess whether the Authority properly contracted for goods and services. For two of the four contracts, amendments to the initial contract were signed by the Authority after the effective date of the contract and after some work had been initiated. Also, for one of the two contracts, there was no evidence that it had been competitively bid. The other three contracts were competitively bid.

Contract Number 8642 in the amount of \$5,140,454 for security services was amended effective January 5, 1997 in the amount of \$1,172,852; however, the contract amendment was not executed by the Authority until February 26, 1997, or 52 days after the effective date. The contract was again amended effective May 1, 1997 for \$6,265,697. The second amendment was not executed by the Authority until May 27, 1997, or 26 days after the effective date.

Contract Number 8851 for legal services in the amount of \$200,000 was amended effective January 1, 1998, but was not executed until April 6, 1998, 95 days after the effective date. It is important for contracts to be executed before work begins to clearly define the Authority's rights and obligations in the event of a disagreement or conflict with the contractor.

There was no evidence to show that Contract Number 8851 was competitively bid. The Purchasing Manager said the contract was competitively bid, but the support was misplaced. HUD's Office of General Counsel believed that

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the proposed hourly rates were reasonable; however, HUD and the Authority lack assurance that proper procurement procedures were followed and that the most cost effective price was paid for the services.

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## Auditee Comments

Excerpts from the Authority's comments follow. Appendix A, page 139, contains the complete text of the comments.

The maintenance manual does not currently reflect the new upcoming procedures, especially in the area of emergency purchases. Credit cards which will be issued to the Authority's various departments will become the standard method of executing emergency purchases. This new method of executing purchases will be outlined in the Credit Card Standard Operating Procedures. The Credit Card will take precedence over all previously established emergency purchasing policies, and the Maintenance Manual will be changed to refer readers to the Credit Card Standard Operating Procedures for identification of the emergency purchasing procedures.

The Purchasing and Contracts Department will incorporate into all contracts and purchase orders instructions to the vendors to show all discounts provided as a part of the invoice presented. A sample copy of a proper invoice will be provided to all vendors showing them the correct way to reflect the discounts offered on their invoices.

The Authority is in the process of implementing the Beau Geste Enterprises Inc. recommended changes that are appropriate for the improvement of the overall Purchasing and Contracts operations.

The Purchasing and Contracts Department developed a detailed inspection checklist based on the directives contained in the HUD Procurement Handbook 7460.8 Rev-1, that will provide a periodic and proactive review and assessment of all the Authority's Purchasing and Contract Operations. The inspection will be conducted on a quarterly basis and is being incorporated as part of the rewrite of the Authority's procurement policies and procedures. It is fully anticipated that this rewrite will be completed by December 31, 1998.

The effective date of the contract is now reflected as the date that the Contracting Officer signs the contract or contract modification. All change orders or modifications to contracts are now executed in full accordance with the procurement laws and regulations identified in the 24 C.F.R. 85.36 and the HUD Procurement Handbook.

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OIG Evaluation of  
Auditee Comments

The actions the Authority has taken and planned should correct the problems identified in this Chapter, if the Authority properly implements and follows through on the actions.

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Recommendations

We recommend that the Director of Public Housing, Illinois State Office, assures that the Chicago Housing Authority:

- 11A. Modifies its Maintenance Manual to reflect the current emergency procurement procedures.
- 11B. Develops procedures to require its vendors to show discounts received on applicable invoices so the Authority has assurance it is receiving the discounts to which it is entitled.
- 11C. Analyzes the consultant's March 6, 1998 report on the Purchasing and Contracts Department and takes appropriate actions.
- 11D. Develops procedures to periodically conduct an analysis of its contracting process and initiate actions necessary to improve the process.
- 11E. Develops procedures to ensure that contracts and contract amendments are executed prior to the effective dates.

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# Accounting System and Controls

The OIG review dated September 30, 1996 determined that the Authority was implementing a fully integrated Management Information System developed by Creative Computer Solutions Systems. The Management Information System included seven accounting system modules. The modules were: (1) tenant accounting, (2) purchasing, (3) general ledger, (4) fixed assets, (5) bank reconciliation, (6) inventory control, and (7) accounts payable. Our review also found that the Authority was planning to implement a site-based budgeting strategy.

We recommended that HUD closely follow the Authority's progress and provide necessary assistance to ensure the new accounting system was fully implemented by December 31, 1996, and that written policies and procedures were issued as quickly as practical after each accounting function was implemented. We also recommended that a site-based budget be implemented by December 31, 1997.

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## Observations

The Authority implemented the seven accounting modules developed by Creative Computer Solutions Systems and established written policies and procedures. The Authority developed a site-based budget for the year ended December 31, 1997. However, the Authority did not submit the budget to HUD in a timely manner.

## Modules Were Implemented And Procedures Written

The Authority implemented the seven accounting modules developed by Creative Computer Solutions Systems by the December 31, 1996 target date; however, the tenant accounting and fixed assets modules do not properly interface with the other modules because they have outdated software (see Chapter 13). The lack of interface between the modules requires multiple posting of the same information and increases the likelihood of data input errors. We requested selected reports from each of the systems to ensure they were functioning and providing meaningful data. Each of the requested reports was promptly received and contained information that appeared to be useful for the Authority and HUD.

The Authority also established written policies and procedures for the seven accounting modules. The policies and procedures provided appropriate guidance for using the modules. The policies and procedures were being followed by the respective Authority departments.

Site-Based Budget  
Strategies

The June 21, 1996 draft Memorandum of Agreement between the Authority and HUD required the Authority to implement strategies for a site-based budget by December 31, 1997. The Authority met the Memorandum of Agreement target date for implementing strategies to prepare a site-based budget, but did not submit the budget to HUD timely.

Under the Authority's site-based budget procedures, the Budget Department submits a budget request to each of its 160 cost centers during June of the fiscal year preceding the year for which the budget is being developed. At the time of the request, the Budget Department advises each cost center of the budget ceiling which has been established for it. The managers of the cost centers prepare their budgets based on data provided by the Budget Department. The cost center budgets are supposed to be submitted to the Authority's Budget Department in July.

The Authority's target dates for the budget call and submission to the Budget Department allow the Authority time to meet HUD's requirement of having the budget sent to HUD for approval, 90 days prior to the beginning of the fiscal year. The Authority's budget should be submitted to HUD by October 1 of the year preceding the budget year.

The Authority's Budget Department did not submit its 1998 budget to HUD by October 1, 1997. The budget was received by HUD on May 6, 1998. The delay occurred because the Budget Department did not have the authority to enforce its deadlines, and did not use a method to adjust budgets that exceeded allowable ceilings other than by returning the budgets to the cost centers to be redone.

All 160 cost centers submitted their budgets late. Most were 2 to 10 days late. However, 73 cost center budgets were over 30 days late and two were 67 and 88 days late. The Authority's Budget Manager said cost center managers did not consider the budget a top priority and he did not have the authority to force them to comply with his deadlines. Three of four cost center representatives who we interviewed believed that other activities took priority over the budget. The fourth cost center representative said the budget preparation was delegated to staff members who were not adequately trained on budget preparation.

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In addition to submitting the budgets late, the cost centers did not limit their budget requests to the ceiling the Budget Department had targeted for each cost center. The Budget Department received all cost center budget submissions by the end of October 1997; however, the total of the cost center budgets exceeded the Authority's authorized budget ceiling.

At this point, the Budget Department became aware that the Authority was going to deprogram units. Since the deprogramming would reduce the Authority's overall budget, the Budget Department decided to wait until the deprogramming action was completed before it requested the cost centers to redo their budgets. The Authority deprogrammed a total of 4,861 housing units in December 1997 and January 1998. The Budget Department returned the budgets to the cost centers in February 1998 for adjustment to eliminate the budget shortfall. However, the aggregate budget request of the cost centers again exceeded the Authority's budget ceiling and the budgets were returned to the cost centers again in April 1998 for further adjustment. HUD received the budget on May 6, 1998.

In addition to establishing a target ceiling for each cost center's budget, the Authority needs to develop parameters so that the Budget Department has a basis to adjust the amounts of the budgets without returning them to the cost centers when the cost centers fail to adhere to the targets.

When a budget is not submitted to HUD by the allowable deadline, HUD provides the Authority a Letter of Intent which allows continuation of funding based on the prior year's approved budget. Basing current year funding decisions on the past year's budget does not allow the Authority to adequately plan for future operations and potential changes to funding levels.

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### Auditee Comments

Excerpts from the Authority's comments follow. Appendix A, page 134, contains the complete text of the comments.

The Chicago Housing Authority will develop a policy and accompanying procedures to insure that the Annual Budget submission is completed and submitted to HUD in a timely fashion (i.e., by October 1st of each fiscal year).

The Chicago Housing Authority will develop a policy and accompanying procedures to insure that the individual cost centers prepare and submit their budgets to the budgeting department in a timely fashion. The budgeting department will be given the authority to prepare budgets for cost centers who fail to comply with target budget dates and targets.

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OIG Evaluation of  
Auditee Comments

The Authority's planned actions should correct the late budget submission problem if the actions are followed through on and effectively implemented.

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Recommendations

We recommend that the Director of Public Housing, Illinois State Office, assures that the Chicago Housing Authority:

- 12A. Develops policies and procedures that establish accountability for submitting budget information timely.
- 12B. Develops policies and procedures that allow the Authority to unilaterally adjust cost center budgets when the budgets fail to comply with target budgets.

# Management Information System

The OIG review dated September 30, 1996 determined that the Authority had purchased computer software modules from Creative Computer Solutions in order to implement a fully integrated Management Information System. The modules included: (1) tenant accounting, (2) purchasing, (3) general ledger, (4) fixed assets, (5) bank reconciliation, (6) inventory control, (7) housing eligibility, (8) accounts payable, and (9) maintenance work orders. The Authority was also evaluating Creative Computer Solutions' budget and payroll modules to determine if the modules would meet the Authority's needs.

We recommended that HUD assure the Authority: (1) evaluate the Creative Computer Solutions budget and payroll modules and choose the modules to be used so the modules could be implemented by December 31, 1996; (2) establish controls and procedures to complete the implementation of its integrated management system by December 31, 1996, and to periodically assess its information needs; (3) establish controls and procedures to ensure all applicable employees received software training by December 31, 1996; and (4) complete the revisions of its policies and procedures and implement all new security procedures by December 31, 1996.

## Observations

The Authority evaluated Creative Computer Solutions payroll and budget modules and determined that the modules did not meet its needs. The Authority implemented the nine modules purchased from Creative Computer Solutions and completed the implementation of its integrated management information system by December 31, 1996. However, four of the modules do not properly interface because they are based on older versions of software. The lack of interface between the modules requires multiple postings of the same information and increases the likelihood of data input errors. The Authority has an adequate system to identify information needs and has trained its personnel on the new systems. Additionally, the Authority has a security handbook and limits employees' access to information on a need to know basis.

## Creative Computer Solutions Payroll Module Was Not Purchased

The Authority did not purchase the Creative Computer Solutions payroll module because its payroll system was too complex for the module. The Creative Computer Solutions' payroll module could not readily accommodate the Authority's 25 different union contracts and 160 cost centers.

The Authority decided to continue to use the payroll module developed by American Management Systems.

Initially, the module did not readily interface with the Creative Computer Solutions general ledger module. In order to integrate the payroll information into the general ledger, the Authority's Management Information Systems Department had to manually convert the American Management Systems payroll account numbers to the Creative Computer Solutions account numbering system. However, at the end of May 1998, the Authority transferred the American Management System payroll to the UNIX mainframe that is used to run the Creative Computer Solutions module. This eliminated the need to manually convert the American Management Systems account numbers to Creative Computer Solutions account numbers. With this change, the American Management System was fully integrated with the other Creative Computer Solutions modules.

Creative Computer Solutions Budget Module Was Not Purchased

The Authority did not purchase the Creative Computer Solutions budget module because the module could not accommodate the Authority's 160 separate cost centers. As an alternative, the Authority's Budget Department developed a budget preparation system using a combination of LOTUS and EXCEL spreadsheet software.

We contacted Creative Computer Solutions and found that no large Housing Authorities were using their budget module. We also contacted the Cuyahoga Metropolitan Housing Authority, a large housing authority that uses the Creative Computer Solutions modules to determine how they accomplished budgeting. The Cuyahoga Metropolitan Housing Authority had a budget system on EXCEL spreadsheet software that was similar to what the Chicago Housing Authority was using.

Our evaluation of the Authority's budget system found that the system met the Authority's needs. However, the Authority's budget was not being completed and submitted for HUD approval in a timely manner (see Chapter 12).

Some Modules Need To Be Updated

The Authority implemented the nine modules developed by Creative Computer Solutions. We requested examples of reports generated by the new system to determine if the modules were functioning and if the reports were useful. Based on the information we received, we believe the

reports provide useful information to the Authority's management and HUD.

Presently the tenant accounting, housing eligibility, work orders, and fixed assets modules use older versions of software and require manual manipulation to properly interface with the other five modules that use updated software. The updated software has faster processing capability and includes an updated HUD Chart of Accounts.

The Authority is scheduled to receive the updated software as it becomes available. A Sales and Marketing representative from Creative Computer Solutions said the updated versions of the four modules are scheduled for release as follows:

<u>Module</u>	<u>Target Release Date</u>
Tenant Accounting	01/01/99
Housing Eligibility	01/01/99
Work Orders	01/01/99
Fixed Assets	01/01/99

The Authority's Management Information Systems Department staff estimated that it usually takes seven months after the target release date for the Authority to fully convert to an updated module. Therefore, the Authority could have a fully updated system by July 31, 1999.

#### The Authority Assesses Its Information Needs

The Authority determines its management information needs based on input from its departments. The Management Information System Department maintains a record of the information requests received from the departments and the actions taken in response to the requests. Based on our review of the Department's records and interviews with the Directors of Payroll, Purchasing and Contracts, and Tenant Accounting; and the Assistant Controller, we believe the Authority's process to address Management Information needs is adequate. The Directors and Assistant Controller said they were satisfied with the Management Information

Employee Software  
Training Needs Are  
Assessed

Systems Department's responses to their needs and requests.

Our previous audit determined that as of August 1, 1996, the Authority had trained 363 employees on its standardized software. The Authority's department directors assess their employees' needs for Management Information System training based on current technology being used, the employees position and job function, and planned future technology to be used. Training is conducted by Management Information Systems Department staff and classes are held on a monthly basis. A record of training completed by employees is maintained by the respective departments. We believe the Management Information Systems Department's program is adequate to train all Authority employees. As of December 31, 1996, classes with a total attendance of 823 employees had been conducted on various software. During 1997, classes with a total attendance of 1,472 employees were conducted.

Information Security  
Policy Is In Place

The Authority's Management Information Systems Department developed an information systems security handbook. This handbook became effective on December 27, 1996. The handbook is being used by the Authority to limit employee access to computer software and information based on position and need to know.

We reviewed the Security Handbook and found that it was very comprehensive and covered the Authority's needs for security on the computer systems for each department using the computer systems. We verified that the policies and procedures contained in the handbook were being used by the Authority.

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Auditee Comments

Excerpts from the Authority's comments follow. Appendix A, page 129, contains the complete text of the comments.

It is our intention to convert our modules within a reasonable time frame after the actual release of the packages. We will be conducting extensive testing of each module and it's relationship with the rest of the packages. It has been our experience that the software does not ship initially without problems. We do NOT want to be a beta test sight for the new release of these modules the way we

were with our initial purchase of Creative Computer Solutions modules.

It is in the best interest of the Chicago Housing Authority to not only convert/upgrade to the current releases of the software, but also to insure that the Authority has a workable system when done.

All of this will impact the date that we have a fully updated system. Because of all these intangibles, we do not feel comfortable at this time committing to a July 31, 1999 deadline. However, we will commit to beginning the implementation six (6) months after each of the module release dates.

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OIG Evaluation of  
Auditee Comments

We understand the Authority's concern to ensure the remaining modules create a workable system. We acknowledge that requiring the Authority to commit to a July 31, 1999 implementation deadline may not be in the best interest of the Authority. However, we believe the implementation should occur as quickly as possible. We changed our recommendation to require the Authority to, at a minimum, begin implementation of each module within six months of its' release date.

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Recommendations

We recommend that the Director of Public Housing, Illinois State Office, assures that the Chicago Housing Authority:

- 13A. Converts the tenant accounting, housing eligibility, work orders, and fixed assets accounting modules to the updated Creative Computer Solutions' versions within six months of the release dates of the updated software.

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# Asset Management

The OIG review dated September 30, 1996 found that the Authority was in the process of transferring management of some of its housing developments, including some of its more difficult to manage developments, to private management firms. We determined that the Authority needed to monitor the private management firms to ensure that housing developments were properly managed and maintained in a decent, safe, and sanitary condition. Additionally, the previous review found that the Authority did not have adequate control over its pension fund and deferred compensation program.

As a result, we recommended that HUD assure the Authority: (1) monitor the private firms that manage Authority housing developments to ensure the developments are maintained in an adequate manner, according to the management contracts, and takes appropriate action if firms do not properly manage the developments; (2) establish coordination procedures between Private Management Administration and Department of Finance for Public Housing/Private Management for monitoring the private firms; (3) execute contracts with the legal and actuarial firms selected for award; (4) oversee the contracts awarded for the pension fund and takes appropriate action if the contractors do not effectively perform the required services; and (5) establish controls to ensure the deferred compensation contract is adequately monitored and appropriate actions are taken if the firm under contract is not properly managing the deferred compensation program.

## Observations

As of July 31, 1998, the Authority took actions that resolved three of the five recommendations from our previous report. The Authority placed sole responsibility for monitoring the private management contracts under the Private Management Division. The Authority executed contracts for legal and actuarial services for its pension fund and was adequately overseeing the pension fund contracts.

The Authority did not establish policies and procedures for monitoring its private management firms. The Authority also did not establish controls to ensure its deferred compensation contract was adequately monitored.

## The Private Management Division Was Restructured

In September 1997, the Authority placed the responsibility to monitor private management contracts under the Private Management Division. A Budget Analyst from the Private Management Division reviews payment requests and budget revisions submitted by private management firms. Previously, these functions were performed by the Department of Finance for Public Housing/Private Management. Since monitoring responsibilities are now centralized in one function, our recommendation to establish coordination procedures between

Legal And Actuarial  
Contracts Were Executed

the Private Management Division and the Department of Finance is no longer necessary.

The Authority executed contracts for legal and actuarial services for its pension fund that initially became effective on January 1, 1997. These contracts were renewed and are currently effective through June 30, 1999.

The Pension Fund  
Contracts Were Properly  
Monitored

The Pension Plan Administrator and the Board of Trustees effectively monitored the pension fund contracts. The Plan Administrator monitored the contracts through reviews of contract invoices, periodic visits to the contractors' offices, semiannual meetings with the Plan's investment managers, and read-only access to the Plan custodian's record keeping system.

The Board of Trustees met on a monthly basis. Payments for contract invoices of less \$1,000 were approved by the Plan Administrator. The payments were reviewed by the Board of Trustees at monthly meetings. Payments for contract invoices greater than \$1,000 were reviewed and approved by the Board of Trustees at the monthly meetings. The invoices we reviewed showed evidence of proper review and approval.

The Authority Did Not  
Develop Private  
Management Contract  
Monitoring Procedures

The Authority did not establish policies and procedures to monitor its private management firms. There are no standardized reports or forms that document the monitoring of the private management firms.

We interviewed four Contract Administrators in the Private Management Division to determine how they monitored the private management firms. The Contract Administrators said the monitoring was accomplished primarily through periodic site visits and review of monthly reports submitted by the private management firms.

We reviewed the monthly reports for five privately managed developments and did not find any evidence to show that they had been reviewed by the contract administrators. Although the contract administrators said they visited the developments at least monthly, there was no evidence that they conducted tenant file reviews or unit inspections at four of the five developments during 1998. A file review was conducted on the fifth development during our review. Maintaining a record of the scope, method, and results of monitoring reviews is necessary to document problems identified and to ensure

effective corrective actions are implemented. HUD and the Authority lack assurance that the private management firms are properly managing the properties.

In May 1998, the consulting firm of Abt & Associates issued a report on the Authority's private management program. The report concluded in part that the Authority had insufficient property-based monitoring systems. Specifically, the report stated that the Authority did not have a systematic way of evaluating firms or asking firms for operating information on a regular basis.

The recommendations in the consultant's report related to contract monitoring were: (1) develop an improved and standardized budgeting and monthly reporting system; (2) establish property standards for firms and contract administrators; and (3) improve the contract administration system. If implemented, the consultant's recommendations should assist the Authority in improving its private management contract monitoring function.

The Director of Housing Management said the new acting Director of Private Management will be implementing the consultant's recommendations. The tasks to implement the consultant's recommendations were included in the proposed work plan of the new acting Director of Private Management. The acting Director has not yet established a time frame for implementing the consultant's recommendations because she is in the process of hiring staff for the Private Management Division.

The Deferred  
Compensation Contract  
Was Not Adequately  
Monitored

The Authority did not establish controls to ensure the deferred compensation contract was adequately monitored. Although the Authority's Human Resources Department was responsible for monitoring the contract, it did very limited monitoring of the deferred compensation contract.

The only documentation that the Human Resources Department received from the deferred compensation plan contractor was a quarterly trial balance containing the account balances of plan participants. The Authority did not verify the accuracy of the trial balance to the Authority's records. The Human Resources Department only used this trial balance to verify the transfer of funds from the previous deferred compensation plan contractor and to answer employee

inquiries. We believe adequate monitoring of the contract should include verification of the accuracy and support of all contributions and withdrawals.

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## Auditee Comments

Excerpts from the Authority's comments follow. Appendix A, pages 162 and 183, contains the complete text of the comments.

The Authority has reviewed past practices and procedures to monitor the private management firms contracted for management of properties assigned to their portfolio. Procedures will be written and compiled, and staff will be trained to ensure contract compliance and proper monitoring controls are in place. The Department has reviewed the ABT report and recommendations on the structure and functions of Asset Management. The Department has been restructured and will analyze and implement the recommendations set forth in their report. A workplan will be developed to address the actions recommended in the report.

The Authority disagrees, partially with this finding. The deposits are verified. The Payroll Department sends Public Employees Benefit Services Corporation, the plan administrator, a copy of the check request and the list of plan participants and the amounts for each deposit. Payroll usually gets confirmation every two weeks. If there are any discrepancies they are resolved at that time. Withdrawals are not monitored. Public Employees Benefit Services Corporation is contracted to administer this program and the funds are the employees not the Authority's. Each participant receives quarterly statements and as of today we have not received any complaints. Since the Authority does not have formal policies and procedures for monitoring the deferred compensation plan, we will prepare them by year-end.

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## OIG Evaluation of Auditee Comments

The actions the Authority plans to take to address private management issues should improve the Authority's private management program when the actions are fully implemented. The confirmation received from the contractor shows the total funds that were deposited into the deferred compensation plan; however, it does not provide any

information on fund withdrawals from the plan. For effective monitoring of the deferred compensation plan, the Authority needs to include policies and procedures that provide assurance on the accuracy of the account.

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**Recommendations**

We recommend that the Director of Public Housing, Illinois State Office, assures that the Chicago Housing Authority:

- 14A. Establishes policies and procedures for monitoring the private management firms.
- 14B. Analyzes the consultant's May 8, 1998 report on private management and takes appropriate actions.
- 14C. Establishes policies and procedures for monitoring its deferred compensation plan contract.

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# Risk Management

The OIG review dated September 30, 1996 determined that the Authority's in-house administration of the workers' compensation program was not effectively, efficiently, or economically managed. The program was administered without proper planning, management, staffing, and written policies and procedures. The Authority also lacked a resident safety training program and did not conduct an adequate analysis of its insurance coverage.

We recommended that HUD assure that the Authority: (1) aggressively monitor the workers' compensation contract and implement appropriate actions if the administering firm did not properly manage the program; (2) periodically conduct an analysis to determine if it is more cost effective to contract out the administration of the workers' compensation program versus the Authority administering the program in-house; (3) develop procedures to periodically assess its risk management program and make changes to address new conditions; (4) develop procedures to track hazardous conditions; and (5) initiate safety training for its residents.

## Observations

The Authority implemented two of the five recommendations from our prior report. The Authority adequately monitored the workers' compensation insurance contract. The Authority also developed procedures to periodically assess its risk management program and make changes to address new conditions. The Authority decided not to conduct the cost-benefit analysis. Given the improved administration of the workers' compensation program through outsourcing, the Authority's decision appears reasonable.

The Authority did not develop procedures to track hazardous conditions and it did not initiate a safety training program for its residents

## The Authority Adequately Monitored The Workers' Compensation Contract

The Authority adequately monitored the workers' compensation contract. The Risk Management Department conducted four case file reviews to assess the contractor's performance. One file review was completed in 1996, two in 1997, and one in 1998. The results of the file reviews indicated that the contractor was effectively administering the workers' compensation program.

The Authority Did Not Periodically Analyze Administration Of The Workers' Compensation Program

The Authority did not periodically conduct an analysis to ensure that contracting out the administration of the Workers' Compensation Insurance Program was more effective than performing the function in-house. The Director of Risk Management did not feel that an analysis was necessary given the Authority's poor in-house administration of the program in the past compared to the current performance of the contractor.

The contractor reduced the backlog of outstanding claims from 1,150 to 550. Deloitte & Touche LLP reviewed the workers' compensation reserves for 1996 and 1997 and concluded that the outsourcing of the program had a very positive impact on the workers' compensation program. Based on the results of the Deloitte & Touche reviews, we agree with the Authority's decision to forgo the cost benefit analysis. However, to ensure the operation of the program remains efficient and effective, the Authority needs to periodically conduct a cost analysis or continue to obtain independent feedback on the contractor's performance.

The Risk Management Program Was Periodically Assessed

The Risk Management Department assessed its risk management program annually. The assessment of the risk management program was documented in the Risk Control Work Plan. The work plan included various tasks that needed to be accomplished during the year based upon the assessment of the risk management program. Examples of such tasks included providing defensive driver training and certification to employees, and removing old and unusable playground equipment. We reviewed the 1998 Risk Control Work Plan and found that the plan reflected an adequate assessment of the risk management program.

Procedures Were Not Developed To Track Hazardous Conditions

The Authority's Risk Management Department performed annual inspections of all the Authority's buildings to identify hazardous conditions that could result in a liability to the Authority. The Risk Management Department's Self Inspection Site Form was used to document the site inspections.

During 1997, the Risk Management Department site inspection reports were sent to the Customer Service Center for preparation of work orders to correct the hazardous conditions that were identified. However, the Customer Service Center advised the Risk Management Department that no work orders

were prepared because many of the work items duplicated work orders previously requested by the respective development managers.

In 1998, the Risk Management Department has not forwarded any of its site inspection reports to the Customer Service Center. The Director of Risk Management said the reports have not been forwarded because the Risk Management Department is in the process of developing a method to eliminate duplicate work orders.

We reviewed three completed site inspection reports prepared during 1997 and 1998 and determined the information contained in them was not always specific enough to prepare appropriate work orders or determine if the reported conditions duplicated existing work orders. For example, one of the inspection reports indicated that some stairwells in the building needed work. The specific location and type of work needed were not listed on the inspection report.

In our opinion, the Authority did not give adequate attention to track and correct hazardous conditions. The inadequate information provided to the Customer Service Center and the inaction in creating work orders or resolving the reported problems indicates coordination between the Risk Management Department, the Customer Service Center, and the Development Managers is inadequate. There is a need for policies and procedures that ensure conditions are accurately reported and corrected. The elimination of hazardous conditions helps reduce the Authority's liability and avoid negative publicity.

A Resident Safety  
Training Program Was  
Not Initiated

The Authority did not train its residents on safety-related issues. The purpose of the resident safety training program is to instruct residents on safety procedures to ensure they will take proper actions in emergency situations, thus reducing casualty and property losses.

The Director of Risk Management could not explain why training was not conducted or provide a date when the safety orientation and training procedures will be developed and implemented.

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**Auditee Comments**

Excerpts from the Authority's comments follow. Appendix A, page 163, contains the complete text of the comments.

We are in fundamental agreement with your audit findings for the Risk Management Department.

We understand the need for periodic assessment of program effectiveness. In 1999, the Risk Management Department will conduct a Best Practices Study of Workers' Compensation Program Administration in Public Housing Authorities.

We have developed procedures to adequately track hazardous conditions at Authority properties. We have not successfully implemented these procedures due to staff turnover in Risk Management and Customer Service. In the 4th quarter of 1998 and 1999 we will refocus our safety resources to work closely with Customer Service on hazard identification, work order generation, and work order tracking.

The Authority's Risk Management Department has developed a plan to improve resident awareness and training to reduce liability hazards on our properties. Due to staff turnover, implementation of these plans has not been as active as we would have wished. Our safety staff is now in place and making strides toward the implementation of resident safety awareness training. Our 1999 Risk Control Work Plan will detail the safety initiatives targeted for residents. The Risk Control Work Plan for 1999 will be finalized by December 15, 1998.

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**OIG Evaluation of  
Auditee Comments**

The Risk Management Department's planned action to conduct a best practices study of workers' compensation program administration in large housing authorities should provide an appropriate measure of program effectiveness. However, the Authority also needs to develop procedures to periodically conduct a cost analysis of the workers' compensation program or obtain third party verification regarding the effectiveness of the contractor's management of the program. The Department's planned actions for tracking and correcting hazardous conditions and resident

safety training initiatives should resolve the conditions cited in this Chapter if the actions are fully implemented.

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Recommendations

We recommend that the Director of Public Housing, Illinois State Office, assures that the Chicago Housing Authority:

- 15A. At least annually conducts a cost analysis of the workers' compensation program or obtains third party verification regarding the effectiveness of the contractor's management of the program.
- 15B. Develops coordination procedures between the Risk Management Department, the Customer Service Center, and Development Managers to track and eliminate hazardous conditions at the Authority's developments.
- 15C. Develops and implements a safety orientation and training program for its tenants.

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# Personnel

The OIG review dated September 30, 1996 determined that the Authority did not have an adequate system to achieve a committed, competent, and professional work force. Specifically, site managers did not meet HUD's certification requirements; performance evaluations were not effective; and a skills test administered by the Authority raised concerns that the recruiting process was not effective and housing management staff were not qualified. Additionally, the Authority's job descriptions were inaccurate and not useful in hiring personnel or evaluating performance, and employees' salaries bore little relevance to the market.

As a result, we recommended that the Authority: (1) assure each of its managers met HUD's certification requirements; (2) develop and implement strategies to address the skill level of all its staff, and the issue of staff who did not meet minimum required skill levels; (3) develop an effective recruiting strategy that properly assessed the qualifications of potential employees; (4) appoint qualified instructors and implemented housing management core training courses; (5) establish and implement procedures to consolidate the tracking of training received by its employees; and (6) update all job descriptions and completed the implementation of a compensation system that was developed as a result of a 1994 consultant study.

## Observations

The Authority took actions that resolved three of the six recommendations from our previous report and partially resolved two other recommendations. The Authority: (1) assured that all of its property managers were certified as housing managers; (2) developed and implemented a strategy to address the skill level of its staff and the issue of staff who did not meet minimum required skill levels; and (3) appointed qualified instructors and implemented core training courses. Although the Authority improved its recruiting process by developing a skills test and sources for recruiting, it did not have written procedures for its recruiting process. The Authority also completed the implementation of its compensation system, but did not complete the revision of all job descriptions.

The Authority did not establish procedures to consolidate the tracking of all training received by its employees.

## Authority Managers Received Housing Manager Certification

Of the eleven site managers that were not certified at the time of our last review, five managers obtained the Certified Manager of Housing designation, and the remaining six managers were either terminated or had resigned by April 30, 1997.

A Strategy Was  
Developed And  
Implemented To Evaluate  
Staff Skill Levels

As of July 1998, all but one of the Authority's property managers had been certified as Registered Housing Managers. The remaining property manager was completing the final phase of the certification process at the time of our review.

In November 1996, the Authority initiated a Performance Management Program to address the skill level of its staff, and the issue of staff who did not meet minimum required skill levels. Key elements of the Performance Management Program are:

- Performance Planning - During the year-end performance review, the manager and employee agree upon performance expectations for the upcoming 12-month period and identify employee training needs.
- Ongoing Coaching - Formal and/or informal discussions throughout the year are held to assist the employee in meeting expectations discussed at the beginning of the year.
- Interim Evaluation - The semi-annual performance evaluation is measured on progress toward mutually agreed upon goals and objectives established at the beginning of the year.
- Annual Performance Evaluation - The evaluation of the entire year's job performance requirements and agreed upon goals are used to determine the overall performance rating.

The Performance Management Program requires an employee performing unsatisfactorily to be placed on a Corrective Action Plan. The Corrective Action Plan establishes a date on which the employee's performance will be reassessed. If the employee's job performance is still unsatisfactory, the employee is terminated.

We reviewed Performance Management Plan documentation for four employees and found that the system was effectively used to evaluate the employees' skills and performance. Additionally, we noted one recent

instance of an employee who was terminated for failure to comply with a Corrective Action Plan.

Training Courses Were Implemented And Qualified Instructors Were Appointed

The Authority implemented core training courses that it established to train housing management personnel. During 1997 and 1998, the Authority conducted 162 core training courses in the areas of Administration and Support, Maintenance for Managers, and Management and Leadership. Additionally, the Authority trained an average of 83 employees each month in Management Information System training courses. We reviewed the resumes of five instructors and found that the individuals were adequately qualified.

The Authority Improved Its Recruiting Process

The Authority developed a list of sources to be used to recruit personnel. The list is extensive and includes sources such as internal and external job postings; newspaper advertisements; job fairs; professional organizations; and campus recruiting. However, the Authority did not have written procedures on how the sources are to be pursued or assess their effectiveness.

To address the poor quality of some maintenance hires in the past, in September 1997, the Authority began administering the Wonderlic Basic Skills Test to all maintenance hires (except college graduates and certified personnel). Job applicants must pass this test prior to being hired. Two of three development managers we interviewed said the quality of new hires had improved since inception of the testing program. The other manager interviewed said while he believed the overall staff quality had not changed, the new hires were better able to comprehend written work orders.

We believe the Authority needs to develop written procedures to ensure recruiting is effectively accomplished. The Authority's action to administer the basic skills test should improve the quality of its maintenance employees.

The Authority Completed Implementation Of Its Compensation System

The Authority implemented the compensation levels that were developed as a result of a 1994 consultant study. Our previous review found that because of budget difficulties, the Authority had not implemented the consultant's recommendations to address outdated pay rates. We

verified that the Authority's revised pay scale was based on the consultant's recommendations.

Job Descriptions Were Not Updated For All Employee Positions

The Authority completed the revision of the job descriptions for approximately 90 percent of its employees. However, due to the workload of the employees revising the job descriptions, the revision of the remaining job descriptions is not projected to be completed until July 1999. The Authority needs to update all job descriptions as expeditiously as possible to ensure employees are accurately and fairly evaluated.

Tracking Of All Training Was Not Consolidated

The Authority implemented a centralized system to track training received by its employees. The tracking system included a record for each employee, listing training courses and dates completed, grades or certificates, and Continuing Education Units earned.

However, courses offered by the Management Information Systems Department were not included in the Authority's tracking system. The Authority plans to incorporate the Management Information Systems Department training courses into the tracking system, but the Director of the Management Information Systems Department could not provide us with an estimated date when this would occur. It is important for the Authority to consolidate all training courses into one tracking system to ensure that personnel receive training on required skills and to prevent unnecessary duplication.

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## Auditee Comments

Excerpts from the Authority's comments follow. Appendix A, page 169, contains the complete text of the comments.

We have complied with another recommendation, the development of an effective recruiting strategy that properly assessed the qualifications of potential employees. As a point of clarification, a recruiting strategy does not assess qualifications but rather, it determines the methodology by which potential employees will be identified.

We have also complied with the recommendation regarding the establishment and implementation of procedures to consolidate the employees' training. While a database has been established, the Management Information Systems

Department has been unable to provide us with their training data so that we can consolidate the information.

Finally, we have also complied with the sixth recommendation: Prior to 1997 the Authority had over 900 job descriptions. Over 600 of these descriptions were targeted for the Hay conversion. The Hay analysis involved the reduction and consolidation of job titles. The resultant 350 job classifications were implemented in January of 1997. Pending descriptions are a result of on-going reorganizations and newly created jobs.

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## OIG Evaluation of Auditee Comments

We do not agree that the Authority fully complied with our prior audit recommendations concerning its recruiting process, tracking of employee training, and revision of all job descriptions. However, as stated in our observation, the Authority has made progress in each of the areas.

Although the Authority developed a list of recruiting sources, it still needs to develop procedures to ensure consistent and effective use of the recruiting resources.

The Authority's consolidated employee training tracking system needs to include Management Information System training courses.

We determined that all job descriptions had not been revised based on information obtained from employees who were responsible for revising the job descriptions. The Authority did not provide documentation to show that pending revisions were for newly created jobs. The Authority needs to update its job descriptions as expeditiously as possible to ensure employees are effectively evaluated.

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## Recommendations

We recommend that the Director of Public Housing, Illinois State Office, assures that the Chicago Housing Authority:

- 16A. Develops written procedures on the use and assessment of the recruiting process.
- 16B. Incorporates Management Information System Department courses into its centralized training tracking system.

16C. Completes the revisions of all remaining job descriptions.

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## Resident Program Delivery Systems

The OIG review dated September 30, 1996 determined that the Authority initiated plans to hire urban planners to work with residents to produce a long-term strategic plan for physical and social service needs. The Authority established a Development Initiatives Division in August 1996 to assist tenants with resident programs; however, the Authority did not develop policies and procedures for the Division's operation. A transitional facility for families in crisis was established at the Ida B. Wells development in June 1995. The Authority entered into a contract with the Educational Training and Enterprise Center in August 1996 to: identify issues and needs involving existing service and delegate agencies; evaluate the effectiveness of existing service delivery systems; conduct a cost benefit analysis of the delivery systems and identify future needs. Once the Educational Training and Enterprise Center completed its review, the Authority planned to identify potential/future services and delegate agencies.

To ensure the Authority continued to improve its resident delivery systems, we recommended that HUD assure the Authority: (1) extend all urban planner contracts before the original contract expired, and put the contract extensions in writing; (2) execute contracts with urban planners for Dearborn Homes, Robert Taylor B, Wentworth Gardens, Hilliard Homes, Lathrop Homes, Washington Park, and Trumbull Park; (3) select an urban planner as expeditiously as possible for the remaining eight Local Advisory Councils; (4) establish policies and procedures for its Development Initiatives Division; (5) establish a transition facility at the ABLA Homes development when the necessary funding is obtained and explore establishing additional transition facilities at other developments based upon the needs of the residents; (6) monitor the contract with the Educational Training and Enterprise Center to ensure the Authority receives the required services; (7) take appropriate action based on the Educational Training and Enterprise Center's report to select, for continued use, the existing services and delegate agencies that best meet the residents' needs.

Finally, in relation to potential/future services we recommended that HUD assure the Authority: (8) identify and evaluate their delivery systems; (9) conduct a cost/benefit analysis of their service delivery systems; (10) select the systems that best meet the residents' needs; and (11) monitor services and delegate agencies to ensure the residents' needs are being addressed.

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### Observations

As of September 30, 1998, the Authority had fully implemented three and partially implemented one of the eleven recommendations. The Authority executed contracts with urban planners on behalf of Local Advisory Councils. The Authority established policies and procedures for its Development Initiatives Division. Also, the Authority monitored the contract with the Educational Training and Enterprise Center. The Educational Training and Enterprise Center's report was completed on April 29, 1997. The Authority did not establish a transition facility at ABLA

Homes due to lack of funds; however, in lieu of a comprehensive facility, the Authority established a relocation and Section 8 counseling office at ABLA and family self-sufficiency classes were conducted for transitioning families.

We were unable to determine if the Authority extended its urban planners contracts before the contracts expired and put the extensions in writing, since the Authority did not provide documentation to support the contract extensions. The Authority did not select, for continued and potential/future use, those existing services and delegate agencies that were shown to best meet the residents' needs. The Authority also did not evaluate its delivery systems and conduct a cost/benefit analysis of its delivery systems.

Urban Planners Were  
Hired

Between May 1997 and September 1998, the Authority executed 15 contracts with urban planners. Contracts were executed for the following Local Area Councils: (1) Hilliard Homes; (2) Trumbull Park; (3) Dearborn Homes; (4) Robert Taylor B1 and B2; (5) Washington Park; (6) Julia Lathrop Homes; (7) Robert Taylor A1 and A2; (8) Stateway Gardens; (9) Wells Homes and Extension; (10) Lowden Homes; (11) Madden Park; (12) Rockwell Gardens; (13) ABLA Homes; (14) LeClaire Courts; and (15) Wentworth Gardens. It was important for the Authority to select the urban planners, since the planners will work with residents and involve them in the development of a long-term strategic plan for physical and social service needs.

Policies And Procedures  
Were Established

Policies and procedures were developed for each of the four departments that comprise the Development Initiatives Division: Community Redevelopment; Relocation; Homeownership; and Social Services/Delegate Agencies. The policies and procedures included, among other things: (1) a department description which contained the department's primary function and goals; (2) an organizational chart; (3) professionalism policies; (4) office procedures; and (5) department specific information. We reviewed the policies and procedures and believe they are adequate in scope and content.

The Authority Monitored  
The Contract

The Authority monitored its contract with the Educational Training and Enterprise Center, and determined that the objectives of its contract with the Center were met. Based on our review of the Center's report, issued on April 29, 1997, we concluded the Center satisfied the objectives of its contract. The Center evaluated the effectiveness of programs and services offered by the Office of Resident Programs and identified future service needs.

A Transition Facility Was  
Not Established At ABLA  
Homes

The Authority did not establish a transition facility at ABLA Homes. The Authority was unable to obtain the necessary funding from the State of Illinois. Since funds are unavailable, the Authority has no plans to establish a comprehensive transition facility at the development.

Although a comprehensive facility was not established, the Authority took a proactive role to address the needs of its residents. The Authority established a relocation and Section 8 counseling office at ABLA Homes, and family self-sufficiency classes are conducted for transitioning families. Additionally, the Authority requested funding in its HOPE VI application for an extensive family transition and self-sufficiency program. If funding is obtained, the on-site services will be expanded. Given the funding restrictions, we believe the Authority took adequate steps to address the transition needs of its residents.

No Assurance Exists That  
Contract Extensions Were  
Proper

We were unable to determine if proper procedures were followed when urban planner contracts were extended. The Development Initiatives Division Director approved the extension of seven expired urban planner contracts. However, the Director did not provide any documentation that showed the extensions occurred before the original contract expired or that the extensions were in writing. Section 3.03 of the Authority's contracts requires contract extensions to be granted prior to the expiration of the original contract and to be in writing. Requiring written contract extensions protects HUD's and the Housing Authority's interests by providing a legal basis to take appropriate action if the contractor does not comply with the terms of the contract.

The Authority Plans To  
Select Service Agencies  
And Monitor Them

The Authority did not select, for continued and future use, those services and delegate agencies that were shown to best meet the residents' needs. The Authority did not select the services and delegate agencies because of delays associated with the movement of the Social Services and Delegate Agencies Department to the Development Initiatives Division. The Department was moved as a result of the Educational Training and Enterprise Center report which recommended the change to improve assistance to residents.

The Division is developing strategic plans to address the human capital and social service needs of the residents of each development and has instituted a resident survey process that identifies family needs. The information obtained from each development's strategic plan and resident surveys, along with the Educational Training Center report will be used to define the types of organizations that should provide services to residents. The Director of the Development Initiatives Division anticipates that the agencies for existing services will be selected by December 1, 1998, and those for potential/future services by December 31, 1999. We believe the Authority is making progress to improve its resident services.

The Authority plans to monitor the resident services and delegate agencies. The Social Services and Delegate Agencies department is developing "residential review committees" that will be trained to participate in quarterly and annual monitoring activities. New tools are in development that will include a revised work plan with goals and outcomes that are tied to the services identified by residents. Development of the new tools is scheduled to be completed by December 31, 1998. If the Authority follows through and develops residential review committees and creates a revised work plan, the Authority should have a system to adequately monitor its resident services and delegate agencies.

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Auditee Comments

Excerpts from the Authority's comments follow. Appendix A, page 171, contains the complete text of the comments.

The Authority concurs with all of the observations and recommendations with the exception of the statement regarding Urban Planning Contract extensions.

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Documentation indicates that contracts were extended prior to the expiration date and that vendors were notified of the extensions. In order to ensure that additional documentation is on file, in the future we will send form letters to vendors and place a copy in their file.

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### OIG Evaluation of Auditee Comments

The documentation provided by the Authority does not support that the contracts were extended before their expiration date and were in writing. The documentation included an internal E-mail message from the Purchasing Department to the Development Initiatives Division notifying the Division of the expiration of the contracts. The message was dated one day after the contracts expired. Information provided to us during the audit indicated seven contracts had been extended; however, the Authority's comments indicate only one was extended. The Authority did not provide documentation to support that the extension was in writing. The Authority only provided documentation that showed the contract's expiration date was changed in the Authority's Accounting System records. Contract extensions need to be in writing to protect HUD's and the Housing Authority's interests by providing a legal basis to take appropriate action if the contractor does not comply with the terms of the contract.

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### Recommendations

We recommend that the Director of Public Housing, Illinois State Office, assures that the Chicago Housing Authority:

- 17A. Extends all urban planners contracts before the original contract expires and puts the extension in writing.
- 17B. Identifies and evaluates potential/future services and delegate agencies' delivery systems and conducts a cost/benefit analysis of the systems.
- 17C. Selects for continued and future use those existing and potential services and delegate agencies that are shown to best meet the residents' needs.
- 17D. Monitors services and delegate agencies to ensure the residents' needs are addressed.

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## Economic Development Opportunities for Residents

The OIG review dated September 30, 1996 determined that the Chicago Housing Authority had: encouraged the development of joint venture agreements with resident owned companies and local private sector businesses, and established a yearly goal of 25 contracts to be executed with resident owned companies. The Authority also implemented a Section 3 policy which requires resident hiring be used on all construction and service contracts that contain a labor component, or that training be provided or funded. Further, the Authority developed partnership agreements with various government, non-profit, and private sector agencies to support its resident training and employment programs.

To ensure these efforts continued, we recommended that HUD assure that the Authority: (1) emphasize the development of joint venture agreements between the resident owned companies and private sector businesses; (2) monitor the construction and service contractors to ensure Section 3 requirements were complied with; (3) identify government, non-profit, and private sector agencies to form partnerships for resident training and employment programs; (4) complete surveys to assess resident satisfaction by January 31, 1998; (5) take appropriate action based upon the results of the resident surveys; and (6) work to expeditiously complete its pending contracts and continue to explore additional contracts with the resident owned companies in order to reach the yearly goal of 25 contracts.

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### Observations

As of September 11, 1998, the Chicago Housing Authority implemented four of the six recommendations. The Chicago Housing Authority: (1) continued to emphasize the development of joint venture agreements between resident owned companies and private sector businesses; (2) monitored the construction and service contractors to ensure residents received employment and training opportunities, and withheld amounts from contractors who failed to comply with the Section 3 requirement; (3) continued to identify government, non-profit, and private sector agencies with which to form partnerships supporting the resident training and employment programs; and (4) completed two resident surveys. The Authority plans to take appropriate actions based on the results of its surveys. The Authority did not meet its yearly goal to execute 25 contracts with resident owned businesses in 1996. However, the Authority met its goal for 1997 and was on track to meet its goal for 1998 to execute \$10 million of contracts with resident owned businesses.

Joint Venture Agreements  
Were Developed

The Authority continued to develop joint venture agreements between resident owned companies and private sector businesses. As of July 9, 1998, a total of 50 resident owned businesses had joint venture agreements. For example, joint venture agreements were made with: Coleman Development Corporation, Creative International Incorporated, Dearborn RMC Construction, William Green Homes Laundromats, and Things to Do Laundromats.

Construction And Service  
Contractors Were  
Monitored

In December 1996, the Authority's Section 3 policy was revised to require resident hiring be used on all of the Authority's construction and service contracts that contain a labor component. A contractor may comply with Section 3 regulations by: (1) hiring and/or training Authority residents; (2) subcontracting or forming a joint venture with a resident owned business; or (3) contributing a predetermined percentage of total labor dollars for construction contracts or a percentage of the total contract amount for service contracts to the Section 3 Educational Fund.

The Manager of the Authority's Contract Compliance Section monitored construction and service contracts to ensure the Section 3 requirement was met. When appropriate employment and training opportunities were not provided, the Authority withheld amounts from the contractors' final payments.

We selected ten contracts for review to determine if the contractors were in compliance with the Section 3 requirement. Our sample consisted of five contracts over and five contracts under \$100,000. We determined that all five contractors with contracts of more than \$100,000 complied with the Section 3 requirements by hiring Authority residents.

The five contractors with contract amounts under \$100,000 did not hire residents; therefore, the Authority withheld the funds from the contractors' final payments and put the funds in the Section 3 Educational Fund. Although the Authority withheld amounts from the contractors' final payments, the Manager of the Contract Compliance Division incorrectly calculated the amounts for four of the five contracts. Two contractors were undercharged \$942 and \$21, and two

contractors were overcharged \$305 and \$271. The Manager could not explain why the errors occurred.

Partnerships Have Been  
Continuously Developed

The Chicago Housing Authority continued to identify agencies to form partnerships to support its resident training and employment programs. Since our last review, the Authority developed 21 new partnerships with public and private agencies, such as the City of Chicago's Police Department, Urban Merchants Assistance Corporation, J. Jordan Boys and Girls Club, West Side Technical, and Chicago State University.

In addition to developing partnerships, the Authority networked with 19 national and 46 local agencies to refer residents to employment opportunities. An example of some of the agencies are: McDonalds, Federal Express, First Chicago Bank, Target, and Stone Container Company.

Two Resident Surveys  
Were Completed

In November 1996, HUD entered into a contract with Abt & Associates to conduct two resident surveys at the Chicago Housing Authority. In December 1996, a resident survey assessing the Authority's performance in meeting its residents' needs was completed. A second resident survey was conducted in December 1997 to determine if the Authority had improved its performance. The results of the second survey were presented to the Chicago Housing Authority on June 18, 1998. The report focused on Maintenance/Management, Security Services, and Crime and Disorder.

The Chicago Housing Authority did not have an overall plan to address the results of the surveys. However, the Special Assistant to the Deputy Executive Director for Community Relations and Involvement said the survey results would be addressed by the department they related to. We contacted the Authority's Chief of Police to determine if he was aware of the recommendations that related to his area of responsibility and was taking steps to address them.

The Chief of Police was familiar with the recommendations that concerned security, and had plans to address them. For example, to ensure resident concerns regarding security are appropriately addressed, the Police Department plans to periodically evaluate crime patterns in the low and high-rise developments. The Department also plans to work with the

Contract Were Executed  
With Resident Owned  
Businesses

local advisory councils and tenant patrols. Currently, the Authority is reviewing its police deployment practices to assign officers at the most critical time when they can be effective.

The Chicago Housing Authority did not meet its 1996 goal to execute 25 contracts with resident owned businesses. However, the Authority met its goal for 1997 and was on track to meet its goal for 1998 to execute \$10 million of contracts with resident owned businesses.

The Resident Enterprises Section of the Economic Development Division reported that for 1996, the Authority executed a total of 17 contracts with resident owned businesses and resident management corporations. However, when we asked to review the contracts, the Authority could only find nine contracts. The nine contracts totaled \$7.2 million.

In 1997, the Economic Development Division changed its yearly goal from executing 25 contracts with resident owned businesses to executing \$10 million worth of contracts with resident owned businesses. The Authority provided information that showed it had contracting activities totaling \$11,298,021 with resident owned businesses and Resident Management Corporations. Therefore, the Authority met its 1997 goal.

Our review determined that the Authority had not yet met its 1998 goal, but had contracting activities worth \$8,769,886. At its present pace, the Authority should meet its 1998 goal to execute \$10 million of contracts with resident owned businesses.

According to the Authority's Diversity Outreach Specialist, contract activities under \$25,000 are supported by a purchase order. We reviewed purchase order listings for 1996, 1997 and 1998 to verify that purchase orders were used for contracting with resident owned businesses. We determined that purchase orders were used for contracting with resident owned businesses. However, the extent of the activity could not be determined because the listings did not identify which businesses were owned by residents or were resident management corporations. Additionally, we could

not determine when contracts were executed or the initial amount of the contracts from the purchase orders.

Although the Authority met its 1997 goal and is on track to meet its 1998, the Economic Development Division did not have a system to track its progress in contracting with resident owned businesses and resident management corporations. A tracking system is needed to ensure that the Authority's goals are met and economic opportunities are provided for residents.

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**Auditee Comments**

Excerpts from the Authority's comments follow. Appendix A, page 149, contains the complete text of the comments.

Since the audit, Section 3 procedures have been modified. When a contractor requests final pay out and that contractor has not fully complied with Section 3, the gross amount earned by each employee who worked on that project is added to determine the actual labor amount and the Section 3 required amount is re-computed. In this way, contractors are not over- or under-charged for compliance.

**OIG Evaluation of  
Auditee Comments**

The Authority's revised procedures should correct the problem of miscalculation of Section 3 withholdings if the procedures are properly followed.

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**Auditee Comments**

The Purchasing and Contracts Department's Creative Computer Solutions system is the computerized database that tracks all contracts/purchase orders for the Authority. All original, fully executed contracts are stored in the files of this department. In 1996, the Authority contracted \$8,639,184.90 with 16 Resident Owned Businesses, Resident Management Corporations, or resident organizations. These contracts included Custodial contracts, Laundry Licensing Agreements, Printing, and Service and Management contracts.

**OIG Evaluation of  
Auditee Comments**

At the time of our review, the Purchasing and Contracts Department could only provide nine contracts with resident owned businesses and resident management corporations for 1996. The Authority did not provide any additional contracts with its comments; however, it did provide additional documents that were not available at the time of

our review. The documents included a Minority Vendor Purchase Order list and five documents that identified various resident owned businesses and resident management corporations. The documents support that the Authority had five additional contracts to those provided to us at the time of the review. The Authority's goal was to contract with 25 resident owned businesses and resident management corporations.

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Auditee Comments

A report from Purchasing and Contracts Creative Computer Solutions tracking system lists 37 Resident Owned Businesses contracting activity for 1997 which exceeds \$12 million.

OIG Evaluation of Auditee Comments

Our review of the report the Authority provided with its comments, Minority Vendor Purchase Order list, coupled with five documents that identified various resident owned businesses and resident management corporations showed that the Authority had contracting activity of \$11,298,021 with resident owned businesses and resident management corporations. Our total differs from the Authority's amount. We eliminated the amounts the Authority highlighted for organizations that were not on the lists of resident owned businesses and resident management corporations provided by the Authority with its comments. We adjusted our finding to show the Authority met its 1997 goal.

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Auditee Comments

A report from Purchasing and Contracts Creative Computer Solutions tracking system lists 35 Resident Owned Businesses contracting activity for 1998 and exceeds \$17 million dollars (see attached).

OIG Evaluation of Auditee Comments

Our review of the Minority Vendor Purchase Order list report provided by the Authority with its comments, coupled with five documents that identified various resident owned businesses and resident management corporations, showed the Authority had contracting activity of \$8,769,886 with resident owned businesses and resident management corporations. Our total differs from the Authority's amount. We eliminated the amounts the Authority highlighted for organizations that were not on the lists of resident owned businesses and resident management

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corporations provided by the Authority with its comments. The Authority has not met its 1998 goal; however, based on the additional information provided, it appears it will. We adjusted our finding to show the Authority should meet its 1998 goal.

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### Auditee Comments

At present, the Creative Computer Solutions System does not identify which companies fall under the category of a resident owned business, Resident Management Corporation or resident organization. It also does not identify subcontractors or dual management agreements. We are taking steps to add a new field in the system that would do so.

The Economic Development Division hired Mr. Marty Melinger from the Chicago Housing Authority Inspector General's office to conduct audits and tracking of resident owned businesses and Resident Management Corporation contracts. Prior to Mr. Melinger's hiring in March of 1998, we relied upon the Diversity Outreach Specialist and our in-house database to track all resident owned businesses, Resident management corporations and minority contracting Authority-wide via the Creative Computer Solutions system. Mr. Melinger was brought on board specifically to address contracts secured by resident owned businesses, Resident management corporations and resident organizations in an effort to develop a system that will report tracking activities monthly. The first draft document is scheduled to be published in November, and is expected to become a standard attachment to the Authority's monthly activity report.

### OIG Evaluation of Auditee Comments

When fully implemented, the Authority's planned actions should provide the Authority with a system to track its progress in contracting with resident owned businesses and resident management corporations.

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### Auditee Comments

The Auditor was provided with a current list of 108 certified Resident Owned Businesses that is included for your review. That list should have been cross-referenced with the minority vendor listing to determine how many

purchase orders were used for contracting with resident owned businesses and Resident management corporations.

All the attached information was made readily available to the auditor as requested.

### OIG Evaluation of Auditee Comments

We had the list of certified Resident Owned Businesses during our review. However, we were first provided the Minority Vendor Purchase Order list with management's comments. Therefore we were unable to make the comparison the Economic Development Division suggested. The Economic Development Division, which is responsible for the program, did not have any documentation to show the status of the goals. They referred us to the Purchasing and Contracts Department for support. The Economic Development Division did not have a system to track contracting with resident owned businesses and resident management corporations.

The Authority did not provide comments regarding the actions it plans to take to ensure the problems reported in the June 18, 1998 resident survey are adequately addressed.

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### Recommendations

We recommend that the Director of Public Housing, Illinois State Office, assures that the Chicago Housing Authority:

- 18A. Ensures applicable Divisions take appropriate actions to address the problems identified in the June 18, 1998 resident survey.
- 18B. Develops and implements controls to ensure the appropriate Section 3 amounts are withheld from the final contract payment.
- 18C. Develops a method to assess its progress in contracting with resident owned businesses and resident management corporations to ensure its yearly goals are met.

## Alternative Funding Sources

The OIG review dated September 30, 1996 reported that the Authority was aggressively pursuing funding from sources outside of HUD and had created a Grant Administration Department to pursue funding. Additionally, the Authority was developing partnerships with public and private developers for the redevelopment of its housing stock. We recommended that HUD assure that the Authority continue to pursue alternative funding sources and housing opportunities with public and private developers.

### Observations

The Authority established procedures to identify alternative funding; aggressively pursued alternative funding sources; and continued to pursue housing opportunities with public and private developers.

### The Authority Pursued Alternative Funding Sources

The Authority aggressively pursued alternative funding sources since our last review. The Grant Administration Department is responsible for researching and identifying sources of potential funding and completes funding applications.

The Grant Administration Department maintained a list of 51 Internet sites to search for funding. Additionally, the Department received monthly and quarterly publications and had a reference library. The reference library contained guides to funding sources such as: The Foundation Grants Index; National Directory of Corporate Giving; and Sources of Operating Grants. The Grant Department used the sources as well the news media to identify funding opportunities.

The Department continued to apply for funds from various Federal, State, City, and private sources including: the Department of Labor; the Department of Justice; Illinois Attorney General; City of Chicago's Department of Planning and Development; the Mayor's Office of Employment and Training; Illinois Department of Natural Resources; Center for Disease Control; Illinois State Board of Education; Illinois Department of Human Services; and private foundations. The following table summarizes grants applied for and received in 1996, 1997 and 1998 from non-HUD sources.

<i>No. Grants</i>	<i>No. Grants</i>	<i>Funding</i>
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<i>Year</i>	Applied For	Received	Amount
<b>1996</b>	13	6	\$ 507,000
<b>1997</b>	33	19	10,159,809
<b>1998</b>	<u>25</u>	<u>11</u>	<u>1,738,245</u>
<b>Totals</b>	<u>71</u>	<u>36</u>	<u>\$12,405,054</u>

Additionally, the Authority has four 1997 and ten 1998 grant applications that are awaiting approval by the awarding agencies. The amount of the grant requests total \$345,000 and \$5,824,005 respectively.

The Authority also explored alternate methods of funding programs. In late 1997, the Grant Administration Department formed six committees to develop alternative funding methods. The committees suggested various methods the Authority could use to raise additional funds. For example, one suggestion was to seek contributions from the Authority's staff for summer youth programs. The suggestion was implemented and as of September 18, 1998, raised approximately \$233,000 for youth programs.

The Authority Pursued Opportunities With Developers

The Authority continued to pursue housing opportunities with public and private developers. In June 1997, the Authority submitted a revised Revitalization Plan to HUD using the 1994 HOPE VI grant for the redevelopment of the Cabrini Green Extension. The plan identified four developers who were constructing a combination of market rate and replacement units for long term lease by the Authority. As of September 1998, the Authority was finalizing negotiations with two developers for the long term lease of units.

The plan includes the redevelopment of City and Chicago Housing Authority land. Demolition of existing structures is scheduled to begin in March 1999 and be completed in June 1999. Development partners are planned to be selected by the end of 2000.

Auditee Comments

Excerpts from the Authority's comments follow. Appendix A, page 155, contains the complete text of the comments.

The Chicago Housing Authority concurs with the observations described relative to your review of our effort to secure alternative funding sources.

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Recommendations

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

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## Section 8 Program

The OIG review dated September 30, 1996 found that past reviews by the Authority's Inspector General and independent public accountants determined that the Authority's Section 8 Program had many problems. For example, waiting lists were not reliable and staff lacked knowledge of Section 8 requirements. As a result of the operating problems, the Authority contracted with Quadel Consulting Corporation to operate the Section 8 Program. We reviewed Quadel's initial operation of the Program and found that the contractor: did not have a computerized system that coordinated occupancy and inspection activities to provide accurate annual recertification information; needed to improve the accuracy of its calculation of tenant contributions and Housing Quality Standards inspections; and did not have a sufficient number of computer terminals to effectively operate the Section 8 Program. Also, the Authority's Memorandum of Agreement did not include a strategy to assess the effectiveness of contracting out the Section 8 Program.

We recommended that HUD assure that the Authority: (1) verify that the contractor developed a method to produce an accurate recertification report; (2) ensure the contractor continued to track its quality control reviews and implement appropriate actions to reduce its error rates; (3) verify that the contractor received and installed 35 computers; (4) ensure the contractor fully trained its staff on the computers; and (5) amend the Memorandum of Agreement to add a strategy to assess the effectiveness of contracting out the Section 8 Program.

### Observations

HUD selected Quadel Consulting Corporation to operate the Authority's Section 8 Program. Quadel created a separate corporation called CHAC Inc. to operate the Program. The contract began on December 1, 1995 and was extended to March 2000.

As of September 3, 1998, the Authority ensured that CHAC implemented three of the five recommendations from our previous review and partially implemented one recommendation. CHAC developed a method to produce an accurate recertification report. CHAC installed 173 computers and trained all but its new staff on the computers. Although CHAC tracked its quality control reviews, it only partially reduced its error rate for calculation of tenant contributions. The Authority did not amend its Memorandum of Agreement with HUD to add a strategy to assess the effectiveness of contracting out the Section 8 Program.

### A Method Was Developed

CHAC developed a method to produce an accurate recertification report. In our previous review, we noted that

CHAC Partially Reduced  
Its Error Rates

CHAC was unable to produce a report that integrated the Memory Lane system that tracks the annual reexaminations and the M-track system that tracks the inspection information. Since our previous review, CHAC hired a computer consultant to design a report that integrates both systems. We reviewed the report and found that it adequately integrates all the information into one format.

As reported in our previous review, CHAC has continued to track its quality control reviews and address errors with its staff. However, CHAC only partially reduced the error rates. According to the Section 8 Contract, CHAC's performance allows for no more than: (1) a five percent error rate in the calculation of tenant contributions; and (2) a ten percent error rate on unit inspections. An inspection error occurs when a unit is reinspected within two months and is found to have Housing Quality Standards violations that may have existed at the time of the previous inspection.

In our previous report, we noted that CHAC exceeded the contracted error rates by approximately 20 percent for both calculation of tenant contributions and inspections. We reviewed the error rates for calculation of tenant contributions and inspections between April 1997 and June 1998. CHAC met the error rate for inspections; however, the error rate for tenant contributions exceeded the contract requirement by approximately 15 percent.

The Director of CHAC Administration said that errors, when detected and reported, are required to be corrected. The Director said he believes that error rates on calculations of tenant contributions have not fallen sufficiently because previously, employees either had a lack of care or understanding. Since our last review, in an effort to improve its tenant contribution error rates, CHAC provided quality control training to all housing specialists. Also, CHAC provides quality control training for all new employees within two months of hire. As of December 31, 1998, CHAC will take disciplinary action against any experienced employee whose error rate is not at or below the contract error rate. New employees will be given six months and additional training as necessary before disciplinary actions are taken.

Computers Were Installed  
And Staff Were Trained

At the time of our previous review, CHAC had only 10 computers to serve a staff of 46. We determined that 10

computers were not sufficient to effectively operate the Section 8 program. Since that time, CHAC's staff has grown to 185; however, CHAC now has 173 computers for its staff. The 173 computers are sufficient for the staff to effectively manage the Section 8 program.

CHAC has trained all of its staff on its computer software except for 21 new staff members. The Administrative Assistant to the Director of CHAC projected that the new staff will be trained by March 31, 1999. Depending on the needs of the position, CHAC staff have been trained on Word, Excel, Access, Memory Lane, and MTRAC software.

The Authority Did Not Assess The Effectiveness Of Contracting Out The Section 8 Program

The Authority did not amend its Memorandum of Agreement with HUD to add a strategy to assess the effectiveness of contracting out the Section 8 Program. Consequently, a formal assessment of the effectiveness of the CHAC contract has never been performed. An overall assessment is important to provide assurance that the program is being effectively managed and that necessary adjustments are made. We believe that a formal assessment needs to be performed before the Section 8 contract is renewed in April 2000.

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## Auditee Comments

Excerpts from the Authority's comments follow. Appendix A, page 166, contains the complete text of the comments.

On the first page, a reference is made to the OIG review dated September 30, 1996. This may be an error since the problems noted were prior to CHAC's administration of the program beginning in December 1995.

CHAC has addressed the recommendation related to the reduction of the error rate on the calculation of tenant contributions by revising their procedures to comply with the contract.

In the case of the Total Tenant Payment, error rates are way down since the removal of the effect of compounding errors, which was done retroactively to April 1998. Before the retroactive adjustment, error rates for April and May were 18 percent and 15 percent respectively. After the adjustment, they dropped to two percent and zero percent

respectively. June's error rate was two percent and July's was zero percent.

The Authority plans to issue a Request for Proposal in 1999 for a contractor to thoroughly research and collect data on CHAC's administration of the program. The Request for Proposal will require the contractor to develop a benchmarking methodology to "artificially" create a way to measure what CHAC has accomplished against a reasonable standard. In addition the contractor will compare CHAC's program costs to other programs around the country adjusting for size and local economic differences.

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OIG Evaluation of  
Auditee Comments

The audit period of our previous review was June 1995 through May 1996. Our review included the period of time when the Authority managed the Section 8 program.

The Authority said CHAC has taken action that reduced the error rate for the Total Tenant Payment calculation (calculation of tenant contributions); however, they did not provide the revised procedures or support that the error rates were reduced.

The Authority's plan to have a contractor evaluate the effectiveness of contracting out the Section 8 Program will satisfy our recommendation if the plan is completed.

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Recommendations

We recommend that the Director of Public Housing, Illinois State Office, assures that the Chicago Housing Authority:

- 20A. Requires CHAC to establish procedures and controls to reduce the error rate on the calculation of tenant contributions to the level permitted by the contract.
- 20B. Formally assesses the efficiency and effectiveness of the CHAC contract before the contract is renewed in April 2000.

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## The Authority Lacked Controls Over Its HOPE VI Program

Since our previous review, the Authority's Inspector General determined that the Authority expended HOPE VI funds for two self sufficiency programs that did not achieve program objectives. The Inspector General reviewed contract compliance for individual self sufficiency programs, but did not assess whether the Authority had adequate controls to ensure objectives of the HOPE VI program were met. As a result, as part of this review, we assessed the adequacy of the Authority's internal controls over the HOPE VI self sufficiency programs and construction activities that ensure program goals and objectives were met. We found that the Authority did not have an adequate system of controls to ensure that projects funded by HOPE VI achieved their program goals.

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### The Housing Authority Was Awarded Five Hope VI Grants

The Housing Authority was awarded five HOPE VI grants for fiscal years 1994, 1995 and 1996. The 1994 grants for the Cabrini Homes Extension totaled \$40 million for revitalization of distressed public housing, and \$10 million for self sufficiency programs. The 1995 grant totaled \$400,000 and was for planning revitalization efforts for the Robert Taylor, Brooks Extension, Henry Horner, and Rockwell Gardens Developments. In 1996, the Authority received grants of \$66,418,550 for revitalization of distressed public housing at the Robert Taylor, Brooks Extension, and Henry Horner developments, and \$1.5 million for self sufficiency programs at the Robert Taylor development. The Authority has expended \$7,988,285 of the 1994 Cabrini Homes Extension grants of which approximately \$6,624,229 was spent on self sufficiency programs. The Authority also spent the 1995 planning grant.

The Authority's HOPE VI program includes: implementation of self sufficiency programs, building demolition, rehabilitation and development of replacement housing. The Authority's Office of Community Relations and Involvement is responsible for operating and monitoring the Authority's HOPE VI self sufficiency programs. The Office of Operations is responsible for the demolition, rehabilitation and development of replacement housing programs.

The Office Of Community Relations And Involvement Oversees Self Sufficiency Programs

The Office of Community Relations and Involvement is made up of eight divisions. Six of the eight divisions participate in the management, operation or monitoring of HOPE VI self sufficiency programs. The Development Initiatives Division is responsible for program reporting. It reports all program accomplishments to Authority management and HUD. The Grant Administration Division is responsible for monitoring the Authority's HOPE VI self sufficiency programs.

We determined the Office of Community Relations and Involvement had various reports and procedures that could ensure programs funded by HOPE VI were meeting their goals; however, the reports were not always consistent or effectively used, and the procedures were not adequately followed. As a result, HUD and the Authority lack assurance that HOPE VI programs will achieve their goals.

The Authority's Inspector General issued reports on two of the Authority's self sufficiency programs: Cabrini Textile Works and CHA Works. The reports showed that the overall goals and objectives of the programs were not met.

The Office of Community Relations and Involvement needs to develop policies and procedures to ensure accurate reporting and monitoring of programs funded by HOPE VI. Responsibility for reporting and monitoring needs to include procedures that assure proper interface and coordination between divisions.

The Development Initiatives Division Reports On Self Sufficiency Programs

The Development Initiatives Division had reporting mechanisms in place that could have been used to evaluate whether self sufficiency program objectives were met. The mechanisms consisted of: (1) monthly and annual program progress reports prepared by the Divisions responsible for particular programs; (2) quarterly reports prepared for HUD; (3) development of annual work plans that identified program goals and objectives for the year; and (4) preparation of Management By Objective Reports comparing monthly accomplishments with the annual work plan goals. However, the mechanisms were not always used to evaluate the program and the information was not verified. The Division did not have written policies and procedures to ensure the program goals and objectives were met for HOPE VI self sufficiency programs.

**Monthly, Quarterly and Annual Reports.** Division Directors prepared and submitted monthly and annual narrative program progress reports to the Office of Community Relations and Involvement. The reports were made available to the Development Initiatives Division to use for the Division's reporting requirements. The report information was not verified or reviewed by the Development Initiatives Division to ensure its accuracy and completeness. The unverified reports were used by Development Initiatives staff to prepare the monthly summary reports submitted to Authority management and quarterly progress reports submitted to HUD.

We compared all monthly summary reports prepared by the Development Initiatives staff to the narrative reports submitted by the Divisions. Additionally, we compared the quarterly reports submitted to HUD to the monthly narrative reports. The information contained in the summary and quarterly reports was not supported by the monthly narrative reports prepared by the Divisions. We were unable to determine the basis of the information reported by the Development Initiatives staff. The staff said the information contained in the reports was prepared from the information submitted by the Divisions.

The Director of the Development Initiatives Division indicated the reports were used to ensure the goals and objectives of the programs were achieved. However the reports prepared by the Divisions and the Development Initiatives staff did not include information concerning the Authority's progress toward meeting the programs' objectives. Since the reports did not contain information on program progress, the reports were not an effective control to ensure program goals and objectives were achieved.

**Annual Work Plans.** The Divisions prepared annual work plans for their programs that identified the program goals and objectives to be accomplished during the year. The work plans were approved by the Division Director and the Director of Development Initiatives. However, there were no procedures to ensure that the plan objectives correlated to or would accomplish the HOPE VI program objectives.

We reviewed four work plans to determine if the goals and program objectives identified in the HOPE VI grant

documents were included in the work plans. We determined that the four work plans did not contain all program objectives. For example, the Step-Up/Chicago Housing Authority Works' HOPE VI program objectives were to train residents in basic construction and obtain union apprentice positions. The 1997 work plan goals for the program did not include obtaining union apprenticeships for the residents. Since all objectives were not included in the annual work plans, progress towards meeting those objectives was not monitored, thereby rendering no assurance that all program objectives were met.

**Management By Objective Reports.** Each Division prepared monthly Management By Objective Reports for the Deputy Executive Director of the Office of Community Relations and Involvement. The reports showed progress on accomplishment of the goals established in each program's annual work plan. However the Development Initiatives Divisions' staff did not receive copies of the report from the other Divisions. The Management By Objective Reports could be a valuable tool to provide assurance over the accuracy of reported information and progress toward meeting program objectives.

The Grant Administration  
Division Monitors Self  
Sufficiency Programs

The Grant Administration Division was responsible for monitoring the Authority's HOPE VI self sufficiency programs. Grant Administration's policies and procedures required that semiannual monitoring visits be conducted for all programs.

We selected four HOPE VI programs to determine if the Grant Administration Division monitored the programs and to assess the adequacy of the monitoring reviews. We reviewed the monitoring reports and supporting workpapers for all reviews completed during 1997 and 1998 for CHA Works, Cabrini Textile Works, Victim Assistance, and Project Peace.

We found the Grant Administration Division did not adequately monitor the programs. The reviewers did not always follow Grant Administration's monitoring procedures. The monitoring procedures required staff to interview service recipients during the semiannual site visits. We determined that reviewers did not always interview program participants. For example, during monitoring

reviews of the CHA Works program, the reviewer did not interview resident participants to verify that the residents received training.

The Authority's Inspector General determined that 15 of 50 training participants did not pass all required courses; however, 11 of the 15 participants nonetheless received certificates of completion. The Inspector General also interviewed nine participants and determined the training did not provide the necessary skills for a construction industry job. We believe if the Grant Administration Division had followed its established monitoring procedures, which include interviews of program participants, it would have concluded the training objective was not met.

The Grant Administration Division did not always have consistent conclusions throughout its reviews. For example, in the February 13, 1998 monitoring review for Cabrini Textile Works, the reviewer concluded in one part of the review that progress was being made to recruit and train program participants. The reviewer reported that she could not make a determination if the goal would be met. However, in another part of the review, the reviewer reported that the goal would not be met. As a result, the Authority lacked assurance about the correct status of the goal.

The Office Of Operations  
Is Responsible For  
Programs Involving  
Demolition And  
Construction Activities

The Redevelopment Division, within the Authority's Office of Operations, manages all HOPE VI construction activities. This includes building demolition, rehabilitation, and the development of replacement housing. Program grantees are required to comply with the terms and conditions outlined in their grant agreement and revitalization plans approved by HUD.

The Redevelopment Division established controls to ensure that HOPE VI program goals and objectives were met for redevelopment projects. However, written procedures were not developed for the system of controls. The controls were: centralization of authority for each individual HOPE VI grant; and preparation of monthly progress reports to Authority management and quarterly reports to HUD.

**Centralization of Authority.** Each HOPE VI grant is assigned to a project manager whose sole function is to

ensure the grants' revitalization plans are implemented. The Director of Redevelopment and his HOPE VI Manager oversee the project managers assigned to each revitalization plan.

**Monthly Progress Reports.** The Redevelopment Division prepares monthly HOPE VI progress reports for Authority management. The reports include a comparison of program accomplishments to revitalization plan goals. We reviewed the monthly progress reports and found the reports were detailed, identified problems experienced, and included all activities and goals in the revitalization plan. All activities shown in the monthly reports were consistent with the revitalization plans.

**Quarterly Reports.** The Redevelopment Division also prepares quarterly reports for HUD. We reviewed the quarterly reports to determine if the information reported was consistent with the goals and objectives of the revitalization plans and the information reported in the monthly progress reports. The quarterly reports contained budget and narrative information that was consistent with revitalization plans and the monthly progress reports.

We selectively reviewed information contained in the reports and found that it was accurate. We believe the Authority's centralization of authority for each grant, along with the monthly progress and quarterly reports, form a sound basis for an effective system to provide assurance that HOPE VI funds spent for redevelopment programs will meet program goals and objectives. However, the procedures need to be in writing to ensure they are consistently applied.

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## Auditee Comments

Excerpts from the Authority's comments follow. Appendix A, pages 172 and 175, contains the complete text of the comments.

The Development Initiatives Division will create a policies and procedures manual for the implementation and operation of HOPE VI Self-sufficiency programs. The Division will conduct a training session with all departments responsible for program implementation.

The Development Initiatives Division will ensure that all HOPE VI program goals are included in a separate category of the Management by Objectives report for each Department or Division engaged in HOPE VI. The Assistant Executive Director will review all HOPE VI Management By Objectives for compliance.

Hope VI Self-Sufficiency project staff will complete weekly status reports for submission to the HOPE VI Program Coordinator. Project staff will maintain individual client files on each program participant that includes a client profile and program progress checklist.

The Development Initiatives Director will ensure that the Community Redevelopment Department hires and trains HOPE VI Program Coordinators. Program Coordinators will have responsibility for the weekly monitoring and documentation of HOPE VI Self-Sufficiency Programs. Additionally, Program Coordinators will review project staff monthly activity reports, conduct bi-monthly file reviews and prepare monthly program progress reports on each self-sufficiency project activity.

OIG Evaluation of  
Auditee Comments

The Authority's planned actions should correct the problems related to reporting of self-sufficiency program progress if the actions are followed through to completion.

Auditee Comments

The Chicago Housing Authority Department of Grant Administration Policies and Procedures (from June 1996 to present) do not stipulate that service recipients are to be interviewed during the semi-annual site visit.

OIG Evaluation of  
Auditee Comments

We used the Grant Administration Department's policy and procedures, Program Monitoring for Semi-annual Site Visits dated July 23, 1996. The procedures state the Grant Administrator will interview program administrative and fiscal staff and service recipients during site visits. The Authority did not provide any evidence to show the procedure has been changed.

Auditee Comments

The Grant Administrator did many things to determine the program's compliance with its objective. The Grant Administrator noted that CHA Works documented its

efforts via individual participant files, participant rosters, and participant evaluations, but failed to maintain documentation in individual participant files on classroom instruction. It was therefore noted in the site visit report that copies of certificates were not maintained in program files.

OIG Evaluation of  
Auditee Comments

The Authority provided documentation with its comments that showed the Grant Administration reviewer evaluated documentation in addition to relying on the Program Managers statement. We deleted the portion of our observation that related to the reliance on unverified statements. However, the reviewer failed to identify the program's noncompliance with its objectives. As a result, problems were not addressed and corrected.

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Auditee Comments

The Grant Administrator did not state anywhere in the In-depth Site Visit Report for Cabrini Textile Works that progress was being made to recruit and train program participants. The Grant Administrator was consistent in marking "unable to make determination" under the No or Non-Compliant columns for the programmatic assessment related to recruiting and training of the Cabrini Textile Works participants.

OIG Evaluation of  
Auditee Comments

In the Cabrini Textile Works Site Visit Report programmatic assessment section, the reviewer said she evidenced eight names on the time sheets and according to the program manager, 25 residents were recruited and participated in the training since August 1996. This indicated progress was being made toward the objective to recruit and train 10 to 100 residents. The reviewer concluded that she could not make a determination if the goal of the program would be met. In the narrative summary of Site Visit Findings and Recommendations, the reviewer said the program was not able to recruit the number of program participants projected. In another portion of the summary, she again concluded she could not determine if the 1997 program objective would be met. Since the program's objective was the recruitment of trainees and the site visit was accomplished on February 13, 1998, it appears the objective was not met. The Authority lacks assurance as to the correct status of the program's objective.

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**Auditee Comments**

As an additional mechanism for program discrepancies, the Department of Grant Administration drafted an Unresolved Site Visit Finding report detailing all unresolved findings in April 1998. Grant Administrators were required to meet with the responsible program staff to address the unresolved findings. This would ensure that site visit findings would be resolved timely.

**OIG Evaluation of Auditee Comments**

The focus of the Unresolved Site Visit Finding Report was to ensure findings resulting from site visits were resolved. Our observation determined that the site visits did not adequately identify all problems that could keep a program from meeting its goals and objectives. If a problem is not identified, then it will not appear on the Unresolved Site Visit Finding Report. The Authority has monitoring procedures that should ensure program goals and objectives are met, it needs to follow the procedures.

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**Auditee Comments**

Grant Administration is currently in the process of developing a corrective action plan to address the issues of the HUD auditor. This plan will be developed and implemented by Grant Administration within the next 60 days.

**OIG Evaluation of Auditee Comments**

The Authority indicated it is developing a corrective action plan; however, it did not provide the specifics of the plan.

The Authority did not provide comments that addressed the need for written procedures to ensure the system of controls over the redevelopment programs is consistently and effectively applied.

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**Recommendations**

We recommend that the Director of Public Housing, Illinois State Office, assures that the Chicago Housing Authority:

- 21A. Develops policies and procedures to ensure accurate reporting of self sufficiency program progress.
- 21B. Follows its monitoring procedures.

21C. Develops written procedures to ensure the system of controls over redevelopment programs is consistently and effectively applied.

# Auditee Comments

## *The Chicago Housing Authority*

June 26, 1998

Richard Urbanowski  
Senior Auditor  
Department of Housing and Urban Development  
Office of Inspector General  
77 W. Jackson Blvd., Suite 2646  
Chicago, Illinois 60604-3507

Dear Mr. Urbanowski:

This letter is in response to the Management Information System Audit recommendation memo dated June 19, 1998.

### **Recommendation**

13A -Convert the tenant accounting, housing eligibility, work orders and fixed assets accounting modules to the updated Creative Computer Solutions' versions by July 31, 1999.

### **Response**

As stated in the report, CCS has given release dates of 10/01/98 for 3 of the modules and 1/1/99 for Fixed Assets. It is our intention to convert our modules within a reasonable time frame after the actual release of the package. We will be conducting extensive testing of each module and it's relationship with the rest of the packages. It has been our experience in the past that the software does not ship initially without problems. We do NOT want to be a beta test sight for the new release of these modules the way we were with our initial purchase of CCS.

It is in the best interest of the Chicago Housing Authority to not only convert/upgrade to CCS's current releases of their software, but also to insure that we have a workable system when it is done.

All of this will impact the date that we have a fully updated system. Because of all these intangibles, we do not feel comfortable at this time committing to a July 31, 1999 deadline. However, we will commit to beginning the implementation six (6) months after each of the module release dates.

Sincerely,

Carmen Browne  
(Acting) Deputy Executive Director  
Finance & Administration

**626 West Jackson Boulevard - Chicago, Illinois 60661-5601 - (312) 791-8956**

***CHICAGO HOUSING AUTHORITY***

June 26, 1998

Mr. Richard Urbanowski  
Senior Auditor  
U.S. Department of Housing and Urban Development  
Office of Inspector General for Audit, Midwest  
77 West Jackson Boulevard  
Room 2646  
Chicago, Illinois 60604

Dear Mr. Urbanowski:

I took command of the Chicago Housing Authority Police Department on December 3, 1996. Our activities have been focused on addressing HUD's Corrective Action Order (CAO), which was issued a month after these recommendations were made, and implementing HUD's blueprint plan. I was never informed of the OIG Review dated September 30, 1996, The Report Assessment of Progress. However, our Authority Management Report (AMR) and our individual initiatives address all of the issues that are in the OIG Review. The four (4) items listed in the security section of the OIG Review either have been or are being addressed. I believe the issue at hand is our preparation, in the future, is a more detailed report that relates to the format based upon this OIG Report. We understand and will comply with the appropriate format. If your preference is the Objective-Criteria-Target- Date format recently introduced to us, we will use it. We utilize the Authority Management Report (AMR) for our performance evaluation system. We shall use a more classical police productivity performance measurement system that will measure direct and indirect performance measures to include:

Direct-hard measures, e.g, crime rates, criminal victimization, ability of the public to undertake routine activities, real estate values, commercial activities and number of disorderly situations interrupted, the number of community problems solved, and information volunteered to the police about crimes.

Direct-soft measures, e.g., fear of crime, confidence in the police, commitment to the neighborhood, satisfaction of the police, complaints about police service, willingness to assist the police, community solidarity.

**626 West Jackson Boulevard - Chicago, Illinois 60661-5601 - Telephone (312) 791-8500**  
Mr. Richard Urbanowski

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June 26, 1998

Indirect measures, e.g., number of police officers, number of uniform officers on the street, proportion of civilian dress officers to uniform officers, ratio to supervisors to police officers, response time, arrests, clear up rates, number of community crime prevention meetings, number of watch groups, speed in answering telephones.

I would like to respond to those statements that you made in the observation section of the review.

**OBSERVATIONS** - The Authority did not develop procedures and controls to establish and evaluate performance measures for each security initiative undertaken.

**RESPONSE** - We disagree. The information is indicated in the AMR. We shall, however, be more detailed and site-based for each initiative development by development in a future report. Performance measures will be implemented for all security initiatives.

**OBSERVATION:** The Authority also did not develop an overall site-based security plan for Cabrini Green, Ida B. Wells, Altgeld Gardens, and ABLA Homes, nor for any of its other developments, although it did develop a physical security plan for the Cabrini Green and ABLA Homes.

**RESPONSE:** A site-based security plan has been established in our patrol strategy that is congruent with Chicago Alternative Policing Strategy (CAPS). The CAPS Program is the overall police services delivery system for all of the City of Chicago. It is community policing, problem solving policing, and utilizing traditional and nontraditional approaches. The CHAPD's strategy is congruent with the community policing, problem solving strategy of CAPS. We shall document the customized diversity of each strategy operationalized at each site.

Our form of community problem solving policing allows for the individual officer to work in collaboration with residents, CHA Management and Operations, CPD, other law enforcement agencies, social service agencies, governmental institutions, to identify problems, customize solutions to these problems, to create safe, secure communities. The basic plan is built on the deployment of officers to four sites that include Cabrini Green (North District) - IDA B. Wells (Central District East), Altgeld Gardens (South District) and ABLA Homes (West District).

The recommendations of the Buracker Report, the City of Chicago CAPS police delivery system, HUD's blueprint and MOA and HUD's long term plan are the cornerstones of the strategy development. Community involvement is the central focus of our plan.

Mr. Richard Urbanowski

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June 26, 1998

**OBSERVATIONS:** However, physical security is only one aspect of an overall site-based security plan.

**RESPONSE:** We agree with this statement. This is the reason that we are designing our total strategy in our security plan based upon crime prevention through environmental design (CPTED) defensible space and target hardening. CPTED encompasses physical security, management policies and procedures, community problem solving policing, resident involvement. The physical security plans that have been acknowledged for Cabrini Green and ABLA Homes also include Robert Taylor Homes and all other developments based upon site modifications.

**OBSERVATION:** The Authority developed house rules by December 31, 1996, and was enforcing them.

**RESPONSE:** We agree.

**OBSERVATION:** Mini-Station at Cabrini-Green staffed with 11 officers.

**RESPONSE:** The review indicated that the performance measure did not evaluate the impact that the opening of the mini-station had on security at Cabrini-Green. We disagree with this observation. Not only was a mini-station opened at Cabrini-Green, but it was expanded to a 24-hour station and the AMR Report submitted to the OIG documented substantial crime reduction in Cabrini-Green for year the 1997. Crime reduction is an established performance and output measure.

**OBSERVATION:** CHAPD had not develop performance measures for six initiatives. (These initiatives are not within CHAPD).

**RIESPONSE:** We shall meet with the responsible department, discuss and come up with a solution.

**OBSERVATON:** The issue of COP, and crime analysis site-based plan.

**RESPONSE:** The CHAPD philosophy of policing is to include the stakeholders and police in total problem solving, in recognition of each development requiring a customized policing strategy based upon its uniqueness. There is no global approach to the agency's policing initiative.

The Authority has exceeded the MOA requirement of reducing budget by \$25 million based upon \$12.5 million per year for 1997 and 1998. In 1997, the Authority reduced  
Mr. Richard Urbanowski

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June 26, 1998

it's budget by \$14.5 million as opposed to the required \$12.5 million budget, while at the same time experiencing an 8% reduction in crime in comparison to 1996. We are experiencing a 20% reduction in crime comparin the first quarter of 1998 with the first quarter of 1997.

**RESPONSE TO RECOMMENDATIONS:**

- 1A. We shall develop and implement procedures and controls to establish and evaluate performance measures for all security initiatives undertaken. (Crime data analysis collections, time surveys and resident satisfaction surveys). Refer to the above for police performance and evaluation measures.
- 1B. We shall develop site based security plans. This will include resource allocation of personnel and equipment, physical improvements required to enhance security measures, community involvement in problem identification and problem solving, and human resource and quality of life initiatives.

Sincerely,

LeRoy O'Shield  
Chief of Police

LRO/cg

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**INTEROFFICE MEMORANDUM**

**TO:** RICH URBANOWSKI  
**FROM:** CARMEN E. BROWNE  
**SUBJECT:** RESPONSE TO ACCOUNTING SYSTEM AND CONTROLS  
**DATE:** 07/20/98  
**CC:** MR. JOSEPH SHULDINER

---

Rich I wanted to bring to your attention what actually caused the delay of the 1998 Budget submission.

1. HUD did not approve the 1997 Budget until Dec. 29, 1997.
2. The deprogrammed unit status and the corresponding AEL was in the discussion phase during the last quarter of 1997. This had to exist before we could submitting a revised 1997 Budget.
3. Once we established what a deprogrammed unit would be and how to treat it in the Budget, we had to identify 3,661 units to deprogram. This was a difficult task because it had to tie to our viability plan. Many of the developments impacted by the viability study had strategic plans that were in their infancy stage. CHA was not going to deprogram units, which potentially needed to remain as relocation units and without going through the planning cycle this could not adequately be determined. We worked with Steve Sprague to develop the deprogrammed units. If you have any questions, please feel free to contact him.
4. CHA had to determine which units to deprogram in 1997 before the 1998 process could begin.

Having participated in all of these long planning sessions that it was a time consuming process but we did come away with a good viability plan which is consistent with the 1997 and 1998 budget documents. It should come as no surprise to anyone reviewing the budget documents which buildings are targeted for demolition and when.

I do believe that your recommendations are meritorious and Mr. Joseph Shuldiner has agreed that there needs to be a policy to insure that the budgets are submitted in a time fashion. Now this assumes that there are no significant issues between the CHA and HUD.

12A-The CHA will develop a policy and accompanying procedures to insure that the Annual Budget submission is completed and submitted to HUD in a timely fashion (i.e., by October 1st of each fiscal year).

12B-The CHA will develop a policy and accompanying procedures to insure that the individual cost centers prepare and submit to the budgeting department their budgets in a timely fashion. Mr. Shuldiner has agreed that the budgeting department be given

the authority to prepare budgets for cost centers who fail to comply with target budget dates and targets.

I know that Nori Kordvani and Gail Williams are in the process of drafting the policy and procedures. I will insure that a copy be forwarded to become part of the response documentation.

**Chicago Housing Authority  
Office of Management Analysis and Planning  
Interdepartmental Memorandum**

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**TO:** Richard Urbanowski, Senior Auditor

**FROM:** Maggie Stewart

**DATE:** July 27, 1998

**SUBJECT:** Comments and Changes to the HUD IG Findings re: Redevelopment of Housing and Rent Collections

---

I reviewed the attached correspondence received from the HUD IG Auditors. My comments are directed to the section relevant to viability, the physical needs assessment, and marketing.

Viability. Minor modifications were made to the text. In general, the changes emphasize that, based on the definitions stated in section 202, 17 sites were subject to Section 202, Of the sites. seven were subject to the cost test comparison. The report does not clearly state that, because of the revitalization (or treatment) of the property, only seven were subject to the cost test... the others were exempt based on the rule.

**Physical Needs Assessment.** I concur with the author's summary.

**Marketing.** The report does not accurately reflect the status of conducting market studies for our properties. It is true that the Authority did not conduct an authority-wide market study for various reasons: 1) market studies were already underway at HOPE VI or proposed HOPE VI sites, 2) a market study was required and included in the scope of the planners hired by development initiatives. NOTE: these planners assisted with the resident plans for properties includes and not included in viability. Combined, market studies are underway and NIAP concurs with the need to ensure that staff is assigned to coordinate the results of any studies or planning activities (Development Initiatives has undertaken this task as a result of preparing for the Viability Submission). authorize development initiative in the report

Further. the comments recommend that, .."since the viability only covered 17 developments, we believe the marketing study and the development of a plan should have already been initiated.." is NOT accurate: a) the sites included in viability represent more than 1/2 our stock, b) plans were generated as a result of the strategic planning process occurring at various sites, c) both viability and a physical needs assessment are the first tools necessary to determine what the market consists of, and d) site based waiting lists at all senior properties will require a marketing analysis and strategy.

**Chicago Housing Authority  
Office of Management Analysis and Planning  
Interdepartmental Memorandum**

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**TO:** Richard Urbanowski Senior Auditor  
**FROM:** Maggie Stewart  
**DATE:** July 27, 1998  
**SUBJECT:** Comments and Changes to the HUD IG Findings re: Preventive Maintenance

---

I reviewed the attached correspondence received from the HUD IG Auditors. My comments are directed to the section relevant to viability and the completion of the physical needs assessment (PNA). The summary of these two sections is correct.

Other issues addressed in the report include the development of a funding plan and a statement that the needs assessment was not used to develop a preventive maintenance program. George Phillips has assigned Nelson Boulanger to assist with compiling comments from Housing Management on this topic. However, it should be stated that the PNA was not commenced for the purpose of developing a preventive maintenance program. Rather, it is completed to assist CHA to develop and prioritize its modernization dollars. One can argue that the costs resulting from the PNA are staggering and a radical treatment of all buildings, whether it is demolition or comprehensive modernization, is the highest priority.

I agree that the data can be incorporated into the Authority's preventive maintenance plan. Further, I recommend that staff reviews current practices and implements changes to ensure that CHA is in compliance with HUD regulations requiring a plan to be operationalized.

*The Chicago Housing Authority*

July 30, 1998

Mr. Richard Urbanowski  
Senior Auditor  
Department of Housing and Urban Development  
Office of Inspector General  
77 W. Jackson Blvd., Suite 2646  
Chicago, Illinois 60604-3507

Dear Mr. Urbanowski

This letter is in response to the Rent Collections Audit recommendation memo dated July 17, 1998.

**Recommendation**

10A- Immediately take steps and develop controls to ensure all uncollectible accounts are referred each month to a collection agency.

10B-Establish procedures to obtain the status of cases referred to its collection agency and to evaluate the performance of the agency. Replace the agency if it does not meet acceptable performance standards.

**Response**

We concur with the observations and recommendations included in the OIG report. Although the Tenant Accounting department was understaffed for a period during 1997, an effort should have been made to reprioritize responsibilities such that the collection efforts could continue. Also, there is an obvious need to improve communications between the Authority and its collection agency. Therefore, the Tenant Accounting department will take the following actions:

1. Arrange a meeting with the collection agency to determine the specific information that the agency requires to perform its collection actions.
2. Inform the CHA Property Managers of the specific information that they will need to provide to Tenant Accounting on a monthly basis.
3. Provide a list of new tenants to be referred for collection to the agency on a monthly basis.
4. Follow up with the agency on a monthly basis to receive the status of all tenants who have previously been referred to the agency.

In the future when staffing shortages such as this occur, the manager, assistant controller and controller will agree on how to reprioritize responsibilities such that key tasks can continue to be performed.

Sincerely,

Carmen Browne  
(Acting) Deputy Executive Director  
Finance & Administration

**626 West Jackson Boulevard - Chicago, Illinois 60661-5601 - (312) 791-8956**

**The Chicago Housing Authority**

September 15, 1998

Mr. Richard Urbanowski  
Senior Auditor  
Department of Housing and Urban Development  
Office of Inspector General  
77 W. Jackson Blvd., Suite 2646  
Chicago, Illinois 60604-3507

Dear Mr. Urbanowski:

This letter is in response to the Procurement Department audit.

The Purchasing and Contracts Department wishes to thank the HUD I.G. Inspection Team for their assistance in the assessment of our purchasing and contracts operations, which was executed as a comprehensive overview of our purchasing operations consisting of, examination of our internal records, interviews with purchasing personnel and review of associated documentation. This inspection was conducted in a totally professional manner and in my opinion resulted in an accurate snapshot of the Purchasing and Contracts and associated operations. This memorandum provides the following information in response to the referenced HUD I.G. inspection:

- Response to the observations noted
- Discussion of the on-going actions to correct the deficiencies
- Presentation of planned actions to improve operations and comply with the referenced assessments

The HUD inspection report outlined the seven observations noted during the previous I.G. inspection, and the four remaining items that need to be corrected to complete the institution of these recommended actions. These observations are identified below, immediately followed by our response, identifying either the on-going or planned corrective actions that will be incorporated as part of the overall improvement of the Purchasing and Contracts operation.

**Observation:**

The Authority no longer uses open purchase orders or open hardware accounts to purchase materials for emergency repairs, and the manual has not been changed to reflect the new procedures. The Authority uses the development's petty cash funds to make emergency purchases.

**Response:**

The maintenance manual does not currently reflect the new upcoming procedures, especially in the area of emergency purchases. The Authority is currently in the contract award stages for implementation of credit card accounts. The credit card which will be issued to the Authorities various departments will become the standard method of executing emergency purchases. This new method of executing purchases will also be outlined in the Credit Card Standard Operating Procedures (SOP). The Credit Card will identify that these new emergency purchase procedures take precedence over all previously established emergency purchasing policies, and the

Maintenance Manual will be changed to refer readers to the Credit Card SOP for identification of the emergency purchasing procedures.

**Observation:**

The Authority should require vendors to show discounts offered, not only as part of the contract terms and conditions, but discounts should also be reflected on each invoice presented.

**Response:**

The Purchasing and Contracts Department will incorporate into all contracts and purchase orders instructions to the vendors to show all discounts provided as a part of the invoice presented. A sample copy of a proper invoice will be provided to all vendors showing them the correct way to reflect the discounts offered on their invoices.

**Observation:**

The Authority still needs to assess its procurement process to ensure the Planned Memorandum of Agreement strategies were corrected.

**Response:**

The Authorities planned actions, are to finalize the corrective actions identified in the HUD Memorandum of Agreement (MOA) procurement strategies, than officially request that the Procurement Department of the HUD Regional Office execute a comprehensive review of our operations, our implementation of the MOA strategies and the effectiveness of that implementation.

**Observation:**

The Authority did not contain procedures to perform a periodic analysis of its contracting process.

**Response:** The Purchasing and Contracts Department has developed a detailed inspection checklist based on the shall and must directives contained in the HUD Procurement Handbook 7460.8 Rev-1, that will provide a periodic and proactive review and assessment of all the Authorities Purchasing and Contract Operations. Additionally, this inspection checklist has an area where corrective actions are addressed for those areas identified as deficient. These corrective actions identify the action taken to resolve the deficiency, and also requires the joint signatures of the inspector and the Department Director to ensure that these actions were implemented. This inspection will be conducted on a quarterly basis and is being incorporated as part of the rewrite of the authorities procurement policies and procedures. An inspection process was instituted, starting in November 1997, with the first physical inspection conducted in December 1997. This quarterly inspection was again repeated in April 1998. The new inspection process is a great deal more in depth and will produce a significantly better method of analyzing and correcting our internal processes. It is fully anticipated that this rewrite will be completed by December 31, 1998.

**Observation:**

The Authority executed contracts after the effective dates.

**Response:**

The Purchasing and Contracts Department has already removed the preprinted dates on all contracts. The effective date of the contract is now reflected as the date that the Contracting Officer signs the contract or contract modification. All change orders or modifications to contracts are now executed in full accordance with the procurement laws and regulations identified in the 24 C.F.R. 85.36 and the HUD Procurement Handbook. All contracts and purchase orders in excess of \$5,000.00 are now reviewed and approved by the Director of Procurement prior to being signed or forwarded to the appropriate signatory authority. This review process ensures that all contracts are fully and competitively bid, and that the contracts requirements are not started until an authorized Contracting Officer executes the formal award process through contract signature.

One significant part of the HUD I.G. inspection, was the identification of the assessment conducted by Beau Geste Enterprises Inc., in March 1998. The HUD inspection recommended that the authority analyze the recommendations provided in the Beau Geste assessment and take appropriate actions. In this context I have identified a summary of the suggested changes and improvements identified in this report and further identified the on-going actions to implement those recommended changes that are appropriate for the improvement of the overall Purchasing and Contracts operations.

**1&2. Recommendation:**

Consolidate all purchasing, contracting, contract administration, warehousing and surplus property management activities under one procurement department.

2. Dispose of obsolete property.

**Current Actions:**

We have already started to consolidate all of these procurement operations under one department. The first of these consolidations is the responsibility for surplus property being centralized under the Purchasing and Contracts Department. During the past six months, over \$900,000.00 in surplus property has been competitively bid and sold, developing not only a significant reduction in excess and obsolete property, but developing a revenue source from property that previously cost the authority a significant financial outlay to store and maintain. Additionally, the Purchasing and Contracts department has developed a consolidated listing of all property that has not been issued in excess of two years, and has begun a proactive bidding process for this surplus property, in a concerted effort to reduce this surplus and save inventory and warehousing costs.

By the end of December 1998, warehouse operations will not only be reduced in scope, but the Purchasing and Contracts Department is rapidly moving towards a just-in-time, rather than a just-in-case mentality and accurately predicting the supply requirements based on historical usage and acquisition planning for funded projects. Also by December 1998, warehouse operations will be consolidated under the Purchasing and Contracts Department as we finalize the reformation of the way we execute warehouse operations. As part of this reformation, the authority is going to assess the possibility of contracting out warehouse and inventory operations and centralize the contract administration of this contract under Purchasing and Contracts Department Management.

The RFP for contracting out of all Fleet operations has recently closed, and will also be consolidated under the purchasing and Contracts Department, for contract administration functions and oversight shortly after the contract is awarded.

**Recommendation:**

Conduct a customer satisfaction survey of with its vendors and customers.

**Current Actions:**

The Purchasing and Contracts Department is currently in the final stages of executing a customer and vendor survey, to identify how our customers and vendors visualize that we can improve procurement operations. This survey is based on two important principles. First, the most effective contract operations are based on a win-win-focused principle between the authority and their vendors. If vendors win, than the authority wins, because the contracts are executed more effectively and cost efficiently. One of the most important parts of the win-win concept, is that vendors receive their payments in a timely manner. Vendors are encouraged at the onset of the contract the Purchasing and Contracts Department immediately if payments are being delayed for any reason. This single action has gone a long way to improving contractor authority relations significantly. Secondly, this customer survey will provide important feedback to our department regarding how effectively we are support the various departments within the CHA and gives us a vehicle to ensure that this support is executed in a timely manner. Any problem areas discovered or process inefficiencies identified, will be addressed through the biweekly training conducted in the department. The use of these customer and vendors surveys as a basis will significantly improve our responsiveness to our customers requirements and improve vendors relations.

It is fully anticipated that these vendor customer surveys will be completed and assessed and improvements incorporated by the end of the calendar year.

**Recommendation:**

Organize information in the CCS Computer System to develop meaningful measures of what must be managed.

**Current Actions:**

In coordination with the MIS Department, Purchasing and Contracts Department has already started a comprehensive development of electronic management reporting tools that will accurately reflect the effectiveness of management systems. The first of these reporting tools is the identification and consolidation of the items located in the warehouse, that have not had one issue from the existing stock in more than two years. The second reporting tool is a documented report of the active contracts and purchase orders, tracking the time expended on each action and the obligated dollars.

We are actively evaluating procurement unique software that will allow us to take the data from the CCS system and compile it into viable management data tools that we utilize to accurately report and evaluate the effectiveness and efficiency with which we accomplish the reporting mission. Additionally, we intend to utilize this procurement software to analyze how effectively

we utilize and track the procurement card purchases, especially in the area of cost effectiveness of overall transactions in regard to potential savings that we generate by using requirements type contracts for certain commodities, rather than utilizing the purchasing card. The two systems that we have currently evaluated are the SACCONS System and the Standard Procurement System (SPS), both of which are currently being utilized by a majority of Federal Agencies to execute their procurements.

These are just the first of the reporting tools that are being instituted and evaluated to improve our procurement actions, and to ensure all of our operations are conducted in the most timely and efficient manner possible. Continuous improvement is the focus of all of our procurement operations.

**Recommendation:**

Require and support professional certification of the procurement and warehouse staff.

**Current Actions:** Although, professional certification is not mandatory, the Purchasing and Contracts Department has taken significant steps toward certification of our personnel through the National Institute of Government Procurement (NIGP). We have currently contracted with an instructor from NIGP, to provide a comprehensive overview of the topics covered on the certification exam, this overview will be conducted on October 1, 1998 at the Authority. Additionally, we have established a test date with NIGP for October 16, 1998, where the examination will be given to all qualified Purchasing and Contracts members. The City of Chicago has expressed interest in joining us for the review and testing and has indicated that they will send five of their personnel for certification.

**Recommendations:**

Educate Authority personnel about procurement requirements.

**Current Actions:**

The Purchasing and Contracts Department has already started an outstanding procurement training program. We have already contracted for two courses with George Washington University Law School, the premier procurement instruction in the nation. These two courses are Advanced Best Value Procurements and Subcontract Law. We have already completed the first of these two courses, and the resulting impact showed immediate improvement in the execution of best value procurements. The second of these two courses is being conducted on September 24 & 25, 1998. Additionally, the Purchasing and Contracts Department has applied for funding to execute a series of basic procurement courses for managers in the Authority. We are also engaging a training institute to provide training for the use of the upcoming credit card. This training will consist of how to for cardholders and departmental directors, as well as how to most effectively use the card to obtain fair and reasonable prices. All of this training will create a basic understanding of procurement procedures and laws by the managers and directors within the Authority. This training will significantly reduce contractual mistakes that increase the costs of contract execution and that also damage the Authority's win-win relationship with their vendors.

The members of The Purchasing and Contracts Department are dedicated to improving customer service and ensuring that all procurement operations are conducted in strict accordance with applicable laws, regulations and policies. Inspections such as this one conducted by the HUD I.G. as an in progress review, are important and welcome methods of contributing to improving our overall operations.

Sincerely,

Carmen Browne  
(Acting) Deputy Executive Director  
Finance & Administration

## *The Chicago Housing Authority*

September 23, 1998

Richard Urbanowski  
Senior Auditor  
Department of Housing and Urban Development  
77 West Jackson, Room 2646  
Chicago, Illinois 60604

SUBJECT: Response to HUD IG Draft Audit

Dear Mr. Urbanowski:

This correspondence is written to advise you that the Modernization Division has reviewed the "Modernization/Redevelopment of Housing" portion HUD's IG draft observation audit.

The Modernization Division concurs with HUD's recommendation that the CHA conduct a marketing study and develop a comprehensive plan for each of our developments.

In light of this, the Modernization Division will assume responsibility for developing the RPF as well as administering the contracts with the firms that will conduct the marketing studies and subsequent plans. We will submit to you a time schedule to complete this study in the immediate future.

If you have any question or require additional information, please contact me at 312-791-8500, extension 4608.

Sincerely,

Margaret D. Garner, Director  
Modernization Division

MDG/cce

cc: Greg Russ

**626 West Jackson Boulevard - Chicago, Illinois 60661-5601 - (312) 791-8500**

*The Chicago Housing Authority*

September 24, 1998

Ms. Anne-Marie Chavez  
Senior Auditor  
Department of Housing and Urban Development  
Office of Inspector General  
77 West Jackson Boulevard - Suite 2646

Chicago, IL 60643-3507

**SUBJECT:** Response to HUD IG Audit: Funding for Maintenance and Modernization Activities

Dear Ms Chavez:

This letter is to respond to draft observation recommendations contained in the HUD IG Audit regarding Funding for Maintenance and Modernization Activities.

**Recommendation 6A**

I am not convinced that HUD's recommendation that the CHA develop and prepare an additional written financial plan is necessary, given the fact that the CHA has several large documents that discuss financial planning. These documents include:

1. The Long Term Plan 1996-2000
2. The Comprehensive Budget for Fiscal Year 1997
3. Strategic Planning Development Profiles based on the Physical Needs Assessments (9/4/97)
4. The 1998 Comprehensive Grant Program (CGP) Annual Submission (May 98)
5. The CHA OCRA 202 Viability Assessment (May 98)

Each of these documents addresses the goals, objectives and specific planned tasks of the Authority. In additions these documents address the financial means for accomplishing these goals at varying levels of detail. For the Authority as a whole, the Comprehensive Budget explains the anticipated income sources and planned expenditures. For details about Modernization funding, the CGP Annual Submission contains a strategy statement that lays out the overall plan. Details of the modernization financial plan are contained in the more than 100-page Physical Needs Assessments, and corresponding Annual Statement and Five-Year Plan.

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HUD's recommendation to develop "a financial plan to ensure maintenance and modernization funds are effectively spent" appears superfluous to the existing federal requirements of the CGP Program. What exactly is missing from the documents listed above that should be contained in the proposed financial plan?

The observation on page 2 that the Authority did not document the actions taken to reduce the amount of money spent on security is not accurate. Pages 1-2 of the CGP 1998 Annual Strategy Statement reads:

"While public safety and security will continue to be a priority, changing times call for a re-examination of our approach to this crucial issue. Over the past several years, increased use of

CGP funding for public safety and other management improvements, resulting in decreased availability of funding for physical improvements to the CHA's dwelling structures and grounds, has led to severe neglect and deterioration of our communities. In many cases, dwelling structures, even those located in otherwise viable communities, have now deteriorated well beyond the point of economical repair. We must now meet the challenge of beginning to appropriately use CGP funds to focus on key areas, which have a significant impact on the quality of life for our residents. **Therefore, the 1998 submission aggressively increases funding for dwelling structures and resident initiatives, and moves the CHA's CGP budget toward compliance with the regulatory guidelines for expenditures of these funds."**

### **Recommendation 6B**

The Modernization Division concurs with the second recommendation about incorporating the viability assessment into capital improvement programs. In fact, this has already been done. The 1998 Comprehensive Grant Program Annual Submission included the complete draft viability assessment (the final was not available at the time the CGP was submitted to HUD) as an appendix to demonstrate that the viability results are incorporated into the CGP five year plan.

### **Additional Observation**

On Page 3 of the Draft Observations, under the subject "Old Modernization Program Funds were Expended", HUD states that as of June 5, 1998, the CIAP Program 915 had \$451,486 in remaining funds still available. This program has since been closed out, with all of the remaining funds drawn down from LOCCS on August 21, 1998 (See attached). It is unknown what the explanation about Gautreaux- and Habitat-based delays is based on.

I look forward to reviewing the final status report on the CHA's Assessment of Progress. I trust that the additional information contained in this letter provided some clarity to these important issues.

If you have any questions or require additional information, please contact me at 791 8500, extension 4608.

**626 West Jackson Boulevard - Chicago, Illinois 60661-5601 - (312) 791-8500**

Sincerely,

Margaret D. Garner  
Director of Modernization

*The Chicago Housing Authority*

October 1, 1998

Ms. Anne-Marie Vanderberg  
Senior Auditor  
Department of Housing and Urban Development  
Office of Inspector General  
77 W. Jackson Blvd., Suite 2646  
Chicago, IL 60604-3507

Dear Ms. Vanderberg:

Attached is the Chicago Housing Authority's (CHA) response to your audit report dated September 23, 1998. We have reviewed your draft findings and would like to offer the following comments.

It is our understanding that these comments will be included in the final report verbatim. The comments will address each recommendation and/or finding in the order they were listed in the original audit report. We are pleased to learn that the draft observations and their content will not be released prematurely and are for review and comment only.

Our review of the audit indicates that the auditor did not secure a significant number of supportive documents. As a result some of the findings do not truly reflect the Authority's performance relative to its Economic Development initiatives. The information attached is provided in an effort to assist your office in reaching a more informed conclusion in advance of publication or disclosure of the information contained in the audit report.

If you have any questions and/or concerns please call me at (312) 791-8500.

Ronald Carter, Jr.  
Director of Economic Development

**626 West Jackson Boulevard - Chicago, Illinois 60661-5601 - (312) 791-8500**

## **Economic Development Opportunities For Residents**

### **HUD Review:**

To ensure these efforts continued, we recommended that HUD assured that the Authority:

- (1) emphasized the development of joint venture agreements between the resident owned companies and private sector businesses;
- (2) monitored the construction and services contractors to ensure Section 3 requirements were complied with;
- (3) identified government, non-profit, and private sector agencies to form partnerships for resident training and employment programs;
- (4) completed surveys to assess resident satisfaction by January 31, 1998;
- (5) took appropriate action based upon the results of the resident surveys;
- (6) worked to expeditiously complete its pending contracts and continued to explore additional contracts with the resident owned companies in order to reach the yearly goal of 25 contracts.

### **HUD Finding:**

As of September 11, 1998, the Chicago Housing Authority implemented four of the six recommendations.

The Authority did not meet its yearly goal to execute 25 contracts with resident owned businesses in 1996. We could not determine if the Authority met its 1997 goal or will meet its 1998 goal to execute \$10 million worth of contracts with resident owned businesses for each year.

### **HUD Finding:**

Yearly Contract Goals  
Were not Met

The Chicago Housing Authority did not meet its 1996 goal to execute 25 contracts with resident owned businesses. Additionally, the Authority was unable to provide us documentation to show it met its goal for 1997 or was on track to meet its goal for 1998.

### **Response:**

The Purchasing & Contracts Department's C.C.S. system is the computerized database that tracks all contracts/purchase orders (P.O.s) for the Authority. All original, fully executed contracts are stored in the files of this department. In 1996, the CHA contracted \$8,639,184.90 dollars with 16 Resident Owned Businesses (ROBs), RMCs or resident organizations. These contracts included Custodial contracts, Laundry Licensing Agreements, Printing, and Service

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and Management contracts. The following is a list of twenty-five resident companies that participated. Other P.O.s and subcontracts issued during this same period are not listed below.

In October 1996, RFP No. 96-190-CG for vacancy reduction work at various CHA developments/ properties (not to exceed \$3 million) was closed and evaluated. Sixteen (16) ROB construction companies were awarded Phase I contracts of \$25,000 each. This precedent-setting contract faced several administrative obstacles that delayed the completion of fully executed contracts. Actual P.O.s were issued to these companies over a six-month period. Phase 11 will begin soon.

*Custodial Contracts:*

Robert Taylor A and M. Ali Community and Economic Development Corporation Joint Venture  
 Robert Taylor B and M. Ali Community and Economic Development Corporation Joint Venture  
 Hilliard Homes Custodial Corporation  
 Harold Ickes Custodial Corporation  
 Washington Park/Frederick Douglas Custodial Corporation  
 Things To Do Connections Joint Venture  
 Senior Sweeping Joint Venture  
 Clean Sweep Custodial Corporation  
 William Green Homes Custodial Corporation

*Laundromat Licensing Agreements:*

Ogden Courts Laundry  
 William Green Homes Laundry

*Resident Management Corporations:*

LeClair Courts RMC  
 Dearborn Homes RMC  
 1230 Burling RMC

*Inventory Contract*

McCright & Associates subcontracted to Senior Central Inc.

*Resident Construction Contracts:*

APP Contractors  
 Exodus  
 People for Community Recovery  
 Crown Construction  
 All Seasons, Inc.  
 Vital Construction

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Ivy's Painting  
JK Developers  
A & D Contractors  
Muhammad Ali Community and Economic Development Corporation

*Printing Contracts:*

Cabrini Textiles (contracts w/ Inner City Games and Safe Summer)  
Made In Cabrini Inc. (contracts w/ Inner City Games and Safe Summer)

**HUD Finding:**

Although the Authority withheld amounts from the contractors' final payments, the Manager of the Contract Compliance Division incorrectly calculated the amounts for four of the five contracts.

**Response:**

The auditor requested information regarding five contractors (under \$100,000.00) where the contractor complies with Section 3 by contributing to the Education Fund. These five contractors received letters from the Manager of Contract Compliance, Joy Johnson, stating what the contractor must do in order to comply with Section 3, and her estimation of the labor costs which is 60% of the total of the contract. This percentage is purposely high to encourage the contractor to correct the CHA's estimate based upon their own professional experience. With service contracts, the total contract amount is used to determine the Section 3 amount.

The contractors don't always correct our estimation, therefore, two of the amounts that were contributed to the Section 3 Educational fund were higher than if Contract Compliance had a truer estimate of the contractor's labor dollars, which the contractor should have supplied. The undercharged contributions were miscalculations on our part.

Since the audit, Section 3 procedures have been modified. When a contractor requests final pay out and that contractor has not fully complied with Section 3, the gross amount earned by each employee who worked on that project is added to determine the actual labor amount and the Section 3 required amount is re-computed. In this way, contractors are not over- or under-charged for compliance.

**HUD Finding:**

In 1997, the Economic Development Division changed its yearly goal from executing 25 contracts with resident owned businesses to executing \$10 million worth of contracts with resident owned businesses. The Authority told us that it had contracted with 39 resident owned businesses and resident management corporations (\$13.2 million) in 1997. The

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authority was only able to provide three contracts that totaled \$363,080 to support the contracting activity.

**Response:**

A report from Purchasing & Contracts CCS tracking system lists 37 ROB's contracting activity for 1997 which exceeds \$12 million dollars (see attached). The listing has been included for your review.

The Authority does not record contracts that do not require payment in the CCS system. The laundry initiative resulted in a contract between CHA and 21 ROB's that lease space from CHA to provide laundry facilities. These ROB's entered into either a joint venture or subcontract with one of two major laundry companies to provide this service. The board resolution awarding the contracts is included for your review (resolution attached).

**HUD Finding:**

The Authority told us that it had met its goal for 1998 and was involved in contracting activities worth approximately \$13.2 with 17 resident owned businesses and resident management corporations. We requested to review the documentation that supported the contracting activity with the 17 businesses. The Authority did not provide any contracts or documentation to support the contracting activities.

**Response:**

A report from Purchasing & Contracts CCS tracking system lists 35 ROB's contracting activity for 1998 and exceeds \$ 17 million dollars (see attached). The listing has been included for your review.

**HUD Finding:**

According to the Authority's Diversity Outreach Specialist, contract activities under \$25,000 are supported by a purchase order. We reviewed the Authority's minority vendor purchase order listings for 1996, 1997, 1998 to verify that purchase orders were used for contracting with resident owned businesses. We determined that purchase orders were used for contracting with resident owned businesses. However, the extent of the activity could not be determined because the listings did not identify which businesses were owned by residents or were resident management corporations. Additionally we could not determine when contracts were executed or the initial amounts of the contracts from the purchase orders.

**Response:**

At present, the C.C.S. does not identify which companies fall under the category of a ROB, RMC or resident organization. It also does not identify subcontractors or dual management

agreements. We are taking steps to add a new field in the system that would do so.

The Auditor was provided with a current list of 108 certified ROBs that is included for your review. That list should have been cross-referenced with the minority vendor listing to determine how many purchase orders issued were used for contracting with ROBs and RMCS.

**HUD Finding.**

The Economic Development Division did not have a system to track its progress in contracting with resident owned businesses and resident management corporations. As a result, HUD and the Authority lack assurance that the Authority met its goals in the past or is on track to meet its goal for 1998 to provide economic opportunities for its residents.

**Response:**

The Economic Development Division hired Mr. Marty Melinger from the CHA Inspector General's office to conduct audits and tracking of ROB and RMC contracts. Prior to Mr. Melinger's hiring in March of 1998, we relied upon the Diversity Outreach Specialist and our in-house database to track all ROB, RMC and minority contracting Authority-wide via the C.C.S system. Mr. Melinger was brought on board specifically to address contracts secured by ROBS, RMCs and resident organizations in an effort to develop a system that will report tracking activities monthly. The first draft document is scheduled to be published in November, and is expected to become a standard attachment to the CHA's monthly activity report.

**Conclusion:**

All the attached information was made readily available to the auditor as requested. We feel this documentation is sufficient to conclude that the Authority (a) nearly met its 1996 goal to execute 25 contracts with ROBS; (b) met its 1997 goal to execute \$10 million worth of contracts with ROBS; and (c) as of September 30<sup>th</sup> has met the 1998 goal by contracting \$17 million with ROBS.

The attached information is further indication of the existence of the substantiating documents that clearly indicate all goals were met. In addition, the CCS system was the initial method for tracking all resident contracting activity. The efforts of Mr. Melinger will enhance the reliability and delivery of a monthly reporting system.

October 2, 1998

Mr. Richard Urbanowski, Senior Auditor  
Department of Housing & Urban Development  
Office of Inspector General  
77 W. Jackson Blvd. Suite 2646  
Chicago, IL 60604-3507

Dear Mr. Urbanowski:

In response to your letter dated September 29, 1998 we submit the following:

The Chicago Housing Authority concurs with the observations and recommendations described relative to your review of our effort to secure Alternative Funding Sources.

Should you have any questions or require additional information you may contact Sharon Elliott of my staff at 791-8500 x4697.

Sincerely,

Ed Moses  
Deputy Executive Director

CC: Joseph Shuldiner  
Denise Eligan

626 West Jackson Boulevard - Chicago, Illinois 60661-5601 - (312) 791-8500

***The Chicago Housing Authority***

October 5, 1998

Ms. Anne-Marie Chavez  
Senior Auditor  
Department of Housing and Urban Development  
Office of Inspector General  
77 West Jackson Boulevard - Suite 2646  
Chicago, IL 60643-3507

**SUBJECT:** Response to HUD IG Audit General Draft Observation:  
*Chapter 5, Vacancy Reduction/Unit Turnaround*

Dear Ms. Chavez:

This letter responds to the draft observation recommendations contained in the HUD IG Audit regarding Vacancy Reduction/Unit Turnaround, specifically referencing the activities in this area that are currently the responsibility of the Modernization Division.

**Recommendation 5A: Implements an effective system for tracking of unit turnaround time.**

Currently, the CHA uses the CCS system for tracking all information related to dwelling unit status. Information related to the actual vacate and move-in dates is input at the development level by Housing Management staff. The Modernization Division's Force Account Labor (FAL) teams are brought into the process by request of the Housing Management staff when there are households available to reoccupy the unit. This may or may not be immediately after the unit is vacated. In some cases, units assigned to the Modernization FAL teams have been vacant for several years.

The Modernization FAL staff is charged with maintaining a comprehensive list of all units addressed, including the scope of work performed in each, and the start and end dates for the rehabilitation activity. Input of all unit turnaround information into the CCS system is the responsibility of the Housing Management staff, who have been trained in the CCS system and have access to the data base for the purpose of updating and tracking unit status information.

**Recommendation 5B: Develops procedures to verify that the rehabilitated units meet HUD's Housing Quality Standards.**

The Modernization Division believes that this system is already in place. The punch list

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referenced on page 2 of the report actually encompasses all the requirements necessary to assure that each unit is decent, safe, and sanitary according to HQS standards, and is approved by management as part of the process of accepting the unit for reoccupancy.

Included for reference is a typical certification form, which notes the date of acceptance of a unit by management. Also included are pictures of typical units rehabilitated by the Modernization FAL teams, which clearly show the department's standards of quality workmanship.

Compliance with HQS standards has been, and will continue to be, the responsibility of development management staff. Therefore, if any HQS deficiencies are found in the units during the joint inspection after rehab, management will not accept the unit until and unless those deficiencies are corrected. However, we believe that the suggestion of including a statement to that effect on the unit turnover punch list is a useful one, and this will be implemented to clarify the compliance of the rehabilitated units with HUD HQS standards.

**Recommendation 5C: Develops coordination procedures between the Force Account Labor Department, Development Managers, and the Occupancy Department,**

The Modernization Division believes that these procedures are substantially already in place. No Force Account Labor teams are dispatched to any developments without a written request from the development management staff. Over the past several years, as the CHA worked to address the relocation needs related to consolidation, or households needing a lead-free dwelling for the health of children with elevated blood lead levels, these requests always initiated with involvement from the Housing Management staff. To improve the CHA's level of response to the needs of EBL families, the Modernization Division has held trainings for development management staff, so that these relocations will be given priority attention. The majority of units rehabilitated by the Modernization FAL teams over the past year have been a direct response to immediate relocation needs. In other cases, requests from development managers were based on the managers having sufficient waiting qualified applicants on hand to lease the units upon completion. For reference, we are including a copy of a typical request for service from one of our Regional Property Managers, and another, which identifies need and scope of work, related to a unit rehabilitation requested by the Environmental Unit.

We believe that the examples cited on pages 2 and 3 of the report did not accurately represent the complete circumstances surrounding these assignments. In the case of the Rockwell Gardens property at 2450 W. Monroe, the FAL teams were called in to finish work left incomplete by an outside contractor. These units had previously been occupied by Rockwell residents who had vacated these units specifically for the purpose of allowing comprehensive rehabilitation of the property, and these households had been temporarily relocated to other buildings in that development pending the completion of rehabilitation. According to CHA procedures, transfers within a development are handled on site, by the development staff, not by the Occupancy

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Department. The central Occupancy Department is charged with the responsibility of processing new applicants and referring their information to the developments, and with coordinating voluntary transfers of current residents between developments as needed. Therefore, it is understandable that staff at the Occupancy Department would not, when asked, have a list of 73

new applicant households waiting for housing at Rockwell in hand. These households are already residing in the Rockwell development, so would not be on the "wait lists" at the central Occupancy office. The Occupancy Department, however, does have access to the unit status information, which would reflect a change in status to "occupied" when the development management staff entered the move-in information into the CCS system. The same is true of the units rehabilitated at 2822 S. Calumet, in the Prairie Courts community. This building has been targeted by the Relocation Department as a relocation resource for families moving out of buildings at the Robert Taylor Homes, and documentation is being processed by the Relocation Department.

We do agree that timely occupancy of the units upon completion of rehabilitation is important so that vandalism to those units can be avoided. Temporary delays in the move-in of relocating families are often due to the need for Relocation staff to schedule the moving staff and vehicles, and individual situations in the resident families. Other dynamics impacting upon this situation include the need for community outreach and meetings to ensure that the relocations are consistent with strategic planning initiatives that have already received staff and resident support, and the site-specific safety challenges faced by families moving into buildings controlled by rival gangs. Despite these challenges, we agree that continued coordination among all departments benefits all concerned parties.

I trust that the additional information contained in this letter helped clarify these important issues, and look forward to reviewing the final status report on the CHA's Assessment of Progress.

If you have any questions or require additional information, please contact me at 791-8500, extension 4608.

Sincerely,

Margaret D. Garner  
Director of Modernization

cc: J. Shuldiner E. Moses G. Russ T. Harkless

626 West Jackson Boulevard - Chicago, Illinois 60661-5601 - (312) 791-8500

***The Chicago Housing Authority***

October 5, 1998

Ms. Anne-Marie Chavez

Senior Auditor  
Department of Housing and Urban Development  
Office of Inspector General

77 West Jackson Boulevard - Suite 2646  
Chicago, IL 60643-3507

**SUBJECT:** Response to HUD IG Audit General Draft Observation:  
*Chapter 7, Annual Inspections*

Dear Ms. Chavez:

This letter is to respond to the Draft Observations from the HUD IG Audit regarding Annual Inspections, Chapter 7.

**Job Order Contracting System**

While HUD's recommendation to implement a Job Order Contracting System (JOCS) is sound, I am unclear as to why this recommendation is included in the chapter on Annual Inspections.

When the JOCS system is implemented, it will be used in conjunction with the Purchasing Department primarily to complete modernization and capital improvement projects. JOCS will not be used for the completion of Annual Inspections. While Annual Inspection Reports will be one piece of information analyzed to determine which JOCS work will be required, Annual Inspections will not generate all JOCS work. Therefore, I suggest placing this recommendation in a different chapter relating to modernization, capital improvements and/or construction work.

If you have any questions or require additional information about this comment, please contact me at 791-8500, extension 4608.

Margaret D. Garner  
Director of Modernization

cc: J. Shuldiner E. Moses G. Russ K. Nix

**626 West Jackson Boulevard - Chicago, Illinois 60661-5601 - (312) 791-8500**  
**CHICAGO HOUSING AUTHORITY**  
**Housing Management Division**  
**Inter-Office Memorandum**

TO: ANNE-MARIE VANDERBERG SENIOR AUDITOR

FROM GEORGE A. PHILLIPS  
ASSISTANT DIRECTOR, OPERATIONAL SERVICES

DATE: October 5, 1998

RE: ANNUAL INSPECTIONS - RE-INSPECTIONS

---

I have reviewed the recent observations from the HUD Office of the Inspector General, as it relates to our completion of Annual Inspections.

One of the areas that were cited as a deficiency was the lack of quality control re-inspections. Specifically, the report stated, *“The Authority did not develop or implement policies and procedures to conduct quality control reviews of Housing Quality Standards inspections to insure inspection accuracy”*.

While the technical wording of the I.G. report is accurate, there are no formal policies and procedures in place for the re-inspection of Annual inspections, this suggests no re-inspections were completed for that reporting period, and that is a false assumption.

Quality Control re-inspections were completed by a team of four administrative staff, Denise Richardson, Administrator, Housing Management; Deena Lofton, RMC Liaison, Housing Management; Nolea Jones, Administrative Assistant, Housing Management, and George A. Phillips, Assistant Director, Operational Services. Re-inspections were conducted in the following developments: Cabrini-Green Homes; Stateway Gardens; Judge Green Senior Units; Trumbull-Lowden Homes, and ABLA Homes. A ten percent sample was taken of the various unit counts to give a statistical sampling of the developments. As problems were identified, corrective steps were identified, and relayed to the development staff.

In order to formalize this procedure for the future, and to comply with the suggestions of the HUD O.I.G, we must develop written re-inspection policies, and implement them as soon as possible.

My suggestion is to have the Customer Support Audit Teams complete this as a part of their audit functions. They currently go to each of the management offices to monitor compliance with work order procedures. This is a logical addition to their current role. The job description of this position will have to be modified to include this new duty, however, this will not significantly alter the type of work they now perform. It is my recommendation that conversation be initiated with the union responsible for this group now, to add this function on to the job description of the Customer Support Audit Team. Human Resources will then have to reevaluate this new position, and make sure the job description is an accurate depiction of the services required.

Additionally, the MAP department should work with the Customer Support Center, and Housing Management, to develop written procedures to identify when these re-inspections should occur, how many should be performed, and follow up on deficiencies identified.

This action would bring us one step closer to total compliance as identified by the HUD O.I.G.

If more information is needed, please advise.

George A. Phillips  
Assistant Director  
Operational Services

Cc: G. Russ  
T. Harkless  
U. Richardson  
V. Schneider  
C. Reed  
File

## *The Chicago Housing Authority*

October 7, 1998

Mr. Richard Urbanowski  
Senior Auditor  
Department of Housing and Urban Development

Office of Inspector General  
77 W. Jackson Blvd., Suite 2646  
Chicago, Illinois 60604-3507

Dear Mr. Urbanowski:

This letter is in response to the Assets Management Audit.

This memorandum provides information in response to the referenced HUD I.G. section "The deferred compensation contract was not adequately monitored".

The Authority disagrees partially with this finding. The deposits are verified. The Payroll Department sends PEBSCO, the plan administrator a copy of the check request and the list of plan participants and their amounts for each deposit. Payroll usually gets confirmation every two weeks. If there is any discrepancies they are resolved at that time.

The Authority also receives on a quarterly basis, a Statement of Account and an Investment Activity Report. These reports show in total deposits, transfers, withdrawal and earnings. The Statement of Account lists the various funds the participants invested in and their earnings.

Withdrawals are not monitored at this time. PEBSCO is contracted to administer this program and the funds are the employees not CHA. Each participant receives quarterly statements and as of today we have not received any complaints.

Since the Authority does not have formal policies and procedures for monitoring the deferred compensation plan, we will prepare them by year-end.

Sincerely,

Carmen Browne  
(Acting) Deputy Executive Director  
Finance & Administration

626 West Jackson Boulevard - Chicago, Illinois 60661-5601 - (312) 791-8500

***The Chicago Housing Authority***  
***Risk Management Department***

October 14, 1998

Mr. Richard Urbanowski  
Senior Auditor  
Department of Housing and Urban Development  
Office of Inspector General

77 W. Jackson Boulevard, Suite 2646  
Chicago, IL 60604-3507

Re: CHA Risk Management Draft Observations

Dear Mr. Urbanowski:

Thank you for forwarding your draft observations of the CHA Risk Management Department. This correspondence will offer our comments on these observations and the corrective actions that will be taken to address the recommendations contained in your report.

We are in fundamental agreement with your audit findings for the Risk Management Department. Our comments will reflect our opinion on the level of activity that has occurred in areas that are generating HUD's recommendations.

### **Cost Analysis of Workers' Compensation Program**

The CHA currently utilizes a Third Party Administrator (TPA) for our Workers' Compensation claim management. This TPA has been very effective in reducing our overall claim count and the timeliness of claim payments. The CHA's public accountants, Deloitte & Touche, annually reviews claim reserves and program effectiveness as part of our annual financial audit. For each year that the TPA has been used, Deloitte & Touche has made positive comments about the Workers' Compensation claim management program.

We understand the need for periodic assessment of program effectiveness. In 1999 the Risk Management Department will conduct a Best Practices Study of Workers' Compensation Program Administration in Public Housing Authorities. We will identify 3 to 5 large housing authorities to study and compare Workers' Compensation Program activity. New York City Housing Authority and Los Angeles will be included in this Best Practices Study. The goal will be to determine the quality of our Workers' Compensation claim management program compared with other large public housing authorities. If the CHA program can be improved, based on this study, we will implement corrective or improvement actions.

**200 West Adams, Suite 2102 Chicago, Illinois 60606  
Telephone (312) 674-4152 Fax (312) 368-1558**

Page 2

Mr. Richard Urbanowski  
Re: CHA Risk Management Draft Observations  
October 14, 1998

### **Tracking Hazardous Conditions**

We have developed procedures to adequately track hazardous conditions at CHA properties. We have not successfully *implemented* these procedures due to staff turnover in Risk Management and Customer Service.

In the 4th quarter of 1998 and 1999 we will refocus our safety resources to work closely with Customer Service on hazard identification, work order generation and work order tracking. This will allow Risk Management to track the progress of individual work orders or the early identification of hazard trends.

Additionally, we will immediately make the following changes to our self-inspection process:

- Modify the self-inspection form to allow for more detailed work order narrative information to be captured at the time of inspection.
- Train Risk Management and Development inspectors on hazard documentation and the need for proper work order entry and tracking.
- Develop a meeting schedule with Customer Service and Risk Management to review work order progress and identify process issues.
- Document the procedure in place for Risk Management self-inspections and work order tracking to reduce hazards.

### **Resident Safety Training**

The Risk Management department at CHA has developed a plan to improve resident awareness and training to reduce liability hazards on our properties. Due to staff turnover, implementation of these plans has not been as active as we would have wished. Our safety staff is now in place and making strides toward the implementation of resident safety awareness training.

The CHA has begun a consistent approach toward resident safety and personal risk management education. We are initially focusing our efforts on our senior buildings. In 1999 we will be expanding this effort into family buildings and scattered site locations.

Page 3  
Mr. Richard Urbanowski  
Re: CHA Risk Management Draft Observations  
October 14, 1998

To date, Risk Management has worked closely with Housing Management to develop emergency plans for 35 senior buildings. These plans outline the procedure residents and staff must follow in emergency situations such as fire, severe weather, civil disturbance and bomb threats.

Additionally, emergency training has occurred at 2 of these buildings with an additional 15 training sessions scheduled for the 4th quarter of 1998.

Our plans for 1999 are to expand resident safety training to other CHA locations. This training will encompass a variety of delivery methods including mailings, video presentations and poster contests. Our 1999 Risk Control Work Plan will detail the safety initiatives targeted for residents. The Risk Control Work Plan for 1999 will be finalized by December 15, 1998.

### **Summary**

The CHA Risk Management Department is making steady progress in improving the risk control and claim management activities inherent in our operations. Significant operational process improvement has occurred since the initial HUD IG Audit in 1996. Further improvement will occur in 1999. This improvement is being realized through the reduction in claims for general liability and automobile accidents related to our operations.

Additional response will be developed upon the receipt of the final HUD IG Audit report.

Sincerely,

John Smolk, CPCU, ARM  
Director, Risk Management  
Chicago Housing Authority

## ***The Chicago Housing Authority***

October 14, 1998

Anne- Marie Vanderberg  
Senior Auditor  
Department of Housing and Urban Development

Office of Inspector General  
77 W. Jackson Blvd. Suite 2646  
Chicago, Illinois 60604-3507

Dear Ms. Vanderberg:

Attached are the comments in response to your draft observations and recommendations from your review of the Chicago Housing Authority's Section 8 Program.

On the first page of the Section 8 Program a reference is made to the OIG review dated September 30, 1996. This may be an error since the problems noted were prior to CHAC's administration of the program beginning December 1995.

After reviewing our comments if you need any additional clarification or explanation please contact me at 791-8500 x 4169.

Sincerely,

Sharon Glenn  
Section 8 Contract Administrator

Attachments

**626 West Jackson Boulevard - Chicago, Illinois 60661-5601 - (312) 791-8500**

**CHICAGO HOUSING AUTHORITY**

Response to Recommendation 20A. CHAC is to establish procedures and controls to reduce error rate on the calculation of tenant contributions to the level permitted by the contract.

CHAC has addressed this issue by revising their procedures in the following manner in order to comply with the contract.

In the case of Total Tenant Payment (TTP), error rates are way down since the removal of the effect of compounding errors, which was done retroactively to April 1998.1 Before the retroactive adjustment, error rates for April and May were 18% and 15% respectively. After the

adjustment, they dropped to 2% and 0% respectively. June's error rate was 2% and July was 0%. The rationale for this change in was to eliminate compounding errors and the double and triple counting of a single error. For example, a minor error in income verification might result in a TTP "error", even though the TTP arithmetic is correct.

When CHAC began their operation in 1995, we established a formal Quality Control review process and have monitored the results closely. We have held numerous QC training sessions and issued several procedure notices on issues related to improving quality. Effective at the beginning of 1998, we have strictly enforced a procedure requiring all error rates to be reduced steadily to not greater than the CHA's contractual standards as December 1998. This means that, on a quarterly basis, each Housing Specialist is advised of their error rates in seven key areas: 1) eligibility/preference; 2) income verifications; 3) TTP/Tenant Rent Calculations; 4) HAP calculation; 5) rent reasonableness documentation; 6) 50058 completion and 7) data entry. Failure to show improvement in error rates from previous quarter results in progressive disciplinary action. Then, beginning with the first quarter of 1999, progressive discipline will be imposed on all staff who has error rates above the standards in any of the following categories:

- Eligibility/preference 2%
- Income verification 14%
- TTP/Tenant Rent Calculation 5%
- HAP calculation 5%
- Rent reasonableness documentation 5%
- 50058 complete 10%
- data entry 6%

Since we began to initiate the progressive discipline process in 1998 there has been a reduction in error rates in all of these categories. In the area of TTP/Tenant Rent Calculation, we continue to maintain our overall rates at near 0%. It is important to note that our standards are very high, and our method of capturing error rates is formal and strict than what is typical at other PHAS.

Response to Recommendation 20B. CHA should formally assess the efficiency and effectiveness of the CHAC contract before the contract is renewed in April 2000.

CHA and HUD monitor and review CHAC's performance in compliance with the contract on a monthly and quarterly basis. In addition CHAC will provide SEMAP scores by November 1, 1998.

We have identified this as a project we would RFP in 1999 for the contractor to thoroughly research, collect data and make a comparison of CHAC's administration of the program. The RFP will require the contractor to develop a benchmarking methodology to "artificially" create a way to measure what we have accomplished against a reasonable standard. In addition the contractor would compare our program costs to other programs around the country adjusting for size and local economic differences.

**CHICAGO HOUSING AUTHORITY**  
**Office of Human Resources**

**CONFIDENTIAL**

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TO: Richard Urbanowski  
Senior Auditor, HUD

FROM: Sharon Cruse Boyd  
Director, Human Resources

DATE: October 14, 1998

SUBJECT: Response To The OIG Report

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This is in response to the September 30, 1996, OIG review. The OIG report states that we were only able to comply fully with three (3) recommendations which were: 1) assuring that all Authority managers have met HUD certification requirements, 2) the development and implementation of the Performance Management Program and 3) the utilization of qualified Training Professionals. However, in addition to these we have also accomplished the following:

**A.** We have complied with another recommendation, **the development of an effective recruiting strategy that properly assessed the qualifications of potential employees** (*p. 1, 2<sup>nd</sup> parag* ). As a point of clarification, a recruiting strategy does not assess qualifications but rather, it determines the methodology (*including sources used*) by which potential employees will be identified. We have:

- A validated accredited testing instrument that measures the reading and math skills of potential employees,
- We have accurate job descriptions which raised the minimal requirements
- Expanded our sources to include the Internet, professional associations and job fairs.

Our assessment/evaluation of potential employees was accomplished through the following:

- performance ratings
- exit interviews
- turnover analysis
- PHMAP

**B.** We have also complied with the recommendation regarding, **the establishment and implementation procedures to consolidate the employees' training**. While a database has been established, MIS has been unable to provide us with their training data so that we can consolidate the information.

**C.** Finally, we have also complied with the sixth recommendation: **update all job descriptions and complete the implementation of a compensation system that was developed as a result of a 1994 consultant ( Hay ) study**. Prior to 1997 the Authority had over 900 job descriptions. Over 600 of these descriptions were targeted for the Hay conversion. The Hay analysis involved the reduction and consolidation of job titles. The resultant 350 job classifications were implemented in January of 1997. Employees were given the opportunity to appeal the newly written descriptions. Any pending descriptions (*p. 1, parag. 3* ) are a result of on-going reorganizations and newly created jobs.

*The Chicago Housing Authority*

October 20, 1998

Anne-Marie Vanderberg  
Senior Auditor  
Department of Housing and Urban Development  
Office of Inspector General  
77 W. Jackson Blvd., Suite 2646  
Chicago, IL 60604

**Re: Resident Program Delivery Systems**

Dear Ms. Vanderberg:

I have reviewed the observations and recommendations regarding Resident Program Delivery Systems as outlined in your October 9, 1998 letter, I am in concurrence with all of the observations and recommendations with the exception of the statement regarding Urban Planning Contract extension. I have attached documentation that indicates that contracts were extended prior to the expiration date and that vendors were notified of the extensions. In order to ensure that additional documentation is on file, in the future we will send form letters to vendors and place a copy in their file.

Attached you will find a copy of the communication between the Department of Purchasing and the Development Initiatives Division that establishes the request for an extension period which is on file in the Purchasing Office. Additionally, we have attached a print out of the accounting system records that indicates the original contract start date and the amended expiration date.

If I can be of further assistance please feel free to contact me at (312) 791-8500 ext. 4602.

Sincerely,

Edward Moses  
Deputy Executive Director

C: Greg Russ  
Wanda White

626 West Jackson Blvd. - Chicago, Illinois 60661 - Telephone (312) 791-8500

***The Chicago Housing Authority***

October 21, 1998

Anne-Marie Vanderberg, Senior Auditor  
Office of Inspector General  
**U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT (HUD)**  
77 West Jackson Boulevard, Suite 2646  
Chicago, Illinois 60604-3507

Dear Ms. Vanderberg:

This letter is in response to your correspondence of October 15, 1998 regarding CHA's Hope VI Program.

The CHA Department of Grant Administration provided the HUD auditor with substantial documentation of CHA efforts to monitor and track HOPE VI grant funding awarded to the CHA Office of Programs.

The following addresses the specific issues raised in your correspondence of October 15, 1998.

I. **Item 1 [Page 5, paragraph 1]:** "The reviewers (Grant Administrator) did not always follow Grant Administration's monitoring procedures. The monitoring procedures requires staff to interview service recipients during the semi-annual site visits."

**Response to Item 1:** This statement is inaccurate. The CHA Department of Grant Administration Policies and Procedures (from June 1 996 to Present) does not stipulate that service recipients are to be interviewed during the semi-annual site visit. The primary purpose of a semi-annual site visit is to assess the fiscal and programmatic functioning of the grant and to make a determination on whether the grant is in compliance with the terms and conditions of the award. This determination can be made by reviewing documentation, records, and/or participating in program activities for observation purposes. Therefore, grant administrators are not required to interview program participants and do not have to interview program participants to make a determination.

II. **Item 2 [Page 5, paragraph 1]:** ". . . the reviewer relied upon unverified statements from the program staff to conclude that an objective was achieved.

**Response to Item 2:** The CHA Works program objective referenced in Item 2 states that the

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program will *"provide classroom and hands-on training emphasizing, but not limited to, the construction trades"*. The Grant Administrator did many things to determine the programs compliance with this (as well as other) program objective(s). The Grant Administrator noted that CHA Works documented its efforts via individual participant files, participant rosters, and participant evaluations but failed to maintain documentation in individual participant files on classroom instruction. It was therefore noted in the site visit report that ". . . copies of certificates were not maintained in program files". Since the classroom instruction was a component of the objective, this Grant Administrator assessed the program to be in compliance, weighing the hands-on training proportionally.

III. **Item 3 [Page 5, paragraph 3]:** "The Grant Administration Division did not always have consistent conclusions throughout its reviews... the reviewer concluded in one part of the review that progress was being made to recruit and train program participants. The reviewer reported that she could not make a

determination if the goal would be met. However, in another part of the review the reviewer reported that the goal would not be met."

**Response to Item 3:** This is inaccurate. The Grant Administrator did **not** state anywhere in the In-depth Site Visit Report for Cabrini Textile Works on February 13, 1998, that *'progress was being made to recruit and train program participants'* (copy of the report is being submitted for your review). Grant Administrator was consistent in marking "unable to make determination" under 'No' or 'Non-Compliant' columns for the programmatic assessment related to recruiting and training of the Cabrini Textile Works participants.

IV. **Item 4 [Page 5, paragraph 1]:** "We found the Grant Administration Division did not adequately monitor the programs".

**Response to Item 4:** While it may be true that this department experienced some unique challenges in attempting to obtain sufficient and material information in a timely manner for in-depth site visits, Grant Administration has made a great effort to assess the above programs fairly and adequately. This was well documented in 1994 HOPE Program files.

As an additional mechanism for program discrepancies, CHA Department of Grant Administration drafted an Unresolved Site Visit Finding report detailing all unresolved findings in April 1998. Grant Administrators were required to meet with the responsible program staff to address the unresolved findings. This would ensure that site visit findings would be resolved timely.

Again, if you should have any questions or need further information, do not hesitate to contact me at (312) 674-4415.

It is important to note that the HUD auditor reviewed records that documented the challenges with tracking and monitoring HOPE VI. These challenges were addressed in detail in the HOPE VI files.

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Grant Administration is currently in the process of developing a corrective action plan to address the issues of the HUD auditor. This plan will be developed and implemented by Grant Administration within the next 60 days.

Sincerely,

Denise Eligan  
Director, Grant Administration

Attachments

cc: Ed Moses, Deputy Executive Director, Programs  
Greg Russ, Deputy Executive Director, Finance &  
Administration  
Andy Rodriguez, Redevelopment  
Ibrahim Mansuri, Modernization  
Lisa Schneider, MAP  
Greg Whipple, MAP

626 West Jackson Boulevard & Chicago, Illinois 60661-5601 (312) 791-8500

*The Chicago Housing Authority*

October 26, 1998

Anne-Marie Vanderberg  
Senior Auditor  
Dept. of Housing and Urban Development  
77 West Jackson Blvd. Suite 2646  
Chicago, Illinois 60604-3507

**RE: Responses to HOPE VI Audit**

Dear Ms. Vanderberg:

The Office of Community Relations and Involvement has reviewed your follow-up review of the Chicago Housing Authority internal controls over the HOPE VI self-sufficiency programs and our responses are as follows:

**Observation**

Inadequate System of Controls to ensure that projects funded by HOPE VI achieved program goals.

The Development Initiatives Division became responsible for coordination and reporting of all HOPE VI Self-Sufficiency programs in September of 1997. However, the reporting systems designed did not account for inter-divisional program operations. As such, the procedures developed were not consistent throughout the operating divisions in relation to reporting format and file documentation. Additionally, HOPE VI staff assigned to Development Initiatives was inadequate to ensure appropriate training of other program staff and lacked the capacity to develop written procedures.

**Recommendations**

Develop policies and procedures to ensure accurate reporting of self-sufficiency program progress.

**Response**

The Development Initiatives Division will create a policies and procedures manual for the implementation and operation of HOPE VI Self-sufficiency programs. The Division will conduct a training session with all departments responsible for program implementation.

The Development Initiatives Division will ensure that all HOPE VI program goals are included in a separate category of the Management by Objectives (MBOS) report for each Department or Division engaged in HOPE VI. The Assistant Executive Director will review all HOPE VI MBOs for compliance.

**626 West Jackson Boulevard - Chicago, Illinois 60661-5601 - (312) 791-8500**

HOPE VI Self-Sufficiency project staff will complete weekly status reports for submission to the HOPE VI Program Coordinator. Project staff will maintain individual client files on each program participant that includes a client profile and program progress checklist.

**Recommendation**

Follows monitoring procedures

**Response**

The Development Initiatives Director will ensure that the Community Redevelopment Department hires and trains HOPE VI Program Coordinators. Program Coordinators will have responsibility for the weekly monitoring and documentation of HOPE VI Self-Sufficiency Programs. Additionally, Program Coordinators will review project staff monthly activity reports, conduct Bi-monthly file reviews and prepare monthly program progress reports on each self-sufficiency project activity.

Should you have any questions or require additional information you may contact me at 312-791-8500 x4602.

Sincerely,

Ed Moses  
Deputy Executive Director

Cc: Joseph Shuldiner  
Wanda White

**626 West Jackson Boulevard - Chicago, Illinois 60661-5601 - (312) 791-8500**

*The Chicago Housing Authority*

October 26, 1998

Mr. Richard Urbanowski  
Senior Auditor  
Department of Housing and Urban Affairs  
Office of Inspector General  
77 W. Jackson Blvd., Suite 2646  
Chicago, Illinois 60604-3507

Re: CHA response to draft observations of HUD IG follow up

Dear Mr. Urbanowski

Attached is the Chicago Housing Authority's response to the draft observations/issues identified by the HUD Office of Inspector General during the follow-up review of the Authority. The following observations have been addressed in this correspondence:

Draft Observation - Housing Management, Work Orders  
Draft Observation - Chapter 8 - Housing Management Functions  
Draft Observation - Chapter 9 - Admissions and Evictions  
Draft Observation - Housing Management, Vacancy Reduction/Unit Turnaround

Please review the attached responses and if you have any questions or need additional information, please contact George Phillips, Director of Housing Management or Greg Whipple, Management Analysis and Planning.

Sincerely,

Thomas L. Harkless  
Assistant Executive Director, Operations

## **WORK ORDER SYSTEM**

### **Observations**

- The Authority did not assure that all maintenance staff received the maintenance manual. According to the Customer Service Center Manager, the maintenance manual was given to staff when they attended training on the work order system. We interviewed 45 employees from one privately and two Authority managed developments to determine if the staff received the maintenance manual. Eleven of the 45 employees said they did not receive the manual. The Authority could not provide an explanation as to why the employees did not receive a copy.

### **HUD Recommendation 3A**

Revise its work order procedures to address work orders not generated when received and to include steps that ensure code violation packages from the City of Chicago are immediately reviewed to identify emergency conditions for immediate input to the work order system.

### **CHA Response**

The Authority shall revise its work order procedures to address work orders not generated when received and to include procedures that ensure code violations from the City of Chicago are properly recorded and completed.

Completion Date: 03/31/99

### **HUD Recommendation 3B**

Distribute the maintenance manual to applicable personnel.

### **CHA Response**

All applicable Housing management staff shall receive the Authority's preventive maintenance manual by March 31, 1999. Housing Management procedures shall be revised to ensure maintenance manuals are properly disseminated.

Completion Date: 03/31/99

### **HUD Recommendation 3C**

Develop a plan to reduce its backlog of outstanding work orders.

### **CHA Response**

The Authority is currently revising its procedures to ensure outstanding work orders are addressed and completed in a timely manner.

Completion date: 03/31/99

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## **VACANCY REDUCTION/UNIT TURNAROUND**

### **Observations**

- Although the Authority implemented a system for tracking unit turnaround time from date of vacancy to reoccupancy, the information was incomplete and inaccurate and as a result was not used by development managers. The Authority did not develop procedures to verify that rehabilitated units met HUD's Housing Quality Standards. Also, the Authority did not develop coordination procedures between the Force Account Labor Department, Occupancy Department, and the Development Managers.
- The Authority did not develop procedures to ensure that rehabilitated units meet HUD's Housing Quality Standards. Rehabilitation of vacant units is currently performed by the Modernization Division's Force Account Labor Department. Previously, units were rehabilitated under the Vacancy Reduction Program which ended in September 1997.
- There were no coordination procedures between the Force Account Labor Department, Development Managers, and the Occupancy Department regarding the prioritization of units to rehabilitate based on the greatest demand. There was also no coordination regarding the availability of rehabilitated units.

### **Recommendations**

#### **HUD Recommendation 5A**

Implement an effective system for tracking of unit turnaround time.

#### **CHA Response**

The Authority is currently revising its CCS computer system records to include tracking the number of days units were vacant prior to repair/rehabilitation, the time to repair each unit and the time it took to reoccupy a unit after it was repaired.

Completion Date: 06/30/99

#### **HUD Recommendation 5B**

Develop procedures to verify that rehabilitated units meet HUD's Housing Quality Standards.

#### **HUD Recommendation 5C**

Develop coordination procedures between the Force Account Labor Department, Development Managers, and the Occupancy Department. The procedures should ensure units are repaired/rehabilitated on the basis of demand and applicable personnel are aware of projected completion dates so units can be promptly occupied.

**CHA Response**

On October 13, 1998, the Authority restructured its major departments and now both Housing Management and the Modernization division report to the Assistant Executive Director of Operations. This change will help to ensure a coordination between Force Account, Development Managers and Occupancy. New procedures will be completed by March 1999.

Completion Date: 03/31/99

**HOUSING MANAGEMENT FUNCTIONS**

**Observations**

- The Authority did not identify the major housing functions, and it did not review the effectiveness of actions taken to delegate responsibilities to the developments.
  
- The Director of Housing Management said the Authority identified additional major housing functions during the reorganization of the Housing Management Division. However, the Authority could not provide any documentation to support what the additional functions were or that they had been evaluated for effectiveness and efficiency. As a result, HUD lacks assurance that the Authority has assessed the cost effectiveness and efficiency of its housing management functions.
  
- The Authority did not review the results of actions taken to delegate responsibilities to the developments. The Director of Housing Management believed insufficient time had elapsed since the reorganization of the Authority's Housing Management Division. The Director said the reorganization was not fully implemented until November 1997. The Director believed that a review of the delegation of responsibilities would not be useful until the reorganization has been in effect for at least one year. We agree with the Director's conclusion to wait for one year after the reorganization. The Authority should review its delegation decisions beginning in December 1998.

**HUD Recommendation 8A**

Assess the recommendations in the consultant's May 4, 1998 discussion paper and implement those that will reduce overhead costs and decentralize management.

**CHA Response**

The Authority has reviewed the consultant's recommendations and shall implement recommendations that are believed by the Authority to reduce overhead costs and further decentralize management. Because the Authority is currently in the process of selecting new private management firms, the Authority is requesting that the completion time for this recommendation is extended to June 30, 1999.

Completion Date: 06/30/99

**HUD Recommendation 8B**

Implement site-based management plans for each of its developments.

**CHA Response**

Because of the importance of site-based management plans, the Authority is continuing to review the process to ensure all Authority departments are properly coordinated. This includes the Authority's centralized computer system.

Completion Date: 06/30/99

**HUD Recommendation 8C**

Complete the identification of major housing functions in order to evaluate the functions' cost effectiveness and efficiency.

**CHA Response**

The Authority has identified the major housing functions and shall complete an evaluation of each function's efficiency and effectiveness.

Completion Date: 06/30/99

**HUD Recommendation 8D**

Reviews the results of actions taken to delegate responsibilities to the developments.

**CHA Response**

The Authority shall complete the review of the results of actions taken to delegate responsibilities to the developments.

Completion Date: 06/30/99

**Admissions and Evictions****Observations**

- The Authority did not develop procedures to coordinate potential evictions and the need for social services. Also, the Authority's resident lease did not contain provisions required by HUD. Further, the Authority did not develop a site-based resident orientation manual and implement a site-based resident orientation process.
- The Authority did not develop procedures for Development Managers and the Social Services Division to coordinate potential evictions and the need for social services. The Director of Housing Management and the Assistant Director of Operational Services said coordination procedures were not developed due to other priorities.
- The Authority did not develop a site-based resident orientation manual, nor did it implement a site-based resident orientation process. The Director of Housing Management and the Assistant Director of Operational Services said the orientation manual and related process were not developed due to other priorities.

**HUD Recommendation 9A**

Develop procedures for Development Managers and the Social Services Division to coordinate on potential evictions and the need for social services.

**CHA Response**

The Authority is currently revising its procedures to ensure coordination between Development Managers and outside social service agencies.

Completion date: 03/31/99

**HUD Recommendation 9B**

Revise its resident lease to provide for a waiver of grievance procedures for evictions involving any activity, not just criminal activity, that threatens the health, safety, or right to peaceful enjoyment of the premises by other tenants or housing authority employees.

**CHA Response**

This recommendation is being reviewed by our Legal department and if not precluded by law will be presented to the CHA executive staff.

Completion Date: 03/31/99

**HUD Recommendation 9C**

Develop a site-based resident orientation manual and implement a site-based resident orientation process.

**CHA Response**

The revised site-based resident orientation manual will be completed the first quarter in FY99.

Completion date: 03/31/99

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**CHICAGO HOUSING AUTHORITY  
EXECUTIVE OFFICES  
Inter-Office Memorandum**

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**TO: Richard Urbanowski  
HUD IG**

**FROM: Maggie Stewart, Acting Director  
Asset Management**

**DATE: October 26, 1998**

**SUBJECT: RESPONSE TO RECOMMENDATION: ASSET MANAGENT**

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I have reviewed the observations and recommendations for the HUD IG Auditor and concur with its findings. Please note that the Chapter reviews issues related to both Asset Management and the CHA pension fund. This memorandum addresses the recommendations associated with the Asset Management Department.

**HUD Recommendation 14A**

Established policies and procedures for monitoring the private management firms

The Authority has reviewed past practices and procedures to monitor the private management firms contracted for management of CHA properties assigned to their portfolio. Procedures will be written and compiled, and staff will be trained to ensure contract compliance and proper monitoring controls are in place.

Completion Date: 03/31/99

**HUD Recommendation 14B**

Analyze the consultant's May 8, 1998 report on private management and take appropriate actions.

The Department has reviewed the ABT report and recommendations on the structure and functions of Asset Management. The Department has been restructured and will analyze and implement the recommendations set forth in their report. A workplan will be developed to address the actions recommended in the report.

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