
AUDIT REPORT



ROYAL OAK TOWNSHIP HOUSING COMMISSION
PUBLIC HOUSING PROGRAM

FERNDALE, MICHIGAN

2005-CH-1003

NOVEMBER 29, 2004

OFFICE OF AUDIT, REGION V
CHICAGO, ILLINOIS



Issue Date	November 29, 2004
------------	-------------------

Audit Case Number	2005-CH-1003
-------------------	--------------

TO: Robert E. Nelson, Director of Public Housing Hub, 5FPH
Margarita Maisonet, Director of Departmental Enforcement Center, CV

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

SUBJECT: Royal Oak Township Housing Commission; Ferndale, Michigan; Public Housing Program's Poor Condition of Housing Units And Weak Occupancy Practices

HIGHLIGHTS

What We Audited and Why

We completed an audit of the Royal Oak Township Housing Commission's Public Housing Program. We selected the Housing Commission for audit based on two citizen complaints. The complainants alleged that the Housing Commission's Public Housing units were in poor physical condition, tenants were housed contrary to HUD's requirements, and Public Housing funds were misspent. The objectives of the audit were to determine whether the complainants' allegations were substantiated.

What We Found

The Housing Commission's housing units were in poor physical condition. A HUD Construction Analyst inspected 32 statistically selected housing units and identified 1,166 deficiencies that did not meet HUD's Uniform Physical Condition Standards and Federal handicap accessibility requirements. The Housing Commission also did not meet the Uniform Federal Accessibility Standards for access and the required number of handicap accessible housing units. HUD's Construction Analyst estimated that over \$5 million of repairs and more than \$192,500 was needed for unit renovations to meet HUD's Uniform Physical Condition Standards and Federal Accessibility Standards. The Housing

Commission allowed new tenants with criminal convictions to be housed and did not evict existing tenants with known criminal convictions in violation of HUD's One Strike Policy. The Housing Commission also inappropriately paid \$3,340 for travel expenses for its Board attorney and it approved \$7,999 for a new project sign changing the name of an existing project without HUD's prior approval.

We attributed these conditions to the Housing Commission's Board of Commissioners not allowing its former Executive Director to timely hire, evaluate, and fire maintenance and administrative staff and contractors without prior Board approval. The Housing Commission's Board also disagreed with HUD's requirements regarding their role and authority.

What We Recommend

We recommend that HUD's Director of Public Housing Hub, requires the Housing Commission to: (1) reimburse its Public Housing Program from non-Federal funds for the inappropriately used monies; and (2) implement procedures and controls to correct the weaknesses cited in this report. We also recommend that HUD's Director of Departmental Enforcement Center take the strongest administrative action against the Housing Commission's Board of Commissioners for their improper oversight of the Commission.

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

Auditee's Response

The draft audit report requested that the Royal Oak Township Housing Commission Board of Commissioners provide their comments by November 9, 2004. We did not receive an official response to the draft audit report by this date. Instead, the Board sent comments to our draft finding outlines that we received on November 4, 2004. Our draft finding outlines did not differ materially from this report, so we included the Board's comments verbatim.

The complete text of the auditee's response, along with our evaluation of that response, can be found in Appendix B.

TABLE OF CONTENTS

Background and Objectives	4
Results of Audit	
Finding 1- Public Housing Units Did Not Meet Federal Requirements For Physical Condition and Handicap Accessibility	6
Finding 2- Board Commissioners Interfered with the Day-to-Day Operations of the Housing Commission	17
Scope and Methodology	24
Internal Controls	25
Appendices	
A. Schedule of Questioned Costs and Funds Put to Better Use	27
B. Auditee Comments and OIG Evaluation	28

BACKGROUND AND OBJECTIVES

The Royal Oak Township Housing Commission was established in 1960 by the Township of Royal Oak as a public housing agency under the laws of the State of Michigan pursuant to the United States Housing Act of 1937, as amended. HUD executed a Consolidated Annual Contributions Contract with the Housing Commission to undertake the development and operation of low rent housing. HUD agreed to render financial assistance for 128 dwelling units in two projects. The 128 dwelling units are primarily large family units consisting of 78-three, four, or five bedroom units and 50 one or two bedroom units.

As a public housing agency, the Housing Commission is governed by a Board of Commissioners consisting of five Board members from the community. The Township's Supervisor appoints the members to five-year terms, one member's term expiring each year. The Board is responsible for appointing the Executive Director to handle the daily operations, and for establishing policies and procedures for the Housing Commission. The Director is responsible for overseeing the Housing Commission's employees, consisting of two administrative and two or three maintenance staff, and implementing the Housing Commission's policies and procedures. The Housing Commission's fiscal year ends on March 31.

HUD has authorized and provided the Housing Commission over \$3 million since fiscal year 2000, over \$2 million in Public Housing Operating Subsidy and over \$1 million Capital Grant Program funds (as of September 30, 2004), as follows:

HUD Grant Number	Housing Commission's Fiscal Year*	Operating Subsidy Authorized	Operating Subsidy Disbursed	Capital Fund Authorized	Capital Fund Disbursed
MI033-001-00M	2000	\$235,749	\$235,749		
MI28P033-501-00				\$258,629	\$258,629
MI033-001-01M	2001	261,382	261,382		
MI28P033-501-01				262,837	262,837
MI033-001-02M	2002	367,838	367,838		
MI28P033-501-02				250,146	242,464
MI033-001-03M	2003	387,004	387,004		
MI28P033-501-03				194,208	19,637
MI28P033-502-03				41,018	
MI033-001-04M	2004	367,516	367,516		
MI28P033-501-04				227,260	0
MI033-001-05M	2005*	416,163	201,506	0	0
Totals		<u>\$2,035,652</u>	<u>\$1,820,995</u>	<u>\$1,234,098</u>	<u>\$783,567</u>
* April 1 to March 31					

HUD's Real Estate Assessment Center performs annual physical inspections of public housing commissions' housing units. During 2003, the Housing Commission received poor physical inspection scores of 54 and 56 for its two-projects due to the poor condition of its housing units. Based on the Housing Commission's low scores under the Public Housing Assessment System for

the physical component, on August 20, 2003, HUD designated the Commission as troubled. This triggered more HUD oversight and monitoring of its operations. After receiving and approving the Commission's fiscal year 2003 financial audit report in December 2003, HUD officially released a Public Housing Assessment System overall score of 67 that designated the Housing Commission as "Substandard Physical." In April 2004, HUD's Real Estate Assessment Center again cited the Housing Commission for the poor physical condition of its housing units with low physical inspection scores of 51 and 40 for its two-projects.

In accordance with HUD Regulations, if the Housing Commission receives a troubled designation by HUD, it may be referred to HUD's Enforcement Center if the Commission does not improve its Public Housing Assessment System overall score by 50 percent in the first year and become a standard performer again by the end of the second year. The Enforcement Center may initiate a judicial appointment of a receiver or an administrative receivership and may initiate other sanctions, including limited denial of participation, suspension, debarment and referral to other government agencies for imposition of civil or criminal sanctions.

The United States Congress established the Architectural and Transportation Barriers Compliance Board in 1973 and gave the Board the responsibility to issue uniform minimum guidelines and requirements for accessibility by physically handicapped persons since various Federal agencies had previously issued their own standards. The guidelines adopted by the Board were consistent with the previous standards published by the American National Standards Institute for general use for the private sector and most state governments. These standards were published in the Federal Register on August 7, 1984 as the Uniform Federal Accessibility Standards. Since HUD is responsible for prescribing the Standards for residential structures, HUD adopted these Standards in 24 CFR Part 40 effective October 4, 1984.

Two citizen complaints alleged poor maintenance of housing units, residents with felony convictions living in housing units, and misuses of Housing Commission funds. Given the complaints, the objectives of our audit were to determine if the complainants' allegations were substantiated. In accordance with HUD's requirements, we determined whether the Housing Commission's: (1) Public Housing units were adequately maintained; (2) tenant selection and eviction procedures were properly followed; and (3) use of specific Public Housing funds were reasonable and necessary.

RESULTS OF AUDIT

Finding 1: Public Housing Units Did Not Meet Federal Requirements For Physical Condition And Handicap Accessibility

The Royal Oak Township Housing Commission's housing units did not meet HUD's Uniform Physical Condition Standards due to their poor physical conditions. The Housing Commission's housing units did not meet the Federal Architectural Barriers Act because they lacked the required handicap accessibility. A HUD Construction Analyst identified 1,166 deficiencies in the 32 statistically selected Public Housing units inspected and estimated the total cost of required repairs for all of the Commission's 128 units to be more than \$5 million. The Housing Commission also did not meet its obligations to provide a sufficient number of handicapped accessible housing units that meet uniform Federal Accessibility Standards. It will cost the Housing Commission approximately \$192,500 to convert the minimum seven housing units to comply with these Standards. The deficiencies occurred because the Housing Commission's Board of Commissioners failed to provide adequate oversight of the Authority's maintenance operations. As a result, tenants were subjected to conditions that were hazardous to their health and safety, and physically handicapped applicants lacked available low-income housing. Furthermore, the Housing Commission did not efficiently and effectively use \$367,516 of HUD provided operating subsidy for fiscal year 2004.

Housing Commission's Housing Units Were In Poor Condition

Poor Board Oversight of
Maintenance Operations Noted

The poor physical condition of the housing units was the result of years of neglect by the Housing Commission's Board of Commissioners over its maintenance operations. The Housing Commission failed to: (1) hire sufficient and competent maintenance staff to handle maintenance requests timely and completely; (2) provide control and accountability over maintenance requests to assure all they were addressed timely; (3) require training for maintenance staff; (4) conduct and properly document annual unit inspections; and (5) exercise adequate control over and use annual unit inspections to generate work orders as needed. These conditions lead to low annual physical inspection scores under HUD's Public Housing Assessment System. These low physical inspection scores also resulted in HUD declaring the Housing Commission as troubled, resulting in more HUD oversight of its operations. Furthermore, poor physical unit conditions were hazardous to the health and safety of the tenants and required more time to prepare vacant units for re-occupancy when tenants move out resulting in less rental income on these units.

Poor Maintenance Practices Previously Cited

Prior housing inspections performed by HUD's Detroit Field Office in 2001, HUD's Real Estate Assessment Center in 2001 and 2003, and the Housing Commission's insurance provider in 2001 and 2003 cited inadequate maintenance practices of the Commission for the poor housing conditions.

Public Housing Agencies Must Comply With HUD's Uniform Physical Conditions Standards Or Face Possible HUD Takeover.

The Annual Contributions Contract between the Housing Commission and HUD requires that the Housing Commission shall operate all projects in compliance with all provisions of the Contract and all regulations issued by HUD at Title 24 of the Code of Federal Regulations. Section 4 of the Contract requires that the Housing Commission shall at all times operate each project solely for the purpose of providing decent, safe, and sanitary housing for eligible families. The Contract defines the occurrence of a failure by the Housing Commission to maintain and operate the project(s) in a decent, safe, and sanitary manner as a substantial default. Upon the occurrence of a substantial default, HUD shall be entitled to certain remedies set forth in the Contract that includes possession and control of the projects by HUD.

Title 24, CFR, Part 902.23 requires that public housing must be decent, safe, sanitary and in good repair. Public Housing Agencies must maintain such housing in a manner that meets the physical condition standards set forth in Part 902.23 in order to be considered decent, safe, sanitary and in good repair. These standards address the major areas of the housing: the site, building exterior, building systems, dwelling units, common areas and health and safety considerations.

Sample Selection and Inspection Reports

We selected a statistical sample of the Housing Commission's Public Housing units using Computer Assisted Audit Tools. A statistical sample of 32 Public Housing units was selected from the Housing Commission's 128 units using sampling software developed by the United States Army Audit Agency. The units were selected to determine whether the Commission assured its units were maintained according to HUD's Uniform Physical Condition Standards.

During April and May 2004, a HUD Construction Analyst inspected the Housing Commission's 32 Public Housing units. HUD's Construction Analyst is a Registered Architect with a Bachelor's Degree in Architecture, and has 24 years experience inspecting properties for HUD. During the audit, we provided the inspection results to HUD's Detroit Field Office Director of Public Housing Hub and the Housing Commission's former Executive Director.

Public Housing Units did not Meet HUD's Uniform Physical Condition Standards

The Housing Commission's 32 Public Housing units inspected had 1,166 Uniform Physical Condition Standards Deficiencies. The following table shows the type of deficiencies.

Types of Deficiencies	Number of Deficiencies
Cabinets, Doors, Closets, Hardware	206
Partitions	124
Plumbing	99
Exterior Doors and Windows	98
Electrical	89
Refrigerator/Range	67
Heating	65
Closet Doors	57
Floors, Carpet, Tiles	56
Lawns & plantings	52
Interior Painting	46
Storm Doors	33
Garbage Disposal and Exhaust Fans	32
Curtains and Shades	24
Exterior Painting	19
Caulking and Weather-Stripping	17
Exterior Walls, etc.	17
Roofs, Vents, Gutters	16
Drives, etc.	12
Exterior Lights	9
Steps, Rails, Fences, etc.	8
Fire Extinguisher/Smoke Detectors	8
Stairs	8
Exterior Gas and Insulation	3
Exterminating	1
Total	<u>1,166</u>

We determined through the HUD Construction Analyst's inspections that the deficiencies existed for more than one year. The Construction Analyst reported that

most of the deficiencies were the result of inadequate maintenance repairs and tenant caused damages. The Construction Analyst estimated the total cost of required repairs for all of the Commission's 128 units to be more than \$5 million.

Cabinets, Doors, Closets, and Hardware

There were 206 deficiencies related to cabinets, doors, closets, and hardware identified in all 32 of the Housing Commission's Public Housing units inspected. Every unit inspected contained these deficiencies. The deficiencies included: doors with no doorstops; kitchen countertops damaged from cutting or scorching; kitchen cabinet doors misaligned, broken, delaminated, or missing; and bedroom and bathroom door latches and strike plates damaged or missing. The following pictures are examples of cabinets, doors, closets, and hardware deficiencies.

The Public Housing unit located at 21074 Wyoming was missing two kitchen cabinet doors and a drawer.



The kitchen cabinet in the Public Housing unit located at 20861 Parkside was missing two kitchen cabinet doors.



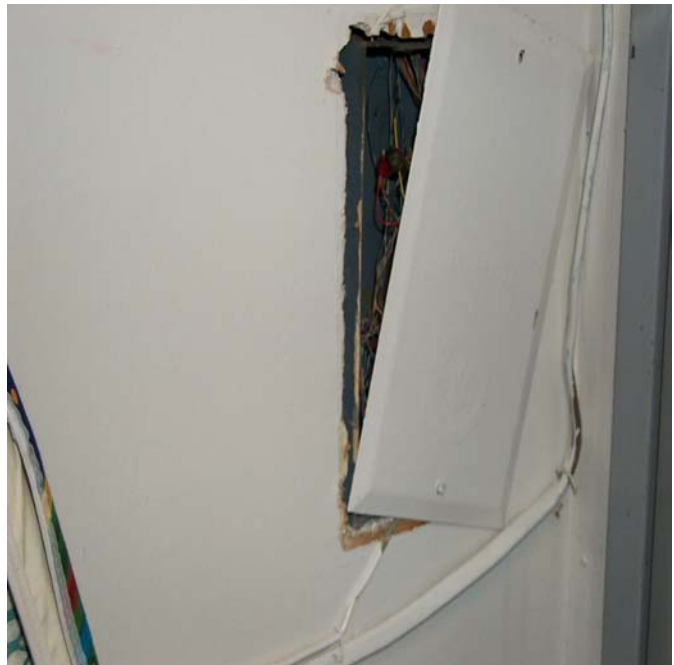
Electrical Hazards

Eighty-nine electrical deficiencies were identified in 26 of the 32 Housing Commission's Public Housing units inspected. The deficiencies identified included: corridor and bedroom ceiling lights were missing globes; bathroom and kitchen ground fault circuit interrupters did not work; outlets did not work; electrical outlets were not grounded; light switch plates missing or damaged; and an electrical panel box had missing breakers. The following pictures are examples of the electrical deficiencies.

The electrical light switch was pulled out of the wall in the Public Housing unit located at 21057Bethlawn.



The cover for the electrical panel was falling off in the Public Housing unit located at 20821 Westview.



Exterior Doors and Windows

Ninety-eight exterior door and window deficiencies were identified in 23 of the 32 Housing Commission's Public Housing units inspected. The deficiencies included such items as: exterior window sills bent and damaged due to no wood backing; storm doors and window screens were torn; and missing or broken storm

doors. The following pictures are examples of exterior door and window deficiencies.

The storm door missing for the Public Housing unit located at 10139 Pasadena.



Torn window screen for the Public Housing unit located at 21383 Wyoming.



Maintenance Operations Neglected

The poor physical condition of the Housing Commission's housing units was the result of long-term neglect of its maintenance operations. The Housing Commission's maintenance operations were not adequate to handle maintenance requests, and prepare vacant units timely and completely. The Commission's management also did not maintain its computer tracking system for maintenance requests and materials used effectively.

The former Executive Director of the Housing Commission recognized the need to increase the competence and size of the Commission's maintenance staff. However, the Commission's Board of Commissioners did not give its former Director the authority to hire or fire maintenance staff without the Board's consent. The Board was not willing to hire sufficient and competent maintenance staff to maintain the housing units. Requiring prior Board approval caused delays in obtaining the necessary manpower to address maintenance requests, preventative maintenance issues, and preparing vacant units timely and properly. The Board hindered the former Executive Director's efforts to perform his job successfully while clearly violating its role as described in HUD's Program Integrity Bulletin, Public Housing Agency Commissioners, published in November 1990. The Board is responsible for appointing the Executive Director, establishing policies and procedures, approving operating budgets and major procurements, monitoring financial and operational performance, and overseeing the Executive Director regarding compliance with Board policies and HUD, State, and local requirements. The Executive Director is responsible for supervising the Housing Commission employees' handling of the daily operations of the Commission covering maintenance, admissions and continued occupancy, rent collection, and cash management.

Vacant Units Were Not Prepared For Rental Timely

Unit Turnaround Time Exceeded HUD's Recommended Time

The Housing Commission's annual average unit turnaround time on vacant units for fiscal year 2004 was 91 days, or three months. HUD's recommended average unit turnaround time for a standard performing public housing authority is no more than one month. The Housing Commission's performance of 91 days per vacant unit was not satisfactory according to HUD standards. Furthermore, the Housing Commission lost an estimated \$11,210 in potential rental receipts due to the excessive amount of time that units were allowed to remain vacant. These

rent proceeds could have been used to offset the costs of hiring another maintenance employee.

Based upon our inspection of the Commission's housing units, the poor physical condition of the housing units and the lack of maintenance staff contributed to the high vacant unit turnaround time. Additionally, the Housing Commission failed to perform annual unit inspections and complete annual unit inspection reports. The annual unit inspections and reports could assist the Housing Commission in making timely repairs before tenants move out.

We randomly selected a sample of 20 of the Housing Commission's 116 tenant files. As of April 7, 2004, no annual inspection reports for 2004 were performed for the 20 tenants sampled. For 2003, nine of the 20 tenants' files lacked an annual unit inspection report and six tenants had a partial annual unit inspection report. We could not determine if a 2003 annual unit inspection was performed for five tenants because the partial inspection report was not dated or signed by the employee who performed the inspection.

According to the former Executive Director, the annual unit inspections for 2003 were not performed timely. Usually, the annual unit inspections are performed after all of the tenant re-examinations are completed. Normally, the re-examinations are completed by March or April of each year. However, the recertification process for 2003 was not completed timely. For 2004, the annual unit inspections were just started and only three annual unit inspections were completed by April 7, 2004.

The excessive unit turnaround time occurred because the Housing Commission's Board of Commissioners and its former Executive Director did not give priority to performing annual unit inspections and preparing vacant units for re-occupancy. They did not work together to bring new maintenance staff or contractors on board timely, such as hiring new maintenance staff within 30 days after a position became vacant or hiring contractors to complete work on the vacant units within 30 days after a unit became vacant.

Housing Commission Units Did Not Meet Federal Handicap Accessibility Requirements

No Housing Commission Units Met Federal Handicap Accessibility Requirements

HUD's Construction Analyst determined that none of the Housing Commission's housing units fully met the Federal handicapped accessibility requirements established under the Architectural Barriers Act. The Construction Analyst inspected the Housing Commission's two units designated for the physically

handicapped. He determined that neither unit fully met the Uniform Federal Accessibility Standards. The units lacked the following handicapped accessible features: ramps for the front and rear entrance with curbs at the sides and handrails; exterior and interior door openings with the required width clearance; kitchen cabinets, counters, and plumbing fixtures installed at the proper height; bath room grab bars; and electrical outlets installed at the required height.

The Uniform Federal Accessibility Standards require that the minimum number of handicapped accessible housing units be five percent of the total number of housing units. Therefore, the Housing Commission should have a minimum of seven handicapped accessible units available. HUD's Construction Analyst estimated it would cost approximately \$192,500 for the Housing Commission to convert seven units to meet the Uniform Federal Accessibility Standards.

Because of the Housing Commission's failure to comply with Federal requirements, physically handicapped applicants were deprived of accessible low-rent housing. The former Executive Director was not aware of the Federal requirements for handicapped accessible units until our audit. He said HUD's Detroit Field Office and Real Estate Assessment Center representatives never cited the Housing Commission for noncompliance.

Conclusion

Because of the problems previously mentioned, the Housing Commission's tenants were subjected to conditions hazardous to their health and safety. Furthermore, the Housing Commission did not efficiently and effectively use \$367,516 of HUD provided operating subsidy for fiscal year 2004. Consequently, we have questioned the HUD operating subsidy funds as ineligible costs.

Full implementation of our recommendations and efficient and effective use of its fiscal year 2005 HUD operating subsidy of \$416,163, the Housing Commission should be able to comply with HUD's Physical Condition Standards and better occupy its public housing units. Better occupancy of its public housing units will ensure that \$11,210 or more in tenant rental payments are received. These actions will put future HUD and Housing Commission operating funds to better use.

Recommendations

We recommend that HUD's Director of Public Housing Hub, Detroit Field Office, assure the Royal Oak Township Housing Commission:

- 1A. Reimburse its Public Housing Program \$367,516 from non-Federal funds for the improper use of HUD operating subsidy funds cited in this finding.
- 1B. Perform the necessary repairs to correct all deficiencies identified in the 32 Public Housing units inspected.
- 1C. Conduct complete maintenance inspections on all other Public Housing units not inspected during this audit to identify deficiencies and perform the necessary repairs.
- 1D. Implement procedures and controls to ensure that annual inspections of its Public Housing units are conducted as required by HUD's regulations. These procedures and controls should help to ensure that the Commission properly uses \$416,163 in HUD operating subsidy for fiscal year 2005.
- 1E. Conduct annual inspections of its Public Housing units as required by HUD's requirements and corrects all housing deficiencies identified during these inspections as soon as practicable.
- 1F. Complete the Uniform Federal Accessibility Standards worksheet for both developments to identify specific areas of noncompliance and prepare a plan to comply with Uniform Federal Accessibility Standards.
- 1G. Implement procedures and controls to ensure vacated units are turned around in a timely manner to meet HUD's recommended procedures. The procedures and controls should help ensure that the Commission receives an estimated \$11,210 more annually in tenant rental payments.

Finding 2: Board of Commissioners Interfered with the Day-To-Day Operations of the Housing Commission

The Housing Commission's Board of Commissioners interfered with the day-to-day management decisions of its former Executive Director. Specifically, the Board:

- Permitted tenants with a criminal record to reside in Public Housing and permitted applicants with criminal records to be admitted to Public Housing in violation of HUD's One Strike and You Are Out Policy,
- Paid \$3,340 for travel expenses of the Board attorney to attend conferences in violation of HUD's instructions to the Board,
- Approved to pay \$7,999 for a new project sign changing the name of the Pasadena site project that was not in the budget and did not have prior HUD approval,
- Hindered efforts to hire needed maintenance and administrative staff, and
- Prevented Housing Commission staff from obtaining required training.

The Board's actions resulted in the inappropriate use of \$45,220 in operating subsidy provided to house tenants in violation of HUD's One Strike Policy, ineligible use of \$3,340 for travel expenses, and possible misuse of \$7,999 for a new project sign. As a result of the Board's interference: deserving worthy applicants were deprived of low-rent housing in favor of existing tenants with felony criminal records; less funds were available for needed maintenance and repairs; and new employees were not hired timely which prevented the Housing Commission from maintaining its housing units and servicing its tenants' needs properly.

HUD's One Strike and You Are Out Policy Was Not Enforced.

The Commission Housed Tenants in Violation of HUD's One Strike Policy

To determine whether the Housing Commission was enforcing HUD's One Strike and You Are Out Policy, we used the Michigan State Police's Criminal Information Center to identify Public Housing tenants with histories of criminal conviction as of May 2004. As of March 31, 2004, 12 tenants resided in Public Housing units in violation of HUD's One Strike Policy. Six tenants had criminal convictions when they applied for admission to the Housing Commission's Public Housing Program. The other six residents committed crimes after they were admitted to the Program. HUD's One Strike Policy does not require the Housing Commission to perform an annual criminal history screening of tenants for recertification purposes. As a result, tenants residing in Public Housing may have a criminal conviction that the Housing Commission would not be aware of.

According to the Housing Opportunity Program Extension Act that implemented HUD's One Strike Policy, housing authorities must screen and deny occupancy to applicants who have a criminal record and who were evicted from public housing in the last three years because of drug-related criminal activity, unless the applicants completed a rehabilitation program. Housing authorities must also develop standards that deny occupancy to persons illegally using controlled substances and to persons, based on illegal use of controlled substances, who may interfere with the health, safety, or right to peaceful enjoyment of the premises by other tenants.

In most cases, the Housing Commission's former Executive Director knew or suspected that tenants had a criminal record but claimed lack of support by its Board of Commissioners for not enforcing HUD's One Strike Policy. The Housing Commission was notified by a memorandum from the Oakland County Sheriff that a resident had a criminal record in March 2001. However, the tenant was not evicted because the Board would not support the Director's efforts to comply with HUD's Policy. The Director said troubled tenants had to be evicted for other lease violations, such as nonpayment of rent. The following chart shows the tenant reference number, operating subsidy provided to the tenant, when the tenant moved in, the criminal incident date, and the type of criminal activity identified in the State Police's Criminal History Database.

Tenant Reference Number	Operating Subsidy Provided	Move In Date	Incident Date	Description Of Criminal Activity That Violates HUD's One Strike Policy
Applicants				
1.	\$2,391	June 1, 2003	September 15, 2002	Felony assault with dangerous weapon. Misdemeanor domestic violence.
2.	\$8,270	June 1, 2001	April 28, 2000	Felony dangerous drugs. Delivery/Manufacture Marijuana.
3.	\$9,019	February 12, 2001	April 24, 1999 June 5, 2000	Felony dangerous drugs. Possession (narc/cocaine) less than 25 grams.
4.	\$ 94	March 19, 2004	June 8, 1997	Felony Stalking Aggravated.
5.	\$11,892	August 27, 1999	August 25, 1997	Felony-Retail Fraud First Degree.
6.	\$4,707	August 21, 2002	March 3, 2001	Felony assault with a dangerous weapon.
Residents				
7.		May 1, 1998	April 3, 1999	Felony Larceny. Larceny from the Person.
			June 7, 1999	Felony robbery. Assault with a dangerous weapon and unarmed robbery.
8.		March 1, 2001	July 21, 2001	Ordinance Traffic offense. Ordinance violation operating impaired.
9.		July 10, 1998	May 2, 2000	Misdemeanor controlled substance possession of marijuana.
*10.	\$8,845	May 13, 1996	September 6, 2000	Felony Fraud over \$500.
11.		June 12, 1998	January 19, 2003	Felony weapons offense. Carrying a concealed weapon.
			July 7, 2003	Felony forgery. Counterfeiting.
12.		May 29, 1992	April 4, 2001	Felony Larceny. Larceny from the person.
Total	\$45,220			
* - Housing Commission was notified that resident had a criminal record in March 2001 by a memo from the Oakland County Sheriff.				

We calculated that through March 2004 the Housing Commission inappropriately provided \$45,220 in operating subsidy provided for the housing units occupied by the above six tenants who were admitted with a criminal record and the one tenant who was not evicted after notification by the County Sheriff. We determined the number of days the tenant occupied the units times a daily HUD operating subsidy rate for each fiscal year in order to calculate the operating subsidy.

Board Violated HUD's One Strike Policy by Overruling the Former Executive Director

According to the former Executive Director, the Housing Commission's Board would not approve a tenant eviction based on HUD's One Strike Policy because some Board members disagreed with the Policy. Even though the One Strike Policy was specified in the Housing Commission's Lease and its Admissions and Continued Occupancy Policy, the tenants must violate other lease provisions, such as nonpayment of rent or unit damages caused by the family members, before the Commission's Board would approve a tenant for eviction. By overruling the former Executive Director's decisions to not admit applicants or evict residents with a criminal record, the Board deprived more worthy applicants from living in its housing units. As a result, deserving needy applicants with no criminal record were forced to stay on the Housing Commission's waiting list and continue to pay higher housing costs and/or live in substandard housing conditions.

Housing Commission Inappropriately Used \$3,340 Of Its Funds For Ineligible Travel Expenses

Board Ignored Prior HUD Notification on Ineligibility of Expenses

In January 2003 and March 2003, HUD's Detroit Field Office notified the Housing Commission that the justification for the Board of Commissioner's Attorney to attend the National Association of Housing and Redevelopment Officials Conference was not acceptable. HUD advised the Housing Commission that the conference and travel costs for the attorney were ineligible expenses. HUD also stated that if any Housing Commission funds were spent on the Conference for the attorney, the attorney must reimburse the Housing Commission and must submit proof of repayment. The Board ignored HUD's specific instructions and used Public Housing funds to pay its attorney to attend the conference in March 2003. The Board again used Public Housing funds to pay for its attorney's attendance to the March 2004 National Association of Housing and Redevelopment Officials Conference. The Housing Commission inappropriately used \$1,580 of its funds for the attorney's airfare and hotel costs to attend the 2003 Conference. Furthermore, the Housing Commission used another \$1,760 of its funds for the attorney's registration fee, airfare, and hotel cost for attending the 2004 Conference.

Section 401 of the Annual Contributions Contract states in part that the Authority may withdraw monies from its Public Housing General Fund only for the

payment of development costs and operating expenditures and for purposes specifically approved by HUD.

The former Executive Director said the Board of Commissioners disregarded HUD's instructions to not pay for its attorney's travel expenses to attend the conferences because the Board disagreed with HUD's ruling that the expenses were ineligible. As a result, the Housing Commission had fewer funds available for the benefit of its low-income residents.

Housing Commission's Board of Commissioners Approves Spending \$7,999 without HUD Approval

**New Permanent Project Sign
Costing \$7,999 not Approved by
HUD**

In May 2004, the Housing Commission obtained a quote of \$7,999 for installation of a new permanent sign renaming the Pasadena site project as the W.C. Chambliss Terraces and Townhouses in honor of its Board President. The Housing Commission agreed to pay for the sign after a ceremony took place on July 9, 2004 renaming the project. As of November 17, 2004, the Housing Commission had not paid the contractor who erected the sign. We reviewed the Housing Commission's fiscal year 2005 Budget starting April 1, 2004 and no funds were budgeted for the new project sign. HUD approval for the current year's operating budget was required due to HUD declaring the Housing Commission as troubled in August 2003.

The Housing Commission is required to follow 24 CFR Part 85 that incorporates Office of Management and Budget Circular A-87, Cost Principles for State and Local Government. The Circular requires that all costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards. Additionally, HUD Handbook 7460.7, "Field Office Monitoring of Public Housing Agencies," Chapter 10, and HUD Notice 94-66 require that housing authorities designated as troubled must submit their operating budget to HUD for review and approval.

The former Executive Director said when he began his employment at the Housing Commission in September 2002 the Board previously approved changing the name of the public housing units at Pasadena to the W.C. Chambliss Terraces and Town Houses. W.C. Chambliss was the President of the Board who initiated the project name change ceremony and reception held on July 9, 2004. The Director stated that he was not provided with the Board meeting minutes or any details, such as a detailed budget. In addition, he could not provide the specific Board meeting minutes that approved the name change for the Pasadena project site.

The expenditure of these funds is another example of the Board's misuse of the Housing Commission's funds. It is also an indication of the underlying problems for the Housing Commission's designation as troubled. The use of the \$7,999 of the Housing Commission's funds for a new project sign will result in the Housing Commission having fewer funds to benefit its low-income tenants. In addition, HUD lacks assurance that the Housing Commission paid only reasonable and necessary operating costs.

Housing Commission's Board Has Interfered With Needed Staff Hiring and Disciplinary Action

Needed Employees not Hired

The Housing Commission needs more maintenance staff with better maintenance skills. This conclusion was repeated in various reports from HUD's Detroit Field and Real Estate Assessment Center, and the Housing Commission's own risk loss insurance program managers. Even though the Operating Budget for fiscal year 2004 provided for two full-time positions and a part-time position for the maintenance department, the former Executive Director still needed the Board to approve the new maintenance worker. The former Director had to wait from November 2003 to May 2004 to replace a full time maintenance worker. In June 2004, the former Executive Director requested the Board approve hiring another full time maintenance worker to handle maintenance requests and other maintenance tasks, but the Board refused. Contrary to the previously mentioned reports, the Board also refused to increase the number of maintenance positions and the amount of training in the fiscal year 2005 Operating Budget.

A maintenance person employed by the Housing Commission for many years lacked basic maintenance skills and was sent to a maintenance class. The employee stopped going to the class after the first week and never completed the class. However, the Director could not take disciplinary action because the Board did not support his efforts.

The former Executive Director said the Housing Commission's excessive housing unit vacancies occurred because the former Residential Occupancy Specialist resigned in August 2003 and the position was left vacant for over six months until February 2004 when the Board finally approved hiring a new employee.

The current Receptionist/Account Clerk was hired as a temporary employee without any fringe benefits in October 2003 to help the Director handle necessary administrative office tasks. However, the Board refused to allow the former Executive Director to advertise and hire a permanent Receptionist/Account Clerk until May 2004. The former employee who left in August 2003 was a full-time permanent position in the Housing Commission's approved Operating Budget and

adequate funds were available to fill the position immediately. No satisfactory reason was found for the delay in hiring a full-time permanent Receptionist/Account Clerk.

Conclusion

The Housing Commission's Board of Commissioners failed to support the former Executive Director's day-to-day operations of the Housing Commission. The Board refused to implement, enforce, and follow HUD's requirements.

Because of the Board's interference and misuse of Housing Commission funds, fewer funds and staff were available to properly operate its Public Housing Program.

Recommendations

We recommend that HUD's Director of Public Housing Hub, Detroit Field Office, assure the Royal Oak Township Housing Commission:

- 2A. Reimburse its Public Housing Program \$45,220 from non-Federal funds for the operating subsidy that was not used in accordance with HUD's One Strike Policy.
- 2B. Implement adequate procedures and controls to ensure that it follows HUD's One Strike and You Are Out Policy.
- 2C. Reimburse its Public Housing Program \$3,340 from non-Federal funds for the ineligible travel costs.
- 2D. Does not use \$7,999 in Public Housing funds to pay for the new project sign.

We also recommend that HUD's Director of Departmental Enforcement Center:

- 2E. Take the strongest administrative action against the Housing Commission's Board of Commissioners for failing to administer the Commission according to Federal and its own requirements.

SCOPE AND METHODOLOGY

To achieve our audit objectives, we reviewed:

- Applicable laws, regulations, and HUD Program requirements at 24 CFR Parts 5, 901, 902, 960, and 966, and HUD Handbooks 7460.7 and 7465.1,
- Uniform Federal Accessibility Standards,
- Housing Commission accounting records, audited annual financial statements, general ledgers, bank statements and cancelled checks, tenant files, policies and procedures, Board meeting minutes, organizational chart, and its Consolidated Annual Contributions Contract, and
- HUD's files for the Housing Commission.

We also interviewed the Housing Commission's employees, HUD's staff, and one of the complainants.

We performed our site work between March and August 2004 at the Housing Commission's office located at 8900 Cloverdale, Ferndale, Michigan. The audit covered the period January 1, 2003 through March 31, 2004, but was expanded when necessary to include other periods.

We performed our review in accordance with Generally Accepted Government Auditing Standards.

INTERNAL CONTROLS

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

- Effectiveness and efficiency of operations;
- Reliability of financial reporting; and
- Compliance with applicable laws and regulations

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

Relevant Internal Controls

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

- Program operations meet program objectives,
- Resource use is consistent with laws and regulations, and
- Resources are safeguarded against waste, loss, and misuse.

We assessed all of the relevant controls identified above, to the extent that they impacted our audit objectives.

Significant Weaknesses

It is a significant weakness if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet an organization's objectives.

Based on our review, we believe the following conditions at the Housing Commission are significant weaknesses:

- Program Operations

The Housing Commission did not: (1) ensure that its housing units met HUD's Uniform Physical Condition Standards and Uniform Federal Accessibility Standards; (2) perform annual unit inspections; (3) prepare vacant units for re-

occupancy timely; and (4) follow HUD's policy regarding the admission and eviction of public housing tenants (see Findings 1 and 2).

- Compliance with Laws and Regulations

The Housing Commission did not follow HUD and Federal regulations and Office of Management and Budget Circular A-87 regarding: annual inspections of its Public Housing units; Uniform Physical Condition Standards; HUD's One Strike and Your Are Out Policy; and safeguarding of assets (see Findings 1 and 2).

- Safeguarding Resources

The Housing Commission could not support: \$367,516 in fiscal year 2004 HUD operating subsidy funds used for Public Housing units that did not meet HUD's Uniform Physical Condition Standards; \$45,220 in HUD operating subsidy funds for Public Housing units occupied by tenants in violation of HUD's One Strike And You Are Out Policy; \$3,340 for ineligible travel expenses; and \$7,999 for a new project sign without prior Board of Commissioners and HUD approval (See Findings 1 and 2).

APPENDICES

Appendix A

SCHEDULE OF QUESTIONED COSTS AND FUNDS PUT TO BETTER USE

Recommendation Number	Ineligible 1/	Funds Put to Better Use 2/
1A	\$367,516	
1D		\$416,163
1G		11,210
2A	\$45,220	
2C	3,340	
2D		7,999
Totals	<u>\$416,076</u>	<u>\$435,372</u>

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law, contract or Federal, State or local polices or regulations.
- 2/ Funds Put to Better Use are quantifiable savings that are anticipated to occur if an OIG recommendation is implemented resulting in reduced expenditures in subsequent period for the activities in question. Specifically, this includes costs not incurred, de-obligation of funds, withdrawal of interest, reductions in outlays, avoidance of unnecessary expenditures, loans and guarantees not made, and other savings.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

<p>ROYAL OAK TOWNSHIP HOUSING COMMISSION <i>BOARD OF COMMISSIONERS</i> 8900 Cloverdale Ferndale, MI 48220 (248) 398-8101</p>	<p>HUD - OIG OFFICE OF AUDIT CHICAGO, ILLINOIS 2004 NOV -4 AM 11: 32 RECEIVED</p>
<p>October 30, 2004</p>	
<p>US Department of Housing and Urban Development Office of Inspector General for Audit, Region V Ralph H. Metcalfe Federal Building Attn: Thomas Towers, Acting Regional Inspector for Audit 77 West Jackson, Boulevard, Ste. 2646 Chicago, Illinois 60604-3507</p>	
<p>Re: Royal Oak Township Housing Commission</p>	
<p>Dear Mr. Towers:</p>	
<p>Please find enclosed the commission response to your proposed findings of our Commission. I ask that you review these comments prior to our meeting.</p>	
<p>Thank you for your cooperation in this matter.</p>	
<p>Sincerely,</p>	
<p>WC Chambliss, President</p>	
<p>Enclosure</p>	
<p>cc: Honorable Board of Commissioners</p>	
<p>gwm:WCC</p>	

Appendix B

Ref to OIG Evaluation

Auditee Comments

CHARTER TOWNSHIP OF ROYAL OAK
HOUSING COMMISSION
8900 Cloverdale
Ferndale, MI 48220
(248) 398-8101

US Department of Housing and Urban Development
Office of Inspector General for Audit, Region V
Ralph H. Metcalfe Federal Building
77 West Jackson, Boulevard, Ste. 2646
Chicago, Illinois 60604-3507

Re: ROTHC Findings
Attn: Thomas Towers, Acting Regional Inspector for Audit, Region V

PROPOSED DRAFT
LETTER IN RESPONSE TO HUD FINDINGS

GENERAL INTRODUCTION:

The Honorable Board of Housing Commissioners are appointed by the Township Supervisor of the Charter Township of Royal Oak. The Commissioners serve in an advisory role over the Housing Commission and its property and set its policy. This is consistent with the ACC that has been entered into by the Township and HUD. The Commissions' policies have been drafted and prepared consistent with the ACC and with the CFRs as they relate to HUD. The Commission is an independent body from the Charter Township of Royal Oak government and oversees the Public Housing of the community with oversight by HUD's local office.

The Housing Commission has been directed by an interim temporary executive director since September of 2002. This was caused by the resignation of Ms. Nicole Stone. Mr. Fred Simpson, was hired on a temporary basis so that the commission could function and because of Mr. Simpson's background in the maintenance of rental units. Currently, the Housing Commission has advertised for a permanent director. Mr. Simpson did not apply.

The Housing Commission continues to act as a policy making body, but is concerned as is the HUD local office about the day to day affairs and the findings of HUD's representatives. This is a small community and even though the commissioners are not involved in the day to day affairs, these commissioners live in the area and see how the commission functions just as any other citizen. At times they are drawn into activities pursuant to the by-laws of the commission. Any involvement they may have is consistent with the by-laws as previously approved by HUD and in accordance with the CFRs.

The commission provides this response as its "review and comment" for this audit report.

Appendix B

Ref to OIG Evaluation

Auditee Comments

Finding One:

Maintenance Operations are Inadequate

Summary of findings:

It is reported that problems exist in the maintenance department. The work performed and the quality of tasks completed are inadequate. The HUD office has noted that it is the Commission's failure to allow the interim executive director (ED) to hire and fire employees that caused these problems and/or inadequacies.

Commission response:

The Commissioners do not get involved in the day-to-day affairs of the housing commission. The Commissioners in their development of policy has adopted a graduated disciplinary procedure that has been approved by HUD. (Exhibit One) This policy has to be followed by the ED as well as the Commissioners. If an employee has completed his probationary period, he qualifies as an employee who must be dismissed for cause only. This procedure is a step by step process. In order to hire and fire employees in a speedier way, the policy would have to be modified to make all employees "at will". All employees other than the executive director will be hired by the ED subject to Board Approval and any dismissals will follow the established policy. The ED is the only at-will employee.

The Executive Director will be directed to continue to follow the policy of discipline that has been established and to hire those employees so **BUDGETED** subject only to confirmation by the Board of Commissioners. To date, one maintenance employee has been dismissed. The policy was followed two-fold as the employee was a veteran who was subject to the veteran's preference act. At the conclusion of his hearing, the director's recommendation of dismissal was honored. It is unfair to place blame on any individual or the Board, delays in following policy and the law is appropriate.

As to other requested help, the ED will no longer be allowed to use non-contract or non-licensed workers. Workers and/or contractors will be hired pursuant to qualifications and will be hired per tasks with deadlines and penalties. They likewise will be licensed contractors who provide insurance for indemnification purposes. The Board will implement this policy directly and request that an additional person be hired pursuant to the budget to meet the demands of the tenants and HUD's local office. Co-op students will also be used to assist as needed.

No fault under this finding should be attributed to the Board of Commissioners. They do not perform the work of the maintenance staff nor do they inhibit the workers or the ED from doing what is needed. They play no role in the completion of work orders. Furthermore, when the "maintenance worker" was going through the hearing/dismissal process, it is possible that the position of maintenance worker should have been advertised. There should be a bank of applicants that can be selected at any given time consistent with the Commission's procurement policy. The Board's approval of those selected is maintained only so that it is apprised of those in

Comment 1

Comment 2

Comment 3

Appendix B

Ref to OIG Evaluation

Auditee Comments

Comment 4

the employ of the commission. Liability is an issue as the current insurance coverage does not cover all litigation expenses and the Board is charged with maintaining the quality of its commission as well as safeguarding the funds of operation. However, it can not be a foregone conclusion that this dismissed worker was going to be dismissed prior to the completion of the hearing process. The budget should allow for an additional worker to be hired. The budget was prepared by the ED and not the Board. The Board approved what was presented to them by the ED.

Lastly, the turn around of units for occupancy has been cited under this finding. The Board, back in July of this year, requested that the ED bring these housing units to "occupancy ready status" within thirty days. (Exhibit Two) Instead, blame has been redirected to the Housing Commission Board. The Board should not be the scapegoat here. It is true that the prior occupancy specialist resigned. How is it the Board's fault that the selection took a certain amount of time? The advertisement had to be done. This did not have to wait until a board meeting. The selection process took little time as the top three candidates as determined by the ED were presented to the Board. The ED's choice was selected. In any event, the Board will modify this policy to allow for all hires to be selected by the ED, of course, except for the ED position. The Board did not refuse to hire a receptionist / account clerk. This allegation is unfounded. All positions must be advertised. This is the Commission's procurement policy which HUD approved. The findings presented in this report fail to reflect the comments from the Board. The Board did not interfere with the hiring practices of the Commission. One must remember, that the current ED is an interim temporary employee. He was not familiar with the procurement policy or the by-laws. Whatever reasons that were presented to the local HUD official, do not reflect the current state of affairs.

Comment 5

Again, the Board is not involved in these day-to-day affairs. They only want the ED to follow the policy that is currently established. Several contractors retained by the ED are not licensed nor are they insured. They are just some people who have been given an opportunity to do a job, when licensed contractors could have been hired, contracts issued and the work completed within deadlines. The Board has not been presented with any contractors upon which it denied their use! There was never an agenda item to inform the Board of the advertisement of contractors. When the ED first started, he had two full time employees and the use of individual non-licensed contractors. An assessment had to be made before any others were brought in. The Board did not thwart the ED in bringing these units to completion.

It is clear that this local HUD official has only viewed one side of the circumstances involved with the ROTHC. The Commission speaks through its policy and through its actions at Board meetings, not during general conversation. All the errors and misnomers stated in finding one can only be attributed to a Board who is present in the Commission office on a daily basis. This is not the case. All but one of the members of the Commission are full time employees at other entities. Likewise, you can not discipline an employee without following the guidelines and then blame there actions on the Board, when all one has to do is write the person up for violating the personnel policies. The Board has required that the ED prepare these units for occupancy and do whatever he had to do to complete this task. This rest solely on the person or persons who are responsible for the day-to-day operations of the Commission, its ED.

Appendix B

Ref to OIG Evaluation

Auditee Comments

Comment 6

As to "Finding One" the recommendations presented are consistent with Board policy.

1. Hire sufficient and competent staff. *The Commission will direct the ED to do this even though he is already charged with this duty.*

2. Select a temporary help maintenance agency. *The Commission has already approved this measure and awaits its completion by the ED.*

3. Implement procedures and controls to monitor routine work orders. *This task rest solely with the ED as the Board is not involved in the day-to-day activities of the commission only with Commission policy.*

4. Provide on-going training for maintenance personnel. *The Commission has already approved this policy. They want to require the employees to provide the best work, but they want them to be trained to insure that a quality work product is the final outcome.*

5. Utilize the Housing Commission computer system for tracking. *This rest solely with the ED. This is a part of the day-to-day affairs of the ED. No commissioner has access to the computer.*

6. Maintain original work orders. *This is the sole responsibility of the ED. The Commission has suggested that the ED consider hiring part-time staff to compliment his or her duty here. Co-op students in the neighboring schools can assist the Commission staff at minimal costs. (To date another employee has been hired full time and a second employee hired part-time to full time if funds are available - both have experience and licenses in required maintenance areas)*

7. Arrange for the maintenance department to prepare vacant units for occupancy within thirty days. *This is the policy of the Board. Unlicensed independent contractors are not the way to go when units must meet certain standards for the safety and well being of the residents. Licensed contractors with deadlines for completion are to be secured.*

8. The ED will identify housing units for handicap compliance - consistent with the Federal Architectural Barriers Act.

Appendix B

Ref to OIG Evaluation

Auditee Comments

Comment 7

Finding Two:

Board of Commissioners interfered with day-to-day operations

Summary of findings:

The local HUD representative has indicated that the Housing Commission's attorney attended a NAHRO conference on two occasions at the request of the Commission. It was felt that the attorneys attendance at these conferences were unnecessary and against the wishes of the local HUD office. Furthermore, evictions were not taking place because of the Board and the advise of its counsel. Lastly, signage and a ceremony naming a housing unit was unauthorized.

Commission response:

The ACC and the annual budget approval process allow the Commission to operate its housing units in accordance with its annual contribution contract and within the budget. The attendance of the Housing Commission's Attorney was budgeted as well as the signage and renaming of a housing cite.

The Housing Commission prepares its annual budget and allots a certain amount for travel and miscellaneous expenditures. In this regard, the Housing Commission voted to allow the attendance of its counsel at the Annual NAHRO conference. At both sessions counsel only attended the conference for two days. In both instances these limited appearances were for activities germane to the local commission. The last of which was a review of HUD's procurement policies. These policies have been questioned and a review was necessary. These professionals, some lawyers and some past administrators presented materials and factual data to supplement the text for this seminar. At the conclusion of this session, counsel for the commission left the conference and returned to Michigan. The information from the conference was relayed to the Commission. Costs was kept to a minimum. This attendance is in conformance with 48 CFR 31.205 and its subparts.

Presently, the Commission attorney has joined the Housing and Development Legal Institute as a member. The was done at no expense to the Commission. Seminars and conferences sponsored by this lawyers only organization will be attended in the stead of NAHRO.

Comment 8

Secondly, legal counsel is well familiar with evictions and its process in Michigan. In no way can it be determined that wrong or "bad" advise was given to the Board regarding the "One Strike Policy". The one strike policy or now renamed the "screening and eviction for drug abuse or criminal activity" allows the Board of Commissioners an opportunity to give a tenant a chance to continue their residency in the location if certain standards are met. In certain instances as documented by your local representative, the tenants were long term residents and agreed to a probationary terms of housing as long as the offending party was no longer allowed on the premises and that the improper conduct would not be repeated. This is consistent with

Appendix B

Ref to OIG Evaluation

Auditee Comments

Comment 9

CFR 966.4 (4). An agreement was signed by the parties. Furthermore, the grievance procedure allows the tenant to request a hearing. At this juncture, the commission is the grievance panel. Otherwise, Counsel has no problem with the eviction requests of the ED. Tenants who fail to comply by the provisions of the lease can be a detriment to the Housing Project. The Commission here responds by indicating that it only acts as within the CFR's for eviction. The evictions are conducted with the laws of the State of Michigan and CFR 966.4 (1). The Commission follows the policy of precluding admission of applicants and tenants whose habits and practices reasonably may be expected to have a detrimental effect on the residents or project environment". 960.202 (a)(2)(iii). The ED can always present information to our counsel for the preparation of notice to quit. Non payment of rent as well as defacing or destroying housing property are also areas that substantiate evictions. They only need be presented. The Commission's involvement should be kept at a minimum and only consistent with policy.

The grievance policy adopted for applicants, consistent with 960.203((d) allows for consideration to the time, nature and extent of the applicants conduct-including the seriousness of the offense. This was not interference with the day-to-day activities but a Commission acting with its established policy.

Comment 10

Lastly, the signage at the formerly known Pasadena Housing Site was budgeted. The ED has indicated that this item was part of the budget and that funds were available. This action was voted on by the Commission some several months prior. The ceremony was at a limited expense and the renaming has been deemed to be a positive influence at the site both aesthetically and within the minds of the tenants to no longer be living in the "projects" or "Public Housing".

As to "Finding Two" the recommendations presented are consistent with Board policy.

Comment 11

1. Enforce HUD's One Strike Policy. *The commission will direct the ED to follow this policy consistent with HUD regulations and within the grievance procedure allowed in the lease.*

2. Commission not interfere with decisions made by the ED. *This is respected up to the policy allowed in the lease and application process. There is a "request for hearing" procedure consistent with the grievance procedure in the HUD regulations.*

Comment 12

3. Reimburse public housing for expenditures. *The commission believes that these expenditures were appropriate and allowable as within its budget approved by the local office.*

Appendix B

Ref to OIG Evaluation

Auditee Comments

Comment 13

Finding Three:

Summary of findings :

The local auditor has determined that certain housing sites do not meet standards as required by HUD. Certain housing sites do not meet the handicapped requirements and the lack of proper repairs in other sites has caused a violation of the physical condition standards. Part of the cause has been attributed to the maintenance at the commission.

Commission response:

The maintenance issue has been addressed in finding one. The ED will be allowed to hire his own staff and use independent contractors.

The ED will likewise be instructed to select the required housing sites and initiate the process to make these units handicap accessible.

As to "Finding Three" the recommendations presented are consistent with the Board Policy.

1. Perform necessary repairs to correct deficiencies. *This process has been initiated by the ED and will continue with the hire of a permanent ED.*
2. Conduct complete maintenance inspections. *This process has been initiated but the need for employees will be addressed to assist the ED. The ED shall hire the allowable staff and independent contractors.*
3. Set aside operating reserve funds and future operating funds of cover repairs. *The policy of the Board will be to allow the ED to so budget these funds.*
4. Hire sufficient and competent maintenance staff. *This Commission shall allow its ED to hire sufficient staff as within the budget and use independent contractors to supplement his or her staff as necessary.*
5. Comply with the Uniform Federal Accessible Standards. *The Commission shall abide by this recommendation and finding.*
6. Allow the ED the autonomy to run the day-to-day operations. *This is allowable and will be the mandate when a permanent ED is hired. The day-to-day operations, consistent with the Commission policies and the operating budget, are solely within the realm of the ED and the responsibility associated with this requirement shall follow.*

Appendix B

Ref to OIG Evaluation

Auditee Comments

Comment 14

CONCLUSION:

The Commission in no way wants to assume the day-to-day responsibilities and tasks of its ED or the PHA. The current ED is temporary and assistance was needed not only from the local HUD office and but from the Commissioners who had the knowledge and experience of the policies of the ROTHC. This may have been interpreted as interference but this interpretation is misplaced. Once a permanent ED is selected, the presentation of policies consistent with those adopted by the Commission to the ED shall be the Commission's only involvement in the day-to-day affairs. The Commission's role is only to oversee the ED, updating its policies and approving project improvements as presented. The Commission agrees that hiring competent individuals will solve a lot of the problems regarding required audits and other maintenance concerns. Staffing problems resulted in the "troubled" status.

Appendix B

OIG Evaluation of Auditee Comments

- Comment 1** These comments by the Board of Commissioners support our earlier comments that the Board wants to continue to approve all new hires. Also, the Board's comments that the Director's recommendation of dismissal was honored is further evidence that the current Board wants to approve all employee dismissals.
- Comment 2** The Board's comments imply that the policy of hiring only licensed contractors is a new policy. The latest procurement policy on file was dated April 26, 1988. The Board's comments that the Board will implement this policy also implies that the Board plans to do more than oversee the Executive Director and the staff's performance in following this policy. These comments indicate that the Board plans to take an active role in the decision making process of hiring the contractors which is contrary to the role of the Board as cited by HUD in its Program Integrity Bulletin of November 1990.
- Comment 3** The Board's comments stated there should be a bank of applicants that can be selected at any given time consistent with the Commission's procurement policy. We have a copy of this policy but our interpretation of it differs. There is no mention about employee hiring in the Procurement Policy. In addition, the effort to advertise frequently and screen applicants on a regular basis for jobs at the Housing Commission is not an effective use of the Director's time and the Commission's public housing funds.
- Comment 4** The Board's statement indicates that the Board approves all new hiring when it decided that it would modify this policy to allow all new hires to be selected by the Executive Director. The policy modification is the practice expected by HUD and is discussed in its Program Integrity Bulletin for Public Housing Agency Board Commissioners issued in November 1990.

The Board failed to explain why there was a long delay in advertising the clerk/receptionist position as indicated in the draft finding. Since the Board had been approving all new hiring, the reason for the long delay was due to the Board's actions. If the Board wanted the position filled with a permanent new employee, it would have directed the former Executive Director at a board meeting to fill the position as soon as possible.

The Board also stated that its procurement policy requires that all positions be advertised. There is no mention about hiring employees in the Procurement Policy that was identified as Commission Resolution # 4288. If the Board is referring to its Personnel Policy instead, we found no requirement for the advertisement of employee positions.

Appendix B

OIG Evaluation of Auditee Comments

Comment 5 The use of unlicensed and uninsured contractors for some maintenance tasks was the practice of the former Executive Director with the Board's consent. The current Director did not change this practice unless he was unsatisfied with the quality of a contractor's workmanship.

The Board's concern about the qualifications of contractors should have been included in its procurement policy and used to evaluate the Director's performance in complying with Board policies. In addition, according to the procurement policy, all contracts over \$5,000 shall be approved by the Board. If the Board approves all contracts over \$5,000, then the Executive Director is not primarily responsible. The Board has primary responsibility.

Comment 6 Regarding our draft recommendations, the Board agreed with most of them. However, for some recommendations, the Board considered the corrective actions to be the sole responsibility of the Executive Director without any monitoring of the Director's performance at future Board meetings. The Board's comments are further evidence that the Board does not fully understand its role and oversight responsibilities.

Comment 7 The Board believes that the attendance of its counsel at the National Association of Housing and Redevelopment Officials (NAHRO) conference was justified in accordance with 48 CFR 31.205. The local HUD office reviewed the request for approval of attendance of its Board attorney at one of the National conferences and instructed the Board that the related travel expenses are ineligible and any expenses paid by the Board must be reimbursed. By ignoring HUD's instructions, the Board violated its Annual Contributions Contract with HUD. Violations of the Annual Contributions Contract are grounds for declaring a substantial default with remedial actions, including possible HUD takeover of the Housing Commission.

48 CFR 31.205 and its subparts pertain to Federal Acquisition Regulations' contract cost principles and procedures for the pricing of contracts and subcontracts. They do not apply to Public Housing Agencies. Royal Oak Township Housing Commission must follow HUD Regulations at 24 CFR Part 85 and its subparts. HUD Regulations at 24 CFR Part 85.22 specify that allowable costs will be determined in accordance with the cost principles applicable to the organization. For local governments, OMB Circular A-87 cost principles is used. OMB Circular A-87 states that costs must be reasonable and necessary for proper and efficient performance and administration of Federal awards.

Appendix B

OIG Evaluation of Auditee Comments

Comment 8 The Board claimed that HUD’s One Strike Policy was renamed “screening and eviction for drug use and criminal activity”. There was no specific regulations cited to support this position. We believe that the Board is referring to the section in its Admissions and Continued Occupancy Policy. HUD’s One Strike Policy does allow some discretion regarding documented proof of rehabilitation for drug use. The Board only cited continued occupancy arguments claiming consistency with 24 CFR Part 966.4 (4) in its response. The draft finding only cited one long term tenant with a criminal record after move-in and six applicants who were admitted with a criminal record prior to admission. The Board did not comment on why six applicants with a criminal record were still admitted into its housing units.

The reference 24 CFR Part 966.4 (4) is HUD requirements for lease provisions when charges are due. The lease grievance regulations are found at 24 CFR Part 966.52.

Comment 9 The Board commented that it was the grievance panel. According to HUD regulations at 24 CFR Part 966, the grievance panel must be a impartial person or panel appointed by the Public Housing Agency other than the person who approved the action under review. As such, the Board should not be acting as the grievance panel.

Comment 10 The Board claimed the former Executive Director indicated to the Board that the signage was budgeted for and funds were available. The Board failed to specify the Board meeting that approved this activity. Also, the Board did not specify where this activity was located in the budget. We could not find this in our review of the current year’s operating budget. Since the Housing Commission was declared troubled because of poor physical condition inspection scores in 2003, it must submit its operating budget to HUD for approval. Consequently, the Housing Commission should have sought specific HUD approval for the ceremony and signage costs.

The Board claimed that the ceremony and signage was done at a limited expense. We disagree. Constructing a new project sign for \$7,999 and paying \$829 for photographs and a compact disk on the dedication of the new project name ceremony did not seem reasonable.

Comment 11 The Board agreed with the recommendations addressing HUD’s One Strike Policy and said it would not interfere with decisions made by its Executive Director provided the Director follows HUD’s grievance procedures for tenants.

Appendix B

OIG Evaluation of Auditee Comments

- Comment 12** The Board disagreed with our recommendation because it still considers these expenditures as appropriate and allowable per its operating budget approved by the local HUD office. However, the Board failed to provide any new evidence to support its position.
- Comment 13** The Board agreed with our recommendations regarding maintenance that were previously in draft finding outline #3, and are now part of finding #1 on housing unit inspections.
- Comment 14** We commend the Board's comments here that acknowledge its role to oversee the Executive Director, update its policies and approve major project improvements. However, we would look to see that the Board remains consistent in its implementation of these recommendations.