AUDIT REPORT

KANKAKE COUNTY HOUSING AUTHORITY
LOW-RENT HOUSING PROGRAM

KANKAKEE, ILLINOIS

2005-CH-1010

APRIL 8, 2005

OFFICE OF AUDIT, REGION V
CHICAGO, ILLINOIS

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

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

SUBJECT: Kankakee County Housing Authority's Low-Rent Housing Program; Kankakee, IL; The Authority Lacked Procedures and Controls Over Subsidy Requests, Maintenance, Admission and Occupancy, Personnel, and Its Homeownership Program

HIGHLIGHTS

What We Audited and Why

We audited the Kankakee County Housing Authority's (Authority) Low-Rent Housing program. The audit was conducted in response to a citizen's complaint to our office and was part of our comprehensive audit of the Authority. The objective of our audit was to determine whether the Authority administered its Low-Rent Housing program in an efficient and effective manner. We determined whether the Authority had adequate procedures and controls over its subsidy requests, preventive maintenance, admission and occupancy, personnel practices, and Turnkey III Homeownership Opportunity program.

What We Found

The Authority

- Improperly included an average of five to seven Turnkey III units in its calculation of its Low-Rent Performance Funding Operating Subsidy since 1997, which resulted in the Authority receiving excess operating subsidy totaling $119,376.

- Did not follow its Annual Contributions Contract with the U.S. Department of Housing and Urban Development (HUD) to implement an effective maintenance program. This contributed to the Authority having 16 Low-Rent units vacant for longer than 18 months, which resulted in lost rental proceeds of more than $69,000.

- Failed to improve its Low-Rent Housing program's admission and occupancy controls regarding maintaining proper documentation in tenant files, conducting timely re-examinations, accurately calculating total tenant payments, and assigning proper unit sizes for tenants.

- Did not follow its personnel policies related to maintaining documentation in personnel files, conducting performance appraisals in a timely manner, and properly administering personnel benefits.

- Failed to provide adequate oversight of its Turnkey III Homeownership Opportunity program. It lacked adequate controls to properly manage the program, such as maintaining accurate records and ensuring that only eligible tenants receive the program's benefits.

What We Recommend

We recommend that HUD's Director of Public Housing Hub, Chicago Regional Office, require the Authority to (1) reduce its Low-Rent Performance Funding Operating Subsidy for the inappropriately used monies and (2) implement procedures and controls to correct the weaknesses cited in this report.

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

Auditee's Response

We provided the results of our Low-Rent Housing program audit to the Authority during our review. We also provided our discussion draft audit report to the Authority's Executive Director and HUD's staff on March 8, 2005. We conducted an exit conference with the Authority's Executive Director and two Commissioners of the Authority's Board on March 16, 2005.

We requested the Authority to provide comments on our discussion draft audit report by March 23, 2005. The Authority's Executive Director provided written comments dated March 16, 2005. The Executive Director agreed the Authority lacked procedures and controls over subsidy requests, maintenance, admission and occupancy, personnel, and its Homeownership Opportunity program. We included the complete text of the Executive Director's comments, along with our evaluation of that response, in Appendix B of this report.

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BACKGROUND AND OBJECTIVES

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

The Authority was organized to provide decent, safe, and sanitary housing for low-income families. The Authority entered into Annual Contributions Contract Number C-1009 with the U.S. Department of Housing and Urban Development (HUD) for the purpose of financing public housing unit construction and the retirement of debt, and entered into Annual Contributions Contract Number C-1083 to provide housing assistance payments to owners of low-income housing units.

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

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

The objective of our audit was to determine whether the Authority administered its Low-Rent Housing program in an efficient and effective manner. We determined whether the Authority had adequate procedures and controls over its subsidy requests, preventive maintenance, admission and occupancy, personnel practices, and Turnkey III program. The overall objective of our audit was to evaluate the adequacy of the Authority's Low-Rent Housing program for providing decent, safe, and sanitary housing to its residents.

Finding 1: The Authority Claimed Excess Operating Subsidies for Its Low-Rent Housing Program

The Authority has improperly included an average of five to seven Turnkey III units in its calculation of the Low-Rent Performance Funding Operating Subsidy since 1997. The Authority reported the operation of 313 Low-Rent units when they had an average of 308 Low-Rent units. This was caused by the Authority's mismanagement of its Turnkey III program (See finding 5). As a result, the Authority claimed and was paid $119,376 in excess Performance Funding System Operating Subsidy funds from fiscal years 1997 through 2004.

Excess Operating Subsidy Paid

The Authority has erroneously included an average of five to seven Turnkey III units in its calculation of Performance Funding System Operating Subsidy since fiscal year 1997. The Authority operates 308 Low-Rent housing units in four developments: Midtown Towers, Azzarelli High-Rise, Locust Street Complex, and Wildwood Complex (scattered sites). The Authority also has seven Turnkey III units in one development called Old Fair Park.

According to the Code of Federal Regulations (24 CFR 990.103(c)), the operating fund formula is not applicable to the Turnkey III program. Operating subsidies are paid to housing authorities to cover the difference between an allowable level of operating expenses and available income. Upon completing the Calculation of Performance Funding System Operating Subsidy form, the Authority's former Executive Directors used an incorrect number of units (313) as the basis for claiming subsidy rather than the correct number of units (308).

Beginning with fiscal year 2002, the Authority began including long-term vacant units in its calculation of Performance Funding System Operating Subsidy at 100 percent of the allowable expense level.

According to 24 CFR [Code of Federal Regulations] 990.108(b)(3), long-term vacant units that are not included in the calculation of unit months available are eligible for operating subsidy in the requested budget year at the rate of 20 percent of the allowable expense level.

During the audit, we obtained a copy of the listing of the Low-Rent units to determine whether they were counted accurately. From this listing, we were able to determine which Low-Rent units were vacant for more than an 18-month period. Our review also showed the inclusion of seven units that were part of the Authority's Turnkey III program, resulting in excess operating subsidies received during the periods noted in the following table:

Fiscal Year	Subsidy Amount Paid to Authority	Amount Calculated by OIG	Excess Subsidy Paid
1997	$458,767	$453,980	$4,787
1998	553,167	548,496	4,671
1999	638,316	632,779	5,537
2000	570,681	566,356	4,325
2001	665,999	659,724	6,275
2002	823,655	810,378	13,277
2003	860,445	826,628	33,817
2004	855,741	809,054	46,687
Totals	$5,426,771	$5,307,395	$119,376

The Authority's fee accountant completed the Calculation of Performance Funding System Operating Subsidy form based on information provided by the Authority's previous administration. However, the fee accountant never reviewed the listing of Low-Rent units to obtain an accurate count of units eligible for subsidy.

The fee accountant said that all information received to complete the various forms required by HUD were derived from data received and approved by the Authority's former Executive Director, Finance Director, and the entire Board of Commissioners. The fee accountant was unable to determine when the Authority started using 313 as its count for Low-Rent units instead of the actual number of 308.

Conclusion

The excess funds paid to the Authority for the years shown could have been used to support the operations of other housing authorities or for other program-related purposes. The Authority needs to take appropriate action to ensure that accurate subsidies are claimed in the future.

Recommendations

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

1A. Reduces its Low-Rent Performance Funding Operating Subsidy by $119,376 for the excessive operating subsidy cited in this finding.

1B. Implements adequate procedures and controls to verify the accuracy of units included in the calculation of its operating subsidy.

Finding 2: The Authority Did Not Have an Effective Maintenance Program

The Authority did not have an effective maintenance program to ensure its Low-Rent unit deficiencies were identified and repaired in a timely manner. The Authority did not (1) implement a preventive maintenance plan, (2) assure maintenance staff were adequately trained, (3) accurately code work orders, (4) address emergency and non-emergency work orders in a timely manner, (5) properly complete work orders and indicate repair costs, or (6) establish a quality control plan for reviewing work orders by its staff. This occurred because the Authority lacked direction from its Board of Commissioners and monitoring of the staff by the former Executive Director and maintenance supervisor. These poor maintenance practices contributed to the Authority having 16 Low-Rent units vacant for more than 18 months, which resulted in lost rental proceeds of approximately $69,000.

Preventive Maintenance Plan

The Authority did not implement a preventive maintenance plan. The Authority established a Preventive Maintenance Program that was approved by its Board of Commissioners, adopted in May 2004, and made effective as of July 1, 2004. However, we found that the plan was not fully implemented as of March 7, 2005. The Authority could not provide documentation showing how the maintenance plan was implemented or evidence of scheduled preventive maintenance performed.

According to 24 CFR [Code of Federal Regulations] 901.5, a maintenance plan is defined as a comprehensive annual plan of a public housing authority's maintenance operation that contains the fiscal year's estimated schedule and is supported by a staffing plan, contract schedule, materials and procurement plan, training, and approved budget. The plan should establish a strategy for meeting the goals and time frames of facilities management planning and execution, capital improvements, utilities, and energy conservation activities.

We found that the Authority had not trained its maintenance staff to ensure they had the skills to maintain the mechanical systems in good operating condition. Additionally, the Authority lacked direction from its Board of Commissioners and guidance and monitoring of the maintenance staff by the former Executive Director and maintenance supervisor. The maintenance supervisor reports directly to the Executive Director and is responsible for ensuring that all maintenance needs are addressed and that maintenance policies are followed.

The adopted preventive maintenance plan was designed to inspect, monitor, and maintain the Authority's mechanical systems in good operating condition and in accordance with HUD and the City of Kankakee's building codes. The systems under the plan are elevators, alarms (smoke/fire), heating, ventilation, hot and cold water supply, fire extinguishing system, vehicles, and equipment. The full implementation of this plan will help ensure that all building and units are safe, decent, and in sanitary condition and all major systems are in sound operating condition. It will also help to quickly prepare vacant units for reoccupancy.

Work Orders

The Authority (1) coded 3 emergency work orders as routine, (2) did not complete 9 emergency work orders within the required time of 24 hours, (3) did not complete 24 non-emergency work orders within the average 25 calendar-day requirement, (4) had 108 incomplete work orders, and (5) failed to provide 3 housing units with an annual inspection for the current fiscal year. We reviewed 476 work orders generated by the Authority between July 1, 2002, and June 30, 2004, for 39 units statistically selected from 85 occupied Low-Rent family units as of June 30, 2004. We wanted to determine whether the Authority addressed work orders appropriately and attempted repairs in a timely manner.

According to 24 CFR [Code of Federal Regulations] 901.25, the public housing authority's work order system must be adequate in terms of how the public housing authority accounts for and controls its work orders and timely in preparing and issuing work orders. Part 901.25(a) denotes a completion time of 24 hours or less for emergency work orders and states that all emergency work orders should be tracked. Part 901.25(b) states that all non-emergency work orders are to be completed within an average of 25 calendar days.

Emergency Work Orders

The Authority needs to improve its coding of emergency work orders and the timeliness of completing them. We determined there were three emergency work orders coded as routine. The Authority's current Executive Director said during that period, the Authority had several temporary receptionists receiving tenant calls who entered the wrong information into the computer system. This caused some miscoding on some of the work orders that were generated.

We also noted 9 emergency work orders that were not completed within the 24-hour period as established by 24 CFR [Code of Federal Regulations] 901.25. The Authority defines an emergency as any situation that presents an immediate threat to the life, health, or safety of a resident or could result in the damage to or destruction of the Authority's property. Examples of emergency conditions are gas leaks, toilet stoppage, sewer backup in the unit, and broken water pipes or a severe leak in the unit. The time of completion for each of the 9 work orders averaged 104 hours, as shown in the following table:

Address	Date Began	Date Completed	Number of Hours
915 East Chestnut	07/06/04	07/13/04	173
955 East Chestnut	04/15/03	04/22/03	171
307 North Evergreen	07/16/02	07/23/02	168
955 East Chestnut	10/09/02	10/15/02	144
1044 North Chicago	01/02/04	01/05/04	72
931 East Chestnut	01/20/04	01/23/04	65
709 West Harbor	07/05/03	07/07/03	54
861 West Harbor	02/19/03	02/21/03	48
725 West Harbor	08/17/03	08/19/03	45
Average Number of Hours			**104**

Non-emergency Work Orders

In our audit scope of 476 work orders, we found 24 nonemergency work orders that were not completed within the average 25-calendar-day requirement. Routine work orders are those issued for maintenance work that is not of an emergency or urgent nature. Routine work orders include many types of work requests, such as requests for minor repairs, cabinet repairs, painting, plaster, drywall, and carpentry. The average time of completion for each of the 24 work orders averaged 95 calendar days for a work order that should have been completed within an average of 25 calendar days.

We determined the Authority did not have a maintenance plan with a prescribed timeframe for completion of routine work orders before May 17, 2004. According to 24 CFR [Code of Federal Regulations] 901.25, all non-emergency work orders that were active during the assessed fiscal year should be tracked (including preventive maintenance work orders). With the implementation of the Authority's maintenance plan, all routine work orders should be tracked until completed.

Incomplete Work Orders

The Authority failed to properly complete the description for 108 of 476 (23 percent) work orders reviewed. The work orders failed to contain information such as: description of the problems and the work performed, stock numbers and materials used, quantity of parts used, charges to tenants, and signatures of the staff performing the work and of the tenant receiving the service. In addition, many of the work orders with descriptions showed very brief explanations describing the work performed for the statistically selected sample of 39 units.

Repair Costs Not Indicated on Work Orders

The Authority did not indicate the costs of repairs on work orders. Work orders did not specify the costs of repairs for routine, urgent, and emergency work done. The Authority's procedure was to only specify the cost of repairs in instances in which the tenant caused the damage and was responsible under the terms of his/her lease. Our review of 476 work orders determined that 15 work orders were marked to charge tenants for damaged units. However, 10 work orders did not have a description of the work performed and had limited information on why the tenant was being charged, and only 4 indicated amounts to be charged. The Authority should keep track of costs incurred on work orders for budgeting purposes and for keeping track of the costs to maintain its housing units.

Causes for Work Order Deficiencies

The Authority's current Executive Director said the problems with the work orders occurred because the Authority lacked a quality control plan for reviewing work orders by the staff, and they were not being reviewed by the maintenance supervisor. Recently, the Authority hired a Technical Services Manager who is responsible for reviewing all work orders completed by the maintenance staff for accuracy. The Technical Services Manager is also responsible for making site visits to ensure the quality of work performed.

Units Vacant More Than 18 Months

The Authority's lack of an adequate unit repair program resulted in units being vacant longer than 18 months. This caused the Authority to lose operating proceeds totaling $69,601. If any public housing authority lacks an adequate unit repair program and units remain vacant longer than 18 months, it will lose its operating proceeds. To determine the lost operating proceeds, the operating subsidies per unit is first calculated to include any Comprehensive Grant, Drug Elimination Grant, and rental receipts divided by the total number of supported units. This amount is then annualized and multiplied by the total number of units not brought on-line within 18 months. We noted 16 units as not being on-line within an 18-month period during our audit scope.

Conclusion

The condition of the Authority's housing units was at risk due to inadequate inspections and controls to ensure work was done properly—resulting in some long-term vacant units and deficiencies remaining outstanding for long periods of time. In addition, the projects and equipment can slowly deteriorate causing additional damage due to a lack of preventive maintenance. The maintenance staff can possibly do harm to property, equipment, and themselves due to a lack of training. Overall, there was a lack of assurance that HUD operating subsidies were being used to maintain decent, safe, and sanitary housing units.

As a result, HUD could not be assured that services provided by the Authority's maintenance staff was effective and efficient, and that all unit deficiencies were identified and repaired in a timely manner.

Recommendations

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

2A. Implements a preventive maintenance plan for units and systems.

2B. Provides scheduled training for maintenance staff to update their maintenance skills.

2C. Implements a quality control plan for its work order system to ensure work orders are completed properly and timely, and applicable repair costs are noted.

2D. Implements procedures and controls to ensure Low-Rent Housing units are not vacant for more than an 18-month period. These procedures and controls will help ensure the Authority receives $69,601 in operating proceeds for the future.

Finding 3: The Authority Did Not Meet HUD Requirements in Managing Its Admission and Occupancy Process

The Authority did not follow HUD's regulations and other requirements in managing its admission and occupancy process. The Authority failed to (1) maintain proper documentation in tenant files for verification of eligibility, (2) conduct reexaminations in a timely manner, (3) accurately calculate annual income and total tenant payments, and (4) assign proper unit sizes. The Authority's failure to follow regulatory requirements was attributed to a lack of staff training on the processes necessary to perform the requirements of the admission and occupancy standards and oversight by management. In addition, due to high employee turnover, various staff members handled tenant files, increasing the risk of misplacing documents. As a result, HUD and the Authority lacked assurance that required documentation was complete, accurate, and completed in a timely manner.

Tenant Files Reviewed

HUD's Public Housing Occupancy Guidebook, chapter 7.11, states that each applicant and tenant file must contain the following information: name, relationship to head of household, Social Security number and citizenship, amounts and sources of income of all family members, rent computation, application form, and screening information (such as tenant history, credit history, and a verification of criminal history).

We statistically selected 39 tenant files out of a population of 277 Low-Rent units as of July 31, 2004, to determine the sample size of tenant files to review. Of the 39 tenant files, 36 files (92 percent) did not have the proper supporting documentation. We noted the following documents was missing: (1) 36 files were missing prior tenant information, (2) 28 files did not contain background check information, (3) 15 files lacked copies of birth certificates, (4) 9 files did not have copies of Social Security cards, (5) 8 files did not contain proof of income, (6) 3 files were missing citizenship certificates, and (7) 1 file lacked an application.

Annual Re-examinations

According to 24 CFR [Code of Federal Regulations] 960.257(a)(1), for families who pay an income-based rent, the public housing authority must conduct a re-examination of family income and composition at least annually and must make appropriate adjustments in the rent after consultation with the family and upon verification of the information.

The Authority did not perform proper re-examinations on 12 of the 39 tenant files reviewed. Six of the 12 tenants were zero-income tenants who were required to provide non-income affidavits and family expense forms every 60 days in accordance with HUD's Public Housing Occupancy Guidebook and the

Authority's occupancy policy. There was no evidence to show that nonincome affidavits or family expense forms were prepared every 60 days for these zero-income tenants.

Errors in Calculating Total Tenant Payments

The Authority did not calculate total tenant payments accurately for 13 of 39 tenants. We reviewed 58 re-examinations for the 39 tenants in our audit period and found that 18 re-examinations had incorrect total tenant payment calculations. We were unable to make a determination of total tenant payments for one of the re-examinations due to missing income documentation. Four of the miscalculations had no effect on the rental payment because the tenant opted to use flat rent. Miscalculation of 14 re-examinations resulted in an under payment of rent in the amount of $2,735 and one over payment of $162. The results are documented on the following chart:

Tenant	Re-exam Year	Authority-Calculated Income	Audit-Calculated Income	Authority-Calculated Tenant Payments	Audit-Calculated Tenant Payments	Differences
0356-07	2003	$6,780	$6,864	$147	$149	$20
0356-07	2004	6,780	7,008	147	152	34
0333-07	2003	8,478	9,132	202	218	152
0333-07	2004	8,478	9,312	202	223	83
0256-10	2003	22,048	22,048	140	300	1,918
0148-03	2003	8,796	8,928	210	213	38
0148-03	2004	8,796	9,120	210	218	80
0133-03	2003	10,044	10,188	143	147	45
0133-03	2004	10,044	10,404	143	152	54
0126-07	2003	6,540	6,624	154	156	25
0126-07	2004	6,540	6,768	154	159	40
0105-05	2003	6,126	6,864	143	162	223
0045-02	2003	7,600	7,672	178	180	22
0045-02	2004	7,600	6,520	178	151	(162)
Total underpayments						$2,735
Total overpayment						($162)

If we eliminate the highest and lowest differences of $1,918 and ($162), this leaves a total rent underpayment of $816 for the 39 tenants in our sample or an average of more than $20 per tenant. Projected to our population of 277 tenants, this equates to an annual average underpayment of $5,795. This represents funds to be put to better use since the Authority's operating subsidy was overstated based on the underreported tenant income.

Overall, we found that the Authority did not use current supporting documentation for calculating annual income for eight tenants. We also determined that the Authority failed to take sufficient steps to obtain proof of income from the tenants without any exceptions. In addition, the Authority did not retroactively adjust the previously calculated total tenant payments once the current proof of income was obtained.

Admission and Occupancy Standards Were Not Followed

The Authority did not follow its occupancy standards when determining unit sizes for tenants. Applicable size units were not assigned to 4 of the 39 tenants in our sample. The Authority did not transfer tenants in a timely manner based on their changes in family composition. One tenant was placed in a three-bedroom unit because she was in a foster parent program and was anticipating adding additional members to her family composition.

Three other tenants' family composition was reduced to two, but they were still residing in three bedroom units. The Authority had not taken any action on two of the tenants for more than a year and for one tenant since March 2004. The Authority's Housing Manager said it could do one transfer for every four new move-ins. She also said that the Authority put a hold on these transfers until the tenant's lease was completed.

Conclusion

When performing the requirements of admission and occupancy, the Authority did not always (1) use an alternate source of documentation, such as pay stubs or tax returns, and then update the income information when third party verification becomes available and has different income information, (2) conduct re-examinations in a timely manner, (3) use correct monthly benefits as a determination of monthly rental charge, (4) use benefit statements showing gross income received, and (5) assign tenants to proper size units. As a result, HUD and the Authority lacked assurance that required documentation was complete, accurate, and completed in a timely manner.

Recommendations

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

3A. Implements procedures and controls to ensure the admission and occupancy requirements are followed, such as (1) maintaining all required documentation on tenants, (2) ensuring all re-examinations are conducted in a timely manner, (3) ensuring the accuracy of total tenant payments, and (4) ensuring tenants are placed in appropriate size units. These procedures and controls will help ensure the Authority does not receive $5,795 in excessive operating subsidies in the future.

3B. Reduces its Low-Rent Performance Funding Operating Subsidy by $2,573 due to improperly calculated tenant rental payments cited in this finding.

Finding 4: The Authority's Personnel Policies Were Not Adequately Followed

The Authority did not follow the requirements of its personnel policies. Proper documentation was not maintained in personnel files, performance appraisals were not conducted in a timely manner, and weaknesses in benefit administration were noted. These conditions occurred because the Authority's staff did not receive adequate training to develop and carry out assigned responsibilities. As a result, HUD and the Authority were not assured that only qualified individuals were in place and raises and promotions were equitable. In addition, $5,184 in health insurance premiums were erroneously paid for a terminated employee.

Documentation in Personnel Files

The Authority did not properly maintain employee files in accordance with its Personnel Policy. The Authority's Personnel Policy, Collective Bargaining Agreement, Article XV, Section 3, "Personnel File Contents," states that documents kept in the personnel file shall be those that are statutorily required or work related. At no time shall any material positive or negative be removed from a personnel file by staff or employees. The Authority's Personnel Policy, Chapter 3-2, "Employment Procedures," states the Authority strives to hire the most qualified candidates, abiding by the Equal Employment Opportunity Policy. Reference checks, previous employment verifications, substance abuse test results, and criminal background checks will be performed, documented, and retained in personnel files.

From our review of 31 personnel files, 20 files did not contain proper documentation; 16 files did not have background check information; 11 files lacked drug test information; 5 files did not have proper hiring information (resume, application, Board approval letter, and offer letter); and 7 files lacked wage, position, and dates of employment information. As a result, HUD lacked assurance that the Authority hired its employees in accordance with its approved hiring policy.

The Authority's January 2004 Memorandum of Agreement with HUD included a strategy to establish and maintain employee records in accordance with the Authority's Personnel Policy. The Authority's monthly progress report to HUD for the period ending October 31, 2004, showed that the Authority had established the required personnel files as of June 2004.

Performance Appraisals

The Authority did not adequately evaluate and document the performance of its employees during the audit period in accordance with its Personnel Policy. The Authority's Personnel Policy, "Performance Evaluations," states that all employees who are newly hired, transferred, promoted, or demoted to a new position will receive a performance evaluation annually with an interim evaluation semiannually. We did not find any evidence that performance evaluations were completed for 17 of 31 employee files reviewed. Five of the 31 employees began with the Authority in 2004 and were not due performance evaluations by the end of our audit period. Nine of 26 employees were terminated before the completion of 1 year. Seventeen of the 31 employee files lacked performance evaluation documentation. Therefore, either performance evaluations were not conducted for these employees or the evaluations were not documented. Performance evaluation reports existed for 5 of 12 maintenance employees' files between 1995 and 1999. This indicated that the Authority conducted performance evaluations before 1999, but did not have evidence of any after that point. Without evidence of performance evaluations, it is difficult for the Authority to justify promotion actions.

Adequate Training

The Authority did not provide training to employees to develop and carry out their responsibilities. The Authority's Personnel Policy, "Employee Training," states that all employees are encouraged to update their skills by attending professional development training seminars and continuing education directly related to the Authority's operations, activities, and objectives that will place employees in a position to improve their job performance. We found that the Authority did not identify training needs, what level of employees receive training, and the effectiveness of the training. Based on our interviews with maintenance personnel, the Authority had not provided training for the maintenance staff since 1998. Overall, in 27 of the 31 employee files we reviewed, either the employees did not receive training, or there was inadequate documentation to show what training employees may have received.

The lack of training was also cited as a weakness by HUD's Cleveland Field Office of Recovery and Prevention Corps' assessment of the Authority's Low-Rent Housing program. The Recovery and Prevention Corps' assessment stated there were no overall training plans for the staff and no individual plans. The Corps also cited the lack of training for the maintenance staff, reported during interviews with employees.

Insurance Contributions Were Not Discontinued in a Timely Manner

The Authority did not properly discontinue its contributions toward one employee's insurance plan upon termination of employment. Office of Management and Budget Circular A-133 8(3), page 7, states that a questioned cost is a cost that is unreasonable and does not reflect the actions a prudent person would take in the circumstances. The Authority continued to pay the health insurance costs after its former Executive Director's employment was terminated, but did not send the necessary paperwork to continue health insurance coverage even after the Board requested it. When the current Executive Director came on board, he had to reinstate the former Executive Director's insurance, send in the paperwork for continued coverage, and then cancel after 60 days to avoid legal sanctions that could have been imposed for improper notification of insurance termination under existing laws. As a result, the Authority erroneously paid $5,184 for 8 months of health insurance costs from November 2003 to June 2004.

Recommendations

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

4A. Implements procedures and controls to ensure all hired personnel are the most qualified candidates and reference checks, previous employment verifications, substance abuse test results, and criminal background checks are performed, documented, and retained in personnel files.

4B. Implements individual and overall training plans to ensure all employees are properly trained for their positions.

4C. Reduces its Low-Rent Performance Funding Operating Subsidy by $5,184 for failing to discontinue health insurance payments for a terminated employee.

Finding 5: The Authority Did Not Properly Manage Its Turnkey III Program

The Authority did not properly manage its Turnkey III program. The Authority allowed a non-income tenant to be housed in a Turnkey III unit when the Authority had a Turnkey III waiting list with eligible applicants. The Authority did not provide its Turnkey III occupants with annual statements specifying the balance of their earned home payment accounts, the balance in their non-routine maintenance reserve accounts, and amounts charged to their earned home payment accounts and/or non-routine maintenance reserve accounts. These conditions occurred because the Authority's staff did not receive training to properly manage the program. As a result, eligible tenants may be at risk of not receiving the full benefits of the program since they were not made aware of their outstanding balance of payments to obtain homeownership.

Mismanagement of Turnkey III Program

The Authority did not properly manage its Turnkey III program. The Authority allowed a non-income tenant to be housed in a Turnkey III unit when it had a valid Turnkey III waiting list with eligible applicants.

According to 24 CFR [Code of Federal Regulations] 904.104(b)(2)(e)(2), in order to be considered for selection, a family must be determined to meet at least all of the following standards of potential for homeownership: (i) income sufficient to result in a required monthly payment which is not less than the sum of the amounts necessary to pay the earned home payment account, the non-routine maintenance reserve, and the estimated average monthly cost of utilities attributable to the home; (ii) ability to meet all the obligations of a homebuyer under the Homebuyers Ownership Opportunity Agreement; and (iii) at least one member gainfully employed, or having an established source of continuing income.

The Authority's Executive Director said that a non-income tenant was housed in a Turnkey III unit because at the time, the Authority was only concerned with occupying vacant units with tenants. Further, the Director said he was unfamiliar with the guidelines of the Turnkey III program and did not receive adequate assistance from HUD. The non-income tenant was not considered for the Turnkey III program, but the Authority used a Turnkey III unit to house the tenant. We estimated that $2,639 in housing assistance was furnished for the ineligible tenant.

According to 24 CFR [Code of Federal Regulations] 904.104(c), the local housing authority, without participation of a recommending committee, shall determine the eligibility of each applicant family in respect to the income limits for the development and shall then assign each eligible applicant his appropriate place on a waiting list for the development in sequence, based upon the date of the application, suitable type or size of unit, and factors affecting preference or priority established by the local housing authority's regulations.

The Authority's Executive Director did not use the Turnkey III waiting list initially because of the length of time it took to receive applicable regulations from HUD. The Authority was in the process of updating its Turnkey III waiting list for available units.

Annual Statements

The Authority had not provided its Turnkey III occupants with their annual statements specifying the balance of their earned home payment account, the balance in their non-routine maintenance reserve account, and amount charged to their earned home payment account or non-rountine maintenance reserve account accounted for through a work order.

According to 24 CFR [Code of Federal Regulations] 904.110(h), the local housing authority shall provide an annual statement to each homebuyer specifying at least the following: (1) the amount of his earned home payment account, and (2) the amount of his non-routine maitenance reserve. During the year, any maintenance or repair done on the dwelling by the local housing authority that is chargeable to the earned home payment account or the non-routine maintenance reserve shall be accounted for through a work order. A homebuyer shall receive a copy of such work order for his home.

The Authority's Executive Director said he could not say why the previous administration did not provide annual statements to the Turnkey III participants, but said the current administration will follow proper protocol for any participant that the Authority accepts to its Turnkey III program.

Mismanagement of Turnkey III Program

The mismanagement of the Turnkey III program kept eligible tenants from fully benefiting from the program. Since the eligible tenants did not receive their annual statements documenting the payments applied to their earned home payment account, they had no indication of their outstanding balance of payments to obtain homeownership.

Recommendations

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

5A. Reduces its Low-Rent Performance Funding Operating Subsidy by $2,639, which represents the costs associated with housing an ineligible tenant in a Turnkey III unit.

5B. Implements procedures and controls to ensure the Turnkey III program requirements are met and the program is run efficiently and effectively.

5C. Implements procedures and controls to ensure that participants receive (a) their annual statements specifying the amount of their earned home payment account and the amount of their non-routine maintenance reserve, and (b) documentation of any maintenance or repairs done on the dwelling by the Authority that is chargeable to the earned home payment account or the non-routine maintenance reserve account.

SCOPE AND METHODOLOGY

We conducted the audit at HUD's Chicago Regional Office and the Authority's office. We performed our on-site work between July and December 2004.

To accomplish our audit objectives, we interviewed HUD's staff, the Authority's current staff, and the Authority's Board of Commissioners.

We analyzed the Authority's tenant files, Board meeting minutes, audited financial statements, policies and procedures, general ledgers, bank statements and canceled checks, organizational chart, Admission and Occupancy Policy, and Annual Contributions Contract for the Low-Rent Housing program. We also reviewed HUD's files for the Authority, its Memorandum of Agreement with the Authority, Office of Management and Budget A-133, and CFR [Code of Federal Regulations] Parts 901, 902, 904, 960, and 990.

We used computer assisted auditing techniques to analyze the Authority's Low-Rent Housing unit information obtained from its automated accounting system.

As a basis for selecting the sample, we used the total population of 277 occupied Low-Rent Housing units as of July 31, 2004, to determine the sample size of tenant files to review. We set the confidence level at 90 percent, the upper error limit at 10 percent, and the expected error rate at 21 percent. The sampling software determined that our sample size should be 39 tenant files.

The sample method chosen was Simple Random Sampling. Simple Random Sampling is the basic sampling technique in which each item is chosen entirely by chance and each item of the population has an equal chance of being included in the sample.

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

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

INTERNAL CONTROLS

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

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, 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 – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.

- Validity and Reliability of Data – Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.

- Compliance with Laws and Regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.

- Safeguarding Resources – Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.

We assessed all of the relevant controls identified above during our audit of the Authority's Low-Rent Housing program.

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

Significant Weaknesses

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

- Program Operations

The Authority needed improvements to its Low-Rent Housing and its Turnkey III programs to ensure that program objectives are being met (see findings 1, 2, 3, 4, and 5).

- Validity and Reliability of Data

The Authority failed to ensure that valid and reliable data were being used to calculate its Performance Funding System Operating Subsidy (see finding 1).

- Compliance with Laws and Regulations

The Authority failed to comply with HUD's regulations regarding its operating subsidy, preventive maintenance, admission and occupancy, and the Turnkey III program (see findings 1, 2, 3, and 5).

- Safeguarding Resources

The Authority failed to ensure that its HUD funding was appropriately received and used (see findings 1, 3, 4, and 5).

FOLLOW UP ON PRIOR AUDITS

This is the first audit of the Authority's Low-Rent program by HUD's Office of Inspector General (OIG). The latest single audit report for the Authority covered the period ending June 30, 2003. The report contained 13 findings. Four of the findings related to issues reported in this audit report.

Independent Auditor's Report	This Report
Reports Submitted To HUD Were Not Properly Completed and the Housing Authority Could Not Provide Documentation for Information Submitted to HUD	The Authority Claimed Excess Operating Subsidies for Its Low-Rent Housing Program
Review of Tenant Selection Procedures Revealed No Documentation Was Available in the Selection Process	The Authority Did Not Properly Manage Its Turnkey III Program
Review of Tenant Files Revealed Documentation Deficiencies	The Authority Did Not Meet HUD Requirements in Managing Its Low-Rent Admission and Occupancy Process
Employee Files Do Not Contain Proper Documentation	The Authority's Personnel Policies Were Not Adequately Followed

Appendix A

SCHEDULE OF INELIGIBLE COST AND FUNDS TO BE PUT TO BETTER USE

Recommendation Number	Ineligible 1/	Funds To Be Put to Better Use 2/
1A	$119,376	
2D		$69,601
3A		5,795
3B	2,573	
4C	5,184	
5A	2,639	
Totals	$129,772	$75,396

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

2/ "Funds to be put to better use" are quantifiable savings that are anticipated to occur if an OIG recommendation is implemented, resulting in reduced expenditures at a later time for the activities in question. This includes costs not incurred, deobligation of funds, withdrawal of interest, reductions in outlays, avoidance of unnecessary expenditures, loans and guarantees not made, and other savings.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation **Auditee Comments**

Kankakee County Housing Authority

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

March 16, 2005

Mr. Tom Towers
Assistant Regional Inspector General for Audit
United States Department of HUD-Office of Inspector General
477 Michigan Ave., Room 1780
Detroit, MI 48226-2592

Subject: Response to Audit Report 2005-CH-100X
Kankakee County Housing Authority Low-Rent Housing Program
Dated March 2005

Dear Mr. Towers:

The Kankakee County Housing Authority (KCHA) is in receipt of the Discussion Draft Audit Report regarding the above referenced program audit.

The KCHA would like to note to the Office of Inspector General that it has been operating under a Memorandum of Agreement (MOA) with the Department of Housing & Urban Development since January 2004. The Operational Areas of the Housing Authority are addressed in this MOA and for the last year, the KCHA has been correcting deficiencies in these areas to bring the Housing Authority into compliance with HUD requirements. The Housing Authority has undergone management changes and has hired qualified personnel, provided training and has implemented many policy changes to bring the Housing Authority from a Troubled Status to become a Standard Performer in PHAS for the first time in three years, positioning itself to become a High Performer.

The KCHA Management has reviewed the Findings noted in the Low-Rent Draft Audit Report and has prepared the enclosed responses. The KCHA will continue addressing these items and the items in the current MOA to continue to correct all deficiencies as noted.

Should you have any questions, please feel free to contact me at 815-939-7125, ext. 612.

Sincerely,

Randy McGill

Randy McGill
Executive Director
Kankakee County Housing Authority

Cc: KCHA Board of Commissioners
Linford Coleman, HUD-Chicago
Patricia Knight, HUD Recovery & Prevention Corps

Exit

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Finding #1 – The Authority Claimed Excess Operating Subsidies for Its Low-Rent Housing Program

Recommendations:

1A. The Authority reimburses its Low-Rent Housing program $119,376 from non-Federal Funds for the excessive operating subsidy claimed for the period covered by this audit report.

1B. The Authority implements procedures and controls to verify the accuracy of units included in the calculation of its operating subsidy.

Comment 1

Response:

The KCHA agrees with the findings under the time period of the audit. The KCHA submitted an Operating Budget Revision to HUD on August 27, 2004 to correct the subsidy figures originally requested to 308 low-rent units for its FY 2005. The Executive Director, the Accountant and the Fee Accountant will review the request for subsidy annually during the budget process and will compare it to the listing of low-rent units of the KCHA at the time of calculation and submission of the Operating Budget and Subsidy requests. This unit listing will be updated annually and reported to the Board for inclusion in the Board minutes, to include or preclude units, which may have been demolished, deferred to modernization, and/or other actions taken, which would affect the subsidy requests for the Operating Budget.

Finding #2 – The Authority Did Not Have an Effective Maintenance Program

Recommendations:

2A. The Authority implements a preventative maintenance plan for units and systems.

2B. The Authority implements and maintains a preventative maintenance schedule for each property.

2C. The Authority provides scheduled training for maintenance staff to update their maintenance skills.

2D. The Authority implements a quality control plan for its work order system to ensure work orders are completed properly and timely, and applicable repair costs are noted.

2E. The Authority implements procedures and controls to ensure low-rent units are not vacant for more than an 18-month period. These procedures and controls will help ensure the Authority receives $69,601 in operating proceeds for the future.

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Response:

The KCHA agrees with this finding under the time period for the audit. The KCHA has adopted a Maintenance Plan effective July 1, 2004. The Maintenance Plan, which was written with assistance from consultants through HUD and was based on the KCHA's needs, has been implemented in parts and is followed by its Maintenance Staff. The Maintenance Plan addresses, in conjunction with the MOA, all areas of the findings:

Comment 2

2A. The 2005 MOA Strategy 5.3D provides for assessing the effectiveness of the Maintenance Plan and adjusting it as needed. In January 2005, the KCHA's E.D. and Technical Services Manager, along with the FM from the RPC, reviewed the plan and have agreed upon adjustments and content, which needs to be updated. In December 2004, the KCHA's Technical Services Manager created a schedule of preventative maintenance that included preventative maintenance for units and systems. Emergency, routine and vacancy work are at a point where the Maintenance Department can resume preventative maintenance activities.

2B. This recommendation was completed under the 2004 MOA.

Comment 3

2C. The 2005 MOA provides Strategies 5.1A, 5.1B, and 5.1C to accomplish this recommendation. The KCHA staff has begun investigating maintenance-training curriculums with the Kankakee Community College, The Kankakee County Area Career Center and the Local 496 Carpenters Union. The KCHA is investigating the feasibility of attachment of continuing education credits to the training to increase the value of the training given to each maintenance employee.

Comment 4

2D. An effective work order quality control system has been in place since December 2004. This plan consists of the sampled inspection of completed work orders by the Technical Services Manager, and sampled inspection of completed units by the Technical Services Manager and the Maintenance Foreman. Weekly and monthly Work Order Reports are monitored by the E.D. and Technical Services Manager and are reported monthly to the Board of Commissioners to ensure that the various categories of work orders are being completed per the Maintenance Plan and HUD requirements.

Comment 5

2E. The E.D. and Technical Services Manager have established procedures and controls since September 2004, that have achieved significant improvement in completing vacancies (current average in make-ready 15.3 days). The same are presently discussing alternatives to completing vacancy work. The current administration has addressed long-term vacancy units in the Capital Fund Program and will have 96 percent of its low-rent units fully on-line by the end of its current fiscal year. Twelve (12) units (three (3) buildings) are under the modernization program and are being evaluated by the KCHA's architectural firm for plans to renovate and/or disposition of these units for FY 2006.

Finding #3 – The Authority Did Not Meet HUD Requirements in Managing Its Admission and Occupancy Process

Recommendations:

3A. The Authority implements procedures and controls to ensure the admission and occupancy requirements are followed, such as (1) maintaining all required documentation on tenants, (2) ensuring all re-examinations are conducted in a timely manner, (3) ensuring the accuracy of total tenant payments, and (4) ensuring tenants are placed in appropriate size units. These procedures

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and controls will help ensure the Authority does not receive $5,575 in excessive operating subsidies in the future.

3B. The Authority reimburses its Low-Rent Housing program from non-Federal funds for the net overpayment of $2,573 in excess operating subsidies due to improperly calculated tenant rental payments.

Response:

Comment 6

The KCHA agrees with this finding under the time period of the audit. In the 2004 MOA, the KCHA addressed many areas of Housing to correct these deficiencies, inclusive of hiring qualified personnel and providing training in this area. The KCHA is also implementing a quality control review of tenant files to ensure compliance with HUD regulations for both documentation and rent calculations. Additional training will also be provided to the Housing Managers. Based on unit size availability, future transfers will be completed as soon as units are available and prior to new lease ups. Monitoring is done weekly through Staff meetings on reexaminations and monthly based on PIC information to ensure a minimum of a 95 percent on time re-certification of tenants are taking place. The 2005 MOA continues to address screening standards and practices and improve leasing and re-certification processes under Strategies 4.1, 4.2A and 4.3.

Finding #4 – The Authority's Personnel Policies Were Not Adequately Followed

Recommendations:

4A. The Authority implements procedures and controls to ensure all required documentation for employees are maintained in files and kept current.

4B. The Authority implements procedures and controls to ensure all hired personnel are the most qualified candidates and reference checks, previous employment verifications, substance abuse test results, and criminal background checks are performed, documented, and retained in personnel files.

4C. The Authority implements individual and overall training plans to ensure all employees are properly trained for their positions.

4D. The Authority implements procedures and controls to ensure employees are qualified by conducting timely performance evaluations.

4E. The Authority reimburses its Low-Rent Housing program $5,184 from non-Federal funds for failing to discontinue health insurance payments for a terminated employee.

Response:

Comment 7

The KCHA agrees with this finding under the time period for the audit. In the 2004 MOA, the KCHA addressed the deficiencies noted in this finding. Employee records have been updated and are being maintained per the KCHA Personnel Policy and Collective Bargaining Agreement (Strategy 2.3). All new hires were properly checked as to previous employment verifications and background checks. The KCHA utilizes search firms, extended advertising and Housing Trade publications to reach the most qualified

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candidates. Training is addressed in the 2005 MOA under Strategies 1.1A&B, 2.2, 5.1A&B, and 5.8C. A Performance Evaluation program has been established and the KCHA has implemented this program in November 2004 and will conduct employee evaluations per its Personnel Policy and Collective Bargaining Agreement. New position descriptions have also been developed in conjunction with this process and reviewed with all employees. All KCHA Policies and Federal and State laws will be followed for the termination of employment of employees.

Finding #5 – The Authority did not Properly Manage its Turnkey III Program

Recommendations:

5A. The Authority reimburses its Turnkey III program $2,639 from non-Federal funds which represents the costs associated with housing an ineligible tenant in a Turnkey III unit.

5B. The Authority implements procedures and controls to ensure the Turnkey III program requirements are met and the program is run efficiently and effectively.

5C. The Authority implements procedures and controls to ensure that participants receive (a) their annual statements specifying the amount of their earned home payment account and the amount of their non-routine maintenance reserve, and (b) documentation of any maintenance or repairs done on the dwelling by the local housing authority that is chargeable to the earned home payment account or the non-routine maintenance reserve account.

Response:

Comment 8

The KCHA agrees with this finding under the time period for the audit. The E.D. and one other Manager are responsible for the six units left under this program. HUD forwarded the Turnkey III program requirements and regulations in August 2004. The Turnkey III waiting list is being updated and evaluated for tenants still interested in the program and that they qualify under the requirements of this program. Annual statements will be incorporated as part of the year-end closing procedures for the Housing Authority. It is the intent of the KCHA to sell these units under the terms and conditions as set forth in the Turnkey III program as defined by HUD requirements.

End

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OIG Evaluation of Auditee Comments

Comment 1

Although the Authority submitted an Operating Budget revision to HUD on August 27, 2004, to correct the subsidy figures originally requested, its Calculation of Performance Funding System Operating Subsidy form for fiscal year 2005 is incorrect. It shows the Authority's number of housing units to be 308 when it should be 292 due to the long-term vacant units. Long-term vacant units should not be included in the calculation of unit months available at 100 percent. The Authority is only entitled to 20 percent of allowable expenses on those units. The Authority's procedures regarding the number of units used in its subsidy calculation needs to ensure that long-term vacant units are appropriately accounted. The Authority also needs to reduce its Low-Rent Performance Funding Operating Subsidy by $119,376 for the excessive operating subsidy received.

Comment 2

The Authority has adopted a maintenance plan as stated in this report; however, the plan must be implemented in its entirety. The Authority's planned actions for its maintenance plan, if fully implemented, should improve its control over operations. According to the Authority's February 2005 monthly progress report for its Memorandum of Agreement with HUD, the Authority's maintenance plan was still being discussed with HUD's Recovery and Prevention Corps and changes were being incorporated. The monthly progress report states the revisions will be incorporated in 90 days, which is May 2005.

Comment 3

The Authority's February 2005 monthly progress report for its Memorandum of Agreement with HUD shows the Authority has scheduled training for its maintenance supervisor for April 2005. However, the February 2005 monthly progress report shows the Authority is still working with a community college to identify available training that would benefit its remaining maintenance staff.

Comment 4

The Authority claimed in its written comments that it had an effective work order quality control system in place since December 2004. However, the Authority's October 2004 monthly progress report for its Memorandum of Agreement with HUD shows the Authority's quality control program was implemented in August 2004. The Authority failed to provide sufficient documentation to show when it implemented its quality control system. Therefore, the Authority needs to provide sufficient documentation or implement an effective quality control system.

OIG Evaluation of Auditee Comments

Comment 5

The Authority claims it has 12 of the 16 long-term vacant units under its modernization program and is evaluating plans to renovate and/or dispose of the units. The Authority did not address the remaining 4 units.

Comment 6

The Authority has stated how it plans to implement a quality control review of tenant files to ensure compliance with HUD's regulations for both documentation and rental calculations. The Authority will need to outline how it intends to implement the controls and establish specific target dates for completing the process. In addition, the Authority will need to address how it intends to improve its procedures and controls to ensure the admission and occupancy requirements are followed. The Authority also did not address how it plans to reduce its Low-Rent Performance Funding Operating Subsidy by $2,573 due to improperly calculated tenant rental payments.

Comment 7

As of June 30, 2004, we reviewed 31 employee files and found that 16 files did not contain the required background check information. The Authority indicated that background checks are now performed on all new hires, but it needs to consider its previously hired employees as well. In addition, the Authority did not address how it intends to reduce its Low-Rent Performance Funding Operating Subsidy by $5,184 for failing to discontinue health insurance payments for a terminated employee.

Comment 8

The Authority did not address how it intends to reduce its Low-Rent Performance Funding Operating Subsidy by $2,639, which represents the costs associated with housing an ineligible tenant in a Turnkey III unit. Although HUD provided the Authority with the requirements and regulations of the Turnkey III Homeownership Opportunity program, the Authority must implement the requirements and establish timeframes for updating its waiting list and evaluating eligible tenants for the program.