



Chicago Housing Authority Office of the Inspector General

Public Housing Equipment, Appliances, and Materials Inventory Audit

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A. Executive Summary

I. Authority and Role

The authority to perform this audit is pursuant to the Chicago Housing Authority (CHA) Board of Commissioners approved Inspector General Charter, which states that the Office of the Inspector General (OIG) has the authority and duty to review CHA programs. The OIG is tasked with identifying any inefficiencies, waste, and potential for misconduct therein; and recommending policies and methods for the elimination of inefficiencies and waste, as well as for the prevention of misconduct. Accordingly, the OIG conducts independent audits of CHA operations and programs and makes recommendations for improvement when appropriate.

a. Standards

The OIG conducts audits of programs in accordance with Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States and The Principles and Standards for Offices of the Inspector General. Those standards apply to performance audits of government agencies and require that we plan and perform the audit to provide objective analysis, findings, and conclusions to assist management and those charged with governance and oversight with, among other things, improving program performance and operations, reducing costs, facilitating decision making by parties responsible for overseeing or initiating corrective action, and contributing to public accountability.¹

[1] The U.S. Government Accountability Office, Comptroller General of the U.S. (2018). Government Auditing Standards (The Yellow Book). Washington, DC: GAO.



b. Independence

The OIG auditors involved in this audit are free both in fact and appearance from personal, organizational, and external impairments to independence. All opinions, judgments, conclusions, and recommendations are impartial and should be viewed as impartial by third parties.

As part of the OIG 2020 Audit Plan and based on emerging issues regarding equipment and appliance control at CHA sites, the OIG selected to audit PAMs equipment, appliances, and materials located at various CHA Public Housing sites.

II. Background

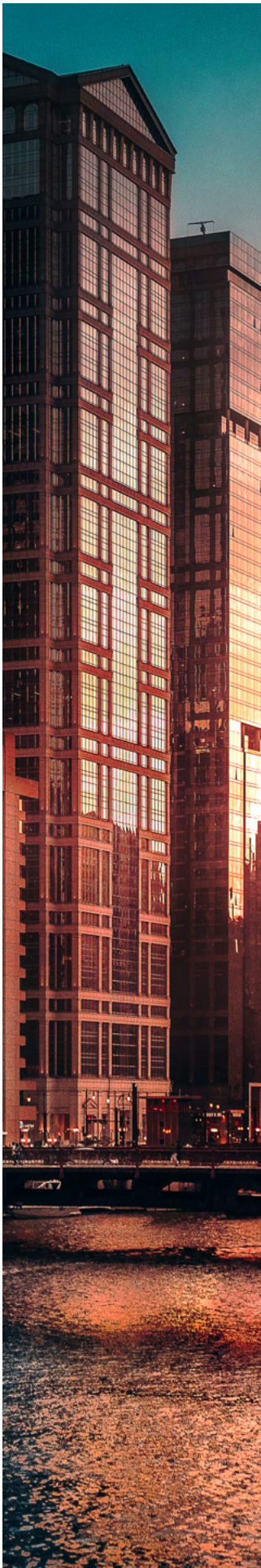
CHA participates in a cooperative purchasing network, now known as OMNIA Partners, Public Sector, to contract with Lowe's Home Centers LLC. As relevant to the scope of this audit, on July 25, 2016, the CHA and Lowe's entered into contract 11843, Supplemental Agreement for Maintenance, Repair and Operations (MRO) Supplies. The CHA subsequently exercised its three, one-year extensions of the contract, resulting in an aggregate not-to-exceed total contract amount of \$46,990,000.00. The contract expired on March 31, 2020.

In 2020, the CHA Board of Commissioners authorized the CHA to enter into three new MRO contracts with Home Depot U.S.A, Lowe's, and W.W. Grainger. The current Lowe's contract, number 12445, runs from July 27, 2020, to March 31, 2023, for a base term amount of \$16,500,000, plus two option years, for a total of \$27,500,000. The W.W. Grainger contract, number 12485, runs from January 1, 2021, through March 31, 2023, for a \$6,000,000 base term plus two option years, for a total of \$10,000,000. The CHA Board also approved a recommendation to award a contract to Home Depot for a total not to exceed \$27,500,000.²

[2] As of the date of this writing, the CHA has not finalized a contract with Home Depot.



To order appliances and equipment for CHA public housing units, PPM maintenance or administrative staff generate general work orders (GWOs) in the CHA's Yardi system. PPM staff select and save items to the Lowe's electronic shopping cart and attach a screenshot to the GWO. The order is then emailed to the PPM's procurement department for review. The PPM's procurement department submits the order to CHA's portfolio manager for approval before forwarding the order to Lowe's. Lowe's fulfills the order and delivers to the site. Upon delivery, Lowe's provides PPM staff with appliance and equipment receiving reports (also called loading tickets or proof of delivery) and then invoices the CHA for payment. All the invoices selected for inclusion in the audit were paid by the CHA through Lawson, CHA's electronic payment system.



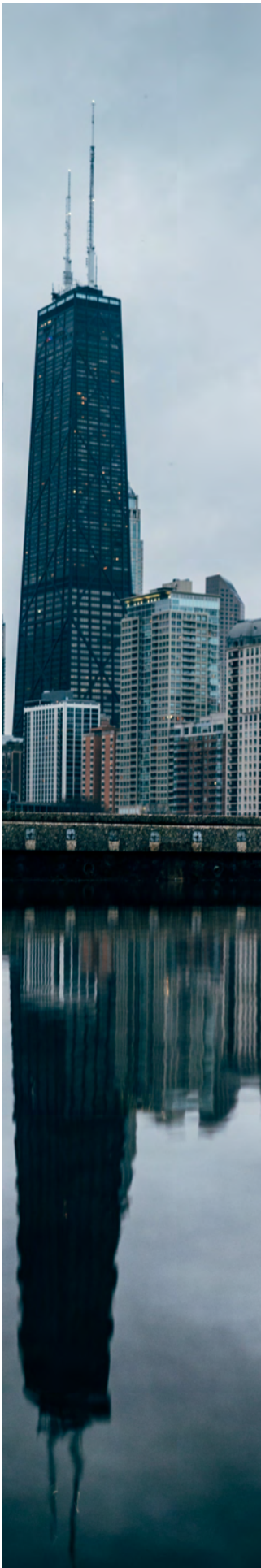
III. Objectives

The objectives of the audit included:

1. Assess whether CHA has adequate controls over equipment, appliances, and materials for each public housing community or site managed by PPMs.
2. Review the sufficiency of internal controls underlying the recording and tracking process associated with equipment and appliances purchased for CHA sites.
3. Review the sufficiency of PPM equipment, appliance, and material disposal procedures and related transactions.
4. Assess the risk environment and determine whether the current internal controls are sufficient to minimize fraud, waste, and abuse.

IV. Scope

The scope of the audit was from January 1, 2017 to December 31, 2019. The audit was limited to verifying the existence of equipment and appliances such as but not limited to stoves, refrigerators, washers, and countertops ordered and purchased by PPMs during the audit period and assessing the adequacy of existing inventory controls. Equipment and appliances ordered during the audit period but received in 2020 before the start of the audit in June 2020 are also included.



V. Research

For the purpose of this audit, the OIG reviewed the following rules and regulations:

1. Property Management Procedural Manual for the Traditional Portfolio
2. Property Management Financial Procedures Manual
3. Private Property Management Agreement
4. CHA Procurement Guide
5. Contractual Agreements between CHA and Lowe's Home Centers
6. HUD Procurement Handbook 7460.8
7. HUD Procurement Regulations, 24 CFR Section 85.36

VI. Approach, Methodology, and Sample Selection

The audit was performed by conducting interviews, inspections, and testing; reviewing documentation; analyzing relevant data, and other measures deemed necessary.

Material deficiencies and/or relevant findings were discussed with PPM firms and communicated to the Property and Asset Management Office (PAM). The OIG provided CHA management a draft report with Findings and Recommendations. PAM concurred with all findings and recommendations.



a. Interviews

OIG Audit staff interviewed the following relevant individuals:

1. PAM personnel to gain an understanding of their roles and responsibilities in oversight of the PPMs.
2. PPMs to obtain an understanding of their roles and responsibilities in the purchasing and receiving of equipment and appliances.
3. PPM firms to acquire an understanding of their functions and responsibilities with regards to equipment and appliances control and disposal.
4. Lowe's management to gain an understanding of the invoicing process for equipment and appliances.

In addition to interviews, the OIG conducted site visits to collect proof of delivery and verify the existence of equipment and appliances.

The OIG believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives to identify conditions and/or an environment that results in, or could result in, waste, fraud, abuse, misconduct, or mismanagement.

b. Sample Selection

Family Sites

The OIG used a judgmental sampling method³ for the selection of the CHA's traditional family portfolio housing sites. The OIG selected 8 (50%) out of the 16 family sites for testing using a judgmental sample. The family sites were selected based on size; (the sites with the highest number of units) and the audit's perceived risks. The OIG used a judgmental sampling due to the small size the target population.

[3] Judgmental sampling is a non-statistical sampling method where specific items are selected based on the Auditor's professional knowledge about the population (Institute of Internal Auditors). The OIG did not extrapolate results of the testing to the entire population.

Senior Sites

The OIG used a random sampling method for the CHA's senior housing sites. Using Teammate Analytics random sampling selection tool, the OIG selected 5 (11%) out of the 44 senior properties sites for testing.

The following tables represent the selected sites for detail testing.

Family Sites Selected for Detail Testing

Family Site	Address	Total Units	Management Company
001-ABLA	1324 S. Loomis	371	Eastlake Management
002-Altgeld/Murray	950 E. 132nd Pl.	1,541	Eastlake Management
013-Dearborn Homes	2960 S. Federal	668	Eastlake Management
032-Scattered Site Region 1	4429 N. Clifton; 1402 N. Kedzie	1,433	Eastlake Management
035-Scattered Site Region 2	1324 S. Loomis	606	Eastlake Management
033-Scattered Site Region 3 (includes Archer Cts & Shakespeare)	7120 S. Merrill	337	Eastlake Management
034-Scattered Site Region 4	8600 S. Kedzie, 8907 S. Houston	424	Manage Chicago
040-Wentworth Gardens	3770 S. Wentworth Ave.	343	Eastlake Management

Senior Properties Selected for Detail Testing

Senior Site	Address	Total Units	Management Company
081-Ada S. Dennison-McKinley	661 E. 69th St.	125	Habitat Company
046-Armour Square	3216 S. Wentworth	393	Habitat Company
075-Daniel Hudson Burnham Apartments	1930 W. Loyola Ave.	181	Habitat Company
076-Caroline Hedger Apartments	6400 N. Sheridan Rd.	450	Habitat Company
052-Lincoln Perry Apartments	3245 S. Prairie / 243 E. 32nd St.	450	Habitat Company

c. Records Obtained for Detail Testing

The OIG asked Lowe's for CHA's entire invoice and delivery history from January 2017 to December 2019. Lowe's was unable to provide data for the first six months, from January 1, 2017 through June 20, 2017. The Lowe's National Account Manager responded that, Lowe's "only has data back to 6/21/17. The data for 2017 has a lot of more missing Work Order, Lawson and CHA PO #s because there was no 2017-year end reporting to compare it to. We made some great enhancements to the reporting since 2017 and have definitely come a long way!" [sic throughout].

Lowe's did provide the OIG with data from June 21, 2017 to December 31, 2019. The data included fields such as invoice #, PO #, WO #, Lawson #, etc. Based on Lowe's records, Lowe's invoiced a total of \$27,218,921 to CHA during this more than 30-month period.

As reflected in Lawson, CHA's electronic payment system, for the 42-month period from June 21, 2016 to the end of December 31, 2019, the CHA paid \$40,945,418 to Lowe's.

The OIG, via PAM, asked Lowe's additionally for all delivery tickets for items purchased by the PPM managing the family housing in Scattered Site 4 for the years 2017, 2018, and 2019. Lowe's was able to locate only 35% of all delivery tickets for the years 2017, 2018, and 2019 for Scattered Site 4. In March 2021, the OIG issued Lowe's a subpoena for the requested records. After several months of delay, by August 24, 2021, Lowe's had provided a portion of the missing delivery tickets to provide support for some of the invoiced items.

VI. Summary of Results

The Audit revealed the following findings:

1. Lack of Managerial Control and Oversight of Purchased Equipment and Appliances:
 - A. No Written Standard Operating Procedures on Receipt and Disposal of Equipment and Appliances
 - B. Missing Proof of Delivery for Invoiced Items
 - C. Receipts Showing Incomplete Equipment and Appliance Deliveries
 - D. Conflicting Governing Documents
 - E. Lack of Control Over Maintenance Tools

2. Lack of PPM Training and Utilization of the Yardi Fixed Assets Module

Details of each Finding and corresponding six recommendations can be found in their respective sections to follow.

On June 4, 2021, the OIG provided PAM with an interim briefing on the audit findings and recommendations. Following that meeting, PAM instructed the PPMs to retain all signed Lowe's delivery tickets and maintain those records for future PPM transition binders.

All departments and PPMs impacted by this audit cooperated fully with the OIG staff. The OIG thanks CHA management for its cooperation and willingness to improve the program.



B. Findings and Recommendations

The OIG Audit resulted in two main findings and six recommendations. Each finding and recommendation are detailed below. Finding 1 includes five sub-findings A - E, and five corresponding recommendations. Finding 2 includes one recommendation.

Finding 1: Lack of Managerial Control and Oversight of Purchased Equipment and Appliances

Based on interviews and detail testing, the OIG found that the Property and Asset Management Office (PAM) lacked managerial control and oversight of the equipment and appliances purchased through Contract No. 11843 Supplemental Agreement for Maintenance, Repair and Operations Supplies with Lowe's. During the audit, the OIG noted that PAM had not established a control mechanism to account for equipment and appliances purchased from Lowe's. The absence of managerial control led to sub-findings A - E.

A. No Written Standard Operating Procedure on Receipt and Disposal of Equipment and Appliances

The OIG found that during the audit period, the CHA did not have a written procedure and/or process to account for acquired and disposed equipment and appliances with a unit cost of less than \$5,000. Due to the lack of policies or procedures for equipment and appliances valued under \$5,000, the PPMs did not consistently keep records of appliances delivered to the properties nor did they keep records to document the disposal of appliances.

First, PPMs were inconsistent in their documentation of equipment and appliances acquired at each site. OIG's site visits and interviews revealed that PPMs maintain varying forms of inventory records with inconsistent and/or incomplete information.

Second, PPMs were inconsistent in their methods of disposal of such equipment and appliances. Some PPMs, such as the PPM for Scattered Site 4, placed the old appliances in the alley for pick up by a scavenger service, while others, such as the PPM at Ada S. Dennison McKinley, made a request to Lowe's for pickup. ⁴

This inconsistency appears to be due, in part, to the lack of disposal policies for non-fixed assets such as appliances and equipment. The CHA Property Management ⁴ Financial Procedures Manual provided a written procedure for the disposal of "fixed assets," which the manual defines as any asset with a unit cost over \$5,000.

While the Property Management Procedures Manual, Chapter 16.21 Salvage/Disposition of Materials, did address disposal, stating simply, "Outdated and worn-out equipment and materials are to be disposed of if the materials are obsolete," a CHA PAM Assistant Director informed the OIG that, except for the Fixed Assets Disposal Form, there were no written policies and procedures in place that clearly defined the responsibilities of PPM personnel regarding the receipt, maintenance, and disposal of equipment and appliances. He noted that PAM was working to develop written policies and procedures on this issue.

[4] The OIG notes that discarded appliances and equipment potentially represent an asset to the CHA in the form of scrap metal, salvaged parts, and equipment for use in job training programs, for skills such as home appliance repair. Because the items are purchased by PPMs through CHA's master contract and not included as a cost borne by the PPMs under their management contracts, PPMs arguably have less incentive to preserve these assets for further use by the CHA.

The inconsistency in PPM procedures is accentuated by inconsistencies between the Property Management Procedural Manual and the PM Financial Procedures Manual regarding how to record appliances as capitalized, fixed assets or expensed assets, and in turn, how to dispose of such assets. See Finding 1. D. and Recommendation.

Risk:

1. Inefficient administration of the program.
2. Potential waste due to CHA's inability to effectively audit invoices and ascertain whether CHA is receiving and benefitting from goods for which it has paid.

Recommendation 1

The Property and Asset Management Office should develop a standard operating procedure for receipt and disposal of equipment and appliances with unit cost of less than \$5,000.

Management Response – Recommendation 1		
<input checked="" type="checkbox"/> Concur with Findings and recommendation	<input type="checkbox"/> Do not concur with Findings and recommendation	<input type="checkbox"/> Concur with part of the Findings and recommendation
PAM will develop a written standard operating procedure for receipt and disposal of equipment and appliances with a unit cost of less than \$5,000. PAM has already taken steps in this area, including requiring a Lowe's binder with all delivery tickets to be kept on site and the use of an appliance spreadsheet (example provided to OIG) to track appliances at each property.		
Custodian:	Eric Garrett	
Implementation Timeline:	Q4 2021	

B. Missing Proof of Delivery

PPMs did not consistently retain receiving reports for equipment and appliances purchased from Lowe's. PPMs and Lowe's could not provide the OIG 244 receiving reports or loading tickets. Accordingly, there is no assurance that 1,255 items invoiced by Lowe's, for a total of \$664,304.86 were received by CHA.

For the audit, OIG reviewed invoices associated with 13 CHA sites, for a total of 659 invoices, amounting to \$3,171,868.98, or 12% of the total \$27,218,921 invoiced by Lowe's for the testing period.

To ascertain whether the goods were received, the OIG requested that the PPMs provide equipment and appliance receiving reports associated with the invoices selected. Collectively, the PPMs were able to locate just 30% of the requested receiving reports associated with the invoices selected for testing. Of the 13 selected sites, only Altgeld Gardens was able to provide all the receiving reports requested, while other sites produced varying numbers. The OIG then subpoenaed Lowe's to produce proof of delivery or loading tickets for equipment and appliances for the remaining missing items. Lowe's provided proof of delivery for 49% of the remaining 468 invoices not produced by the PPMs. In sum, the OIG was unable to obtain receiving reports for 26% of the invoices selected for testing, resulting in missing receipts for 22% of all items selected for testing. The items include appliances such as refrigerators, ranges, air conditioners, and dryers.

The following table illustrates the condition.

Invoices Selected for Testing for Associated Receiving Reports								
Site Name	Invoices Selected for Testing				Analysis of Missing Receiving Reports			
	Total Invoices	Total Value	Total Items	Items Confirmed with Receiving Report	Total Receiving Reports Missing	Items in Missing Reports	Value of Items on Missing Receiving Reports	Percentage of Dollar Value Missing Receiving Reports
SS Region 4	78	\$273,902.41	521	174	51	347	\$178,327.31	65%
SS Region 2	67	\$304,316.35	526	272	35	254	\$142,097.77	47%
SS Region 1	180	\$887,725.70	1750	982	81	768	\$381,396.96	43%
Armour Square	36	\$102,550.58	131	103	11	28	\$35,330.49	34%
Caroline Hedger Apartments	20	\$72,571.14	90	65	9	25	\$15,376.90	21%
Daniel Hudson Burnham	44	\$70,830.96	103	83	9	20	\$10,627.58	15%
Lincoln Perry	25	\$191,258.07	326	266	2	60	\$27,063.00	14%
Ada S. Dennison McKinley	25	\$48,544.82	95	85	5	10	\$5,140.79	11%
Dearborn Homes	29	\$300,192.18	535	482	2	53	\$24,176.91	8%
Wentworth Gardens	28	\$177,082.54	259	247	4	12	\$9,999.50	6%
SS Region 3	66	\$143,567.54	265	249	10	16	\$7,190.96	5%
ABLA Homes	35	\$293,462.19	495	486	1	9	\$5,904.00	2%
Altgeld / Murray	26	\$305,864.50	563	563	0	0	0	0%
Total	659	\$3,171,868.98	5,659	3,883	169	1,255	\$664,304.86	21%

During the field work interviews and the internal control questionnaires, the OIG noted that several Property Managers and /or Maintenance Supervisors did not keep copies of receiving reports. Some PPMs attributed the missing receiving reports to a change in property management companies during the second quarter of 2020. In the absence of a receiving report or proof of delivery, one cannot ascertain whether the appliances or equipment were received.

After OIG completed its field work, PAM emailed all PPMs on December 29, 2020, instructing them to start keeping track of all appliances effective Monday, January 4, 2021. The email included an Excel spreadsheet Appliance Log for use by PPMs to track the date received, appliance type, model and serial numbers, auditor, location, delivery date, and work order.

Risk:

1. Inefficient administration of the program.
2. Loss of assets.
3. Potential waste due to CHA's inability to effectively audit invoices and ascertain whether CHA is receiving goods for which it has paid.

Recommendation 2

- a) The Property and Asset Management Office should instruct and or train the PPMs on the importance of maintaining equipment and appliance receiving documents.
- b) The Property and Asset Management Office should independently ensure that PPMs maintain copies of receiving reports through regular methods of oversight and review.

Management Response – Recommendation 2		
<input checked="" type="checkbox"/> Concur with Findings and recommendation	<input type="checkbox"/> Do not concur with Findings and recommendation	<input type="checkbox"/> Concur with part of the Findings and recommendation
PAM now requires PPMs to keep a binder with Lowe's delivery tickets on site and will implement quarterly auditing of the same to ensure compliance.		
Custodian:	Eric Garrett	
Implementation Timeline:	Q4 2021	

C. Incomplete Equipment and Appliances Delivery

The OIG found that of those 490 selected invoices for which PPMs and Lowe's Company did submit a receiving report, 29 invoices correspond to a partial receiving report, reflecting a total of 298 appliances and equipment that were invoiced to eight different sites, but with incomplete delivery reported. For these 29 invoices, the number of invoiced items did not match the number of items reported in the corresponding receiving reports. The total value of the items missing from the incomplete receiving reports amounted to \$160,193.

This finding is based on the OIG's comparison of the number of quantities of equipment and appliances per invoice to the quantity acknowledged on the receiving report by PPM staff. The following table summarizes the sites with incomplete delivery items. The detail per invoice is attached. (Appendix)

Site Name	Total Number of Items per Invoice Unmatched to Receiving Report	Value of Missing Items per Receiving Report
ABLA Homes	23	\$ 12,268.46
Altgeld / Murray	66	\$ 35,260.85
Dearborn Homes	85	\$ 47,266.60
Lincoln Perry	12	\$ 5,123.27
SS Region 4	40	\$ 24,460.11
SS Region 1	48	\$ 24,825.02
SS Region 2	17	\$ 6,327.80
Wentworth Gardens	7	\$ 4,661.65
Total	298	\$ 160,193.85

Risk:

1. Inefficient administration of the program.
2. Loss of assets.
3. Potential waste due to CHA's inability to effectively audit invoices and ascertain whether CHA is receiving goods for which it has paid.

Recommendation 3

- a) The Property and Asset Management Office should ensure that Lowe's provides proof of delivery of the missing equipment and appliances or cure the default.
- b) PAM should establish a process by which PPM staff reconcile all invoices from CHA equipment and appliance suppliers with receiving reports to ensure all items paid for are received and retain all such records for a specified period of time. PAM should regularly audit or review PPMs to ensure compliance with those established procedures.

Management Response – Recommendation 3		
<input checked="" type="checkbox"/> Concur with Findings and recommendation	<input type="checkbox"/> Do not concur with Findings and recommendation	<input type="checkbox"/> Concur with part of the Findings and recommendation
PAM will require with Lowe's to provide the missing documentation. PAM now requires PPMs to keep a binder with Lowe's delivery tickets on site and will implement quarterly auditing of the same to ensure compliance.		
Custodian:	Eric Garrett	
Implementation Timeline:	Q4 2021	

D. Conflicting Governing Documents

The Property Management Procedural Manual and the Property Management Financial Procedures Manual, two governing documents provided by the CHA to PPMs, provide directly conflicting guidance as to the treatment of appliances and their recording in CHA books as either capitalized or expensed assets.

The Property Management Procedural Manual 16.7.3, Appliance Control, states: "All appliances are capitalized and shall have serial numbers. The Property Manager maintains a log of appliances that tracks whenever appliances are transferred out of a unit."

In contrast, the Financial Procedures Manual states: “Ranges and Refrigerators will be expensed.” PM Financial Procedures Manual, page 101, Property and Asset Management Office August 1, 2015.⁵

While the Financial Procedures Manual provides guidance regarding the disposal of fixed assets, it does not address appliances, ranges, or refrigerators, given their status as non-fixed assets, valued at less than \$5,000, which are to be expensed:

The PPM shall comply with the CHA’s procedures regarding the disposition of all property, including obtaining the CHA’s approval prior to disposing of any property.

Fixed asset disposals should be submitted to the CHA on a disposal form and transfers should be submitted on a transfer form.

Although the Financial Procedures Manual states that PPMs should obtain “the CHA’s approval prior to disposing of any property,” the CHA Assistant Director of Asset management informed the OIG that except for the Fixed Assets Disposal Form, there was no written policy in place for disposition of equipment and appliances.

Risk:

1. Inefficient administration of the program.
2. Potential waste due to CHA’s inability to effectively audit invoices and ascertain whether CHA is receiving goods for which it has paid.

Recommendation 4

The Property and Asset Management Office should clarify and reconcile the treatment of appliances in its governing PPM Manuals and provide clear guidance as to the receipt and disposal of equipment and appliances.

Management Response – Recommendation 4		
<input checked="" type="checkbox"/> Concur with Findings and recommendation	<input type="checkbox"/> Do not concur with Findings and recommendation	<input type="checkbox"/> Concur with part of the Findings and recommendation
PAM will work internally with other department to update relevant documents for clarity and consistency.		
Custodian:	Eric Garrett	
Implementation Timeline:	Q4 2021	

[5] Additionally, the CHA FY2021 Comprehensive Budget Book Glossary defines “Fixed Assets” to include appliances: “Assets of a long-term character (such as land, buildings, machinery, furniture, refrigerators, ranges, and other equipment) which are intended to be held or used, over the term of a depreciable life.” However, the definition for “Capital Equipment” is limited to types of equipment “which have a useful life of more than five years and a unit cost of at least \$5,000.”

E. Lack of Control Over Maintenance Tools

One of the PPMs maintenance staff kept at least 47 power tools purchased from Lowe's with CHA funds as personal property in violation of CHA policy.

During the audit, the OIG noted at least 129 work tools were purchased by PPMs under the Lowe's agreement. Those tools ranged from simple household tools to power tools. However, the OIG found that one of the PPMs could not verify the existence of those tools at the site for which they were purportedly purchased.

The PPM Management Procedures Manual provides that any property acquired by the PPM with CHA funds shall remain property of the CHA: "Any property acquired by the PPM with operating funds or capital funds provided by CHA shall become and remain the property of the CHA, upon the expiration or termination of the PPM contract, except for property acquired by the Contractor at its own expense."

The CHA PPM Management Procedures Manual further places responsibility for maintaining control and inventory over tools and equipment on the maintenance supervisor:

The Maintenance Supervisor is responsible for maintaining proper control over tools and equipment. Since the union contract provides for a hand-tool allowance for each technician/mechanic, the workers should generally only need to be supplied with tools when the work involves power equipment. The Maintenance Supervisor must maintain inventory records on all property tools and equipment. Tools and equipment listings should be provided to the Property Manager whenever there has been a staff change, new tools or equipment are purchased, or upon request by the Housing or Regional Manager.

During fieldwork, the OIG attempted to verify the existence of purchased equipment and appliances whenever possible. At Scattered Site 1, maintenance personnel informed the OIG that the power tools identified by the OIG were not on the premises when they assumed management of the property in June 2019 after taking over for the former PPM company.

The OIG submitted to the former PPM a list of 50 power tools purchased for the Scattered Site 1 when the company was managing that property. After cross-referencing the 50 items with its own inventory list at the time of its departure, the PPM was able to identify only three items. It could not provide any information on the other 47 missing power tools. The total value of the 47 power tools taken from Scattered Site 1 was \$6,310.49.

Similarly, the PPM's site manager at Ada S. Dennison-McKinley Apartments (ADA), reported to the OIG that none of the six power tools identified by OIG as having been purchased through CHA's Lowe's account for use at ADA were located at that site. PAM later informed the OIG that the site was managed by a former PPM (WCDC) when the tools were purchased. These six power tools represent a total value of \$934.85.

A third PPM reported to OIG that it did not allow maintenance staff to purchase tools with CHA funds.

Although the dollar value of the missing tools is low enough to be financially immaterial, their removal from the sites is inappropriate, and may cause unwarranted hardship to new PPM staff that may need those tools to execute their tasks.

Risk:

1. Inefficient administration of the program.
2. Potential waste due to CHA's inability to effectively audit invoices and ascertain whether CHA is receiving goods for which it has paid.

Recommendation 5

Property and Asset Management Office should take necessary action to ensure all power tools or maintenance equipment purchased with CHA funds are appropriately inventoried and maintained for use at the CHA property.

Management Response – Recommendation 5		
<input checked="" type="checkbox"/> Concur with Findings and recommendation	<input type="checkbox"/> Do not concur with Findings and recommendation	<input type="checkbox"/> Concur with part of the Findings and recommendation
PAM will emphasize the PPMs responsibility to maintain inventory records and ensure tools and equipment purchased with CHA funds remain on CHA property and will conduct quarterly auditing to ensure compliance.		
Custodian:	Eric Garrett	
Implementation Timeline:	Q4 2021	

Finding 2: Lack of PPM Training for the Yardi Fixed Asset Module

PPMs were not trained to record appliances in CHA's Yardi Fixed Asset Module, and PAM did not ensure that PPMs utilized the Yardi Fixed Asset Module to track appliances. As a result, the CHA lost visibility and traceability of equipment and appliances.

The Property Management Procedural Manual, Chapter 16.7.2 and 16.7.3, explicitly describes appliances as capitalized items that should be inventoried and maintained in the Yardi Fixed Assets Module:

1. Your community should have an extensive Inventory Log <Exhibit 8.2> in the binder listing all capitalized equipment and property at the site, the model number, make, date of purchase (if available) and the dollar amount. As additional items are bought or replaced, the log should be updated. This log should be periodically reconciled to CHA's Yardi Fixed Assets Module.
2. All appliances are capitalized and shall have serial numbers. The Property Manager maintains a log of appliances that tracks whenever appliances are transferred out of a unit <Exhibit 8.3>. This log should be updated whenever changes or replacements are made. These serial numbers should be verified on the annual unit inspection and any changes made at that time.

Although the Procedural Manual states that equipment and appliances should be inventoried and reconciled to CHA's Yardi Fixed Assets Module, the PPMs were not trained to record appliances in the system. The OIG's review of Yardi shows that as of the initiation of this audit on June 1, 2020, nothing had been recorded in the Fixed Assets Module. In OIG interviews, PPM staff stated they were not aware of the existence of the Yardi Fixed Assets Module.

The following image is a screenshot of the Yardi Fixed Assets Module.

Fixed Assets

- Roles
- Review Assets
- Add Asset
- Review Warranties
- Change Depr Status
- Change Depr Book Status
- Post Depreciation JE
- Fix Depreciation Book
- Adjust Depreciation Book Transactions
- Create Assets From GL Setup
- Fixed Asset Analytics
- IRS Analytics
- Reports
- About

Code		Make	
Name	<input type="text"/>	Model	<input type="text"/>
Property	<input type="text"/>	Serial Number	<input type="text"/>
Unit	<input type="text"/>	Service Level	<input type="text" value="v"/>
Tenant		User Defined 2	<input type="text"/>
Asset Group		User Defined 3	<input type="text"/>
Asset Type	<input type="text"/>	User Defined 4	<input type="text"/>
Item Type	<input type="text"/>	Notes	<input type="text"/>
Location	<input type="text"/>		
Tracking Id	<input type="text"/>	Created by: EAccoh@the... on 09/27/2021	
Asset Tag	<input type="text"/>	Modified by: EAccoh@the... on 09/27/2021	

General Info Description

Purchase Info

Purchase Order #

[Supplier](#)

Date Purchased

Purchase Price

Life

Date Retired

Reason Retired InUse

GL Amount 0.00

Replacement Info

Status

Reference

Replacement Date

Replacement Cost

JobCost Info

[Job](#)

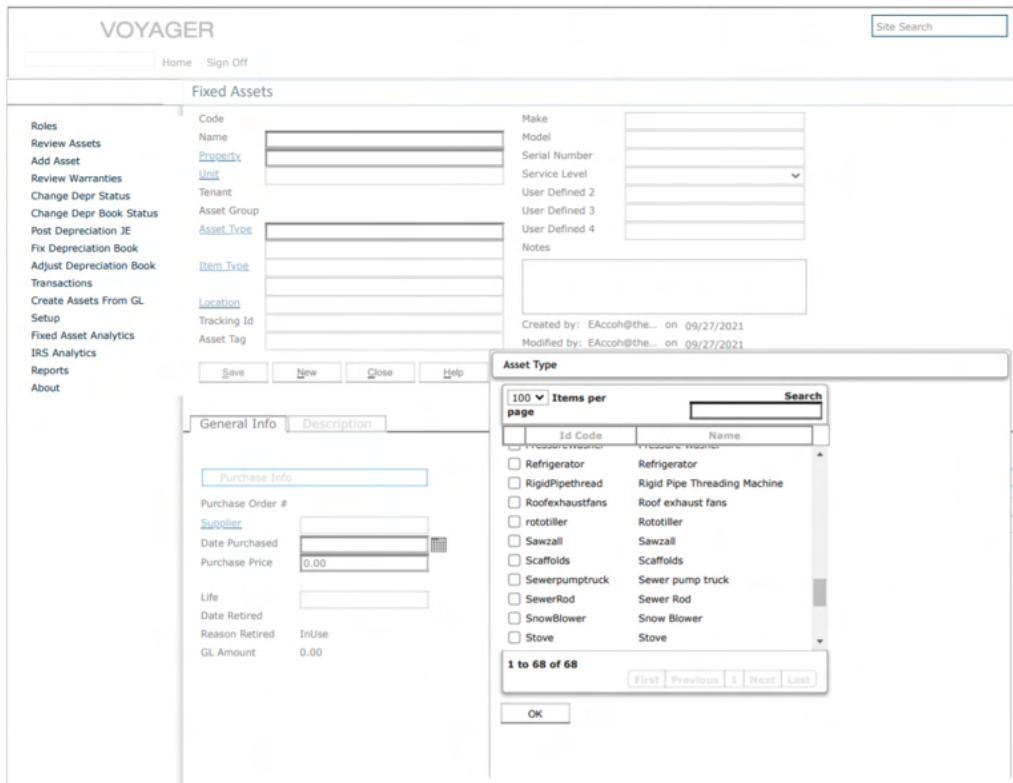
[Contract](#)

GPS Info

Latitude

Longitude

Altitude (meters)



As shown in these images, the module allows the recording of assets such as refrigerators, stoves, air conditions etc., as well as the associated property, unit, serial number, supplier, purchase date, and price, as well as replacement status.

Equipment recording in Yardi allows CHA to trace the appliances from purchasing, placement in a unit, to disposal. Better tracking would further aid in budgeting and planning for such expenses.

While various PPM sites have created their own appliance inventory logs using Excel sheets, and PAM has also created its own Excel Appliance Log, the various logs do not consistently include complete information such as CHA property unit number, purchase date, serial number, or price.

Risk:

1. Inefficient administration of the program.
2. Potential waste due to CHA's inability to effectively audit invoices and ascertain whether CHA is receiving goods for which it has paid.

Recommendation 6

The Property and Asset Management Office should train PPM staff on the recording of equipment and appliances in CHA's Yardi Fixed Assets Module and take steps to regularly monitor such fixed asset inventories to ensure PPM compliance and tracking.

Management Response – Recommendation 6		
<input checked="" type="checkbox"/> Concur with Findings and recommendation	<input type="checkbox"/> Do not concur with Findings and recommendation	<input type="checkbox"/> Concur with part of the Findings and recommendation
PAM will finalize the implementation of the use of the Yardi fixed asset module for use by the PPMs and conduct quarterly auditing to ensure compliance.		
Custodian:	Eric Garrett	
Implementation Timeline:	Q1 2022	

Appendix Detail of Incomplete Delivery

Account Name	Date	Invoice #	SKU	SkuDesc	Quantity	Price	Ex Price	Work Order #	Quantity Match	Missing Quantity	Missing \$ Value
1010 ABLAHOMESXXO	2018-10-31	73651	880094	FG 18-CU FT TM FFHT1832TE	25	\$ 538.82	\$ 13,470.50	2017711	12	13	7,004.66
1010 ABLAHOMESXXO	2018-03-01	73633	634484	GE 15.53-CU FT GTE16DTHBB(-174304	21	\$ 526.38	\$ 11,053.98	1870764	11	10	5,263.80
					46		\$ 24,524.48		23	23	\$ 12,268.46

Account Name	Date	Invoice #	SKU	SkuDesc	Quantity	Price	Ex Price	Work Order #	Quantity Match	Missing Quantity	Missing \$ Value
1020 ALTGELDMURRA 4P	2019-05-20	7621	848348	FR FS GAS RING LPGF3052TR(-362426)	37	\$ 464.07	\$ 17,170.59	2107703	10	27	12,529.89
1020 ALTGELDMURRA 4P	2019-10-23	15750	1216182	WP FL GAS DRY WGD5620HW (-786463)	20	\$ 710.60	\$ 14,212.00	2169848	7	13	9,237.80
1020 ALTGELDMURRA 4P	2019-02-20	17550	848348	FR FS GAS RING LPGF3052TR(-362426)	40	\$ 474.30	\$ 18,972.00	2059623	32	8	3,794.40
1020 ALTGELDMURRA 4P	2018-11-01	79247	880094	FG 18-CU FT TM FFHT1832TE	25	\$ 538.82	\$ 13,470.50	2021804	7	18	9,698.76
					122		\$ 63,825.09		56	66	\$ 35,260.85

Account Name	Date	Invoice #	SKU	SkuDesc	Quantity	Price	Ex Price	Work Order #	Quantity Match	Missing Quantity	Missing \$ Value
1130 DEARBORNHOME 3F	2018-09-05	88411	848348	FR FS GAS RING LPGF3052TR(-362426)	20	\$ 530.10	\$ 10,602.00	1970291	12	8	4,240.80
1130 DEARBORNHOME 3F	2018-11-01	74486	602729	50S GE TM REF GTE16DTH88	50	\$ 464.07	\$ 23,203.50	2021595	28	22	10,209.54
1130 DEARBORNHOME 3F	2018-11-01	74488	623783	WP 20.5-CU FT WRT311FZDB (-355481	28	\$ 626.25	\$ 17,535.00	2021595	3	25	15,656.25
1130 DEARBORNHOME 3F	2018-09-05	88412	751738	Frigidaire 18 CF Top Mount	20	\$ 591.21	\$ 11,824.20	1970291	1	19	11,252.99
1130 DEARBORNHOME 3F	2018-11-01	74468	880094	FG 18-CU FT TM FFHT1832TE	25	\$ 538.82	\$ 13,470.50	2021595	14	11	5,927.02
					143		\$ 76,636.20		58	85	\$ 47,266.60

Account Name	Date	Invoice #	SKU	SkuDesc	Quantity	Price	Ex Price	Work Order #	Quantity Match	Missing Quantity	Missing \$ Value
9506 LINCOLNPERRY 3R	2018-06-26	97435	577620	50S ATG - LG	42	\$ 530.09	\$ 22,263.78	1943129	41	1	530.09
9506 LINCOLNPERRY 3R	2017-12-28	73589	848348	FR FS GAS RING LPGF3052TR(-362426)	30	\$ 417.57	\$ 12,527.10	1721376	19	11	4,599.27
					72		\$ 34,790.88		60	12	\$ 5,123.36

Account Name	Date	Invoice #	SKU	SkuDesc	Quantity	Price	Ex Price	Work Order #	Quantity Match	Missing Quantity	Missing \$ Value
1340 SS REGION N400X 4	2019-11-25	83873	658466	Top-Freezer Refrigerator	21	\$ 606.10	\$ 12,728.10	2183680	8	13	7,879.30
1340 SS REGION N400X 4	2019-04-02	92762	816088	PWRFLX 75-GAL 6YR NG TALL PWRVNT	2	\$ 1,022.97	\$ 2,045.94	2088882	1	1	1,022.97
1340 SS REGION N400X 4	2019-03-18	91307	848348	FR FS GAS RING LPGF3052TR(-362426)	30	\$ 547.30	\$ 16,419.00	2075151	21	9	4,925.70
1340 SS REGION N400X 4	2019-03-18	91308	880094	FG 18-CU FT TM FFHT1832TE	30	\$ 625.42	\$ 18,762.60	2075151	13	17	10,632.14
					83		\$ 49,955.64		43	40	\$ 24,460.11

Account Name	Date	Invoice #	SKU	SkuDesc	Quantity	Price	Ex Price	Work Order #	Quantity Match	Missing Quantity	Missing \$ Value
1320 SSREGION 100X 1	2018-11-01	74714	623783	WP 20.5-CU FT WRT311FZDB (-355481	28	\$ 626.25	\$ 17,535.00	2017345	21	7	4,383.75
1320 SSREGION 100X 1	2019-09-11	94507	816115	40-GAL 6YR NG TALL LNX (-1325040)	10	\$ 365.23	\$ 3,652.30	2144899	1	9	3,287.07
1320 SSREGION 100X 1	2018-01-11	73969	602729	50S GE TM REF GTE16DTH88	23	\$ 451.05	\$ 10,374.15	1841411	16	7	3,157.35
1320 SSREGION 100X 1	2018-11-01	74706	784515	GE FS GAS RING JGBS66REKSS(-89497)	28	\$ 465.72	\$ 13,040.16	2017345	24	4	1,862.88
1320 SSREGION 100X 1	2018-03-12	78499	839840	40-GAL 6YR NG TALL LNX	20	\$ 398.04	\$ 7,960.80	1875835	18	2	796.08
1320 SSREGION 100X 1	2018-11-01	74713	880094	FG 18-CU FT TM FFHT1832TE	25	\$ 538.82	\$ 13,470.50	2017345	12	13	7,004.66
1320 SSREGION 100X 1	2018-11-01	74712	1072523	UG ELE DRYER DLEX3700IW (-640799)	25	\$ 794.27	\$ 19,856.75	2017345	21	4	3,177.08
1320 SSREGION 100X 1	2019-07-26	73808	1391908	4PATW1000Z HOME COMFORT	27	\$ 530.10	\$ 14,312.70	2131650	26	1	530.10
1320 SSREGION 100X 1	2019-10-22	82729	1427430	GE 16.6 CU FT GTE17DTH88 (-634484)	20	\$ 626.05	\$ 12,521.00	2169425	19	1	626.05
					206		\$ 112,723.36		158	48	\$ 24,825.02

Account Name	Date	Invoice #	SKU	SkuDesc	Quantity	Price	Ex Price	Work Order #	Quantity Match	Missing Quantity	Missing \$ Value
1350 SS REGION 200X 2P	2017-09-27	89646	634484	GE 15.53-CU FT GTE16DTHBB(-174304	30	\$ 440.30	\$ 13,209.00	1773508	23	7	3,082.10
1350 SS REGION 200X 2P	2019-07-18	73786	840564	GE 10000-BTU PREM CTD AC (840486)	15	\$ 324.57	\$ 4,868.55	2129906	5	10	3,245.70
					45		\$ 18,077.55		28	17	\$ 6,327.80

Account Name	Date	Invoice #	SKU	SkuDesc	Quantity	Price	Ex Price	Work Order #	Quantity Match	Missing Quantity	Missing \$ Value
1400 WENTWORTHGAR 3	2018-10-02	96113	880094	FG 18-CU FT TM FFHT1832TE	23	\$ 665.95	\$ 15,316.85	1991749	16	7	\$ 4,661.65
TOTAL					740		\$ 395,849.05			298	\$ 160,193.85