

U.S. Department of Housing and Urban Development

Detroit Field Office
Office of Public Housing
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April 16, 2004

Board of Commissioners
Hamtramck Housing Commission
c/o Lisa McGuire-Ahmed
Acting President
Hamtramck Housing Commission
11693 Gallagher
Hamtramck, MI 48212

Dear Ms. McGuire-Ahmed:

As a result of HUD's visit on March 3 and March 9, 2004, to the Hamtramck Housing Commission for the purpose of determining the status of findings from the 2001 and 2002 audits, HUD sent a letter dated March 18, 2004, to Douglas Rojek, who at that time was presenting himself as President of the Board. The letter required the Hamtramck Housing Commission to provide an immediate response to three observations made during our visit: Operating Budget for the Year Ending 12/31/2004, Compensation Package, and Audits.

HUD received a response with attachments from Frederick A. Zajdel dated March 31, 2004. The information provided was not responsive to the three observations as required by HUD's letter. Specifically, HUD required a listing of "actions you have taken and plan to take, the names or titles of staff persons assigned to carry out the actions, and a precise timeline outlining the dates each action will be completed" for each of the three observations. What was provided by Mr. Zajdel are comments and documents that presumably address the open findings of one of the audits. The fact that it appears the Board had no involvement with the preparation of its response to HUD's letter, which was clearly addressed to the Board and not the Executive Director, is even more troubling.

Although the information provided may be useful for HUD's ongoing examination of the Housing Commission's finances, the non-responsiveness demonstrates a continued failure of the Board of Commissioners to meet its responsibilities for oversight as required by its Annual Contributions Contract (ACC). Following is a summary of the Hamtramck Housing Commission's response of March 31, 2004, and HUD's comments relative to its three original observations.

Operating Budget for the Year Ending 12/31/2004

HUD identified an approximate \$300,000 shortfall in the Commission's 2004 Operating Budget. The Commission's response stated that the budget was being developed to reduce the deficit and outlined six items totaling \$243,000 to be cut. This response is unacceptable. An approximate \$57,000 deficit remains, and no consideration for increased utility operating costs

has been made. On April 9, 2004, the Commission submitted a revised 2004 Operating Budget. The revision, however, was incomplete with missing and/or incomplete forms and was not approved by the Board of Commissioners. Additionally, HUD reminded the Commission by telephone and email that HUD's deadline for receiving its submission was April 15, 2004, and that HUD would not accept the budget submission until it was approved by the Board. As of April 16, 2004, HUD has not received the Hamtramck Housing Commission's revised 2004 Operating Budget as required.

Compensation Package

HUD cited concerns regarding the compensation package for the Executive Director, including salary, a questionable payment in lieu of insurance, and vacation and sick leave. The Commission's response stated that the Executive Director's compensation package was comparable to that at other public housing agencies, that the payment of \$5,000 was not made "in lieu of insurance," and that there is documentation to account for Mr. Zajdel's vacation and sick leave. This response is unacceptable. HUD's concern is not with comparability, but rather with the fact that the amount of Mr. Zajdel's compensation improperly exceeds his contract. Also, it is HUD's opinion that the payment of \$5,000 is indeed "in lieu of insurance," and there is no Commission policy supporting such action.

With regard to the accounting of vacation and sick leave for Mr. Zajdel, the fact remains that documentation is incomplete. Although records have been recreated to account for leave time since the hiring of Mr. Zajdel, HUD questions the accuracy of the balances for several reasons. No sick or vacation time was deducted from Mr. Zajdel's balance during the period September 15, 2003, through October 31, 2003, when he was off work for a medical condition. The Commission's response included documentation alleging that Mr. Zajdel worked at home. Not only is there no Commission policy allowing for work at home, but HUD had been informed that Mr. Zajdel was unavailable for work at that time. Additionally, there are no timesheets showing the amount of time worked at home nor evidence that any work was completed by Mr. Zajdel as claimed. The negligence and/or unwillingness of the Board of Commissioners to enforce its own personnel policies and the possible abuses committed by the Executive Director leave the Hamtramck Housing Commission in an unacceptable state of non-compliance.

Audits

HUD has serious concerns about the Hamtramck Housing Commission's open audit findings for the 2001 and 2002 audits. The Commission's response, which included a list of statements intended to address open findings for one of the audits, included little relevant information not already reviewed by HUD. This response is unacceptable. Of the 21 original findings cited in the two audits, all remain open at this time, and insufficient progress has been made by the Commission to resolve the identified concerns. The lack of documentation in all areas of operation of the Hamtramck Housing Commission, including procurement, contract administration, and management, in addition to its finances, causes the integrity of the financial statements to remain questionable.

HUD believes the current Board of Commissioners and Executive Director have not responded adequately to the seriousness of these circumstances, have not exercised reasonable care when making decisions, and have not remained obedient to applicable laws and HUD regulations. Please reference the statements made in the conclusion of HUD's letter of March

18, 2004, particularly regarding material non-compliance, as they clearly express HUD's position and grave concern regarding Board conduct and the condition of finances of the Commission. **To be clear, the Hamtramck Housing Commission is in material non-compliance with its ACC and is operating outside of federal regulations.**

Again, this letter is intended for the Board of Commissioners. An official copy is being provided to Mr. Zajdel, Mayor Thomas Jankowski, and Emergency Financial Manager Louis Schimmel.

Sincerely,



Stephen Schneller
Acting Director

- cc: Mr. Frederick A. Zajdel
 Honorable Thomas Jankowski
 Mr. Louis H. Schimmel

CITY OF HAMTRAMCK

3401 Evaline, Hamtramck, MI 48212

County of Wayne, State of Michigan

Louis H. Schimmel
Emergency Financial Manager

April 29, 2004

Dear Common Council Members,

As I stated to you several times at your April 26, 2004 committee of the whole meeting, several letters sent by the US Department of Housing and Urban Development (HUD) have made it absolutely clear that the Hamtramck Housing Commission is grossly mismanaged and one of the worst run Housing Commissions in the Country. In HUD's April 16, 2004 letter to the Hamtramck Housing Commission HUD states **"To be clear, the Hamtramck Housing Commission is in material non-compliance with its ACC and is operating outside of federal regulations."** According to HUD officials, this is the most serious condition and statement that can be made about any Housing Commission.

Also, in a letter I sent to the Common Council dated April 21, 2004, I stated my concern that the Hamtramck Housing Commission has not responded to repeated requests by City Controller William Barnett and myself to pay \$205,000 owed the City for police and other city services being provided to the Housing Commission. These funds are needed by the City to meet payrolls and other financial commitments for the fiscal year ending June 30, 2004.

Because of this very serious situation, I am asking you to implement the request of Mayor Jankowski by removing Wieslawa Brzozka, Allie Gaines, Lisa Ahmed-Maguire and Douglas Rojek as members of the Hamtramck Housing Commission. I am requesting the Common Council take this action no later than May 4, 2004.

Your cooperation in this matter is essential to restoring a properly run Housing Commission for some 1,400 residents in the City of Hamtramck.

Sincerely,



Louis H. Schimmel

cc: State Emergency Loan Board
Fred Headen, MI Department of Treasury
Stephen Schneller, Acting Director HUD
Thomas Jankowski, Mayor
William Barnett, Controller
John Clark, City Attorney