



Issue Date	December 13, 2006
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Audit Report Number	2007-CH-1001
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TO: Thomas S. Marshall, Director of Public Housing Hub, 5DPH

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

SUBJECT: The Marion Housing Authority, Marion, Indiana, Improperly Used HUD Funds for Nonprofit Development Activities

HIGHLIGHTS

What We Audited and Why

We audited the Marion Housing Authority's (Authority) nonprofit development activities. The review of public housing authorities' development activities is set forth in our fiscal year 2006 annual audit plan. We selected the Authority because it was identified as having high-risk indicators of nonprofit development activity. Our objective was to determine whether the Authority diverted or pledged resources subject to its annual contributions contract (contract), other agreement, or regulation for the benefit of non-U.S. Department of Housing and Urban Development (HUD) developments.

What We Found

The Authority, under direction of its former executive director and a considerably different board of commissioners (board), defaulted substantially on its contract when it inappropriately used public housing operating funds to support the activities of the Affordable Housing Corporation (Corporation), a nonprofit organization created by the Authority, without HUD approval. As of November 2006, the Authority owed its public housing program more than \$180,000.

The Authority inappropriately used nearly \$19,000 in Housing Choice Voucher/Family Self-Sufficiency Program Coordinators (Coordinators) funds from January 2003 through June 2004 to pay its former family self-

sufficiency/housing counselor's (former counselor) salary and benefits while the former counselor worked on the Corporation's activities. In addition, the Authority could not provide adequate documentation to support that its use of more than \$25,000 in Coordinators funds to pay the former counselor's salary and benefits during the same period was appropriate.

What We Recommend

We recommend that the director of HUD's Cleveland Office of Public Housing require the Authority to reimburse its public housing operating and Coordinators funds from nonfederal funds for the inappropriate disbursements and implement adequate procedures and controls to ensure it uses public housing program and Coordinators funds appropriately. We also recommend that the director refer the Authority's substantial default of its contract to HUD headquarters and request appropriate action be taken against the Authority.

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

Auditee's Response

We provided our discussion draft audit report to the Authority's executive director, its board chairman, and HUD's staff during the audit. We held an exit conference with the Authority's executive director on November 8, 2006.

We asked the Authority's executive director to provide comments on our discussion draft audit report by November 20, 2006. The executive director provided written comments, dated November 17, 2006. The Authority agreed with our finding and recommendations regarding its improper use of \$160,000 of public housing operating funds to support the activities of the Corporation. However, it disagreed with our findings and recommendations regarding its inappropriate use of an additional \$116,000 of public housing operating funds to support the activities of the Corporation and Coordinators funds for its former counselor's salary and benefits. The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix B of this report.

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BACKGROUND AND OBJECTIVE

The Marion Housing Authority (Authority) is a municipal corporation established by the City of Marion, Indiana, (City) on September 3, 1968, under section 36-7-18-4 of the Indiana Code to provide decent, safe, and sanitary housing to low- and moderate-income persons and families under the U.S. Housing Act of 1937. The Authority is governed by a seven-member board of commissioners (board) appointed by the City's mayor to four-year staggered terms. The board's responsibilities include overseeing the Authority's operations. The board appoints the Authority's executive director, who is responsible for carrying out the board's policies and managing the Authority's day-to-day operations.

The Authority administers a public housing program, a Public Housing Capital Fund, and a Section 8 Housing Choice Voucher program (Section 8) funded by the U.S. Department of Housing and Urban Development (HUD). As of August 24, 2006, the Authority's public housing and Section 8 programs consisted of 270 and 421 units, respectively. The Authority also received Housing Choice Voucher/Family Self-Sufficiency Program Coordinators (Coordinators) funds to pay the salaries and fringe benefits of Section 8 program staff to coordinate its Section 8 Family Self-Sufficiency program.

In accordance with its agency plan, a public housing agency may form and operate wholly owned or controlled subsidiaries or other affiliates, which may be directed, managed, or controlled by the same persons who constitute the board of directors or similar governing body of the public housing agency or who serve as employees or staff of the public housing agency but remain subject to other provisions of law and conflict-of-interest requirements. Further, a public housing agency, in accordance with its agency plan, may enter into joint ventures, partnerships, or other business arrangements with or contract with any person, organization, entity, or governmental unit with respect to the administration of the programs of the public housing agency, such as developing housing or providing supportive/social services subject to either Title I of the U.S. Housing Act of 1937, as amended, or state law.

The Authority created the Affordable Housing Corporation (Corporation) in 1995 as a 501(c)(3) nonprofit organization to provide affordable residential dwelling accommodations for low- and moderate-income persons and families. The Corporation's addendum to its original articles of incorporation and bylaws stated that at least one of the Corporation's directors shall be appointed by the Authority. However, the Corporation amended its articles of incorporation, dated July 8, 2004, and bylaws, dated August 12, 2004, to no longer state that at least one of the Corporation's directors shall be appointed by the Authority. In addition, none of the Corporation's current directors is an Authority employee or board member as of August 2006.

Our objective was to determine whether the Authority diverted or pledged resources subject to its annual contributions contract (contract), other agreement, or regulation for the benefit of non-HUD developments.

RESULTS OF AUDIT

Finding 1: The Authority Substantially Defaulted on Its Contract When It Improperly Used Public Housing Operating Funds to Support Nonprofit Development Activities

The Authority, under direction of its former executive director and a considerably different board, defaulted substantially on its contract when it inappropriately used public housing operating funds to support the Corporation's activities. As of November 2006, the Authority owed its public housing program more than \$180,000. The improper disbursements occurred because the Authority lacked adequate procedures and controls to ensure that it used its public housing operating funds appropriately. As a result, fewer funds were available to serve the Authority's public housing program residents.

The Authority Inappropriately Used Public Housing Operating Funds

The Authority violated its contract with HUD when it inappropriately disbursed \$276,000 in public housing operating funds to support the Corporation's activities. The Authority disbursed

- ❖ \$116,000 on June 21, 2002, to Springhill of Marion, L.P., as a quasi-loan for the Springhill of Marion project formerly known as Marion Scattered Sites;
- ❖ \$100,000 on November 9, 2001, to Insured Closing Specialist, Inc., for the purchase of land for Springhill of Marion, L.P.'s Springhill of Marion project; and
- ❖ \$60,000 on December 27, 2001, to the Corporation for the development of Emerson Homes.

The Corporation is the general partner of Springhill of Marion, L.P. Neither Springhill of Marion nor Emerson Homes is a project covered under the contract or a mixed-finance project. The Authority considered all of the disbursements to be loans. However, it did not enter into written repayment agreements for any of the previously mentioned disbursements and only accounted for the disbursement to Springhill of Marion, L.P., as a loan.

The Authority disbursed the public housing operating funds under the direction of its former executive director. In addition, only one of the Authority's current board members was on the board when it approved resolutions authorizing the November and December 2001 disbursements. Two current members were on the board when it authorized the June 2002 disbursement.

The coordinator of HUD's Indianapolis Office of Public Housing stated that HUD did not approve the Authority's disbursements. Further, HUD would not have approved the Authority's disbursements if the Authority had requested approval. An unauthorized disposition of project assets is a substantial default of the contract. The distributions were clearly unauthorized. HUD did not approve the distributions, which were made for projects not covered by the contract. Therefore, the Authority defaulted substantially on its contract by making the disbursements.

As of November 2006, Springhill of Marion, L.P., had repaid \$78,487 of the \$116,000 disbursement. In addition, the Authority had reimbursed its public housing operating fund \$16,000 of the \$60,000 disbursement. Therefore, the Authority still owed its public housing operating fund \$181,513. The current executive director, who started with the Authority in February 2005, has shown an interest in recovering the public housing operating funds from the Corporation. In addition, the executive director filed a formal complaint pleading on August 28, 2006, requesting that the Corporation assign the promissory note and mortgage interest for Springhill of Marion to the Authority; the Authority be allowed to place a lien on the property for \$100,000 superior to the Corporation; the Corporation pay the Authority \$100,000, including prejudgment interest; or the note and mortgage for Springhill of Marion held by the Corporation be declared void and a commissioner be appointed to convey the land to the Authority.

The Authority Lacked Adequate Procedures and Controls over Public Housing Operating Funds

The inappropriate disbursements occurred because the Authority lacked adequate procedures and controls to ensure that it used its public housing operating funds appropriately. The Authority's former board chair said that the board did not know the Authority could not use public housing operating funds to support the Corporation's activities.

As a result, the Authority has \$181,513 less in public housing operating funds available to serve the Authority's public housing program residents as of November 2006.

Recommendations

We recommend that the director of HUD's Cleveland Office of Public Housing require the Authority to

- 1A. Reimburse its public housing operating fund \$181,513 from nonfederal funds for the inappropriate disbursements cited in this finding.

- 1B. Implement adequate procedures and controls to ensure that it does not disburse public housing operating funds to support the Corporation's activities.

We also recommend that the director of HUD's Cleveland Office of Public Housing

- 1C. Refer the Authority's substantial default of its contract to HUD headquarters and request that appropriate action be taken against the Authority.

Finding 2: The Authority Improperly Used Coordinators Funds for Its Former Counselor's Salary and Benefits

The Authority inappropriately used nearly \$19,000 in Coordinators funds from January 2003 through June 2004 to pay its former family self-sufficiency/housing counselor's (former counselor) salary and benefits while the former counselor worked on the Corporation's activities. In addition, the Authority could not provide adequate documentation to support that its use of more than \$25,000 in Coordinators funds to pay the former counselor's salary and benefits during the same period was appropriate. The problems occurred because the Authority lacked adequate procedures and controls to ensure that it used its Coordinators funds appropriately. As a result, HUD and the Authority lack assurance that the Authority's use of nearly \$44,000 in Coordinators funds benefited its Section 8 Family Self-Sufficiency program.

The Authority Improperly Used or Lacked Adequate Documentation for Its Use of Coordinators Funds

The Authority inappropriately used \$18,757 in Coordinators funds from January 2003 through June 2004 to pay its former counselor's salary and benefits while the former counselor worked on the Corporation's activities. In addition, the Authority could not provide adequate documentation to support that its use of an additional \$25,033 in Coordinators funds to pay the former counselor's salary and benefits during the same period was appropriate.

The Authority did not support its allocation of salary and benefits expenses for its former counselor with activity reports or equivalent documentation. Further, it did not have a job/position description for the former counselor.

The Authority's director of administration/chief financial officer, deputy executive director, and former counselor said that the former counselor spent 50 percent of his time working on the Authority's activities and 50 percent working on the Corporation's activities. The former counselor also said that he worked on the Authority's public housing and Section 8 Family Self-Sufficiency programs when he worked on the Authority's activities and that he provided homebuyer assistance and consumer credit counseling when he worked on the Corporation's activities. The former counselor could not determine how much time he spent on each of the programs.

The Authority Lacked Adequate Procedures and Controls over Its Use of Coordinators Funds

The Authority lacked adequate procedures and controls to ensure that it used its Coordinators funds appropriately. The Authority's former board chair said that the board did not know the Authority could not use Coordinators funds for activities other than coordinating the Authority's Section 8 Family Self-Sufficiency program.

As a result, HUD and the Authority lack assurance that the Authority's use of \$43,790 (\$18,757 plus \$25,033) in Coordinators funds benefited its Section 8 Family Self-Sufficiency program.

The Authority Did Not Maintain Complete and Accurate Books of Record

Contrary to its contract with HUD, the Authority did not maintain complete and accurate books of record. The Authority maintained its Coordinators funds and Section 8 administrative fee reserves in the same general fund cash account within its general ledger and could not identify the source of the funds in the account. While the pooling of funds is permitted by HUD, the Authority must maintain records that identify the source and use of the funds. The Authority was not able to identify the source of the funds used to pay the former counselor's salary. The Authority received \$43,790 in Coordinators funds from January 2003 through June 2004.

Recommendations

We recommend that the director of HUD's Cleveland Office of Public Housing require the Authority to

- 2A. Reimburse its Coordinators funds \$18,757 from nonfederal funds for the inappropriate payment of salary and benefits cited in this finding.
- 2B. Provide documentation to support the use of \$25,033 in salary and benefits expenses for its former counselor was eligible or reimburse its Coordinators funds from nonfederal funds as appropriate.
- 2C. Implement adequate procedures and controls to ensure that it only uses Coordinators funds for the coordination of its Section 8 Family Self-Sufficiency program.

2D. Implement procedures and controls so its books and records identify the source and use of pooled funds.

SCOPE AND METHODOLOGY

To accomplish our objective, we reviewed

- Applicable laws; regulations; the Authority's annual contributions contracts with HUD; HUD program requirements at 24 CFR [*Code of Federal Regulations*] Parts 85, 941, 982, and 984; Office of Management and Budget Circular A-87; HUD's notice of funding availability (notice) for fiscal years 2001, 2002, and 2004 Coordinators funds in the *Federal Register*, dated February 26, 2001, March 26, 2002, and May 14, 2004, respectively; and HUD's Housing Choice Voucher Guidebook 7420.10.
- The Authority's accounting records; annual audited financial statements for 2002, 2003, and 2004; general ledgers; bank statements and cancelled checks; by-laws; policies and procedures; board meeting minutes; organizational chart; affordable housing program application and agreement; and nonprofit development activity documentation.
- The Corporation's articles of incorporation, bylaws, board of directors, organizational chart, and development activity documentation.
- HUD's files for the Authority.

We also interviewed the Authority's and the Corporation's employees and/or board members and HUD staff.

We performed our on-site audit work from January through May 2006 at the Authority's offices located at 601 South Adams Street, Marion, Indiana. The audit covered the period July 1, 2004, through December 31, 2005, and was expanded as determined necessary.

We performed our 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,
- Compliance with applicable laws and regulations, and
- Safeguarding resources.

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 objective:

- 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.

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

Significant Weakness

Based on our review, we believe the following is a significant weakness:

- The Authority lacked adequate procedures and controls to ensure that it used its public housing operating and Coordinators funds appropriately (see findings 1 and 2).

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS

Recommendation number	Ineligible 1/	Unsupported 2/
1A	\$181,513	
2A	<u>18,757</u>	
2B		<u>\$25,033</u>
Totals	<u>\$200,270</u>	<u>\$25,033</u>

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or federal, state, or local policies or regulations.
- 2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments



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November 17, 2006

Mr. Brent Bowen
Assistant Regional Inspector General for Audit, Region V
United States Department of HUD-Office of Inspector General
77 West Jackson Boulevard, Suite 2646
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GENERAL
CHICAGO, ILLINOIS
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Re: Agency's Response to Findings

Dear Mr. Bowen:

The purpose of this correspondence is to respond to the alleged audit findings from your review conducted January 2006 through May 2006.

NARRATIVE

As you are aware, your review covered activities of the Marion Housing Authority from June 2001 to June 2004 under the leadership of the previous Executive Director. Additionally, only one of the current Board members for the Marion Housing Authority served during the audited period and voted on agency actions questioned under your audit period.

As the current Executive Director for the Marion Housing Authority, I have no liability for the actions of the previous Executive Director or her Board. My responsibility to the Marion Housing Authority and to the current Board is to correct any problems of the past and to ensure the efficient operation from this point forward.

This fact is evident by the realization that under the present leadership, the Marion Housing Authority contacted your offices (OIG) and HUD as early as April 2005 asking for assistance. At that time concerns were made on how to deal with the non-profit agency (Affordable Housing Corporation) and in recapturing the \$100,000.00 that was appropriated to purchase the land for the thirty-six (36) unit development known as Springhill Homes. As you are aware, the same concern was made during the audit entrance conference.

As expressed during the exit conference held November 8, 2006, by me and my Board of Commissioners, there are concerns regarding the approach from which this report was

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Comments 1,
2, and 3

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written. While we appreciate the OIG referencing that these actions took place under management of the previous Executive Director, we feel that additional reference should have been made regarding our current operating policies and procedures. The spirit in which this report is written leaves one to believe that your findings reflect our current operation. As your office is aware, this is not the case.

What I find somewhat disturbing, is that your office was provided a vast amount of information, documenting newly enacted Board resolutions and new policies and procedures that were put in place under current management. Every item your office has listed as "Lacked Adequate Procedures and Controls, Lacked Adequate Documentation for Its Use of Coordinators Funds, and The Authority Did Not Maintain Complete and Accurate Books of Record" has been addressed by the current management. Your report makes no mention of this fact.

Your office has the obligation to give a complete picture of what took place in the past as well as the current situation when corrections have been made.

FINDING #1

The Housing Authority Substantially Defaulted on Its Contract When It Improperly Used Public Housing Operating Funds To Support Nonprofit Development Activities.

The Marion Housing Authority concurs with the following two elements of **Finding #1** of the OIG's audit:

- The Marion Housing Authority Low Rent Program is owed \$100,000.00 by Springhill of Marion, L.P. for the purchase of land for the Development of the thirty-six single family homes. The project was not structured correctly to follow HUD's guidelines resulting in improper disbursement of program funds. It should be noted that the agency's non-profit development arm, Affordable Housing Corporation, separated from the Marion Housing Authority during the period it had an Interim Executive Director and in turn has used the authority's assets for its own benefit. Suit has been filed on behalf of the agency, but the funds are owed back to the Low-Rent Program.
- The Marion Housing Authority Low Rent Program is owed \$44,000.00 from the \$60,000.00 disbursed for the Emerson Homes Development. Again, this project was developed by the agency's non-profit development arm, and should have been titled to the Marion Housing Authority upon development completion. Affordable Housing Corporation has failed to transfer title and is using the property for its benefit. It is our intention to file suit in this matter as well. Reflectively, the agency's Low-Rent Program is still owed \$44,000.00 as noted in your report.

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Comment 2

Because of the above noted actions, your office, as well as the local HUD field office, was contacted requesting guidance / assistance with retrieving these funds from the renegade non-profit agency.

The Marion Housing Authority **does not concur** with the finding as listed in **Finding #1** regarding the \$116,000.00 disbursement as listed:

- This loan is a legitimate / justifiable investment of the Marion Housing Authority supported by documentation. To date \$78,487.00 has been paid to the Authority with interest, as you are aware. We concur that the balance is due to the Marion Housing Authority, but not as expanded in your report. We see no reason to think this investment / debt will not continue to be paid in full as designated.

FINDING # 2

The Authority Improperly Used Coordinator's Funds for Its Former Counselor's Salary and Benefits.

Comment 3

The Marion Housing Authority **totally disagrees** with this alleged finding as expressed during the exit conference. Your office was provided with a copy of the correspondence received from HUD, documenting that the Marion Housing Authority **did not** receive grant funding for the Coordinator's position covering the period you have made reference to in your report. Additionally, our office was informed by the local Field office that research of their records indicates that the Marion Housing Authority did not receive funds for the period noted. We assume you have been provided a copy of that information.

Consequently, the assertion that the Marion Housing Authority improperly used \$43,790.00 in grant funds to pay the Coordinator's salary is baseless and without merit. No grant funds were received and used as alleged!

Comment 4

Additionally, the Marion Housing Authority **did** support its allocation of salary costs for the former counselor with activity reports as well as maintaining proper books and records.

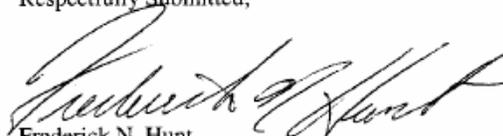
The current Board and staff of the Marion Housing Authority are dedicated to fulfilling the Housing Authority's objectives while managing within HUD's guidelines. Staff and current Board members have received a vast amount of training to ensure we are abreast with our ever-changing environment. In that respect, I am sure the errors of the past will not take place again.

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In closing, the Board and I only request a complete and fair assessment that reflects the story honestly for all concerned.

Respectfully Submitted,



Frederick N. Hunt
Executive Director

CC: Steve Turner
Board Chairman

OIG's Evaluation of Auditee Comments

- Comment 1** The Authority's executive director did not specify or provide support for the current policies and procedures in which he referred. In addition, the Authority needs to implement adequate controls.
- Comment 2** The Authority's \$116,000 quasi-loan to Springhill of Marion, L.P. is not a HUD-approved investment.
- Comment 3** Although HUD did not award the Authority fiscal year 2003 Coordinators funds, HUD awarded the Authority \$32,822 in fiscal year 2001 Coordinators funds effective June 2002, \$32,822 in fiscal year 2002 Coordinators funds effective June 2003, and \$33,150 in fiscal year 2004 Coordinators funds effective June 2004. There was no gap in funding from June 2002 through May 2004. The Authority received \$43,790 in Coordinators funds from January 2003 through June 2004.
- Comment 4** The Authority did not provide supporting documentation for its allocation of salary and benefits expenses for the former counselor.

Appendix C

FEDERAL REQUIREMENTS

Finding 1

Section 7 of the Authority's contract with HUD states that the Authority shall not dispose of any project, or portion thereof, other than in accordance with the terms of the contract and applicable HUD requirements.

Section 9 of the contract states that the Authority may withdraw funds from its general fund only for (1) the payment of the costs of development and operation of the projects under contract with HUD, (2) the purchase of investment securities approved by HUD, and (3) such other purposes as may be specifically approved by HUD.

Section 17(B) of the contract states that a substantial default is a serious and material violation by the Authority of any one or more of the covenants contained in the contract. Events of substantial default include the disposition of any project, or portion thereof, without HUD approval. Upon the occurrence of a substantial default, as determined by HUD and in accordance with the contract, HUD shall be entitled to any or all of the remedies set forth in paragraphs (E), (F), and (H) in this section.

Section 17(C) states that delivery of a notice of substantial default shall be required before HUD exercises any remedy under the contract. The notice shall identify the specific covenants, statutes, executive orders, or regulations alleged to have been violated; identify the specific events, actions, failure to act, or conditions that constitute the alleged substantial default; and provide a specific timeframe for the Authority to cure the substantial default, taking into consideration the nature of the default.

Section 17(E) states that upon occurrence of substantial default or expiration of any applicable cure period provided by HUD, the Authority shall convey to HUD title to the project(s) as demanded by HUD if, in HUD's determination, such conveyance of title is necessary to achieve the purposes of the U.S. Housing Act of 1937, or deliver possession and control of the project(s) to HUD.

Section 17(F) states that nothing contained in the contract shall prohibit or limit HUD from exercising any other right or remedy existing under applicable law or available at equity. HUD's exercise or nonexercise of any right or remedy under this contract shall not be construed as a waiver of HUD's right to exercise that or any other right or remedy at any time.

Section 17(H) states that HUD may at any time by notice to the Authority declare the contract terminated with respect to any project that at such time has not been permanently financed if a substantial default exists in connection with any of the projects, provided that no such termination shall effect any obligation of HUD to make annual contributions pursuant to section 12 of attachment VI, part B, of the contract.

Finding 2

HUD issued a notice for fiscal year 2001 Coordinators funds in the *Federal Register*, dated February 26, 2001. The program overview for the notice states that funding under this notice may not be used to pay the salary of a public housing Family Self-Sufficiency program coordinator. Section III(A) of the notice states that HUD is making fiscal year 2001 Coordinators funds available to pay the salaries of Section 8 Family Self-Sufficiency program coordinators. Section IV(A) states that the Section 8 Family Self-Sufficiency program coordinator works with a public housing authority's program coordinating committee and with local service providers to assure that Section 8 Family Self-Sufficiency program participants are linked to supportive services they need to achieve self-sufficiency. The Section 8 Family Self-Sufficiency program coordinator may ensure, through case management, that the services included in participants' contracts of participation are provided on a regular, ongoing, and satisfactory basis and that participants are fulfilling their responsibilities under the contracts.

HUD issued a notice for fiscal year 2002 Coordinators funds in the *Federal Register*, dated March 26, 2002. The program overview for the notice states funding under this notice may not be used to pay the salary of a public housing Family Self-Sufficiency program coordinator. Section III(A) of the notice states that HUD is making fiscal year 2002 Coordinators funds available to pay the salaries of Section 8 Family Self-Sufficiency program coordinators. Section IV(A) states that the Section 8 Family Self-Sufficiency program coordinator works with a public housing authority's program coordinating committee and with local service providers to assure that Section 8 Family Self-Sufficiency program participants are linked to supportive services they need to achieve self-sufficiency. The Section 8 Family Self-Sufficiency program coordinator may ensure, through case management, that the services included in participants' contracts of participation are provided on a regular, ongoing, and satisfactory basis; that participants are fulfilling their responsibilities under the contracts; and that escrow accounts are established and properly maintained for eligible families. The Section 8 Family Self-Sufficiency program coordinator may also perform job development functions for the Section 8 Family Self-Sufficiency program.

HUD issued a notice for fiscal year 2004 Coordinators funds in the *Federal Register*, dated May 14, 2004. Section III.C.1 of the notice states that fiscal year 2004 Coordinators funds may only be used to pay salaries and fringe benefits of Section 8 Family Self-Sufficiency program staff. Section IV.E.3 states that fiscal year 2004 Coordinators funds may not be used to pay the salary of a family self-sufficiency coordinator for a public housing Family Self-Sufficiency program or for services for Family Self-Sufficiency program participants.

Section 14 of the Authority's contract with HUD states that the Authority must maintain complete and accurate books of account and records for a program. The books and records must be in accordance with HUD requirements and must permit a speedy and effective audit.