



U.S. Department of Housing and Urban Development
New England Office of Regional Inspector General
for Audit, 1AGA
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Boston, Massachusetts 02222-1092

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MEMORANDUM FOR: Charles H. Williams, Director HUD's Office of Multifamily Housing
Assistance Restructuring, HY

FROM: Barry L. Savill, Regional Inspector General, Office of Audit, 1AGA

SUBJECT: Review of Boston Affordable Housing Coalition
Outreach and Training Assistance Grants
FFOT98014MA and FFOT00018MA.

INTRODUCTION

We completed an audit of the Outreach and Training Assistance Grants (OTAG) awarded to Boston Affordable Housing Coalition (BAHC) doing business as Massachusetts Alliance of HUD Tenants. The overall objective of the review was to determine if BAHC used Section 514 grant funds for only eligible activities as identified in the Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA), Notices of Fund Availability and grant agreements between HUD and BAHC to further Mark-to-Market Program. The audit disclosed that BAHC used Section 514 grant funds for eligible activities to further the Mark-to-Market Program in accordance with the applicable Notices of Fund Availability and their grant agreements.

Section 1303 of the 2002 Defense Appropriation Act (Public Law 107-117) requires the HUD Office of Inspector General to audit all activities funded by Section 514 of the MAHRA. The directive would include the Outreach and Training Assistance Grants (OTAG) and Intermediary Technical Assistance Grants (ITAG) administered by the Office of Multifamily Assistance Restructuring (OMHAR). Consistent with the Congressional directive, we reviewed the eligibility of costs with particular emphasis on identifying ineligible lobbying activities.

We appreciate the courtesies and assistance extended by the personnel of the BAHC during our review. Should you or your staff have any questions, please contact Cristine M. O'Rourke, Assistant Regional Inspector General for Audit or me at (617) 994-8380.

BACKGROUND

The Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA) established the Office of Multifamily Housing Assistance Restructuring (OMHAR) within HUD. Utilizing the authority and guidelines under MAHRA, OMHAR's responsibility included the administration of the Mark-to-Market Program, which included the awarding, and oversight of the Section 514 Outreach and Training Assistance and Intermediary Technical Assistance Grants. The objective of the Mark-to-Market Program was to reduce rents to market levels and restructure existing debt to levels supportable by these reduced rents for thousands of privately owned multifamily properties with federally insured mortgages and rent subsidies. OMHAR worked with property owners, Participating Administrative Entities, tenants, lenders, and others to further the objectives of MAHRA.

Congress recognized, in Section 514 of MAHRA, that tenants of the project, residents of the neighborhood, the local government, and other parties would be affected by the Mark-to-Market Program. Accordingly, Section 514 of MAHRA authorized the Secretary to provide up to \$10 million annually (\$40 million total) for resident participation, for the period 1998 through 2001. The Secretary authorized \$40 million and HUD staff awarded about \$26.6 million to 38 grantees (a total for 81 grants awarded). Section 514 of MAHRA required that the Secretary establish procedures to provide an opportunity for tenants of the project and other affected parties to participate effectively and on a timely basis in the restructuring process established by MAHRA. Section 514 required the procedures to take into account the need to provide tenants of the project and other affected parties timely notice of proposed restructuring actions and appropriate access to relevant information about restructuring activities. Eligible projects are generally defined as HUD insured or held multifamily projects receiving project based rental assistance. Congress specifically prohibited using Section 514 grant funds for lobbying members of Congress.

HUD issued a Notice of Fund Availability in Fiscal Year 1998 and a second in Fiscal Year 2000 to provided opportunities for nonprofit organizations to participate in the Section 514 programs. HUD provided two types of grants: the Intermediary Technical Assistance Grant (ITAG) and the Outreach and Training Assistance Grants (OTAG). The Notice of Fund Availability for the ITAG states that the program provides technical assistance grants through Intermediaries to sub-recipients consisting of: (1) resident groups or tenant affiliated community-based nonprofit organizations in properties that are eligible under the Mark-to-Market program to help tenants participate meaningfully in the Mark-to-Market process, and have input into and set priorities for project repairs; or (2) public entities to carry out Mark-to-Market related activities for Mark-to-Market-eligible projects throughout its jurisdiction. The OTAG Notices of Fund Availability states that the purpose of the OTAG program is to provide technical assistance to tenants of eligible Mark-to-Market properties so that the tenants can (1) participate meaningfully in the Mark-to-Market program, and (2) affect decisions about the future of their housing.

OMHAR also issued a December 3, 1999 memorandum authorizing the use of OTAG and ITAG funds to assist at-risk projects. OMHAR identified these as non-Mark-to-Market projects where the owners were opting out of the HUD assistance or prepaying the mortgages.

HUD's regulations at 24 Code of Federal Regulation Part 84 contain the uniform administrative requirements for grants between HUD and nonprofit organizations. The regulations (24 CFR 84.27) require that nonprofit grantees utilize the Office of Management and Budget (OMB) Circular A-122, Cost Principles for Non-Profit Organization, in determining the allowability of costs incurred to the grant. OMB Circular A-122 outlines specific guidelines for allowability of charging salaries and related benefits to the grants and the records needed to support those salaries. For indirect cost charged to the grant, the Circular establishes restrictions for indirect costs, and specific methods and record keeping to support the allocation of costs.

The Circular also establishes the unallowability of costs associated with Federal and state lobbying activities. Simply stated, the use of federal funds for any lobby activity is unallowable. OMB Circular A-122 identifies some examples of unallowable activities of lobbying. These include any attempt to influence an elected official or any Government official or employee (Direct Lobbying) or any attempt to influence the enactment or modification of any actual or pending legislation by propaganda, demonstrations, fundraising drives, letter writing, or urging members of the general public either for or against the legislation (Grassroots Lobbying).

The Boston Affordable Housing Coalition (BAHC) received an annual financial audit of their activities for year ended December 31, 1999. In the auditor's opinion, the financial statements present fairly, in all material respects, the financial position of the BAHC as of December 31, 1999. BAHC was not required to have annual audits in 2000 and 2001. As provided in OMB Circular A-133 Subpart B, paragraph 200(d), grantees that expend less than \$300,000 in Federal awards are exempt from the Federal requirement that an annual audit be performed in that year.

The BAHC applied for and received OTAG grants of \$250,000 in Fiscal Year 1998 and \$450,000 in Fiscal Year 2000. For the period October 1998 through June 2002, the BAHC also received \$178,541 from consulting fees, \$258,170 from corporate and private donations, and \$52,007 earned income from other sources, i.e., United Way. BAHC also applied for and was awarded ITAG grants of \$99,875 in Fiscal Year 2001. The BAHC is organized and operates exclusively for charitable, educational, and civic purposes as defined under Section 501 (c)(3) of the Internal Revenue Code. BAHC is coalition of resident organizations in Eastern Massachusetts concerned with the preservation and improvement of privately-owned, multifamily housing that benefits from HUD assistance. BAHC regularly works with 35 HUD-assisted projects comprising 6,478 units in Massachusetts.

The BAHC employs three full-time personnel and has three volunteer VISTA workers who:

- Act as a resource for tenants that have technical questions about the Mark-to-Market program;
- Create agendas, and organize tenant meetings to educate tenants about the Mark-to-Market program; and,
- Prepare quarterly OTAG narrative reports.

The BAHC received two OTAG grants from the Office of Multifamily Housing Assistance Restructuring.

Grant Number	Award Date	Amount Awarded	Amount Disbursed as of May 2002
FFOT98014MA	10/09/98	\$250,000	\$250,000
FFOT00018MA	01/11/01	\$450,000	\$160,752
Totals		\$700,000	\$410,752

In addition, BAHC received five Intermediary Technical Assistance Grants pursuant to MAHRA and 24 CFR Parts 401 and 402. Under each of these grants, BAHC would facilitate the provision of the identified service to one of more tenant organizations with which BAHC does business.

ITAG Activity	Award Date	ITAG Awarded	Amount Disbursed as of October 2001
Travel to NAHT Conference 2001	05/23/01	\$20,000	\$17,223
Development Consultant for Tenant Associations	07/30/01	\$19,975	0
Architectural Services - Central Massachusetts (1 of 2 firms used)	07/30/01	\$20,000	0
Architectural Services - Eastern Massachusetts (2 of 2 firms used)	07/30/01	\$20,000	\$11,829
Legal Services	07/30/01	\$19,900	0
Totals		\$99,875	\$29,052

In October 2001, HUD suspended the Grantee's ability to draw funding from the Line of Credit Control System - Voice Response System. As of July 30, 2002, this ability has not been reinstated.

METHODOLOGY AND SCOPE

To accomplish the audit objectives, we

- Reviewed the requirements in MAHRA, the OTAG Notice of Fund Availability, the OTAG grant agreement, HUD's requirements for grant agreements for nonprofit entities, and Office of Management and Budget's guidance on the allowability of cost for nonprofit grantees.
- Interviewed the BAHC's Executive Director and independent Certified Public Accountant to determine how BAHC records and segregates OTAG/ITAG funds.
- Interviewed BAHC's staff to determine their roles and responsibilities in regards to OTAG activities.
- Reviewed 100 percent of the OTAG funds drawdowns through the Letter of Credit Control System for October 1998 through May 2002 to determine if the drawdowns were supported by documentation and were used for eligible OTAG activities.
- Reviewed travel funds awarded by ITAG for Fiscal Year 2000 \$20,000 and Fiscal Year 2001 \$20,000 to determine if the costs were segregated between ITAG and non-ITAG (lobbying) activities.
- Reviewed ITAG Consultant contracts to determine if activities were related to ITAG and non-ITAG (lobbying) activities.
- Reviewed BAHC's cost allocation plan to determine if expenses were allocated to OTAG on a consistent basis.
- Reviewed 100 percent of BAHC's staff time sheets, October 1998 through June 2002 to determine if the time sheets contain a detailed accounting of daily routines for both OTAG and non-OTAG (lobbying) activities.
- Reviewed telephone charges for the period October 1998 through April 2002 to determine if the charges related specifically to any lobbying activities.
- Reviewed the OTAG/ITAG Quarterly Performance Reports submitted to the Office of Multifamily Housing Assistance Restructuring (OMHAR) to determine if activities that actually took place and were eligible.

For transaction testing methodology, we reviewed 100 percent of the funds expended as of May 2002 under the OTAG grants. The audit covered the period October 1998 through June 2002 for the OTAG grants and the period January through December 2001 for the Public Entity Grants (a Section 514 grant received from an Intermediary Technical Assistance Grant), awarded to the

BAHC. We performed the fieldwork at the BAHC located at 353 Columbus Avenue, Boston, Massachusetts 02116 during July and August 2002.

Our audit was conducted in accordance with Generally Accepted Government Auditing Standards.

RESULTS OF REVIEW

Our review of the expenditures charged to the OTAG grants showed that the BAHC used Section 514 grant funds for eligible activities to further the Mark-to-Market Program. We did not find any evidence that BAHC expended Section 514 funds for lobbying activities.

Our review of the salary expenditures charged to OTAG Line Items 6010 Regional OTAG and Clearinghouse Activities, 6020 Project Specific Activities, and 6030 Administrative Activities determined that these expenses were supported by time sheets. BAHC has other sources of non-federal funds to pay for these lobbying activities. Lobbying activities were clearly segregated and documented on these weekly time sheets. Our review of 100 percent of the time sheets showed that BAHC did perform lobbying activities. However, BAHC did not charge OTAG for these lobbying activities.

Our review of charges to OTAG for rent, travel, training, accounting, and translation services determined that invoices, receipts, and checks adequately support these charges. In addition, our review disclosed that travel expenses related to lobbying activities were clearly identified on supporting spreadsheets and these travel expenses were not charged to either the OTAG or the ITAG programs. Our review of telephone charges disclosed that BAHC does not charge long-distance calls to the OTAG grant. In addition, BAHC has a reasonable and appropriate allocation method which it applies to local telephone charges. We did not identify any telephone charges to the OTAG grant related to their lobbying activities.

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