



Issue Date September 30, 2002

Audit Case Number 2002-PH-1005

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

Daniel G. Temme

FROM: Daniel G. Temme, Regional Inspector General for Audit, Mid-Atlantic Region, 3AGA

SUBJECT: AUDIT MEMORANDUM – Congressional Requested Audit of the Outreach and Training Assistance Grant and Intermediary Technical Assistance Grant awarded to the Philadelphia Regional Alliance of HUD Tenants, Grant Numbers FFOT00033PA and FFIT98005NT Philadelphia, Pennsylvania

INTRODUCTION

We completed an audit of the Philadelphia Regional Alliance of HUD Tenants \$310,000 Outreach and Training Assistance Grant and a \$20,000 Public Entity Grant (a Section 514 grant received from an Intermediary Technical Assistance Grant). The objectives of the review were to determine if the Philadelphia Regional Alliance of HUD Tenants used Section 514 grant funds for only eligible activities as identified in the Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA), their agreements, and/or other requirements to further the Mark-to-Market Program. Also we wanted to determine if the Philadelphia Regional Alliance of HUD Tenants expended Section 514 funds for any lobbying activities. MAHRA specifically identified lobbying as an ineligible activity.

The audit identified the grantee assisted ineligible projects, charged the grant \$60,750 in unsupported expenditures, \$23,422 in ineligible expenditures, and did not comply with other requirements under the Office of Management and Budget's (OMB) Circular A-122, Cost Principles for Non-Profit Organizations. In addition, the grantee participated in lobbying activities, contrary to the enabling legislation and OMB Circular A-122. Our report contains eight recommendations to address the issues identified in the report and to strengthen the grantee's management controls.

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 Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA). The directive would include the Outreach and Training Assistance Grants (OTAG) and Intermediary Technical Assistance Grants (ITAG) administered by the Office of Multifamily Housing Assistance Restructuring (OMHAR). Consistent with the Congressional directive, we reviewed the eligibility of costs with particular emphasis on identifying ineligible lobbying activities.

In conducting the audit, we reviewed the grantee's accounting records and interviewed responsible staff. We also 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.

The audit covered the period January 2001 through May 2002 for the OTAG grant and the period May 2000 through June 2001 for the Public Entity Grant awarded through the National Center for Tenant Ownership. We performed the fieldwork at the office of the Philadelphia Regional Alliance of HUD Tenants located at 525 S. 4th St. Philadelphia, PA and at their fiscal agent, Housing Authority of the Delaware Valley at 1500 Walnut St. Philadelphia, PA during June through July 2002. We conducted the audit in accordance with Generally Accepted Government Auditing Standards. We held an exit conference with the President of Philadelphia Regional Alliance for HUD Tenants on September 4, 2002.

We appreciate the courtesies and assistance extended by the personnel of the Philadelphia Regional Alliance for HUD Tenants and the Housing Authority of the Delaware Valley during our review.

In accordance with HUD Handbook 2000.06 REV-3, within 60 days please provide us, for each recommendation without a management decision, a status report on: (1) the corrective action taken; (2) the proposed corrective action and the date to be completed; or (3) why action is considered unnecessary. Additional status reports are required at 90 days and 120 days after report issuance for any recommendation without a management decision. Also, please furnish us copies of any correspondence or directives issued because of the audit.

Should you or your staff have any questions please contact Christine Begola at (410) 962-2520.

SUMMARY

We found the Philadelphia Regional Alliance of HUD Tenants (Philadelphia Regional Alliance) did not maintain adequate accountability over its OTAG and Public Entity Grant funds in accordance with OMB Circular A-122. Specifically, the Philadelphia Regional Alliance assisted ineligible properties, did not maintain personnel activity reports to support \$15,860 in salaries, lacked adequate documentation to support \$44,890 in direct costs, and paid \$23,422 for ineligible expenditures. In addition, according to the grantee's records, the grantee attended numerous training teleconferences and conferences that included various lobbying related activities, which

are ineligible under OMB Circular A-122. However, due to the lack of detailed time records, we could not make a determination of the total time or costs expended on these ineligible activities. The Philadelphia Regional Alliance's President attributed the problems noted in our review to the fact that it was her belief once she received the funds from HUD they could be spent as was deemed necessary and she acknowledged that she did not have a full understanding of the financial related requirements for maintaining the grant. These issues are discussed in the Finding section of this report.

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 40 grantees (a total for 83 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 provide 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.

Title 24 Code of Federal Regulation (CFR) Part 84 contain the uniform administrative requirements for grants between HUD and nonprofit organizations. The regulations (24 CFR Part 84.27) require that nonprofit grantees utilize the OMB Circular A-122, Cost Principles for Non-Profit Organizations, 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 costs 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 introduction, enactment or modification of any 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 Philadelphia Regional Alliance applied for the Public Entity Grant in fiscal year 2000 for \$20,000 and it was awarded in May 2000. As of June 2001 \$19,718 was expended against the grant. Also in fiscal year 2000, the Philadelphia Regional Alliance applied for an OTAG grant for \$450,000, and was authorized \$310,000 in January 2001. As of May 2002, \$76,787 of the grant has been expended. We reviewed \$96,505 or 100 percent of the expenditures from both grants. The Philadelphia Regional Alliance did not receive an annual financial audit, nor was one required under OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

In addition to the Public Entity Grant and OTAG grant, the Philadelphia Regional Alliance received minimal funding from non-Federal sources. For example, according to their Profit and Loss Statement as of December 2001 the Philadelphia Regional Alliance received Campaign Income, Contributions and Membership dues totaling \$1,696.

FINDING: The Grantee Did Not Comply with HUD and OMB Requirements

The Philadelphia Regional Alliance assisted ineligible projects, did not maintain adequate salary records, and did not comply with other requirements under OMB Circular A-122. In addition, the grantee charged ineligible lobbying activities to the grant. This occurred because the grantee had not established effective management controls (i.e. an accounting system in place that is capable of providing adequate accountability of funds) to ensure funds were used only for authorized purposes. In addition, the grantee did not appear to understand the requirements under the grant and related Federal Regulations. As a result, \$84,172 of the \$96,505 grant funds the Philadelphia Regional Alliance received either could not be supported or was spent for ineligible purposes. Specifically, \$15,860 in salaries and \$44,890 in direct costs were charged to the grant without adequate support, and \$23,422 was disbursed for ineligible costs, which included computers and lobbying activities. However, for the lobbying activities we could not determine the exact amount due to the lack of adequate salary records. When we asked the grantee why they did not follow OMB Circular A-122 and other relevant Federal Regulations, the President stated that she was unaware of the requirements and was under the belief that once they received the funding they could spend it as they wished. In fact, she admitted to have little to no knowledge on how to manage a Federal grant.

Project Eligibility

Section 514 (f) of the Multifamily Housing Assistance and Restructuring Act of 1997 provided funds to assist and provide an opportunity for tenants of the project, residents of the neighborhood, the local government, and other affected parties to participate effectively and on a timely basis in the restructuring process established by MAHRA. Section 512 of MAHRA defines the term eligible multifamily housing project to generally mean a property consisting of more than four dwelling units with rents that, on an average per unit or per room basis exceed the rent of comparable properties in the same market area. Section 512 also requires that the project be covered in whole or in part by a contract for HUD project-based assistance under one of a number of HUD programs and be financed by a mortgage insured or held by the Secretary under the National Housing Act. MAHRA also specifically excluded certain HUD projects, for example Section 202 projects.

Given the Section 512 definition of eligible projects, we obtained a listing from HUD of the possible eligible projects. According to HUD's records, approximately 24,525 projects receive project-based assistance and are HUD insured or held by the Department. Of those projects, 163 are located in Philadelphia.

The Philadelphia Regional Alliance maintained a listing of projects assisted with the OTAG and Public Entity Grants. We compared HUD's list of eligible projects to the listing of projects assisted by the Philadelphia Regional Alliance. Based on those documents, we identified that the grantee assisted 42 projects in Pennsylvania and noted that three of the projects assisted were not eligible for assistance under MAHRA. Since the grantee did not maintain detailed salary records, we were not able to determine the amount of Section 514 assistance provided to these ineligible

projects. When asked why the grantee assisted ineligible projects, they advised us they believed their mission was to assist all Section 8 properties.

Compensation for Personal Services

OMB Circular A-122, Attachment B, Paragraph 7, Compensation for Personal Services, states that reasonable compensation and fringe benefits to employees are grant fundable costs. The Circular also places specific salary record keeping requirements on the grantee. Specifically, the grantee must maintain reports that (1) account for the total activity for which an employee is compensated for in fulfillment of their obligations to the organization; (2) reflect an after the fact determination of actual activity for each employee; and (3) reflect the distribution of activity of each employee (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards and requires the employee or a responsible supervisor sign the report. Further, the OMB Circular states that budget estimates do not qualify as support for charges to the grant. In addition, in order to support the allocation of indirect costs, such reports must also be maintained for other employees whose work involves two or more functions or activities if a distribution of their compensation between such functions or activities is needed in the determination of the organization's indirect cost rate.

We reviewed the salary payments for the Philadelphia Regional Alliance's six employees and found they did not maintain adequate time reporting records per the OMB Guidance. Although all hours worked by the employees were maintained on a time sheet, the time sheet did not account for what activities the employee performed or which grant those activities should have been charged to. Since the time records maintained by the grantee do not break out the hours worked on each of the properties, we were not able to determine how much time was spent on the eligible or ineligible properties. Thus, we consider \$15,860 of the salaries as unsupported.

In addition to the salaries, the grantee was using a 25-30 percent rate against the salaries to calculate fringe benefits. Although OMB Circular A-122 allows for reasonable compensation of fringe benefits, we determined that the grantee did not provide fringe benefits to their employees (pension, health insurance, etc.). Instead this was just an added charge used to support the funds drawn from LOCCS. When we asked what the additional funds had been spent on, the grantee advised that they did not know where the additional money was or how it was expended. Based upon the records reviewed, the Philadelphia Regional Alliance inappropriately charged the grant \$4,161 in ghost fringe benefits, which makes it an ineligible expenditure.

Consultant Costs

OMB Circular A-122, Attachment B, Paragraph 39, Professional Service Costs, states: factors in determining allowability of consultant costs include (1) nature and scope of the service rendered in relation to the service required, and (2) adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation, and termination provisions).

In October 2001, the Philadelphia Regional Alliance contracted the President of the organization as a consultant and trainer at the rate of \$75 per hour. The only evidence we found of this agreement was a one-paragraph statement, which stated that the President would work as a consultant and trainer and be compensated for the duties performed. This document did not provide any explanation as to the scope of work, length of agreement, or any discussion of what constituted reasonable compensation as required by OMB guidelines.

When we asked the President for support of the work performed and time allotted to the performance, we were provided very little documentation. In addition, while reviewing the President's consulting fees we noted that \$16,500 was actually used as support for the LOCCS draws from the grant funds. However, upon review of the bank statements we noted that the President was paid \$41,435 for consulting fees, with herself being one of two main signatures on the check.

Title 24 CFR Part 84.21 requires a recipient of a HUD grant to have effective control over and accountability for all funds, property and other assets to assure they are used solely for authorized purposes. The Philadelphia Regional Alliance has demonstrated it does not conform to this requirement. Further, Philadelphia Regional Alliance did not follow the OMB guidance for preparing a consulting agreement. Thus, we have no assurance the funds expended for the President's consulting fees were used for proper grant purposes and question the entire \$41,435 as unsupported.

Direct Costs Charged to the OTAG Grant

We reviewed a total of \$40,239 of non-salary related charges expended from the grant to date to determine eligibility. The majority of these expenditures were accounted for in travel, equipment, office supplies, rent and accounting categories. The Notice of Fund Availability dated February 24, 2000, Section III C & D provides guidance on what types of expenditures are considered eligible under this grant. The list includes purchasing of computers, with a reimbursement limit of \$1,000 as being an eligible expense. In our review, we noted the Philadelphia Regional Alliance purchased six computers for a total of \$9,624 and charged it all directly to the grant. Per the Notice of Fund Availability, only \$1,000 can be allocated to the grant, thus \$8,624 of the computer equipment charged to the OTAG grant is an ineligible expense.

The grantee also charged general-purpose equipment (phones and other office equipment) directly to the grant. OMB Circular A-122, Attachment B, Paragraph 15, states that capital expenditures for general purpose equipment are unallowable as a direct cost except with prior approval of the awarding agency. Since we did not obtain any evidence the grantee received prior approval from HUD to charge these general expenditures to the grant, we consider \$2,721 to be an ineligible expense.

During our review of the LOCCs draws we noted that the grantee also charged ineligible miscellaneous bank charges in the amount of \$645 and unsupported office supplies, transportation costs, and other miscellaneous charges totaling \$3,455, directly to the grant. In

addition, while reviewing the bank statements we found \$6,209 in questionable ATM withdrawals. OMB Circular A-122 requires all costs to be adequately documented and supported. Since the grantee did not have the proper support for the withdrawals and could not explain the reason for these expenditures, we consider the withdrawals to be ineligible.

The grantee said they were not aware of the requirements of OMB Circular A-122.

Lobbying

MAHRA specifically prohibits using Section 514 funds to lobby members of Congress or their staff. OMB Circular A-122, Attachment B, Paragraph 25, Lobbying, places additional limitations on the grantee's use of Federal funds for lobbying.

We reviewed the grantees monthly logs, travel vouchers and staff time sheets to identify meetings with legislative members or their staff. We also reviewed these reports for activities that did not meet the requirements of MAHRA and which are considered Grassroots lobbying.

We noted the grantee participated in a number of teleconferences and conferences sponsored by the National Alliance of HUD Tenants (NAHT) which included ineligible lobbying activities. For example, the grantee stated they participated in every biweekly NAHT teleconference since approximately 1998. On average the teleconferences were scheduled to last one hour and thirty minutes with a substantial amount of the time devoted to discussing lobbying issues. Based upon OMB's guidance, only the portion of the activity related to the purpose of the grant can be charged to the grant, which based upon the review of the teleconference agendas only five minutes related to the Mark-to-Market Program.

In another example related to a NAHT conference that included ineligible lobbying activities, we were able to determine the Philadelphia Regional Alliance charged the grant at least \$3,190 in travel expenses to attend the conference. The use of grant funds for training and travel expenses is allowable, however, the portion that relates to lobbying activities (\$1062) is not. Since the grantee participated in the sessions that contained some form of lobbying activity, we consider \$1,062 of these expenditures to be ineligible. However, we were not able to accurately determine the complete amount of unallowable lobbying activities and associated costs being charged to the grant because the Philadelphia Regional Alliance did not maintain adequate travel and time records.

AUDITEE COMMENTS

We provided our draft report to the grantee for their comments on September 6, 2002. The grantee provided their comments on September 19, 2002. Included with their comments were several pages of documentation, which they state support the questioned expenditures. We did not include the supporting documentation as part of the grantee's comments located in Appendix B.

OIG EVALUATION OF AUDITEE COMMENTS

The Philadelphia Regional Alliance does not concur with the findings of our review. Specifically, they disagree with our conclusions that they assisted ineligible properties and expended OTAG funds for any form of lobbying activity. As defined in the findings, we concluded the grantee completed work on ineligible properties. This is based upon our review of the listing of eligible OTAG properties provided to us by OMHAR. As set forth in HUD's audit resolution procedures, OMHAR is responsible for reviewing the information and making a final determination on the properties' eligibility.

In our finding we noted the grantee expended OTAG funds for lobbying activities. The grantee explains the funds were expended for training purposes, i.e., conferences and teleconferences, which are an allowable expense. Although we concur OTAG funds can be used for such items, OTAG funds cannot be used to pay for the portion of the conferences and teleconferences that relate to lobbying activities. Since the grantee paid for the entire portion of the training with OTAG funds, we continue to question a portion of these funds as ineligible based upon the Federal regulations.

The Philadelphia Regional Alliance stated they have been in constant contact with OMHAR to determine what is an allowable expenditure and believe since OMHAR approved their LOCCS requests, they are in compliance with the regulations. Although we acknowledge the grantee has been in contact with OMHAR to request assistance, this does not provide an explanation or justification as to why there is no apparent accountability for the expenditure of the OTAG funds.

The grantee also expresses concern over the stoppage of funding, which they state is hurting the grantee, the Mark-to-Market Program and ultimately the tenants. To date, we have only made a recommendation to OMHAR, that they strongly consider funding be stopped for the Philadelphia Regional Alliance, until such time they can demonstrate they are in complete compliance with the Federal regulations. We have no knowledge that OMHAR has taken such action prior to the issuance of this report, and thus do not know why the grantee states funding has stopped.

RECOMMENDATIONS

We recommend that the Director of OMHAR:

- 1A. Restrict all remaining grant distributions to the Philadelphia Regional Alliance for this grant and any future grants until the grantee demonstrates they have established the necessary policies and procedures to ensure they can administer the grant in accordance with OMB Circular A-122, Title 24 CFR Part 84 and the MAHRA.
- 1B. Make a determination on the lobby issues presented to determine if sanctions should be imposed as provided for in the 2002 Defense Appropriations Act.

We recommended that the Director of OMHAR require the Philadelphia Regional Alliance of HUD Tenants to:

- 1C. Provide adequate documentation to support all unsupported expenditures (\$60,750) that were drawn down for the grant. For any expenditures that cannot be fully supported, require the grantee reimburse HUD.
- 1D. Reimburse HUD for the \$23,422 ineligible expenditures charged to the grant.
- 1E. Maintain time records in accordance with OMB Circular A-122.
- 1F. Stop charging the grant for activities related to lobbying as defined by MAHRA and OMB Circular A-122.
- 1G. Establish policies and procedures for identifying grantees engaged in housing advocacy, to ensure Federal funds are not used to support direct or indirect lobbying activities.
- 1H. Attend mandatory training to obtain an understanding on the financial management of the OTAG and ITAG grants or related Federally run programs.

MANAGEMENT CONTROLS

In planning and performing our audit, we considered the management controls relevant to the Philadelphia Regional Alliance's Section 514 program to determine our audit procedures, not to provide assurance on the controls. Management controls include the plan of organization, methods, and procedures adopted by management to ensure that its goals are met. Management controls include the processes for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

We determined that the following management controls were relevant to our audit objectives:

- Identification of projects and activities eligible for assistance,
- Controls and documents to support costs of assistance provided, and
- Controls and procedures over the reporting of activities and cost.

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

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

- Lack of policies and procedures to ensure that salaries and time records met the standards of OMB Circular A-122,
- Lack of a cost allocation plan to charge shared costs, and
- Lack of policies and procedures to ensure that lobbying activities are not directly or indirectly funded by Federal sources.
- Lack of a system to fully support that only eligible projects were assisted with Section 514 funds,
- Lack of policies and procedures to ensure that there is a proper Accounting system in place to ensure funds are controlled.

FOLLOW-UP ON PRIOR AUDITS

This was the first audit the Office of Inspector General completed on the Philadelphia Regional Alliance of HUD Tenants.

SCHEDULE OF QUESTIONED COSTS

Issues Noted	Type of Questioned Costs	
	Ineligible 1/	Unsupported 2/
Salaries & Benefits	\$ 4,161	\$15,860
Consultant		\$41,435
Computers	\$8,624	
Capital Expenditures	\$2,721	
Overdraft Bank Fees	\$645	
ATM Withdrawals	\$6,209	
Travel	\$1,062	
Miscellaneous Supplies		\$3,455
Total	\$23,422	\$60,750

- 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 costs charged to a HUD-financed or HUD-insured program or activity and eligibility cannot be determined at the time of audit. The costs are not supported by adequate documentation or there is a need for a legal or administrative determination on the eligibility of the costs. Unsupported costs require a future 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.

AUDITEE COMMENTS



525 South 4th St, Suite 247, Philadelphia, PA 19147 Tel.215-238-1550
September 19, 2002

Daniel G. Temme
Regional Inspector General for Audit
U.S. Department of Housing and Urban Development
Wanamaker Building, Suite 1005
100 Penn Square East
Philadelphia, Pa. 19107-3380

Dear Mr. Temme:

These are the comments of the Philadelphia Regional Alliance of HUD Tenants. In your report you stated that the Philadelphia Regional Alliance of HUD Tenants participated in lobbying through the NAHT conferences and network calls. We did not participate on the entire calls. Our first staff was hired in September 2001. Our main reason for being on the NAHT calls was to get information on the right to organize, the M2M program and any information that could be helpful in organizing tenants in their buildings. The funds were frozen in October 2001. Our sole purpose in the network call during the OTAG freeze was to get the money flowing again. Our main concern was to stay operational. It was a matter of the organization's survival. We attended the conference but did not lobby during the conference. (See attached)

You say out of the 44 properties we are working in that three of these are ineligible properties. You did not tell us what three properties they are and how they are ineligible. All properties that we are working in are above market, below market or contract expiring. In all the properties we educate tenants on their rights and responsibilities, the M2M program, contract expirations, opt-outs, prepayments and we help tenants to be organized.

You stated that \$86,743 of the \$96,505 grant funds could not be supported. We have submitted all weekly and quarterly reports and documents to HUD along with our check requests. HUD approved our entire request. We have contacted HUD to make sure that we were sending what was required of us. We relied on HUD approval to know that we were in compliance. If doesn't know what is required, who does?

Ms. Thomas, the president of the Philadelphia Regional Alliance of HUD Tenants, was hired to do the work because she was the most knowledgeable and able person to do the work. She was compensated for work as an organizer and trainer from July 2000 to May 2001 through the PEG grant. Through the OTAG grant she was contracted to do consulting and training. She is now hired as a part time staff person as an office manager to run the office and staff. You asked how the rate jumped from \$25 per hour to \$75 per hour- it didn't. Ms. Thomas went from \$75 per hour to \$25 per hour. At the time that

Ms. Thomas was receiving \$75 per hour, she was a consultant, trainer, and part time organizer. Ms. Thomas now receives \$25 per hour as a part time office manager. You also stated that Ms. Thomas is the main signature on her check. Two of the three signatures are on the checks. Ms. Thomas is just one of the signatures.

The auditors questioned Ms. Thomas' knowledge of federal regulations. Ms. Thomas acted with due diligence in understanding the guidelines, but she is not a lawyer. She often contacted HUD in order to ask them to explain the correct procedures. As this was the first grant, we relied heavily on HUD's approval of our requests to understand the policy. HUD knows its own regulations best and we do not believe HUD would allow us to act wrongly in our appropriations, when we asked for their guidance. Why should we be penalized when HUD approved our check requests and reports? (see attached)

Stopping the funding for this organization has put five people out of work, has forced us to break our lease, and, most of all, is hurting tenants who will no longer have any assistance in organizing and understanding their rights and responsibilities, contract expirations, opt-outs, prepayments and the M2M program. Stopping the funding will also send a message that tenant-run organizations who want to have a voice and to help other tenants to fight for decent affordable housing will not be supported.

Sincerely,

Geraldine Sherry Thomas
The Board of PRAHT-
Geraldine Thomas, President

Geraldine J. Withers Vice President
Dora Camp, Secretary

DISTRIBUTION OUTSIDE OF HUD

Sharon Pinkerton, Senior Advisor, Subcommittee on Criminal Justice, Drug Policy & Human Resources, B373 Rayburn House Office Bldg., Washington, DC 20515
Stanley Czerwinski, Director, Housing and Telecommunications Issues, U.S. General Accounting Office, 441 G Street, NW, Room 2T23, Washington, DC 20548
Steve Redburn, Chief Housing Branch, Office of Management and Budget, 725 17th Street, NW, Room 9226, New Executive Office Bldg., Washington, DC 20503
The Honorable Joseph Lieberman, Chairman, Committee on Government Affairs, 706 Hart Senate Office Bldg., United States Senate, Washington, DC 20510
The Honorable Fred Thompson, Ranking Member, Committee on Governmental Affairs, 340 Dirksen Senate Office Bldg., United States Senate, Washington, DC 20510
The Honorable Dan Burton, Chairman, Committee on Government Reform, 2185 Rayburn Bldg., House of Representatives, Washington, DC 20515
The Honorable Henry A. Waxman, Ranking Member, Committee on Government Reform, 2204 Rayburn Bldg., House of Representatives, Washington, DC 20515
Andy Cochran, House Committee on Financial Services, 2129 Rayburn H.O.B., Washington, DC 20515
Clinton C. Jones, Senior Counsel, Committee on Financial Services, U.S. House of Representatives, B303 Rayburn H.O.B., Washington, DC 20515