




U.S. Department of Housing and Urban Development  
Region IV Office of the Inspector General  
Office of Audit  
Richard B. Russell Federal Building  
75 Spring Street, SW, Room 330  
Atlanta, GA 30303-3388  
(404) 331-3369

September 27, 2002

MEMORANDUM NO.  
2002-AT-1809

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

FROM: Nancy H. Cooper   
Regional Inspector General for Audit, Region 4, 4AGA

SUBJECT: Congressionally Requested Audit of the  
Outreach and Technical Assistance Grants and  
Intermediary Technical Assistance Grants awarded to the  
Florida Housing Coalition, Inc.,  
Tallahassee, Florida

### **INTRODUCTION**

We completed an audit of the two Outreach and Technical Assistance Grants and four Intermediary Technical Assistance Grants awarded to the Florida Housing Coalition, Inc. (Grantee). The overall objective of the review was to determine if the Grantee used Section 514 grant funds for only eligible activities as identified in the grant agreements and HUD requirements.

Section 1303 of the 2002 Defense Appropriation Act (Public Law 107-117) requires the Department of Housing and Urban Development (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 OTAG and 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.

### **METHODOLOGY AND SCOPE**

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 costs for nonprofit grantees.

The audit covered transactions and grant activity that occurred during the period October 1998 through May 2002. We performed the fieldwork at the Grantee's offices located at 1367 E. Lafayette Street, Suite C, Tallahassee, Florida, 32301 during June 2002. We conducted the audit in accordance with Generally Accepted Government Auditing Standards.

## **BACKGROUND**

MAHRA established 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 award, 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 provide opportunities for nonprofit organizations to participate in the Section 514 programs. HUD provided two types of grants - ITAG and 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 state 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 Regulations (CFR) 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 Organizations in determining the allowability of costs incurred. 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 requirements 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 lobbying activities. 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 Grantee received two separate OTAGs. HUD awarded the first grant<sup>1</sup> in fiscal year 1998 in the amount of \$110,000. HUD awarded the second grant<sup>2</sup> in fiscal year 2000 in the amount of \$416,500. Funding under both grants was for a period of 3 years. Only \$240,967 of the second grant has been authorized. The Grantee submitted vouchers to OMHAR for reimbursement of expenditures. As of May 31, 2002, the Grantee had requested and received reimbursements totaling \$110,000 under the 1998 OTAG. For the 2000 OTAG, the Grantee had requested and received reimbursements totaling \$107,963. Additional expenditures in the amount of \$16,580 had been incurred during April and May 2002 but no reimbursement request had been submitted.

In addition to the OTAG funds, the Grantee received four ITAGs awarded through the Low Income Housing Fund (an intermediary grantee). Each of these ITAGs was awarded in the amount of \$20,000. As of May 31, 2002, the Grantee had requested and received reimbursements totaling \$53,643 under the ITAGs. The Grantee also received non-federal funds including state grants, private foundation grants, donations, dues, fees, interest income and miscellaneous funds.

The Grantee's financial statements were audited by a Certified Public Accountant for each of the years ending December 31, 1998, December 31, 1999, December 31, 2000, and December 31, 2001. The CPA provided an unqualified opinion for each of the years and included OMB Circular A-133 disclosures.

---

<sup>1</sup> FFOT98005FL

<sup>2</sup> FFOT00010FL

## **RESULTS OF REVIEW**

We did not identify any ineligible lobbying activities. The Grantee used the OTAG and ITAG funds for only eligible activities and maintained accounting system records and documentation that complied with OMB Circulars A-122 and A-110. We found no material reportable conditions.

We appreciate the courtesies and assistance extended by Grantee personnel during our review.

If you have any questions, please contact James D. McKay, Assistant Regional Inspector General for Audit, at (404) 331-3369.

**DISTRIBUTION OUTSIDE OF HUD**

Executive Director, Florida Housing Coalition, Inc., Tallahassee, Florida

The Honorable Barbara A. Mikulski  
Chair, Subcommittee on Veteran Affairs, HUD and Independent Agencies

The Honorable Christopher S. Bond  
Ranking Member, Subcommittee on Veterans Affairs, HUD and Independent Agencies

Sharon Pinkerton, Senior Advisor  
Subcommittee on Criminal Justice, Drug Policy & Human Resources

Stanley Czerwinski, Director  
Housing and Telecommunications Issues

Steve Redburn, Chief Housing Branch  
Office of Management and Budget

Linda Halliday (52P)  
Department of Veterans Affairs

William Withrow (52KC)  
Department of Veterans Affairs  
OIG Audit Operations Division

The Honorable Joseph Lieberman  
Chairman, Committee on Government Affairs

The Honorable Fred Thompson  
Ranking Member, Committee on Governmental Affairs

The Honorable Dan Burton  
Chairman, Committee on Government Reform

The Honorable Henry A. Waxman  
Ranking Member, Committee on Government Reform

Andy Cochran  
House Committee on Financial Services

Clinton C. Jones, Senior Counsel  
Committee on Financial Services

Jennifer Miller  
Professional Staff, House Committee on Appropriations