



Issue Date: August 26, 2002

Audit Case Number: 2002-DE-1004

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

A handwritten signature in black ink that reads "Robert C. Gwin".

FROM: Robert C. Gwin, Regional Inspector General for Audit, 8AGA

SUBJECT: Congressionally Requested Audit of the Outreach and Training Assistance Grant
Awarded to the Housing Advocacy Coalition, Colorado Springs, Colorado, Grant
Number FFOT00008CO

INTRODUCTION

We completed an audit of the Housing Advocacy Coalition and the Community Resource Center's Outreach and Training Assistance Grant. The Housing Advocacy Coalition and the Community Resource Center jointly submitted a grant application. The two non-profits share the grant as co-recipients, even though the HUD grant agreement identifies the Housing Advocacy Coalition as the grantee. The audit identified that the grantees over charged the grant at least \$3,827 for salaries and did not comply with other requirements under the Office of Management and Budget's Circular A-122, Cost Principles for Non-Profit Organizations. In addition, the grantees participated in lobbying activities, contrary to the enabling legislation and OMB Circular A-122. Our report contains seven recommendations to address the issues identified in the report and other recommendations to strengthen management controls over the grantees.

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 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 grantees 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 April 2002 for the OTAG grant and the period May 2000 through April 2001 for the Public Entity Grant (a Section 514 grant received from an Intermediary Technical Assistance Grant), awarded to the Community Resource Center. We performed the fieldwork at the Housing Advocacy Coalition located at 2023 East Bijou Street, Colorado Springs, CO 80909 and the Community Resource Center located at 655 S. Broadway, Suite 300, Denver, CO 80203 during April through June 2002. We conducted the audit in accordance with Generally Accepted Government Auditing Standards.

We appreciate the courtesies and assistance extended by the personnel of the Housing Advocacy Coalition and Community Resource Center 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 me at (303) 672-5452.

SUMMARY

The Housing Advocacy Coalition and the Community Resource Center jointly submitted a grant application. The two non-profits share the grant as co-recipients, even though the HUD grant agreement identifies the Housing Advocacy Coalition as the grantee. Our audit identified that the grantees over charged the grant at least \$3,827 for salaries and fringe benefits. The grantees also did not maintain salary records in accordance with OMB Circular A-122 Attachment B, paragraph 7. The grantees did not prepare a cost allocation plan per the guidance in OMB Circular A-122, Attachment A. Instead, the grantees charged costs based on a predetermined percentage or budget amount. Due to the lack of adequate salary records for the grantees, we could not determine the appropriateness of these allocated charges. According to the grantee's reports to OMHAR, the grantees participated and organized activities directly lobbying staff members of Congress and the local government. Again, due to the lack of adequate time records, we could not make a determination of the total time expended for these activities. Our report contains recommendations to address the issues identified in the report and other recommendations to strengthen management controls over the grant.

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 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 Regulation 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 Housing Advocacy Coalition and the Community Resource Center jointly applied for an OTAG grant in fiscal year 2000. The Housing Advocacy Coalition received a HUD OTAG grant for \$310,000 in February 2001. The Housing Advocacy Coalition and the Community Resource Center share the OTAG grant as co-recipients. The Housing Advocacy Coalition and the Community Resource Center expended \$169,132 of the \$310,000 grant during the period January 2001 through April 2002. We also reviewed a \$20,000 Public Entity Grant; received by the Community Resource Center from Amador-Tuolumne of Sonoma, California, a Section 514 Intermediary Technical Assist Grantee, for the period May 2000 through April 2001. The Community Resource Center received an annual financial audit of their activities for the two-year period ending December 31, 2001. The auditor provided an unqualified opinion for each of the two years. The auditor did not identify a cost allocation method used for the Federal and non-Federal activities sponsored by the Community Resource Center. The Housing Advocacy Coalition did not receive a financial audit, nor was one required.

In addition to the OTAG grant, the Housing Advocacy Coalition and Community Resource Center received grants from non-Federal sources. For example, the Housing Advocacy Coalition received a \$30,000 from the Catholic Conference and the Community Resource Center received \$373,000 from earned income and an additional \$142,000 from corporate and private foundations.

FINDING
The Grantees Did Not Comply With HUD and OMB Requirements

The Housing Advocacy Coalition and Community Resource Center assisted ineligible projects, charged salaries and fringe benefits in excess of actual costs, did not maintain adequate salary records, and did not adequately support the cost allocation method for charging indirect costs. In addition, the grantees charged prohibited and unallowable lobby activities to the grant. As a result, the grantees assisted ineligible projects, charged at least \$3,827 in excessive salaries and benefit expenses, charged \$9,070 in questioned accounting and auditing fees. We could not determine the actual amount of lobbying activities due to the lack of adequate salary records. The grantees neither read nor had a copy of the Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA) and relied on HUD to provide detailed guidance on program requirements. The grantees believed that the activities and records maintained complied with HUD's requirements and that the lobbying activities were appropriate under HUD and Internal Revenue Service (IRS) guidelines.

Project Eligibility

The 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 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, 24,525 projects receive project-based assistance and are HUD insured or held by the Department. Of those projects, 389, or 1.59 percent are located in Colorado.

The grantees did not maintain a listing of projects assisted with the OTAG and Public Entity Grant grants. We reviewed the grantees quarterly reports to OMHAR on assistance provided and the grantees limited time records. Based on those documents, we identified that the grantees assisted forty projects in Colorado. Both the Housing Advocacy Coalition and the Community Resource Center assisted 20 projects each for a total of forty projects. We compared the identified assisted projects to the list provided by HUD and identified that six of the 40 projects or 15 percent were not eligible for assistance under MAHRA. Due to the lack of summary salary records, we did not attempt to determine the amount of Section 514 assistance provided to these ineligible projects.

The grantees advised us that the list of eligible projects provided by HUD was not complete. Therefore, they relied on lists provided by the National Housing Law Project, or other sources. The grantees advised that they had not read MAHRA, nor were they aware of MAHRA's definition for eligible projects. The grantees stated that they relied on HUD's December 3, 1999 memorandum advising them they could assist at risk projects. The grantees interpreted this language to allow assistance to all HUD assisted projects and residents, especially if the owner plans to opt-out of the HUD project based assistance. The grantees advised that the focus of their activated was to organize the tenants to publicize and obtain public awareness of the loss of HUD assisted housing in the greater Denver and Colorado Springs area. The grantees also advised that if HUD tenants came to them for assistance, they provided assistance, based on the December 3, 1999 instructions.

Compensation for Personnel 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 grantees. The grantees must maintain reports that accounts for the total activity for which an employee is compensated for in fulfillment of their obligations to the organization. The reports must reflect an after-the-fact determination of total actual activities performed by each employee. Budget estimates do not qualify as support for charges to the grant. Grantees must also maintain reports reflecting the distribution of activity of each employee (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. OMB also requires that the report be signed by the employee or a reasonable supervisor. 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.

The Housing Advocacy Coalition and the Community Resource Center did not maintain supporting employment records per the OMB Guidance. Instead, the employees prepared time sheet of only the hours chargeable to the grant. For example, a Community Resource Center employee working on the OTAG grant prepared a time sheet of day and hours chargeable to the grant. The employee also prepared a separate time sheet for hours charged to the Public Entity Grant received from the Intermediary Technical Assistance Grantee. The time sheet did not account for the total activities of the employee on a daily basis. Therefore, we could not determine what other activities the employee performed or which grant to charge for those activities.

Both grantees compensated their employees based on a salary basis but charged the grants based on an hourly wage. The grantees used the time sheet to determine the number of hours to charge the grant. We reviewed the hourly wage charged to the grant to the employees' hourly wage. Since the employee received a flat monthly salary, we estimated the hourly wage based on a 160 hours per month (one part time employee was calculated at 96 hours per month). Based on those estimate, we determined that the grantees charged the grants hourly wages in excess of the amount actually paid. For example, we estimated that two employees received an hourly wage

of \$21.70 and \$29.86, respectively. However, the grantee charged \$25.00 and \$35.00 per hour to the grant. The grantee charged the overages to both the HUD funded OTAG and Public Entity Grant grants. We estimated that between the two grants the grantee over charged about \$1,709.

The grantee used a flat rate of 23 percent of wages to calculate fringe benefits. The application of a flat rate estimate should not have been used, per the requirements of OMB Circular A-122. Moreover, due to the excess wage being charged to the grant, fringe benefits were also over charged. We estimated that due to the excessive wages alone the grantee over charged the grant \$1,116. In addition, the grantee charged \$1,001 for fringe benefits of an employee that did not receive compensation from the grant. We estimated the minimum over charges for fringe benefits to be \$2,117. For these three areas, we identified that the grantee over charged the two HUD funded grants \$3,827 for salaries and benefits.

The grantees advised that they were not aware of the requirements nor did HUD notify them of the personnel and compensation requirements of OMB Circular A-122.

Allocating Direct and Indirect Costs to the Grant

The grantees also allocated certain costs to the grant to include telephone charges, accounting services, and audit costs. OMB Circular A-122 Attachment A provides guidance on the basic considerations for grant fundable costs and allocation of indirect cost. The guidance provides that the grantees shall support a cost allocation taking into account all activities of the organization. If the grantees do not have an approved cost allocation plan, the grantee shall submit an initial cost allocation plan within three months of receiving the award.

The grantees neither prepared nor submitted to HUD a cost allocation plan after receiving the grant. Instead, the grantees used predetermined percentages or the amount budgeted in the grant application for the allocation of cost. As stated above the grantees did not maintain detailed time records for all employees and activities. Therefore, we could not determine if the cost allocations were reasonable or justified. For example, the grantees charged \$302 per month for accounting services. The grantees based this amount on its grant application budget. Based on available records, we could not determine the appropriateness or reasonableness for this monthly charge. The grantees also charged a percentage of the total telephone bill to the grants. Again based on available records, we could not determine if the cost allocations were reasonable or justified.

We identified that the grantees charged the grant at least \$9,070 in questioned costs for accounting, auditing services and telephone charges, without a cost allocation plan.

The grantees advised that they were not aware of the requirements nor did HUD notify them of the requirements of OMB Circular A-122.

Lobbying

MAHRA specifically prohibited the used of 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. Circular A-122 states that grantees may not use Federal funds to:

- Attempt to influence any Federal or state legislation through an effort to affect the opinions of the general public or any segment thereof. This includes the introduction of Federal or State legislation; or the enactment or modification of any pending Federal or State legislation by preparing, distributing or using publicity or propaganda, or by urging members of the general public or any segment thereof to contribute to or participate in any mass demonstration, march, rally, fundraising drive, lobbying campaign or letter writing or telephone campaign. (Grassroots lobbying)
- Any attempt to influence any legislation through communication with any member or employee of a legislative body or with any government official or employee who may participate in the formulation of legislation (Direct lobbying).
- Providing a technical and factual presentation of information on a topic directly related to the performance of a grant, contract or other agreement through hearing testimony, statements or letters to the Congress or a State legislature, or subdivision, member, or cognizant staff member thereof, except in response to a documented request made by the recipient member, legislative body or subdivision.

As identified in the background section, the Housing Advocacy Coalition and the Community Resource Center receive non-Federal funds. The allowability and use of these funds for lobbying activities would not be restricted by the guidance in OMB Circular A-122. We fully support the grantee's ability to organize and participate in activities not allowed for under OMB's guidance. However, these activities, if supported directly or indirectly in either part or whole with Federal funds, must be allowable by OMB's guidance to be grant fundable from the HUD OTAG or Public Entity Grant grants.

We reviewed the grantees monthly activity reports and employees time sheet to identify meeting with legislative member or their staff. We also reviewed these reports for activities that did not meet the requirements of MAHRA and which may be considered Grassroots lobbying.

We identified that the employees of the Housing Advocacy Coalition reported and charged time to the grants for meeting with Congressional staff from the House of Representatives and the Senate. For example, in the January – March 2001 quarterly report, the Housing Advocacy Coalition reported that they organized tenants to ask questions about housing in the city and state at a town meeting with the Honorable Joel Hefley of Colorado. The report also identifies another meeting with the Congressmen's staff. The April, May, and June report identifies an April meeting with a member of Congressman's staff at the Housing Advocacy Coalition offices to learn more about housing issues. The Housing Advocacy Coalition also reported in their July 2001 quarterly report a meeting with a housing aide to Senator Wayne Allard of Colorado. According to the Housing Advocacy Coalition, the purpose of the meeting was to present regional activities, specifically, the need for additional funding for the preservation of Section 8 project based assistance, and the need for additional project based assisted units. We identified that the time charged for these meeting was minimal. The grantees believed that these activities were eligible as regional activities, under the guidance in the December 3, 1999 instructions from OMHAR. However, these activities are specifically prohibited by MAHRA and OMB's guidance.

We also identified that the Housing Advocacy Coalition and the Community Resource Center provided support for the Save Our Section 8 Coalition. The Coalition is a residents tenant-based group with the support of several non-profit organizations and community groups with a mission to preserve Section 8 housing and to develop plans and solutions to create more low-income housing and accessible housing through State and City legislation and policy. The support was in the form of staff time charged to the OTAG grant to assist the resident group in further the mission of the Save Our Section 8 Coalition. According to the guidance in OMB Circular A-122, these activities represent Grassroots lobbying activities and are not grant fundable with Federal funds. These activities could be charged to the non-Federal sources of the grantees. For example, the July 2001 quarterly report that the Housing Advocacy Coalition continued its efforts to create a citywide coalition of HUD tenants to network and empower them to slow the loss of HUD housing through understanding national policy and acting together on pertinent Federal issues.

We could not make a determination of the actual amount of time spent performing Grassroots lobbying, because of the lack of details in the employee's time sheets. However, we noted that the resident groups of the projects assisted are the same resident groups that comprise the Save Our Section 8 Coalition. In addition, while performing our site work we overheard the staff planning strategies for the various projects assisted to participate in fundraising and letter writing campaigns related to Save Our Section 8 Coalition.

The grantees also participated in teleconferences, conferences and paid membership dues to the National Alliance of HUD Tenants. According to the Alliance's teleconference and conference agenda, activities consisted of items grant fundable under the grant and OMB's guidance. The activities also consisted of unallowable lobbying activities. For example, part of the Alliance's conference in October 2001 contained sessions of local and statewide strategy to cope with prepayment of the property. According to the conference information the session informing participant how to use state and local legislation to save Section 8 projects. Another session provided participants with information on creating local and citywide tenant coalition. Teleconference agenda identified that of the one hour and thirty minute planed for the teleconference only 5 minute related to the Mark-to-Market program. Based on OMB's guidance, only that portion of the activity related to the purpose of the grant can be charged to the grant. In these examples, the grantees charged the full amount to the OTAG grant.

Again, due to the lack of detailed records we could not determine the amount of unallowable lobbying activities being charged to the grant.

We identified a total of \$3,827 of ineligible salaries and fringe charges and questioned \$9,070 of telephone, accounting and auditing charges. We could not determine the amount of funds expended for unallowable lobbying activities.

The grantees advised that they did not read MAHRA nor were they aware of the specific requirements of OMB Circular A-122. The grantees believed that they complied with the requirements of the grant and OMHAR's additional guidance in the December 3, 1999 memorandum. Specifically, those regional activities were allowed to preserve Section 8

housing. Moreover, neither HUD officials at OMHAR nor the officials of the ITAG grantee questioned the funding requests. The grantees also advised that neither HUD nor the ITAG grantees performed an onsite review of their activities or methods for charging the grant.

The grantees believes that the activities we identified as lobbying are in fact out reach activities to ensure that the tenant have a voice in the further of Section 8 housing and attempts to secure funding to allow tenants to purchase the projects. Furthermore, the grantees insists that assisting the tenants to have a voice in the future of HUD assisted housing and securing funding to purchase, the projects are within the scope of the grant. The grantees advised that they were not aware of the specific requirements on Lobbying in OMB Circular A-122 and were relying on the IRS's publication 557 to define eligible lobbying activities. We advised the grantees that the IRS requirements only related to the non-profit entity maintaining its non-profit status. The OMB guidance applied to the allowability of using Federal funds for activities. The grantees also believed Grassroots activates directed to the local government to preserve Section 8 housing were fundable under the grant terms.

AUDITEE COMMENTS AND OIG EVALUATION OF AUDITEE COMMENTS

The grantees did not fully concur with the conclusions in the audit report. The grantees stated that they continue to be frustrated by information provided by OMHAR. The grantees also pointed out that OMHAR approved and accepted all voucher requests over the 16 months in question.

The grantees believed that they provided assistance to only eligible projects, based on the December 3, 1999 memorandum from Ira Peppercorn, Director of OMHAR. The grantees specifically cited and highlighted the following paragraphs in that memorandum (Page 1, paragraphs 3,4, 5 and 6, Page 2, Paragraphs 1 and 2, Page 3, paragraphs 1, 2, 3 and the last paragraph of page 3 and first paragraph of page 4). The grantees believe and we concur that HUD did not provide clear guidance in determining the eligibility of the projects or providing a clear listing of eligible projects. We changed the recommendations to incorporate the grantee's response.

The grantees concurred that they over charged the grant for salaries and benefits, and that they lacked an approved cost allocation method. However, they disagree with the amount of the salary and benefit over charges. The grantees calculated that the over charges amounted to \$2,311.87 not the \$3,827 identified in the report. The grantees also provided a cost allocation method for the indirect costs. We plan to let HUD review the information and make a final determination related to the salary and benefit overcharges and the cost allocation plan.

The grantees strongly disagreed that any of their OTAG funded activities constitute lobbying. The grantees state that the activities were eligible as regional OTAG activities or informational activities. As identified in the finding, we concluded that some of the funded activities constitute lobbying, as defined in OMB Circular A-122, and therefore, should not have been funded with Federal funds. We based our conclusions on OMB Circular A-122, the funded activities, records

reviewed, and interviews with the grantee's staff and tenants involved. However, we did modify recommendation 1G to take into account the grantees comments.

RECOMMENDATIONS

We recommended that the Director of OMHAR:

- 1A. Require the Housing Advocacy Coalition and the Community Resource Center to support the assistance to the ineligible projects and refund the grant the cost associated with assistance to the ineligible projects.
- 1B. Require the Housing Advocacy Coalition and the Community Resource Center to repay the \$3,827 in excess salaries and benefit charges.
- 1C. Require the Housing Advocacy Coalition and the Community Resource Center to maintain time records according to OMB Circular A-122.
- 1D. Require the Housing Advocacy Coalition and the Community Resource Center to submit a cost allocation plan and based on the plan adjust the \$9,070 for telephone, accounting and auditing charges and repay any overcharges.
- 1E. Require the Housing Advocacy Coalition and the Community Resource Center to stop charging the grant for activities related to lobbying as defined by MAHARA and OMB Circular A-122.
- 1F. To establish policies and procedures for identifying eligible projects to ensure only eligible projects receive assistance from grantees.
- 1G. To 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.

MANAGEMENT CONTROLS

In planning and performing our audit, we considered the management controls relevant to the Housing Advocacy Coalition and the Community Resource Center'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 a system to fully support that only eligible projects were assisted with Section 514 funds,
- 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.

FOLLOW-UP ON PRIOR AUDITS

The Office of Inspector General performed no previous audit of the Housing Advocacy Coalition or the Community Resource Center.

SCHEDULE OF QUESTIONED COSTS

Recommendation Number	Type of Questioned Costs	
	Ineligible 1/	Unsupported 2/
1B	\$3,827	
1D		\$9,070

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

CRC
COMMUNITY
RESOURCE
CENTER

BOARD OF DIRECTORS

Pamela A. Durr (President)
Education Consultant

Kenneth M. Fortuese (Vice President)
Executive Director
Brush Area Museum
& Cultural Center

Peggy Driscoll (Secretary)
Executive Director
Brett Family Foundation
Boulder

John D. Smith (Treasurer)
Principal
JDS Professional Group

Kandiss Bartlett-Horch
Community Volunteer
San Luis Valley

Janell Bauer
Vice President Fund Development
Hilltop Community Resources, Inc.
Grand Junction

Effley Brooks
Director
Community Leadership Forum
University of Colorado - Denver

David E. Carter
Principal
Crystal Springs Consulting

Blue Eagle
SOS 8 Coalition
Denver

Steve Graham
Executive Director
Community Resource Center

David Henninger
Executive Director
Bayaud Industries

Felicia Hilton
Director
Jobs With Justice

Kenzo Kawanabe
Attorney
Davis Graham & Stubbs, LLP

Susan Lander
Festival General Manager
Music in the Mountains
Durango

Ann Lederer
Cross-Cultural Consultant

Rev. Eun-Sang Lee
Pastor
Warren United Methodist Church

Kris Marsh
Executive Director
Aspen Valley Medical Foundation

Molly Martin
Board Member
Community Foundation Serving
Southwest Colorado
Durango

Walter Rosenberry III
Philanthropist, Historian

Jennifer Wade
Assistant Professor-GSPA
University of Colorado-Denver

August 2, 2002

Robert C. Gwin
Regional Inspector General for Audit
U.S. Department of Housing and Urban Development
633 17th Street, North Tower, 14th Floor
Denver, CO 80202-3607

Dear Mr. Gwin:

We are writing in response to your letter and the draft report based on the recent audit of the activities of the Housing Advocacy Coalition (HAC) and the Community Resource Center (CRC). The draft report concerns the work of HAC and CRC on the Outreach and Technical Assistance Grant (OTAG) Number FFOT00008CO. Our response to the draft report is attached.

Both HAC and CRC have performed work on the OTAG in good faith based on requirements detailed in Section 514 of the Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA), the Notice of Fund Availability for OTAG, and OMB Circular A-122. Both organizations also relied heavily on information provided by HUD staff in telephone conversations and in a memo dated December 3, 1999 (which is also attached).

We appreciate the opportunity to respond to the findings of your audit in the draft report. We would also like to thank Frank Rokosz, the auditor who compiled the draft report, for the time that he has spent with HAC and CRC helping us to understand the specific data that led to his findings.

If you have any questions about the attached response or need additional information, please feel free to contact Steve Graham at (303) 623-1540 or Cyndy Kulp at (719) 634-0738.

Sincerely,

Steve Graham
Executive Director
Community Resource Center

Cyndy Kulp
Director
Housing Advocacy Coalition

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✓ Member, Community Shares of Colorado ♿

**RESPONSE TO DRAFT AUDIT REPORT on
Congressionally Requested Audit of the Housing Advocacy Coalition'
Outreach and Technical Assistance Grant (OTAG)
Grant Number FFOT00008CO**

BACKGROUND

The Community Resource Center, since 1981, and the Housing Advocacy Coalition, since 1996, have worked with low-income people in Colorado to improve their living conditions. One important focus area has been the preservation and expansion of low-income housing, particularly Section 8 housing. The Community Resource Center (CRC) began expanding its work with Section 8 residents in Denver by applying for and receiving a Public Entity Grant (PEG) in May of 2000. In addition, CRC and the Housing Advocacy Coalition (HAC) submitted a joint Outreach and Technical Assistance Grant (OTAG) proposal to the Office of Multifamily Housing Assistance Restructuring (OMHAR), which was finally approved and the contract signed in January of 2001.

The joint OTAG proposal was drafted according to the guidelines contained in the "Application Kit 2000," prepared by OMHAR and the December 1999 clarifying memo (see attached) that was sent to all OTAG and ITAG recipients and potential grantees. The joint proposal focused on outreach, training, community organizing, and information distribution to residents of Section 8 buildings along the Front Range of Colorado (from Fort Collins in the north to Pueblo in the south). The "Application Kit 2000" contained a state-by-state list of properties with expiring Section 8 contracts. The list included 133 properties in the state of Colorado. However, a list from the Region VIII HUD office in Denver listed 320 properties. Conflicting information from OMHAR and the HUD regional office has created serious problems in determining project status and eligibility.

HAC and CRC began work on the OTAG in 2001 with little guidance from anyone at HUD. The orientation provided no information on managing the grant and it proved difficult to find any guidance concerning access to the LOCCS-VRS system, what was expected in the way of reporting (including time sheets), and what expenses were allowable. So CRC staff read MAHRA and OMB Circular A-122 and these documents, together with the December 1999 Memo from OMHAR and the original NOFA, became our guide to fulfilling the conditions of the OTAG. For many months, Sande Tyler was the only employee at OMHAR, who would reliably return phone calls or email messages and provide assistance in implementing the OTAG.

Beginning in the fall of 2001, all OTAG grant funds were frozen. Funds were not released until March of 2002. During this five-month period, HAC and CRC continued to work with Section 8 residents, borrowing the necessary funds to keep the project alive. The strain on both nonprofit organizations was costly both financially and in staff time. With resumption of funding in March 2002, no change in OTAG guidelines was issued by OMHAR, the clarifying 1999 memo was not rescinded, and the list of eligible properties remained suspect (as evidenced by inaccuracies in the property list used by auditor Frank Rokosz).

FINDINGS

From April to June 2002, Frank Rokosz, a senior auditor in HUD's Office of Inspector General for the Rocky Mountain Region, spent time at the HAC and CRC offices conducting an audit of the organizations' performance of the OTAG. The audit period extended from January 1, 2001 through April 30, 2002 for a 16-month period. A draft report on that audit was sent to the Housing Advocacy Coalition on June 25, 2002 and contained findings in five specific areas. The following is the response of HAC and CRC to those findings:

- Project Eligibility. Of the 40 properties assisted by HAC and CRC, the auditor determined that six were ineligible to receive services. HUD has yet to provide HAC and CRC an accurate list of eligible properties and has provided several lists that are contradictory. Because lists of eligible properties provided by HUD have proven to be inaccurate and unreliable, we do not assume that a building is ineligible simply because it does not appear on a HUD list.

In addition, a memo from Ira Peppercorn, OMHAR Director, dated December 3, 1999 directed OTAG and ITAG recipients to "assist residents at risk of being displaced." In addition to providing services to residents living in Mark-to-Market properties, the memo stated that ITAGs and OTAGs "can also provide valuable assistance to residents living in below market buildings where contracts are close to expiration, where owners are opting out of the program or prepaying their mortgages, where substandard conditions or poor management exists, or where ownership transfers that preserve the building as affordable housing are underway." This memo was represented to HAC and CRC as OMHAR policy and gave the two organizations directions to broaden the scope of buildings that could be served.

The draft audit report claims that CRC provided services to residents at Vance Terrace. In fact, CRC received requests from residents at Vance Terrace to provide services, but we quickly determined that the property is public housing and therefore ineligible to receive services under the OTAG. Consequently, CRC never provided services to residents in this property. CRC does maintain a file on the building (which the auditor apparently noted) because of the inquiries, but no service was provided and no hours were ever billed to the OTAG.

The other five properties were served by HAC.

- ❖ Centennial Plaza and The Villas at Southgate (which are actually two properties known as Villa San Jose and Villa Santa Maria) appear on HUD lists of expiring properties and are eligible for service under the OTAG. These properties all have expiring contracts and are eligible under the provisions of MAHRA as well as the standards set by the December 1999 Memo.
- ❖ Encino Apartments and Casa del Sol are Mod-Rehab properties in Pueblo. Both have expiring contracts and residents have experienced problems with management at both properties. These buildings clearly meet the guidelines established in the December 1999 Memo and are therefore eligible for service.
- ❖ Vail Apartments in Pueblo is owned by the Pueblo Housing Authority, but still might be at risk. We have seen other housing authorities attempt to remove properties they own from the Section 8 and Mod-Rehab programs (most notable the Adams County Housing Authority). HAC staff spent less than three hours working with residents in this property and has stopped providing service there until the level of risk is firmly

established. We believe, however, that this property is also eligible under the standards established by the December 1999 Memo.

- Compensation for Personnel Services. The auditor raised several issues in this area, the first of which focused on “supporting employment records” or **time sheets**. Both HAC and CRC employees maintained time sheets, which accurately reflect all hours that were charged to the OTAG. We believe strongly that these time sheets conform to the requirements of OMB Circular A-122, and they were consistently accepted and approved by OMHAR over the 16-month period in question. We do, however, acknowledge that a revised format would be helpful in making it even clearer how billable hours are charged by the two organizations. The revised time sheets are attached.

A second issue raise in this area relates to the **billing for personnel compensation and fringe benefits**. The auditor challenges the method of computing hourly wages and the hourly wage assigned to two CRC employees. CRC computed hourly wages by taking the total annual salary of each employee and dividing it by the total number of hours worked in that year. While one employee’s hourly wage was overstated, two others were understated. In terms of fringe benefits, the auditor challenged CRC’s practice of billing for benefits as a blanket 23% of salaries. A review of actual salaries and benefits for the 16 month period revealed an over billing of \$1,310.87 by CRC. A full detail of the analysis conducted by CRC is available on request.

The auditor also challenged **billing for health insurance benefits** for an individual who was not paid by the OTAG. This individual was, in fact, a VISTA member under a contract with HUD, who was assigned to work on the OTAG project. Because she has a disability, the VISTA health insurance was inadequate and so CRC provided health insurance and billed the cost in the amount of \$1,001 to OMHAR as part of the OTAG. We believe that this is a legitimate expense because this individual did, in fact, work on the OTAG project.

While we challenge this finding, the total possible overcharges in this area amount to \$2,311.87.

- Allocating Direct and Indirect Costs to the Grant. The auditor challenged CRC’s billing of telephone charges, accounting services, and audit costs to the grant. Charges were based on a budget allocation that was approved by OMHAR. All charges were also approved by OMHAR before payment was made to CRC. The auditor requires that an **indirect cost allocation plan** be established in order to justify the telephone charges, accounting services, and audit costs in the amount of \$9,070. CRC has developed an indirect cost allocation plan that is based on the space occupied by the OTAG project as a percentage of the total space occupied by CRC. The OTAG project occupies 700 square feet out of a total office space of 3,200 square feet or 20.6%. During the 16 months in question CRC expended \$55,122 on telephone charges, accounting services, and audit costs. 20.6% of this total is \$11, 355.13, amounting to an undercharge of \$2,285.13. In the future, we will use this cost allocation percentage in billing OTAG for these items.
- Lobbying. The auditor claims that HAC charged the OTAG for **meetings with legislators and their staff** that are prohibited by MAHRA and OMB Circular A-122. We dispute this claim. The town meeting with Congressman Joel Hefley provided an opportunity for

residents of Section 8 housing in Colorado Springs to describe their housing situation to their Congressman. There was no legislation discussed explicitly or implicitly and therefore this meeting was not lobbying. The subsequent meeting with Stacy Lauder of Congressman Hefley's staff at the HAC office was requested by her as an opportunity to learn more about the information presented at the town meeting and again focused on the housing situation of Section 8 residents. There was no discussion of legislation at this meeting either and therefore it does not constitute lobbying. Finally, the meeting with an aide of Senator Wayne Allard was, in fact, attendance at an event where the Senator's Chief of Staff, John Carson (who is now the Region VIII Director of HUD), gave a speech explaining the Senator's views on housing and updating the audience. Representatives of HAC listened as members of the audience and never spoke. There was no discussion of legislation at this meeting nor was there any effort to increase funding for Section 8 housing and therefore this meeting did not constitute lobbying. None of these three meetings can be defined as lobbying under either MAHRA or OMB Circular A-122 regulations. They represent legitimate activities under the OTAG as regional activities.

The auditor claims that CRC **provided support for the Save Our Section 8 Coalition (SOS 8), which engaged in grassroots lobbying.** The implication is that this support is prohibited by OMB Circular A-122 and should not have been charged to the OTAG. We dispute this claim. CRC's work with SOS 8 focused on helping develop resident councils in eligible buildings, informing residents in eligible buildings of their options, and providing organizational development assistance to SOS 8 as a regional activity. CRC in no way billed OTAG for any lobbying or grassroots lobbying activities of the SOS 8 Coalition.

The auditor also claims that HAC and CRC **participated in teleconferences, conferences, and paid membership dues to the National Alliance of HUD Tenants (NAHT)** that focused on prohibited lobbying activities. We dispute this claim. No one from HAC and CRC who attended NAHT conferences attended any session that related to lobbying. NAHT teleconferences that HAC and CRC participated were informational in nature and did not involve lobbying. HAC is not a member of NAHT and while CRC is a member of NAHT, our membership dues pay for a newsletter subscription and reduced costs for conference registrations and are not used for lobbying activities. HAC and CRC participation in NAHT activities is limited to those activities that do not involve lobbying.

We categorically reject the finding that holds that HAC and CRC violated lobbying regulations in MAHRA and OMB Circular A-122.

- Awareness of MAHRA and OMB Circular A-122. The auditor repeatedly states that HAC and CRC "did not read MAHRA nor were they aware of the specific requirements of OMB Circular A-122." We were quite aware of both documents and used them as the basis for administering the OTAG. Since we had little or no help from OMHAR (or any other division of HUD) in interpreting how these documents were to be used, we were forced to use our own interpretation. We believe that we interpreted both documents fairly and followed them in good faith. Where there are discrepancies, they can be explained as mistakes rather than as failure to consult these documents. Since OMHAR accepted all of our invoices without question, we assumed that we were following these regulations correctly.

RECOMMENDATIONS

- 1A: The Community Resource Center (CRC) and the Housing Advocacy Coalition (HAC) do not believe that any ineligible properties were served. We continue to be frustrated by the inaccurate lists of properties that HUD provides us. Until HUD can provide consistent and accurate lists, there will be uncertainty regarding which properties are eligible. Nevertheless, both HAC and CRC have been and will continue to be scrupulous in providing services under the OTAG only to eligible properties.
- 1B: HAC and CRC acknowledge that there were excess salary and benefit charges, but disagree on the amount. Our investigation sets the excess salary and benefit charges at \$2,311.87. While we believe that \$1,001 of that amount might be an eligible charge (as discussed above), we will refund the total to the grant.
- 1C: HAC and CRC have always maintained time records according to OMB Circular A-122. OMHAR consistently accepted these records as documentation for personnel charges. We have redesigned our time sheets to make this documentation even clearer. The new time sheets are attached.
- 1D: The cost allocation plan that CRC developed above yielded an indirect rate of 20.6%, which results in an undercharge of \$2,285.13 for telephone, accounting, and auditing charges during the period considered.
- 1E: HAC and CRC have never engaged in lobbying activities that were charged to the OTAG. HAC and CRC are careful to observe the lobbying definitions contained in MAHRA and OMB Circular A-122 and to refrain from engaging in any of these activities as part of this grant.
- 1F: Policies and procedures are already in place for identifying employees who are engaged in lobbying activities and for ensuring that no Federal funds are used to support lobbying or grassroots lobbying activities.

Summary of Overcharges and Undercharges:

Salary and Benefits	2,311.87
Indirect Charges for Telephone, Auditing, and Accounting	<u>(2,285.13)</u>
Total	\$ 26.74

HAC and CRC are prepared to refund this total to the grant as soon as OMHAR approves the total amount and directs us how to convey the funds to OMHAR.



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-8000

OFFICE OF MULTIFAMILY HOUSING ASSISTANCE RESTRUCTURING

December 3, 1999

Dear Housing Advocate:

Thank you for your interest in and support of the Mark-to-Market Program (M2M). Because of your efforts, thousands of families who live in properties that receive Section 8 assistance will have the opportunity to participate meaningfully in the Mark-to-Market process.

In recent months, the Office of Multifamily Housing Assistance Restructuring (OMHAR) has received numerous inquiries from Intermediary Technical Assistance Grant (ITAG) and Outreach and Training Grant (OTAG) recipients, non-profit housing organizations, and housing advocacy groups regarding the role of tenants and tenant organizations in the M2M program, including how residents of M2M eligible properties will be involved in the process, what information will be provided to ITAGs and OTAGs about properties coming into the program, and the types of properties ITAGs and OTAGs can work with.

This letter clarifies OMHAR's position concerning these and other pertinent issues, and establishes new policy guidelines intended to help facilitate your efforts to work with residents of M2M eligible properties and assist residents living in at-risk properties.

ITAG/OTAG ACTIVITIES IN NON-M2M BUILDINGS

In addition to helping residents living in Mark-to-Market eligible developments play a prominent role in the M2M process, OMHAR recognizes that ITAGs and OTAGs can also provide valuable assistance to residents living in below market buildings where contracts are close to expiration, where owners are opting out of the program or prepaying their mortgages, where substandard conditions or poor management exists, or where ownership transfers that preserve the building as affordable housing are underway.

Recognizing the need to provide assistance to residents living in these buildings, OMHAR will now allow ITAGs and OTAGs to use their grant funds to assist residents at risk of being displaced.

To help accommodate this change in policy, ITAGs and OTAGs will be allowed to assist residents in buildings where the current Section 8 contract is less than area fair market rents.

In order to ensure tenants have a voice, ITAGs and OTAGs

also will be allowed to work with residents of above market properties, where contracts are close to expiration, where owners are opting out of the program or prepaying their mortgages, where substandard conditions or poor management exists, where ownership transfers that preserve the building as affordable housing are underway, or where an owner has been deemed ineligible for M2M.

Section 534 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 2000, Pub.L. 106-74, expanded the scope of Section 514 (f) (3) of the 1997 Multifamily Assisted Housing Reform and Affordability Act to allow the inclusion of non-M2M properties.

USE OF PUBLIC ENTITY GRANTS IN NON-M2M PROPERTIES

In order to further meet the general need to organize tenants in non-M2M properties, OMHAR is adjusting the existing ITAG Public Entity Grant (PEG) program to allow OTAGs and other non-profits to apply for the \$20,000 grants.

OTAGs are hereby deemed appropriate recipients of PEG grants, pursuant to Section 1 (c) of the Intermediary Technical Assistance Grant Agreement, and will be given priority for the funds to help assure the continuity of their outreach efforts and ongoing capacity building.

TENANT AND COMMUNITY ACCESS TO INFORMATION

Section 514(f) of the Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA) requires HUD to establish procedures to provide an opportunity for tenants of M2M eligible properties, residents of the neighborhood, local government, and other affected parties to participate effectively and on a timely basis in the restructuring process. This requires that Participating Administrative Entities (PAEs) provide tenants and the community with access to certain project specific documents.

At the same time, however, the guidelines that implement M2M make it clear that an owner's confidential and proprietary business information must be protected. Accordingly, residents and community groups will be granted access to documents and/or information outlined in Section 3-6 (page 3-16) of the M2M Operating Procedures Guide.

OMHAR is committed to balancing owner privacy and tenant access to information, and will soon publish a proposed rule designed to ensure that residents and other interested parties have access to the documents needed to participate in the development of restructuring plans. Residents will also have the opportunity to comment on the proposed rule before final language is developed, and OMHAR will continue its efforts to reach out to residents affected by M2M to ensure they receive accurate and timely information about the program.

VISTA VOLUNTEER ACTIVITY IN NON-M2M PROPERTIES

VISTA volunteers, because of their first-hand knowledge of local housing markets and their experience organizing tenant groups, are uniquely qualified to help organize and train residents living in FHA-insured multifamily properties.

Because expiring Section 8 contracts threaten the continued availability of thousands of affordable housing units, OMHAR is amending the current VISTA contract to allow VISTA volunteers to also work in properties where contracts are close to expiration, where owners are opting out of the program or prepaying their mortgages, where substandard conditions or poor management exists, where ownership transfers that preserve the building as affordable housing are underway, or where an owner has been deemed ineligible for M2M.

Given the limited amount of funds supporting VISTA outreach efforts, however, VISTA volunteers should establish as first priority those properties that are M2M eligible.

OTAG NOTIFICATION OF PROPERTY ELIGIBILITY

To help Outreach and Training Grant recipients facilitate resident participation in M2M as early in the process as possible, OMHAR will post to its Web site (<http://www.hud.gov/omhar>) information about properties coming into the program as soon as they have been deemed eligible and assigned to a Participating Administrative Entity (PAE) for restructuring.

Posting the information at this point will allow OMHAR to verify the accuracy of information on properties coming into the program, and enable OTAGs to allocate their resources in the most efficient and cost-effective manner.

Posted information will include the names and addresses of properties, as well as the names, addresses, phone numbers, and fax numbers of PAEs. The information will be presented in a list format that can be downloaded by users for sorting and easy manipulation, and provided through the Web site's "Tenant" selection icon. The list will be updated every Friday, with new listings highlighted for easy identification.

ITAG/OTAG TRAINING

Conferences and workshops, particularly those that specifically focus on M2M and other Departmental programs, provide a unique opportunity for ITAGs and OTAGs to increase their capacity to train resident groups and for residents to obtain valuable information about M2M.

In view of this, OMHAR will now allow ITAGs and OTAGs to use

grant funds to cover documentable costs related to resident and staff training relevant to their efforts to organize tenant groups.

Training must be based on an assessment of training needs and skill among OTAGs and staff whose salaries are paid in whole or in part from ITAG and OTAG grant sources. In addition, hotel expenses, miscellaneous travel costs, and per diem expenses for any day(s) in which lobbying occurred during training conferences or workshops cannot be reimbursed from OTAG or ITAG funds. Such reimbursements would be a violation of the Byrd Amendment, which prohibits organizations that receive federal funds from using those funds to conduct lobbying activities.

The Office of Multifamily Assistance Restructuring applauds your commitment to informing residents living in HUD subsidized developments and their immediate communities about Departmental initiatives and how those initiatives will affect them, and believe these new policy guidelines will assist your efforts.

OMHAR also will host a Mark-to-Market training session for housing advocates in late January 2000 that will focus on the M2M program in general, as well as those issues that are of particular interest to you.

Until then, should you have comments or questions regarding any of the policy changes, or clarifications, outlined in this letter, please contact Victor Lambert, Community Technical Assistance/Public Trust Officer, at (202) 708-0001, ext. 3779.

We look forward to working with you to build a program that reflects the best interests of this Department, housing advocates, and the residents of HUD supported project-based developments.


Ira G. Peppercorn
Director
Office of Multifamily Housing
Assistance Restructuring

EXTERNAL REPORT DISTRIBUTION

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

Linda Halliday (52P), Department of Veterans Affairs, Office of Inspector General, 810 Vermont Ave., NW, Washington, DC 20420

William Withrow (52KC), Department of Veterans Affairs, OIG Audit Operations Division, 1100 Main, Rm 1330, Kansas City, Missouri 64105-2112

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