



Audit Report

District Inspector General for Audit New England District

*Report: 98-BO-209-1003
1998*

Issued: April 24,

TO: Anthony Britto, Director, Office of Public Housing, Massachusetts State Office, 1PHA

FROM: William D. Hartnett, District Inspector General, Office of Audit, 1AGA

SUBJECT: City of Woonsocket Housing Authority
Public Housing Drug Elimination Program
Woonsocket, Rhode Island

We conducted an audit of the Woonsocket Housing Authority's (PHA) Public Housing Drug Elimination Program (PHDEP) for Fiscal Years 1994 through 1996. The purpose of our review was to determine if the PHA administered and implemented its Drug Elimination Programs in accordance with HUD requirements.

We determined that the PHA needs to improve administration of the Program and reimburse the Program for \$74,455 of ineligible costs.

Within 60 days, please provide us 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 not considered necessary. Also, please furnish us copies of any correspondence or directives issued related to this audit.

If you have any questions, please contact our office at (617) 565-5259.

Executive Summary

We performed an audit of the Woonsocket Public Housing Authority's (PHA) management of its Public Housing Drug Elimination Program (PHDEP). The PHA was awarded \$1,050,000 in PHDEP funds for FYs 1994 through 1996. As of December 31, 1997, the PHA has reported PHDEP expenditures of \$808,698. The purpose of our audit was to determine if the PHA effectively administered its PHDEP, including monitoring and reporting to HUD outcomes/benefits resulting from the grants, and properly accounting for grant expenditures.

Audit Results

We determined that the PHA needs to:

- Implement a system for evaluating, monitoring and reporting Program outcomes under PHDEP.
- Report revisions of PHDEP plans to HUD for approval;
- Prepare performance reports in accordance with regulations;
- Ensure the eligibility of costs charged to the program; and
- Improve contract administration over service providers.

We believe that these conditions exist because the PHA delegated oversight on this Program to a Consultant as the Drug Elimination Grant Coordinator and did not adequately monitor his performance. As a result, HUD has no assurance that all program objectives were being met and that PHDEP funds spent during FYs 1994 - 1996 were used in the most efficient and effective manner.

The PHA made revisions to its PHDEP program activities which were not reported in writing to HUD. Further, the Semi-Annual Performance Reports submitted to HUD were found to be substantially incomplete, and unreliable.

The PHA also did not ensure that service providers (vendors) under Drug Elimination complied with provisions regarding reporting requirements and measurable outcomes.

The PHA charged \$74,455 of ineligible costs to the PHDEP to supplement the Woonsocket Police Department (WPD) and non-PHDEP activities which are ineligible. The PHA purchased an evidence collection van, computer equipment,

and training gear for the WPD. The equipment is located at the WPD and being used exclusively by the WPD for its city-wide police work. The PHA also purchased computer equipment to supplement its PHA staff in performing non-PHDEP duties.

Recommendations

We are recommending that the PHA submit a plan for HUD's approval to identify the uses of remaining grant funds, implement a system for monitoring and reporting grant outcomes/benefits and report them in timely and accurate Performance Reports to HUD, improve contract administration over service providers, and improve its accounting over grant funds. We are also recommending that the Field Office disallow \$74,455 in costs and instruct the PHA to reimburse the Program for all ineligible costs.

Findings And Recommendations Discussed

We discussed the findings with PHA officials during the course of the audit and at an exit conference on March 5, 1998. On April 8, 1998, the PHA provided a response to the findings and recommendations in the draft report. The PHA generally agreed with the deficiencies cited in the report and described the actions planned to implement each recommendation. We have included the PHA's pertinent comments in the Finding and Recommendations section of this report.

It should be noted that Recommendation 1A in the draft report intended for the PHA to provide assurances of its capacity to carry out the Program in its plan to HUD on the use of remaining funds. Instead the PHA seems to have made a statement of assurance that it has the capacity to carry out the expenditures of the remaining funds rather than carry out the Program. We, therefore, modified the recommendation accordingly.

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Abbreviations:

CFR	Code of Federal Regulations
FY	Fiscal Year
FOP	Fraternal Order of Police
NOFA	Notice of Funding Availability
PHA	Public Housing Authority
PHDEP	Public Housing Drug Elimination Program
WPD	Woonsocket Police Department

Introduction

The Housing Authority of the City of Woonsocket, Rhode Island (PHA), is a quasi-governmental public entity responsible for the ownership, oversight, and management of 1,310 low income units in the City of Woonsocket. The PHA has 2 family developments, 4 elderly developments, and 51 scattered sites. A five member Board of Commissioners, appointed by the Mayor of Woonsocket, governs the PHA. The Chairman of the Board is Mary A. Longtin.

The goals of the Public Housing Drug Elimination Program (PHDEP) are to eliminate drug-related crimes and problems associated with it and encourage Housing Authorities and Resident Management Corporations to develop a plan to address drugs and other related problems that includes prevention and intervention initiatives that can be sustained over a period of several years.

The PHA implemented their first PHDEP in 1991. For Fiscal Years 94 through 96, the PHA has expended funds under a number of activities to include: (1) Reimbursement of Law Enforcement; (2) Voluntary Tenant Patrols; (3) Physical Improvements; (4) Drug Prevention; (5) Drug Intervention; and (6) Drug Treatment. In 1995, the PHA hired a consultant to administer its Drug Elimination program.

The PHA was awarded \$1,050,000 in PHDEP funds for Fiscal Years (FY) 1994 through 1996. As of December 31, 1997, the PHA reported \$808,698 in PHDEP expenditures and has drawdown \$752,603 from HUD.

FY PHDEP Grant	Funds Awarded	Reported Costs	Funds Drawdown	Balance Available
1994	\$ 300,000	\$300,000	\$300,000	-0-
1995	\$ 375,000	\$359,021	\$340,912	\$ 15,979
1996	\$ 375,000	\$149,677	\$111,691	\$225,323
Total	\$1,050,000	\$808,698	\$752,603	\$241,302

Audit Objectives

The overall audit objective was to determine if the PHA administered and implemented its Drug Elimination Programs in accordance with HUD requirements. Specific audit objectives were to determine whether the PHA:

- Implemented a system for evaluating, monitoring and reporting program outcomes/benefits.

- Prepared and submitted timely and accurate semi-annual Performance Reports to HUD.
- Established controls over its PHDEP planned expenditures, including assurances that only eligible costs were charged to grants.
- Executed and monitored contracts with service providers, including the Consultant Drug Coordinator.

Audit Scope and Methodology

We reviewed the PHA's controls and procedures over its implementation of the Program and administration of PHDEP grants awarded for FYs 1994 through 1996. We reviewed PHDEP grant applications, grant agreements, financial records, and monitoring reviews by the Rhode Island State Office, Massachusetts State Office and the PHA. Audit tests included comparison of Program objectives to accomplishments and comparison of PHA financial records by the HUD approved PHDEP grant budgets to determine if costs were in accordance with agreements. We also tested eligibility and support for costs, the success of the PHDEP, and service provider contracts under PHDEP.

We interviewed Massachusetts State Office, Office of Public Housing program staff; Rhode Island State Office, Office of Public Housing staff; Housing Managers at the two PHA family developments; PHA staff and its PHDEP consultant and officers of the Woonsocket Police Department.

We performed our audit from April 1997 through February 1998. The audit covers the period January 1, 1994 through December 31, 1997. The audit period was extended as necessary.

We conducted our audit in accordance with generally accepted government auditing standards.

Findings

Finding 1

PHA Needs To Improve Administration Of Its Drug Elimination Program

The PHA needs to improve its administration of the Public Housing Drug Elimination Program (PHDEP), specifically, the PHA did not:

- Establish an effective system for evaluating, monitoring and reporting outcomes/benefits received from Program activities.
- Properly report initiated, expended and deleted programs in its Drug Elimination Plan activities to HUD.
- Effectively monitor the contracted services of its Program Coordinator and Service Providers.

We believe that these conditions exist because the PHA delegated oversight on this Program to a Consultant as the Drug Elimination Grant Coordinator (Consultant) and did not adequately monitor his performance. As a result, HUD has no assurance that all program objectives were being met and that PHDEP funds spent during FYs 1994 -1996 were used in the most efficient and effective manner.

Program Monitoring and Reporting Requirements

24 CFR, part 761.35 states, in part, that Grantees (in this case the PHA) are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity of the grant.

24 CFR, Part 761.35(a)(1) states, in part, that grantees are required, in accordance with 24 CFR, Part 85.40(b)(1)(2) and 85.50(b) to provide the local HUD office with a Semi-Annual Performance report, as of June 30 and December 31 of each year, that evaluates the grantees performance against its plan. These reports shall include (but are not limited to) the following in summary form:

- (i) Any change or lack of change in crime statistics or other indicators drawn from the applicant's plan assessment and an explanation of any difference;
- (ii) Successful completion of any of the strategy components identified in the applicant's plan;
- (iii) A discussion of any problems encountered in implementing the plan and how they were addressed;
- (iv) An evaluation of whether the rate of progress meets expectation;
- (v) A discussion of the grantee's efforts in encouraging resident participation; and
- (vi) A description of any other programs that may have been initiated, expanded, or deleted as a result of the plan, with an identification of the resources and the number of people involved in the programs and their relation to the plan.

Finally, part 76.1.35(b) requires a final cumulative performance report to be submitted to the local HUD office within 90 days after termination of the grant agreement that evaluates the grantee's performance against its plan, including (but not limited to) the above information. As of December 31, 1997, the only report required to be submitted was for the FY 94 PHDEP grant agreement, which was submitted in November 1997. Our review showed that it did not address the information HUD required by Items (i) and (iv) through (vi) above. As a result, even after the grant has expired, the PHA has not properly evaluated its performance against the plan for that year to HUD.

Program Outcomes/Benefits Not Reported To HUD

Semi-Annual Performance Reports contain two components, namely the Outcome Monitoring Report, which reports crime statistics in the community and PHA developments, and resident participation/performance indicators, and the Progress Report Narrative, which reports the information in (i) through (vi) above, related to outcomes/benefits. We found that the PHA submitted all four Outcome Monitoring Reports for FY 1995 and 1996; but only one of the four Progress Report Narratives, which was for the period ending June 30, 1995. We also found that the one Narrative Report did not contain a comparison of actual outcomes/benefits to the objectives established for the six month period, in order that HUD could evaluate whether the grant was being implemented in accordance with program objectives or if desired outcomes were being realized.

Unsupported/Unreliable Crime Data In FY 95 & 96 Monitoring Reports

Our review of the four Outcome Monitoring Reports for FY 95 and 96 showed that the crime statistics and other data reported to HUD were, for the most part, unsupported and unreliable. In fact, 39 percent of the crime statistics reported were either left blank or reported as "Unavailable or Unknown," and

“Approximate.” Also, some of the crime statistics reported, in whole numbers, are questionable. For example, from the first six months to the second in 1995, total Calls For Service in the community rose from 460 to 24,940, dropped to 17,665 for the first six months of 1996, and rose again to 27,149 in the second six months. According to the PHDEP Consultant, the PHA used crime estimates instead of actual data reported by the Woonsocket Police Department.

Unsupported/Unreliable Participation/Performance Data In FYs 95 and 96 Monitoring Reports

The PHA also used estimates instead of actual data in the PHDEP Participation/Performance Indicators section of the Report for FYs 95 and 96. This section reports the number of residents involved in up to 14 PHDEP activities. Our review of the data reported for the two years showed that 83 percent is identified as “approximate.” The Consultant advised that he did not collect actual data on resident involvement and had no documentation or basis for the figures included in the report. Unless the PHA ensures that Participation/Performance Indicators are accurate and can be supported, neither HUD nor the PHA can properly measure program results.

Initiated, Expanded, and Deleted programs Not Reported To HUD

In accordance with the above cited reporting requirement from 24 CFR 761.35, the PHA should have submitted Semi-Annual Progress Reports to include a discussion of programs that may have been initiated, expanded, or deleted as a result of the plan.

In addition, Article II of the Drug Elimination Grant Agreements states that the grantee shall not make or cause to be made any changes to the services without the express written consent by HUD, the granting of which consent shall be in the sole discretion of HUD.

In comparing the PHDEP plans to the actual charges made by Program activity, by Fiscal Year, we found \$86,251 charged in FYs 94 and 95 for PHDEP activities that were not in the HUD approved plans for those years and \$55,000 for HUD approved activities for which the funds were not spent by the end of the grant terms, as of December 31, 1997. Since the PHA has never complied with the reporting requirements addressed above, HUD was not informed about this \$141,251 in plan changes, which represents approximately 21 percent of the costs charged to the grants for those two years. We did not find the same situation for the FY 96 grant, as of December 31, 1997.

Activity	PHDEP Grant Year	Amt. Budgeted PHDEP	Amt. Charged To PHDEP	Explanation
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Activity	PHDEP Grant Year	Amt. Budgeted PHDEP	Amt. Charged To PHDEP	Explanation
Investigator Salary	1994	-0-	\$ 5,000	Not reported in Grant Application
Summer Work	1995	-0-	\$21,000	Not Reported in Grant Application
Project Director Campus of Learner's Program	1995	-0-	\$42,251	Not reported in Grant Application
Youth Assistants	1995	-0-	\$ 7,000	Not reported in Grant Application
Transportation	1995	-0-	\$11,000	Not Reported in Grant Application
Drug Assessment Counselor	1994	\$20,000	-0-	Activity never funded
Parent Intervention	1994	\$10,000	-0-	Activity never funded
Computer Consultant	1994	\$ 5,000	-0-	Activity never funded
Cross Resident/Police Training	1995	\$20,000	-0-	Activity never funded

Incorrect Charging To Program Activities

We also found instances of charges made to incorrect PHDEP activities (budget line items) and, in one instance, a charge which should have been made to the PHA's Comprehensive Grant Program. The significance of these incorrect charges is that costs to the proper PHDEP activities are understated and the others are overstated.

Grant Year	Amount	Actual Grant Program Activity	Account Charged by Line Item	Account Activity Should Have Been Charged by Line Item
1996	\$90,000	Investigative Services	9130-Employment of Investigators	9110-Reimbursement of Law Enforcement
1995	\$25,000	Various-Adult Education, Group Counseling, etc.	9140-Voluntary Tenant Patrols	Various 9160-Drug Prevention 9170-Drug Intervention
1995	\$19,850	Public Drug Investigation	9190-Other Programs	9110-Reimbursement of Law Enforcement
1995	\$10,000	Resident Training	9140-Voluntary Tenant Patrols	Comprehensive Grant Program
1994	\$14,128	Tutoring/Monitoring	9170-Youth Activities	9160-Tutoring/Monitoring
1994	\$ 6,200	Support for In-house two officers	9190-Other Programs	9110-Reimbursement of Law Enforcement

In addition, the PHA charged \$7,400 in police salaries (Operation Safe Home) to the wrong PHDEP activity in the wrong PHDEP grant year. The PHA charged 1996 PHDEP grant year police salaries to the 1994 PHDEP grant under “Drug Treatment.” This was done because funding was still available.

Ineffective Execution and Monitoring of Program Coordinator Contract

The PHA contracted with a consultant to function as the Drug Elimination Program Coordinator (Consultant), to whom the PHA delegated oversight of this Program, at a cost of \$102,647 over 33 months. Even though the awarding of this contract was based on a competitively advertised bid process, we found weaknesses in the execution and monitoring of the contract by the PHA, which we believe contributed to the lack of proper administration and reporting of Program outcomes/benefits to HUD and the charging of ineligible costs identified in Finding 2.

Even though the original contract term was from April 1995 to November 1996, we found that the Consultant was still functioning at the PHA and was paid \$18,913, through May 1997, without a contract. The PHA did execute an extension to the contract as a result of our review in June 1997 but terminated his services as of December 31, 1997, for a total of 33 months. The contract also stipulated that the Consultant was an independent entity and not an employee of the PHA, and provided that he be paid \$20 per hour with an additional \$5 per hour for benefits.

According to the contract, the Consultant was to serve as the Coordinator only on a Part Time basis for a minimum of 16 and a maximum of 20 hours per week, except as authorized by the PHA. We reviewed the weekly invoices submitted to the PHA by the Consultant during the term of the contract and found that:

1. The Consultant charged the PHA and was paid for an average of 25 hours per week without prior approval of extra hours being made by the Executive Director.
2. The PHA did not approve the Consultant’s invoices for payment for up to two to four weeks after the date of the invoice, which could make it difficult to recall what he accomplished for the payments. The Executive Director stated that he found it difficult to monitor the Consultant’s performance.
3. Drug Elimination Grant funds were paid to the Consultant for grant writing, which was a function in his contract, but is contrary to CFR 761.15, which states in part that, “Funding is not permitted for costs incurred before the effective date of the grant agreement, including, but not

limited to, consultant fees for survey related to the application or actual writing of the application”.

4. Forty-eight percent of the hours were charged by the Consultant while off-site but were repeatedly supported, in many instances, with vague descriptions, such as; “Updating records; organizing materials” and “Gathering and organizing materials for meetings.” The remaining 52 percent of the hours we reviewed on these time cards only showed the total hours charged on-site, at the PHA, without a description of the work performed. Even though the Executive Director stated that he was confident he received value for the Consultant’s work, overall, he found it difficult to monitor his performance.

We reviewed PHA records and performed interviews of key PHA personnel to determine the extent to which the Consultant performed the 11 Essential Functions defined in his contract with the PHA and found that he did not perform the following seven functions:

1. **Negotiate final details on service provider contracts including reporting requirements and measurable outcomes.**

We selected six of the nine service providers that received the largest amount of PHDEP funds, accounting for \$278,472 or 27 percent of the total funding for FYs 1994 through 1996, and found that, even though the contracts with these providers specified requirements for periodic measuring and reporting outcomes to the PHA, the following five did not provide the information required.

- a. Youth Activities Coordinator
- b. Youth Summer Work Programs
- c. Group Counseling Program with ROAD Counseling
- d. RIRAL-Adult Education
- e. University of R.I. Comprehensive Needs Assessment

A review of PHA records indicated that the Consultant did not monitor these contracts effectively to measure the outcomes being received and to ensure that they were reported to the PHA. In fact, the Executive Director and PHA board had to terminate the services of the Youth Activities Coordinator and did not renew the contract for ROAD Counseling, both for nonperformance and not meeting the requirements for measuring and reporting outcomes.

2. **Assist Resident Services Coordinators with crime watch/tenant patrol activity.**

3. **Assist Resident Services Coordinators with efforts to empower Resident Councils and to encourage maximum feasible participation in drug elimination efforts.**

We were informed by one of the two Resident Services Coordinators that the Consultant did not assist her with these programs. In fact, the Crime Watch and Voluntary Tenant Patrols program was never implemented even though it was budgeted for \$70,000 in FY 1995.

4. **Identify needs for substance abuse prevention and treatment services in collaboration with resident councils, PHA staff and service providers.**

According to the Executive Director, the Steering Committee meetings on substance abuse were the most useful vehicle the Consultant had to collaborate with the resident councils, PHA staff. In addition, it was the responsibility of the Consultant to facilitate an ongoing Drug Elimination Steering Committee, according to his contract with the PHA. However, although we found written agendas prepared by the Consultant for scheduled monthly meetings, we could only find meeting minutes for five meetings held during the 33 month tenure of the Consultant. The Executive Director informed us that, since they had trouble getting adequate participation at the meetings, they were changed to quarterly.

5. **Ensure service and documentation compliance with contracts, PHA, State and Federal Regulations.**

The deficiencies noted in function 1 above, the lack of measuring and reporting of outcomes, and unreported changes in program activities, etc. to HUD which are identified in this finding, and the ineligible costs charged in Finding Number 2 of this report, provide adequate evidence for nonperformance of this function.

6. **Compile monthly statistics, prepare semi-annual report to Steering Committee and Board of Commissioners.**

We could not find any documentation in the PHA files to show that the Consultant compiled monthly statistics or prepared semi-annual reports to either of these two groups. The Executive Director admitted that this was a major shortcoming of the Authority and that he will strive to educate his staff on the importance of compiling information that will assist the PHA in evaluating its programs under PHDEP.

7. Prepare and monitor program budget.

Even though the Consultant prepared the annual PHDEP budget, we determined that the Consultant did not effectively monitor the budget for the PHA or HUD. This is illustrated by the Ineligible Costs charged in Finding Number 2 of this report and the Initiated, Expanded, and Deleted Programs as well as the Incorrect Charges to budget line items described in this finding which were not reported to HUD..

In summary, the lack of measuring, evaluating, and reporting Program results by the PHA, and the lack of adequate monitoring of the Consultant makes it difficult for HUD to determine whether sufficient outcomes/benefits were received from the award of \$1,050,000 in PHDEP funds to this PHA. As a result, the HUD Field Office needs to assess the capacity of this PHA to perform under future grants.

Finally, since the PHA did not receive PHDEP funding for FY 1997, we reviewed HUD's rating sheets and accompanying explanations on the PHAs application and found that funding was denied for the same reasons we have addressed in this finding. Specifically, they described the lack of adequate crime statistics, and lack of outcomes/benefits being identified.

In its April 8 response to Recommendation 1A in the draft report, the PHA assured HUD that it had the capacity to carry out expenditures of the remaining funds rather than assurances it had the capacity to carry out the Program in its plan to HUD. We, therefore, modified the recommendation accordingly.

Recommendations

We recommend that you require the PHA to:

- 1A. Submit a plan which will identify the uses for remaining PHDEP funds and will provide assurances that the PHA has the capacity to carry out the Program.
- 1B. Implement a system for evaluating monitoring and reporting grant outcomes/benefits.
- 1C. Establish controls to ensure that all Performance Reports are accurate, timely, and in accordance with HUD regulations.
- 1D. Improve its contract administration over grant service providers to ensure proper execution and effective monitoring.
- 1E. Improve its accounting of program funds to ensure costs are charged to the

proper activity account.

Finding 2

PHA Charged Costs Of \$74,455 To The Drug Elimination Program Which Appear To Be Ineligible

The Woonsocket Housing Authority (PHA) charged \$74,455 to the Public Housing Drug Elimination Program (PHDEP) to supplement the Woonsocket Police Department (WPD) and other non-PHDEP activities. As of December 31, 1997, \$68,332 was charged for an evidence van, protective vests and computer equipment for the WPD, and \$6,123 was charged for computer equipment being used by non-PHDEP staff for daily PHA functions.

We believe that these costs are ineligible and resulted from either a lack of knowledge or oversight by the PHA on the eligibility and ineligibility of PHDEP costs, provided for in the Code of Federal Regulations (CFR) and the applicable NOFAs. As a result, these funds were not available to more fully benefit tenants at the PHA.

Ineligible Charges For the WPD

24CFR761.15, in addressing the use of grant funds, refers to the NOFAs in providing specific information concerning eligible and ineligible activities. Subparagraph (b)(2)(ii), concerning the reimbursement of local law enforcement agencies for additional security and protective services, states that communications and security equipment to improve the collection analysis and use of information about drug-related criminal activities in a public housing community may be eligible items if used exclusively in connection with the establishment of a law enforcement substation on the funded premises or scattered site developments. In addition, the PHDEP NOFAs for FYs94 through 96 clearly prohibit the use of PHDEP funds for the purchase or lease of military or law enforcement clothing or equipment, such as vehicles, protective vests, and other supporting equipment. In addition, the NOFAs allow the reimbursement of local law enforcement agencies for computers only if they are used exclusively for the housing authority development's crime prevention and comprehensive security efforts.

In its HUD approved FY 96 PHDEP application, the PHA included its plan and budget to lease an evidence collection van, in cooperation with the WPD, for drug and other criminal investigations and collecting evidence. The associated cost budgeted was \$40,000, with the stated expectation that the WPD would contribute approximately \$20,000. HUD should not have approved the application with this ineligible item included in it. When we asked HUD Field Office staff why this was

approved, they told us it was an oversight on the part of HUD's Processing Center and should not have been approved.

In February 1997, the PHA entered into an 18-month lease agreement with an auto dealership for a Ford van, which was later converted by another contractor for evidence collection. As of December 31, 1997, the PHA has spent a total of \$43,100 on the van, consisting of \$10,481 in lease payments for 11 months at \$950 and \$32,619 for conversion of the van for evidence collection. It should be noted that there has been no contribution made or offered by the WPD, to date. Based on our interviews and review of documentation at both the PHA and the WPD, we found that, not only was this van not used exclusively for or at the PHA developments, but we could not determine any outcome or benefit being derived by the developments in the use of PHDEP funds for this purpose. We did determine that the van is permanently located at the WPD for use throughout the City of Woonsocket.

In addition, after the lease period, there is a \$2,000 buyout option which, according to the PHA's Security Administrator, will be executed by the WPD. Therefore, after the PHA pays almost \$50,000 for this van, the WPD will own it for \$2,000. This does not seem to be a good investment of PHDEP funds, according to the intent of the grant regulations.

The PHA also used FY 95 PHDEP funds of \$1,242 to purchase protective vests for the WPD. The Protective Vests are located exclusively at the Woonsocket Police Station and are being used exclusively for physical training at the Woonsocket Police Department and are not used at the PHA developments.

The PHA used FYs 94 and 95 PHDEP funds to purchase \$17,371 worth of computer equipment for the WPD. The six Pentium computers, a Pentium File Server, a 486 computer, and a printer are located at the WPD and are used exclusively at the WPD to support the development of city-wide reporting systems.

24CFR 761.15(b)(2)(ii) and the 1996 NOFA also state that funds for reimbursement of local law enforcement agencies may not be drawn until the grantee has executed a contract for the additional law enforcement services. The PHA did not execute contracts with the WPD for additional services expected, notwithstanding the fact that the costs were ineligible.

Ineligible Charges for PHA Computers

24CFR761.3(c) provides that the PHA should establish controls to assure that an activity or program that is funded by other HUD programs shall not also be funded by the Drug Elimination Program. In addition, the PHDEP NOFAs for FYs 94 through 96 prohibit PHDEP funds from being used to supplant existing positions or programs.

Since the PHA had no inventory controls over computer equipment, we traced the location and use of computers which were purchased using FYs 94 and 95 PHDEP funds. We found that the PHA used \$6,123 in PHDEP funds to purchase computer equipment which were being used for other HUD programs, not otherwise funded by the PHDEP, such as the Comptroller and the Director of Operations and Development.

We recommend that you:

- 2A. Disallow the \$74,455 in costs charged and instruct the PHA to reimburse the Program for all ineligible costs.

Internal Controls

In planning and performing our audit, we considered the internal controls of the Housing Authority of the City of Woonsocket, RI (PHA), specifically for its Public Housing Drug Elimination Program (PHDEP), in order to determine our audit procedures and not to provide assurance on internal controls.

Internal Controls consist of a plan of organization and methods and procedures adopted by management to ensure that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data is obtained, maintained, and fairly disclosed in reports.

Internal Controls Assessed

We determined that the following internal controls were relevant to our audit objectives;

- Financial Controls Over Program Funds.
- Management Controls Over Eligibility of Program Expenditures.
- Management Controls Over Program Performance.
- Controls Over Procurement and Contracting.

We assessed all relevant controls areas identified above.

Assessment Results

A significant weakness exists if internal controls do not give reasonable assurance that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data is obtained, maintained, and fairly disclosed in reports.

Significant Internal Control Weaknesses Exists In All Areas

Our review identified weakness over the PHA's ability to administer the PHDEP. These include weaknesses relative to eligibility of program expenditures, program performance, and procurement and contracting . The weaknesses are described in the Findings section of this report.

Appendices

Appendix 1

Auditee Comments

Appendix 2

Distribution

Assistant Secretary for Public and Indian Housing, P, (Room 4100), (10)
Deputy Assistant for Public and Assisted Housing Programs, PH, (Room 4204)
Deputy Assistant Secretary for Public Housing Investment, PT, (Room 4138), (2)
Director, Office of Capital Improvements, PTC, (Room 4130), (2)
Director, Office of Budget, ARB (Room 4130). (2)
Director, Office of Budget, ARB (Room 3270)
Director, Housing Finance Analysis Division, REF, (Room 8212)
Director, Office of Public Housing, 1APH
Director, Office of Management and Planning, AMM, Washington Office
Center, Suite 310, 401 Third Street, SW, Washington, DC 20024
Chief Financial Officer, F, (Room 10166)
Acquisitions Librarian, AS, (Room 8141)
Director, Policy Development Division, RPP, (Room 8110)
Special Assistant, Office of Public Affairs, WR, (Room 10236)
Departmental Audit Liaison Officer, FOI, (Room 10176)
Audit Liaison Officer, Assistant to the Deputy Secretary for Field Management,
SDF, (Room 7112)
Assistant Director in Charge, US GAO, 820 1st St. NE Union Plaza, Bldg. 2,
Suite 150, Washington, DC 20002
Inspector General, G, (Room 8256)
Robert Kenison, CD, (Room 8162)
HUD OIG Webmaster
Michael Zegera, Public Affairs Officer, G, (Room 8256)
Secretary Representative, 1AS
Public Affairs Officer, New England, 1AS
Field Comptroller, Illinois State Office, 5AF

Ms Cindy Sprunger, Sub Committee on General Oversight & Investigations, Room
212, O'Neill House Office Bldg., Washington, DC 20515

Mr. Pete Sessions, Government Reform and Oversight Committee, Congress of
the United States, House of Representatives, Washington, DC 20515-4305

The Honorable Fred Thompson, Chairman, Committee on governmental Affairs,
United States Senate, Washington, DC 20510-6250

The Honorable John Glenn, Ranking Member, Committee on Governmental
Affairs, United States Senate, Washington, DC 20510-6250