



U.S. Department of Housing and Urban Development

District Office of the Inspector General
Richard B. Russell Federal Building
75 Spring Street, SW, Room 700
Atlanta, GA 30303-3388
(404) 331-3369

May 14, 1996

Audit-Related Memorandum
No. 96-AT-256-1814

MEMORANDUM FOR: Charles T. Ferebee, Director, Community Planning and
Development Division, 4FD

FROM: Kathryn Kuhl-Inclan
District Inspector General for Audit-Southeast/Caribbean, 4AGA

SUBJECT: HUD State Office Request
Housing Authority of the City of High Point
HOPE 3 Program
High Point, North Carolina

We have completed a limited survey of the HOPE 3 Program of the Housing Authority of the City of High Point, North Carolina (Authority), for the period December 4, 1992, through December 7, 1995. Our objectives were to determine if the Authority (1) had provided its required local match, and (2) kept proper accounting records of the receipt and expenditure of funds from property sales. We initiated the review based on your request.

BACKGROUND

HUD awarded the Authority a HOPE 3 grant of \$885,600 on December 4, 1992. The grant was to be used to rehabilitate 38 scattered site public housing units and to sell the properties to low-income first time homebuyers. The grant required the Authority to provide a 33 percent cash or in-kind match which the Authority agreed to provide in cash.

Effective May 11, 1995, HUD suspended the Authority's approval to draw grant funds because it (1) had not provided its match and (2) had not expeditiously used proceeds from selling properties.

SCOPE

We interviewed Authority staff pertaining to accounting procedures and the local match. We reviewed balances in Authority accounts for (1) Accounts Receivable HOPE 3 Home Sales and (2) Accounts Payable HOPE 3 Home Sales. We conducted our review in December 1995 and March 1996.

We discussed the results of our review with you and your staff on March 25, 1996.

REVIEW RESULTS

The Authority provided its local match but did not record the transaction correctly in its accounting records. The required match in December 1995 was about \$90,750 based on 33 percent of grant expenditures. The Authority provided a match of \$161,331 from money HUD allowed the Authority to retain from home sales in its Turnkey III Program. The Authority used the money to make loans to families so they could purchase homes rehabilitated in the HOPE 3 Program. The Authority incorrectly recorded the \$161,331 as an account receivable in the Turnkey III Program. To be credited as the Authority's local match, the funds should be recorded as an account receivable and equity contribution in the HOPE 3 Program.

The Authority needed to improve its reporting of HOPE 3 Program activities. The Authority accounted for HOPE 3 activities within the Public Housing Program accounting system. The account for property sales, titled Accounts Payable HOPE 3 Home Sales, recorded sales of 13 houses totaling \$544,292, and expenditures of \$182,012. While the Authority had accounting control over HOPE 3 activities, its annual financial report did not include a separate balance sheet for the HOPE 3 Program. As a result, the financial statements did not give HUD sufficient information for effective program monitoring. As an example, the Authority had HOPE 3 Program sales income of \$455,517 in 1994 which was not identified as such in the annual financial report.

We suggest that you require the Authority to (1) record the Turnkey III Program funds which were considered local match as an account receivable and equity contribution in the HOPE 3 Program, and (2) provide separate financial statements for the HOPE 3 Program as part of its annual audit.

We provided a copy of this memorandum to the Authority.

We appreciate your cooperation during the review. Should you or your staff have any questions, please call Rudy E. McBee, Assistant District Inspector General for Audit, at (423) 545-4368, or Bruce Milligan, Senior Auditor, at extension 4056.

Attachment - Distribution

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(Room 7106)
Executive Director, Housing Authority of the City of High Point



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Mr. H. K. Martin
Executive Director
Housing Authority of the
City of High Point
P. O. Box 1779
High Point, NC 27261-1779

Dear Mr. Martin:

An informational copy is enclosed of the report dated May 14, 1996, on our limited survey of the Authority's HOPE 3 Program. Charles Ferebee, Director, Community Planning and Development Division, is the HUD action official for the report. He or his representative will contact you to initiate any action resulting from the report.

We appreciate the cooperation given our auditor during the review. Please call me (404-331-3369) if you have any questions.

Sincerely,

Kathryn Kuhl-Inclan
District Inspector General
for Audit-Southeast/Caribbean

Enclosure