



U.S. Department of Housing and Urban Development
Office of District Inspector General for Audit
Capital District
800 North Capitol Street, N. W.
Suite 500
Washington, DC 20002

April 5, 2002

Audit Memorandum
No. 2002-AO-0801

MEMORANDUM FOR: Cheryl Teninga, Acting Deputy Assistant Secretary for Public and Assisted Housing Delivery, PE

[Signed]

FROM: Sandra G. Elion, District Inspector General for Audit, Capital District, 3GGA

SUBJECT: Administration of Bridges Over Troubled Waters Cooperative Agreement
International Faith Community Information and Services Clearinghouse and
Training Center, Howard University School of Divinity, Washington, DC

As a part of our plan to review the Office of Public and Indian Housing's award and administration of cooperative agreements, we reviewed Bridges Over Troubled Waters (BOTW), a 2-year (\$500,000) cooperative agreement awarded to the International Faith Community Information and Services Clearinghouse and Training Center, Howard University School of Divinity (ISC).

The main objective of our audit was to determine whether the Community Safety and Conservation Division (CSCD) complied with Departmental policies and procedures in administering BOTW. In order to achieve this objective, we also performed procedures to determine whether ISC conformed to the terms of the agreement and whether the BOTW program achieved its intended results.

We found that: (1) the GTR did not adequately monitor ISC's compliance with the requirements of the agreement. As a result, performance reports showing vital information such as actual accomplishments were missing and were not used to approve drawdowns for ISC; (2) ISC did not adequately document its use of the funds or maintain appropriate supporting documentation; and (3) ISC's claim that BOTW achieved its goal was not supported by objective evidence that could be used to measure BOTW's success.

On March 29, 2002, the Acting Deputy Assistant Secretary for Public and Assisted Housing Delivery submitted PIH's official response to our draft audit memorandum. We have included the complete text of the Assistant Secretary's comments in Appendix A.

Within 60 days, please provide us with a status report of corrective actions taken on each recommendation made in this memorandum. The status report should be prepared in accordance with Appendix 6 of HUD Handbook 2000.06 REV-3 and should include the corrective action taken or proposed corrective action and the date to be completed, or why the action is considered unnecessary. Also, please furnish us copies of any correspondence or directives issued because of this audit.

If you have any questions, please call me on (202) 501-1330.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our announced audit objectives were to determine whether the use of Public Housing Drug Elimination Program funds was an appropriate source of funding for BOTW; whether ISC spent program funds appropriately; and whether CSCD provided adequate monitoring and oversight of BOTW. Based on the results of an audit of the Creative Wellness Program (another Office of Public and Indian Housing cooperative agreement)¹ and our initial review of CSCD's administration of BOTW, we refined our audit objectives to determine whether: (1) CSCD complied with Departmental policies and procedures in administering the BOTW agreement, (2) ISC conformed to the terms of the agreement; and (3) BOTW achieved its intended results.

To determine whether CSCD complied with Departmental policies and procedures, we reviewed Departmental regulations, policies, and procedures; OMB Circulars applicable to the audit objectives; BOTW proposal and agreement; CSCD and ISC files; and drawdown requests and payments. In addition, we interviewed CSCD and ISC staff. To determine whether ISC conformed to the terms of the agreement and whether BOTW achieved its intended results, we reviewed activities from June 1998 through December 2000 (the term of the agreement). Our review of activities included ISC's controls over costs, drawdowns, and reporting. We tested controls by analyzing a random sample of 47 of 431 transactions for conformance with requirements of OMB Circular A-122, "Cost Principles for Non-Profit Organizations."

We conducted our review from July through October 2001. However, our ability to fully accomplish our objectives was limited by a lack of documentation by both CSCD and ISC. We performed our audit work in accordance with generally accepted Government Auditing Standards.

BACKGROUND

The Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1988 made \$10 million in drug elimination funds available for "grants, technical assistance, contracts and other assistance training, program assessment, and execution for or on behalf of public housing agencies and resident organizations . . ." Of this \$10 million, the Department awarded a \$500,000 cooperative agreement to ISC to fund BOTW, a 2-year project. CSCD was designated the administering office for the agreement.

The cooperative agreement describes BOTW as a "unique and innovative program that is designed to tap ISC's national network of faith-based organizations which have a demonstrated commitment to social outreach and connect them with resident groups in public housing communities." Further, the cooperative agreement states that ISC would help generate partnerships between local faith communities and public housing residents to work collaboratively to implement one or more safety initiatives thus reducing drugs and drug-related crime in targeted public housing communities. Specific safety initiatives identified in the agreement include:

¹ Drug Elimination Funds Used for Creative Wellness Program, Audit Report No. 2001-AO-003, August 29, 2001.

- Alliances with local and/or federal law enforcement agencies,
- Community policing approaches such as neighborhood watch,
- Implementing hotlines and help lines,
- Improving resident screening activities,
- Job readiness and networking services,
- Starting child care centers, after-school tutoring, and scholarship programs,
- Strengthening eviction policies,
- Twelve-step addiction and recovery programs or similar resident support groups, and
- Youth-focused substance abuse prevention programs such as mentoring.

The overall goal of BOTW was to create safer environments for residents in seven targeted public housing communities. In order to achieve this goal, CSCD tasked ISC to accomplish the following objectives.

- Identify 7 to 10 public and assisted housing communities with high crime and drug abuse challenges,
- Identify and recruit faith communities in the same demographic areas willing to form partnerships,
- Identify and recruit residents and resident groups within the housing communities who are willing to partner with church or faith group volunteers,
- Convene representatives from selected sites and provide a 2-day interactive forum on effective crime reduction and drug prevention strategies,
- Support teams as they develop agreements,
- Provide resources, technical assistance and support to each site as they design and implement local programs,
- Engage sites in an evaluation and monitoring process, and
- Reconvene participants to present progress to a larger national audience representing both constituencies.

RESULTS OF REVIEW

We found that: (1) the GTR did not adequately monitor ISC's compliance with the requirements of the agreement. As a result, performance reports showing vital information such as actual accomplishments were missing and were not used to approve drawdowns for ISC; (2) ISC did not adequately document its use of the funds or maintain appropriate supporting documentation; and (3) ISC's claim that BOTW achieved its goal was not supported by objective evidence that could be used to measure BOTW's success.

GTR Did Not Adequately Monitor the Cooperative Agreement

The GTR did not adequately monitor the BOTW cooperative agreement to ensure that ISC spent funds as intended and goals were achieved within established timelines. More specifically, the GTR's files did not contain any of the 10 quarterly performance reports required to show BOTW's actual accomplishments and support requests for drawdowns; or any other documentation showing contact

with ISC or the Grant Officer. As a result, ISC was allowed to drawdown \$425,373 without providing evidence of how the funds were used.

Criteria

A key administrative activity required of the GTR is maintaining a working file on each award. The GTR's working file should include performance reports, correspondence, records of telephone calls, site visit reports, payment records and copies of all invoices and vouchers, internal memoranda, and other pertinent materials and information.

HUD Handbook 2210.17 (Handbook) states, "The GTR shall monitor recipient compliance with reporting requirements. When reports are late, the GTR should contact the recipient and request immediate submission. Should the recipient fail to submit the reports or should a pattern of late or incomplete submissions develop, the GTR should inform the Grant Officer and appropriate action should be taken."

The BOTW cooperative agreement required ISC to submit quarterly performance reports that contain: (1) a comparison of actual accomplishments to the objectives, (2) reasons for slippage if objectives were not met, and (3) any other pertinent information including an explanation of significant cost overruns. Article I, Sub-Article E specifically states no payments will be approved with overdue performance reports.

Performance Reports

Even though ISC was a first time recipient of a HUD award, the GTR did not have any evidence, such as copies of the quarterly performance reports or other records, in the working files to show that ISC's execution of the BOTW cooperative agreement was monitored. The GTR's explanation for the lack of documentation was that either everything was not in the files when she returned from 2 months leave or documents were never received in the first place, because they may have been sent to other HUD officials.

During the 30-month period² of the BOTW cooperative agreement, ISC should have submitted 10 quarterly performance reports. However, based on our review of the reports, we determined that ISC prepared only two performance reports and one program report: (1) Year End Report, January 2000, (2) Final Performance Report, July 2000, and (3) Program Report, February 2001.

² On July 7, 2000, the Deputy Assistant Secretary for Public and Assisted Housing Delivery extended the period of the agreement to December 31, 2000.

Performance Reporting Schedule		
Quarters	Reporting Period	Performance Report Submitted
Year One - First Quarter	July 1, 1998 - September 30, 1998	
Year One - Second Quarter	October 1, 1998 - December 31, 1998	
Year One - Third Quarter	January 1, 1999 - March 31, 1999	
Year One - Fourth Quarter	April 1, 1999 - June 30, 1999	
Year Two - First Quarter	July 1, 1999 - September 30, 1999	
Year Two - Second Quarter	October 1, 1999 - December 31, 1999	January 2000
Year Two - Third Quarter	January 1, 2000 - March 31, 2000	
Year Two - Fourth Quarter	April 1, 2000 - June 30, 2000	July 2000
Grant Extension - First Quarter	July 1, 2000 - September 30, 2000	
Grant Extension - Second Quarter	October 1, 2000 - December 31, 2000	

ISC officials stated that they negotiated a reporting process with CSCD and included the tentative dates in the work plan. ISC also stated that performance reports were submitted in the form of site visits. Our review of the management plan did not show any deviation from the reporting cycle set forth in the cooperative agreement. Further, the GTR's working file did not contain any documentation indicating that ISC could change the dates or substitute site visits for performance reports.

Contacting ISC and Informing the Grant Officer

We found no documentation that the GTR contacted ISC to request the quarterly performance reports or that the GTR informed the Grant Officer of ISC's failure to submit timely performance reports at any time during the period of the agreement. In fact, it was August 2001, 7 months after the agreement ended and during our review, when the GTR not only notified the Grant Officer that ISC was not complying with requirements of the agreement but identified a significant deficiency as well. At that time, the GTR reported that ISC's "Financial data system[s] are not adequate to track expenditures appropriately in this grant To date, the documentation that they submitted was in such a manner that expenditures totaling \$74,626 could not [be] ascertained." The data system deficiency reported by the GTR existed throughout the agreement period and could have been detected and corrected in the earlier months had the GTR properly monitored ISC's activities.

According to the Handbook, it was the GTR's responsibility to monitor ISC's activities and to report any significant problems to the Grant Officer. The BOTW Grant Officer required the GTR to submit weekly reports on issues or problems pertaining to cooperative agreements. Since the GTR's weekly reports did not indicate any problems, the Grant Officer was not aware that ISC was not complying with the agreement; therefore, the Grant Officer took no action to correct deficiencies or monitor BOTW's progress.

Drawdowns

ISC received five drawdowns totaling \$425,373 without providing any supporting documentation or justification for how the funds were used. However, the GTR withheld the final payment request of \$74,626, submitted on January 26, 2001, until ISC could provide adequate supporting documentation.

ISC used the Line of Credit Control System – Voice Response System (LOCCS-VRS) to drawdown funds. LOCCS-VRS is an electronic funds transfer system that allows recipients to make drawdown requests over the telephone.³ LOCCS-VRS automatically reviews each payment request to determine if quarterly reports have been submitted. If the reports have not been submitted, LOCCS-VRS refers the payment request to the program office for review. LOCCS-VRS will not accept a request until the program office confirms receipt of the report in LOCCS.

As shown in the following table, LOCCS-VRS showed that five reports were received and five drawdowns were made. As discussed above, the GTR's working file did not contain any quarterly performance reports. Additionally, the dates on the January 2000, July 2000, and February 2001, reports do not correspond to any of the dates recorded in LOCCS. Therefore, we cannot determine why drawdowns were allowed.

Summary of LOCCS-VRS					
Drawdowns	Amount	Report Received	Voucher Review	GTR Approved Voucher	Action Date
		March 22, 1999			
		September 10, 1999			
1	\$284,112.17		December 8, 1999	January 3, 2000	January 4, 2000
		February 18, 2000			
2	56,493.79		February 28, 2000	June 6, 2000	June 7, 2000
		September 6, 2000			
3	22,887.48				September 15, 2000
4	36,979.24		October 19, 2000	December 22, 2000	December 23, 2000
5	24,900.50		January 3, 2001	January 5, 2001	January 6, 2001
		July 17, 2001			
Total	\$425,373.18				

Although the GTR admitted that a connection could not be made between what ISC did at each of the ten sites and the expenditures claimed, the GTR released \$425,373. The GTR stated that there was no requirement for monitoring ISC's payment requests before approving a payment since LOCCS-VRS does not require the manual review and approval of each drawdown. The GTR is correct in that not every drawdown request from LOCCS required her manual review and approval. However, the GTR should have informed the Grant Officer that ISC was not submitting the required performance reports so that appropriate action could have been taken. Furthermore, upon reviewing the final payment request, the GTR was unable to determine who was being paid, what they did, what equipment was

³ ISC was required to complete a LOCCS-VRS Payment Voucher, as well as retain all appropriate supporting documentation for HUD's inspection and review.

purchased, or what the equipment was used for. Final payment was still pending at the completion of our review in October 2001.

ISC Did Not Adequately Document Its Use of Federal Funds

ISC did not adequately document its use of Federal funds for BOTW. This occurred because Howard University's accounting staff merely verified that payment requests were within budget limits. No actions were taken to assure that costs were allowable and properly supported. As a result, we could not determine if 18 percent of the costs we reviewed were allowable.

Article I, Sub-Article A of the agreement states that funds are made available with the requirement that ISC comply with OMB Circular A-122. Circular A-122 requires recipients of Federal funds to maintain appropriate supporting documentation such as approved purchase orders, receiving reports, vendor invoices, canceled checks, and time and attendance records.

Of the \$87,729 we reviewed, \$15,734 (18 percent) was not adequately supported by documents that specifically identified the expenditure directly to the BOTW project. For example, salaries and wages were not always supported by personnel activity reports reflecting the total number of hours a person worked on the project.

BOTW's Success Was Not Documented

Both CSCD and ISC believe that BOTW was a success. Yet, ISC did not accomplish all of the agreement's objectives or maintain documentation on its accomplishments. Consequently, we question BOTW's success and whether it can serve as a model for other programs of this type.

The Grant Officer believed BOTW was a success because CSCD entered into the agreement with ISC to provide a service; and since "There were no measures of performance other than the delivery of services," CSCD got its moneys worth. However, we did not find any documentation in the GTR's file that could be used to evaluate BOTW's success. Further, ISC did not perform all of the objectives outlined in the agreement. Specifically, ISC did not:

- Engage sites in an evaluation and monitoring process – While ISC conducted independent evaluations of program efforts and engaged local sites in a feedback process; other products and services required by the agreement were not delivered. ISC did not: (1) provide monthly written reports on the status of technical assistance provided to the partnerships; (2) organize and implement an evaluation method that would show costs allocated to each component of the program and recommendations for improving the program in similar public housing settings; and (3) produce an evaluation report, related to performance measures.

Or

- Reconvene participants to present progress to a larger national audience – ISC proposed the idea of a national gathering on the assumption that individual sites would make more progress in program implementation within the 2-year period. Therefore, a national gathering of representatives from the faith and public housing communities to demonstrate project outcomes and distribute best practice information and guidelines was cancelled. Instead, ISC developed a curriculum and education model for implementation through seminars and schools of theology, and embarked upon a 6-week training course that sought to extend what it learned to a larger audience of faith community leaders.

Although ISC provided technical assistance, training, and education to housing authorities and their residents, it was not successful in getting "safety initiative" programs implemented in public housing communities. In our opinion, key activities that would have brought the concepts of the BOTW to fruition were not accomplished. In addition, ISC did not produce recommendations for improving the program in similar settings or an evaluation report related to performance measures. Therefore, we do not believe that BOTW achieved its intended results of serving as a model for other programs of this kind.

Auditee's Comments

The Acting Deputy Assistant Secretary for Public and Assisted Housing Delivery stated that efforts would be taken to help prevent future problems and improve the capacity within PIH to adequately monitor cooperative agreements. The Deputy Assistant Secretary agreed with the recommendation addressing the training and monitoring of GTRs. Alternative recommendations were proposed in place of draft recommendation 1B and 1C. These recommendations address the issues of unsupported and unallowable cost, and comparing actual accomplishments with goals and objectives.

OIG Evaluation of Auditee Comments

Based on the Deputy Assistant Secretary's comments, we changed our recommendations to address unsupported and unallowable cost, and comparing actual accomplishments with goals and objectives.

RECOMMENDATIONS

We recommend that you:

- 1A. Provide assurances that all GTRs have received required training and that procedures are in place in CSCD to periodically monitor GTR performance.
- 1B. Issue a management decision on any unsupported and unallowable costs identified in the closeout audit performed of BOTW within 6 months after receipt of the closeout audit and ensure that the recipient takes appropriate and timely corrective action.

- 1C. Require award recipients to report (a) information comparing actual accomplishments with the goals and objectives of the cooperative agreement, and (b) reasons why established goals were not met, if appropriate.


OTHER MATTERS

In our audit report, Drug Elimination Funds Used for Creative Wellness Program, Audit Report No. 2001-AO-0003, August 29, 2001, we recommended that adequate internal controls be established to ensure that work performed under cooperative agreements meet the conditions of the agreement and satisfy the intent of the Public and Assisted Housing Drug Elimination Act of 1990. We also recommended improvements in the management and oversight of cooperative agreements. The recommendations in that report, if followed, should remedy the monitoring and oversight deficiencies identified in this memorandum.

Auditee Comments

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-5000OFFICE OF THE ASSISTANT SECRETARY
FOR PUBLIC AND INDIAN HOUSING

MAR 29 2002

MEMORANDUM FOR: Saundra G. Elion, District Inspector General for Audit, Capital
District, 3GGAFROM:  Cheryl A. Xeninga, Acting Deputy Assistant Secretary for Public and Assisted Housing
Delivery, PESUBJECT: Comments on Draft Report—Administration of Bridges Over Troubled Waters
Cooperative Agreement International Faith Community Information and Services
Clearinghouse and Training Center, Howard University School of Divinity
Washington, DC

Thank you for the opportunity to review the OIG's draft audit report dated February 22, 2002, prior to official transmittal to PIH. The aim of this response is to constructively address the key issues raised in the subject report. We have reviewed the recommendations in the Draft Report, and will work to address performance to prevent future problems and improve the capacity within PIH to adequately monitor cooperative agreements. Consistent with our mutual desire to improve the monitoring of cooperative agreements, we proposed alternative recommendations where deemed appropriate.

Comments on Audit Recommendations**1A. Provide assurances that all GTRs have received requisite training and the procedures are in place in CSCD to periodically monitor GTR performance.**

We agree with this recommendation. Three of the five GTMs/GTRs within the CSCD have completed the Chief Procurement Officer's program to become certified Government Technical Representatives. The remaining two employees, who recently joined the Division, will attend the training as soon as it becomes available.

GTR performance within CSCD will be monitored on a weekly basis. CSCD is in the process of an internal process review and will establish and execute a standard system for records management, performance and financial monitoring, and grant closeout. Currently, CSCD has modified its weekly reporting system, which specifically requires GTRs to report on any procurement/contract actions. This system will be examined further and enhanced once our internal cooperative agreement process review is completed.

1B. Ensure that unsupported and unallowable cost issues identified in this memorandum are addressed in a closeout audit performed of BOTW and the recovery of any unsupported and unallowable costs.

Although the draft report indicates that 18 percent of the \$87,729 costs the OIG reviewed was not adequately supported, the draft report does not delineate unsupported and unallowable costs, or identify unsupported and unallowable cost issues that should be addressed in the closeout audit performed of BOTW. The program will be audited in accordance with the requirements of 24 CFR 84.26 (a) and revised OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations.

Therefore, we propose that you change your recommendation to the following: Issue a management decision on any unsupported and unallowable cost identified in the closeout audit performed of BOTW within six months after receipt of the close out audit and ensure that the recipient takes appropriate and timely corrective action.

1C. Require award recipients to develop and report quantifiable performance measures.

We concur and CSCD will incorporate into future cooperative agreements the requirement that award recipients report (a) information comparing actual accomplishments with the goals and objectives of the cooperative agreement and (b) reasons why established goals were not met, if appropriate. Neither the Office of Public and Indian Housing nor the Office of Inspector General identified an existing, absolute requirement that award recipients develop and report quantifiable performance measures. OMB Circular A-110, paragraph 51. (d) and 24 CFR Part 84 identify performance-reporting requirements, however, neither makes requiring award recipients to develop and report quantifiable performance measures an absolute requirement. Given this flexibility, it is not clear why developing and quantifying performance measures is treated by OIG as being an existing requirement.

CSCD has commenced an internal review of their cooperative agreement contract management process in order to put in place adequate internal controls to ensure that work performed under the cooperative agreements meet the conditions of the agreement and satisfy the intent of the Public and Assisted Housing Drug Elimination Act. This internal review is still in progress. In additions to the action items identified as a result of the review, CSCD will incorporate language regarding performance reporting in each agreement consistent with the language found in OMB Circular A-110 and 24 CFR Part 84.

Therefore, we propose that the recommendation be changed to the following: Require award recipients to report (a) information comparing actual accomplishments with the goals and objectives of the cooperative agreement and (b) reasons why established goals were not met, if appropriate

If you have any questions regarding this memorandum, please feel free to contact me on 202-708-0950, X4208, or you may contact Sonia L. Burgos on 202-708-0614, X4227.

Appendix B

Distribution

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Stanley Czerwinski, Associate Director, Housing and Telecommunications Issues, United States General Accounting Office, 441 G Street, NW, Room 2T23, Washington, DC 20548

Steve Redburn, Chief Housing Branch, Office of Management and Budget, 725 17th Street, NW, Room 9226, New Executive Office Bldg., Washington, DC 20503

The Honorable Fred Thompson, Ranking Member Committee on Governmental Affairs, 340 Dirksen Senate Office Bldg., United States Senate, Washington, DC 20510

The Honorable Joseph Lieberman, Chairman, Committee on Government Affairs, 706 Hart 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

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