

**U.S. Department of Housing and Urban Development**

**Office of the Inspector General for Audit  
Thomas P. O'Neill, Jr. Federal Building  
10 Causeway Street  
Boston, Massachusetts 02222-1092**

**New England**

**(617) 565-5259 FAX: 565-6878**

June 2, 1997

**Audit Related Memorandum  
No. 97-BO-101-0804**

MEMORANDUM FOR: John N. Carella, Director, Office of Public Housing, 1EPH

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

SUBJECT: Interim Report  
Public Housing Drug Elimination Program  
New Haven, Connecticut

This memorandum is to advise you of a serious problem dealing with the police services being funded under the Public Housing Drug Elimination Program.

### **Background**

At your request, we are auditing the New Haven Connecticut Public Housing Authority (PHA) Public Housing Drug Elimination Program (PHDEP). As of December 31, 1996, the PHA has reported \$949,944 in costs for Law Enforcement activities charged to Fiscal Years 1993 and 1994 PHDEP grants. The PHDEP regulations state that expenditures for Law Enforcement activities may not be incurred until there is an executed contract. The PHA's noncompliance with this regulation was brought to their attention in your March 6, 1996 letter. The PHA responded on April 2, 1996 that:

*"The HANH has prepared for a contract based upon the HUD "model contract". A Plan of Operations specific to each development will detail police schedule, deployment, reporting and evaluation."*

### **Audit Results**

We advised you that the PHA had not executed a contract with the New Haven Connecticut Police Department who are charging for enhanced police services for several specific developments. As a

result of our conversation, you advised the PHA on April 25, 1997 that:

*"After May 12, 1997 no PHDEP funds can be used for any police services nor will retroactive payment be authorized for any enhanced police services given for any time period after May 12, 1997."*

We are concerned by the fact that the PHA has not: executed an acceptable contract with the police department and may not within the immediate future; established adequate management and accounting controls over the enhanced police services expenditures; and instituted budgetary controls to prevent overspending. Our observations are confirmed by the May 8, 1997 Status Report from Quadel Consulting Corporation which states:

*"Despite Quadel's extensive work with the City and HANH to resolve issues surrounding the Authority's current use of drug elimination funds to support Extra-Duty New Haven Police Patrols, there is still no contract between the City and the Authority, no operations manual, and no method in place to adequately monitor payment for police services. These continued deficiencies will jeopardize HANH's competitiveness in applying for PHDEP funds for FY 1997".*

Our audit is still in progress, however we believe HUD needs to take action now to prevent further abuses. The interim results of our review of the enhanced police service portion of the PHDEP are detailed in a finding contained in Attachment A.

We are recommending that your April 25, 1997 directive remain in force until such time that fiscal accountability is achieved and effective accounting and managerial controls are established. If the PHA cannot implement the necessary fiscal and internal controls within a specific time period, HUD should consider sanctions as allowed in the PHDEP's grant agreements.

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.

Attachments

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## Finding - PHA Lacks Accountability For \$950,000 In Enhanced Police Services Charges

The Housing Authority of the City of New Haven, Connecticut (PHA) lacks accountability over reported Public Housing Drug Elimination Program (PHDEP) Law Enforcement expenditures totaling \$949,944 as of December 31, 1996. The PHA has failed to:

- Execute a required contract with the New Haven, Connecticut Police Department identifying the type and amount of enhanced police services funded by the PHDEP;
- Document baseline services currently being provided; and
- Establish an effective managerial and internal control system over law enforcement expenditures.

The above controls are required by the PHDEP grant agreements and regulations. Further, the PHA was advised on several occasions to correct the above conditions and has failed to do so. As a result of the PHA's failure to establish accountability for this activity, there is limited assurance that funds are being properly spent and that all services were actually provided and were effective. Since these conditions still exist, we recommend that you impose the sanctions allowed by the PHDEP grant agreements until such time that fiscal accountability and effective managerial and internal controls are established.

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No executed contract  
with law enforcement

The FY 1994 Notice of Funds Availability (NOFA), dated April 1, 1994, provided that law enforcement expenditures may not be incurred until the grantee and the local law enforcement agency execute a contract for the additional law enforcement services.

The PHA failed to execute a contract with the New Haven Police Department (NHPD) for the additional law enforcement services funded under the FY's 1993 - 1996 PHDEP grants. Contrary to HUD regulations, the PHA paid the NHPD \$949,944 in FY's 1993 and 1994 PHDEP grant funds without an executed contract. In November 1995, the Connecticut State Office's (CSO) review of the

PHA's PHDEP identified the lack of a contract between the PHA and the NHPD. The PHA advised the CSO in April 1996 that:

*"The HANH has prepared for a contract based upon the HUD "model contract." A Plan of Operations specific to each development will detail police schedule, deployment, reporting and evaluation. Monthly meetings will be held with the NHPD District Supervisor, with the Captain acting as a liaison between the Housing Authority and the Police Department in conducting these meetings. Weekly deployment schedules will involve daily contact with residents and residents will be involved in management teams with the police."*

Despite the PHA's promises, no contract was executed. On April 25, 1997 the CSO's Director of Public Housing advised the PHA that if a contract was not executed by May 12, 1997, PHDEP funds could not be used to pay for enhanced police costs. The letter further indicated that retroactive payments would not be permitted.

No assurance that enhanced police service is over and above baseline

The FY 1994 NOFA, dated April 1, 1994, provided that additional security and protective services to be funded under this program must be over and above the baseline services that the State or local government provides to the applying Housing Authority. An applicant seeking funding for this activity must first establish a baseline by describing the current level of services (in terms of the kinds of services provided, the number of officers and equipment and the actual percent of their time assigned to the developments proposed for funding) and then demonstrate to what extent the funded activity will represent an increase over this baseline.

The PHA did not maintain documentation establishing the required baseline of police services. Therefore, there is no assurance that the enhanced services are, in fact, for services over and above the services provided before the PHDEP funding. Furthermore, even though the FY 1994 PHDEP grant application indicated that the city would provide baseline services of \$9,617 a month for each of the three PHA developments proposed for funding, neither the consultant

who prepared the application, nor PHA staff could provide support for the figure. Since the PHA does not know what it is suppose to receive for baseline services, then how can it assure that the enhanced police coverage is for services over and above the baseline services.

Currently the NHPD is preparing for the PHA a schedule of baseline services provided to the developments. This was at the request of Quadel Consulting Corporation, an outside consulting firm hired by the PHA under the directive of HUD.

Lack of controls over enhanced police services

Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes (CFR 24, Section 85.20(b)(2); Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Governments.)

The PHA did not maintained effective internal controls over it's PHDEP to ensure that PHDEP expenditures were reasonable, made in accordance with a written plan, and within budgeted amounts. As a result, expenditures significantly exceeded budgeted amounts and there was no assurance that rates charged were reasonable. In addition, since proper management controls were not established, the PHA has no assurance that services paid for are actually being provided.

The PHA contends, and the NHPD concurs, that the extra-duty officers accountability is the NHPD's responsibility. As a result, no one at the PHA verifies that the deployment schedule is followed or that rates charged are accurate. Furthermore, since the PHA's Chief of Security left in February 1997, the NHPD staff signs off as the employer on the extra-duty officer's job tickets.

Our tests concluded that the extra duty deployment schedule established in August, 1996 was changed without the PHA's approval. We tested the February 1997 NHPD charges for Quinnipiac Terrace; Project No. 4-3. The deployment schedule required two officers to patrol the development

Duplicate police service funding was proposed

seven days a week from 4:00 P.M. to 12:00 A.M. The paid invoices, however, included charges for nine shifts during the day and six night shifts in excess of the two scheduled night shifts.

The FY 1994 NOFA, dated April 1, 1994, provided that to prevent duplicate funding of any activity, the grantee must establish controls to assure that an activity or program funded by other HUD programs, such as modernization or CIAP, or programs of other Federal agencies, shall not also be funded by the Drug Elimination Grant Program.

Enhanced police services for Elm Haven; Project No 4-1; were funded from the FY 1992 PHDEP grant in the amount of \$188,000 and the FY 1994 PHDEP grant in the amount of \$222,000. The FY 1993 HOPE VI grant funded \$170,000 a year for enhanced police services at the same Elm Haven project, for five years totaling \$850,000. As a result, enhanced police services at the Elm Haven development were funded under both the FYs 1992 and 1994 PHDEP grants and HOPE VI.

Our review of the enhanced police service's costs indicate that all Elm Haven's enhanced police service costs are charged to the PHDEP. We did not find any indication that enhanced police service costs were also charged to HOPE VI.

Proposed contract is questionable

The PHA provided a copy of their proposed contract with the police department. We reviewed it and had several concerns. As you are aware, Headquarters is currently involved with the PHA. Two conference calls (May 15 and 21, 1997) were held with a Special Assistant in the Office of Distressed Housing; the Connecticut State Coordinator; your office's staff; a Senior Program Analyst for Public Housing; and our staff. The following significant concerns were expressed to Headquarters regarding the proposed contract:

- The proposed contract cited funding of \$1.3 million from all sources including the PHDEP (\$558,150) for the period January 1, 1996 to December 31, 1997. However, as of May 16, 1997, the PHA is reporting incurred costs

totaling \$1,845,275 for enhanced police services or \$467,125 more than the total proposed contract amount. Therefore, funds included in the proposed contract already have been fully utilized. There is no identification of funding sources available to cover the excess expenditures already incurred and those to be incurred for the balance of the proposed contract period.

- No Plan of Operations exists in the proposed contract to indicate the type and amount of services that are allegedly being provided.
- The proposed contract is to cover a two-year period retroactive to January 1, 1996. We were advised that the effective date of January 1, 1996 was proposed so that the PHA could say that a contract was executed with the police department when the next round of PHDEP funding was offered. We opined that this practice was not acceptable.

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Our audit is still in progress, however we believe HUD needs to take action as soon as possible to prevent further abuses. On May 21, 1997 the PHA presented the proposed contract for law enforcement activities to the Board of Alderman for approval. However, speedy approval of the proposed contract is unlikely to occur. Based on a May 22, 1997 letter to the City Mayor, the PHA's Executive Director advised that the Board of Alderman:

*"Board members . . . opted to report out the item under the normal process, which will not permit action to take place, in all probability, until July. This posture will be unacceptable to HUD."*

## Recommendations

We recommend that:

1A Your April 25, 1997 directive letter remain in force until such time that fiscal accountability is achieved and effective accounting and managerial controls are established; and

1B Sanctions as allowed in the PHDEP's grant agreements be considered if the PHA cannot implement the necessary fiscal and managerial controls within a specific time period.



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Director, Housing and Community Development Issue Area  
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