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| Issue Date: September 30, 2002 |
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| Audit Case Number: 2002-SF-1007 |
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September 30, 2002

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

FROM: //SIGNED//
Mimi Y. Lee
Regional Inspector General for Audit, 9AGA

SUBJECT: Congressionally Requested Audit of the Outreach and Training
Assistance Grant awarded to the Southern Arizona People's Law
Center, Tucson, Arizona, Grant Number FFOT00003AZ

INTRODUCTION

As directed by Congress, we have completed an audit of the Southern Arizona People's Law Center (SAPLC) Outreach and Training Assistance Grant (OTAG) Number FFOT00003AZ. The primary purpose of the audit was to determine whether grant funds were expended in accordance with the requirements of Section 514 of the Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA) and other applicable regulations and requirements. Consistent with the Congressional directive, we reviewed the eligibility of costs with particular emphasis on identifying ineligible lobbying activities. Although SAPLC staff participated in conference calls and attended a conference, both of which included topics that could be construed as lobbying, there was no objective way to identify or separate costs associated with the possible lobbying activities from other eligible OTAG business conducted during the conference calls or at the conference. However, SAPLC does not have adequate management controls and failed to properly document and allocate employee salary and other costs in accordance with Office of Management and Budget (OMB) requirements. Of the \$109,319 in OTAG funding SAPLC received through June 30, 2002, we determined that claims totaling \$79,854 were ineligible and \$19,686 were unsupported.

In conducting the audit, we reviewed the grantee's accounting records and interviewed responsible staff. We also reviewed the requirements in MAHRA, the OTAG Notices of Fund Availability, the OTAG grant agreements, HUD's requirements for grant agreements for nonprofit entities, and OMB guidance on the allowability of cost (OMB Circular A-122) and uniform administrative requirements (OMB Circular A-110) for nonprofit grantees.

The audit covered the period from January 2001 through June 2002 and the fieldwork was performed at the SAPLC offices in Tucson, Arizona. We conducted the audit in accordance with Generally Accepted Government Auditing Standards.

As required by HUD Handbook 2000.6 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. 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 (415) 436-8101.

SUMMARY

SAPLC staff participated in conference calls and attended a conference, both of which included topics that could be construed as lobbying but there was no objective way to identify or separate costs associated with the possible lobbying activities from other eligible OTAG business conducted during the conference calls or at the conference. However, SAPLC does not have adequate management controls and failed to properly document and allocate employee salary and other costs in accordance with Office of Management and Budget (OMB) requirements. Of the \$109,319 in OTAG funding SAPLC received through June 30, 2002, we determined that claims totaling \$79,854 were ineligible and \$19,686 were unsupported.

BACKGROUND

The Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA) established the Office of Multifamily Housing Assistance Restructuring (OMHAR) within HUD. One of OMHAR's responsibilities under MAHRA is the administration of the Mark-to-Market Program including the award and oversight of the Section 514 Outreach and Training Assistance Grants (OTAGs) and Intermediary Technical Assistance Grants (ITAGs). The objective of the Mark-to-Market Program is 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.

Congress recognized that tenants of the affected projects, as well as residents of the neighborhoods, the local governments, and other parties would be impacted 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 in the Mark-to-Market process, for the period 1998 through 2001. The Secretary authorized \$40 million and HUD staff awarded grants of about \$26.6 million to 38 nonprofit organization grantees (a total for 81 grants

awarded). The funds were awarded under Notices of Fund Availability (NOFAs) in fiscal years 1998 and 2000 as either OTAG or ITAG grants. The Notices of Fund Availability say the ITAG 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 Notices of Fund Availability say 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. ITAG grantees serve primarily as pass-through agencies to sub-recipient agencies that carry out the eligible activities whereas OTAG grantees are directly involved in carrying out the activities. ITAG sub-recipients and OTAG grantees are primarily involved in organizing and educating tenants of affected properties. However, Congress specifically prohibited using Section 514 grant funds for lobbying members of Congress.

On May 29, 2000 the SAPLC applied for an OTAG in the amount of \$400,000. HUD's initial notification of an OTAG approval in the amount of \$75,000 was accepted by SAPLC on December 8, 2000. On December 29, 2000, HUD informed SAPLC the funding available for the OTAG for the first year was only \$50,000. SAPLC later received a "Fund Reservation & Contract Authority" form executed by HUD on June 22, 2001, increasing the OTAG reservation by \$83,333, ostensibly to \$133,333 (\$50,000 + \$83,333). However, the SAPLC is also in possession of two OTAG agreements relating to grant number FFOT00003AZ, both dated January 9, 2001, indicating conflicting total grant amounts of \$225,000 and \$400,000. The amount authorized for the grant in the Letter of Credit Control System (LOCCS) is \$266,667. At the time of our review, SAPLC had received six draws from LOCCS on the OTAG totaling \$109,319. SAPLC was not required to obtain annual audits in accordance with OMB Circular A-133 since they did not receive annual funding in excess of \$300,000. There have been no onsite monitoring reviews of the OTAG by HUD.

FINDING

SAPLC Did Not Comply With OMB Requirements

SAPLC appears to have provided outreach and training assistance to many tenants of properties eligible for assistance under Section 514 of the MAHRA. However, SAPLC does not have adequate management controls and did not properly document and allocate employee salary and other costs in accordance with OMB requirements. SAPLC also incurred telephone and travel costs relating to activities that could possibly be construed as lobbying. Of the \$109,319 in OTAG funding SAPLC received through June 30, 2002, we determined that claims totaling \$79,854 were ineligible and \$19,686 were unsupported.

Inadequate Management Controls

The SAPLC does not have adequate administrative, accounting or financial management controls to provide reasonable assurance the OTAG or other federal grant programs are operated in accordance with the grant agreements or the requirements of OMB Circulars A-110 and A-122. The OTAG agreement requires compliance with applicable OMB Circulars. The OMB Circulars applicable to non-profit organizations such as SAPLC are A-110 and A-122. OMB Circular A-110 specifies Uniform Administrative Requirements and A-122 specifies the required Cost Principles for non-profit organizations. Among other provisions, OMB Circular A-110 requires financial management systems that provide for:

- Accurate, current and complete disclosure of financial results for each federally sponsored program.
- Records that identify the source and application of funds.
- Effective control over and accountability for all funds.
- Comparison of outlays with budget amounts for each award.
- Accounting records that are supported by source documentation.

OMB Circular A-122 specifies (in order to be allowed) costs must:

- Be reasonable for the performance of the award and be allocable thereto.
- Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the organization.
- Be accorded consistent treatment.
- Be adequately documented.

As evidenced by the discussions of ineligible and unsupported costs in the sections below, SAPLC's administrative, accounting and financial management control systems fell far short of the OMB requirements.

Accounting/Financial Weaknesses – OTAG funds were not deposited in a separate bank account nor were project specific accounting records maintained. Although SAPLC did record cash receipts and disbursements in a computerized spreadsheet program for 2001 and part of the first month of 2002, no accounting classifications were assigned to any of the transactions, and no other accounting records were maintained other than a checkbook. The checkbook, which was the only continuous record of SAPLC financial activity, was not even maintained to a standard expected for a personal checkbook. Annotations on the check stubs normally showed only the payee, date and amount without indication as to the purpose of the disbursement. Neither was a running balance maintained of the amount of funds available in the account. This precluded reconciliation of bank statements to the checkbook. Only one signature of the SAPLC director was required on the checks (including checks payable to himself) and other SAPLC employees had access to the checkbook.

Administrative Weaknesses – Administrative personnel records maintained by SAPLC were also less than adequate. For example, the Director's personnel file did not include any documentation of SAPLC board authorization or approval for a \$10,000 raise he began receiving coincident with receipt of the initial OTAG draw. Neither did the Director's personnel file include evidence of board approval for the \$3,474 supplemental

(extra) paycheck he received the day after the initial \$32,000 OTAG draw was received. SAPLC could not locate a personnel file for the initial Tenant Organizer and the replacement Tenant Organizer's file only included State and Federal withholding forms and a hand written gross to net pay computation.

SAPLC has arranged for an outside accountant to reestablish a computerized accounting system and to retroactively post the financial transactions of the last two years. At the time of our review, this task had not been completed.

Ineligible and Unsupported Salary Costs

SAPLC improperly charged the OTAG for employees' salaries that: (1) were claimed and paid under two other HUD grants or an Outside Agency grant; (2) pertained to time periods prior to and after actual employment dates; or (3) were not properly supported.

1. Duplicate Salary Claims – Of the \$109,319 drawn on the OTAG for the period January 1, 2001 through June 30, 2002, a total of \$87,912 (80 percent) was for the SAPLC Director's and a Tenant Organizer's salaries. During this same time period SAPLC received \$62,599 from Pima County for a HUD Community Development Block Grant (CDBG), a HUD Emergency Shelter Grant (ESG), and an Outside Agency grant representing full reimbursement of the net salaries paid to these individuals. Therefore, \$62,599 of the \$87,912 in salaries paid under the OTAG represents duplicate payments which are clearly ineligible.
2. Salary Claims Prior and Subsequent to Employment Dates – At the time of our review, SAPLC had claimed salary costs under the OTAG for the Tenant Organizer position from January 1, 2001, through June 30, 2002. However, the original Tenant Organizer did not begin work on the OTAG until April of 2001. Ineligible salary claims for this position prior to April of 2001 were \$7,500. The original Tenant Organizer terminated her employment with SAPLC effective January 12, 2002, and the position was not filled again until the pay period beginning April 7, 2002. Ineligible salary claims for the Tenant Organizer between January 13 and April 7, 2002 were \$7,155. Total ineligible claims for the Tenant Organizer while the position was not filled were \$14,655 (\$7,500 + \$7,155).
3. Unsupported Salary Claims – As indicated above, \$77,254 (\$62,599 + \$14,655) of the \$87,912 SAPLC claimed for salaries are ineligible. The remaining \$10,658 claimed for salaries are not supported by activity reports (time sheets) as required by OMB Circular A-122, Attachment B, Paragraph 7. Although SAPLC did submit documents with each LOCCS drawdown request purported to be "Timecard of Activity" reports, these documents did not constitute contemporaneous personnel activity reports required by OMB. Specifically, they cover two people (Director and Tenant Organizer) rather than individual employees, do not coincide with actual pay periods, are not signed by anyone, do not account for the total activity of the Director, in many cases overstate the hours worked by the Tenant Organizer, and in other cases falsely state that the Tenant Organizer worked at all. Furthermore, in many instances the hours reported for the Director on the "Timecard of Activity" reports bore no relation to the amounts charged for his time. For all of 2001 the reports indicated the Director spent less than half of his

time working on the OTAG. However, the claims for his time normally covered his entire gross salary.

Ineligible Office Rent

SAPLC's initial OTAG claim covered the period January 1, 2001 through June 11, 2001 and included \$1,800 for office rent. We determined that 100 percent of the \$600 monthly office rent for each month from January through June of 2001 was charged to and paid separately by the HUD CDBG program. Also, the fifth and sixth claims covering the period from January through June of 2002 included office rent claims totaling \$800 which were separately claimed and paid under the CDBG. Therefore, ineligible duplicate payments for office rent through June of 2002 totaled \$2,600 (\$1,800 + \$800).

Other Unsupported Costs

In addition to office rent discussed above, the SAPLC included claims for various other office expenses in the first, fifth and sixth OTAG draws. These included such things as electricity, phones, supplies, copying, postage, bottled water and local travel. No supporting documentation was provided for any of these costs. Moreover, the procedure SAPLC may have used for identifying and allocating the office expenses to the OTAG was not formalized or approved by HUD as required by OMB Circular A-122. Some of the time periods when these costs were claimed were when the Tenant Organizer position was not even filled. The initial OTAG claim also included various expenses relating to VISTA volunteers that were not supported. Total unsupported VISTA and office expense claims were as follows:

| Claim No. | Office | VISTA | Total |
|-----------|---------|---------|---------|
| 1 | \$1,964 | \$2,879 | \$4,843 |
| 5 | 2,607 | | 2,607 |
| 6 | 1,578 | | 1,577 |
| Total | \$6,149 | \$2,879 | \$9,028 |

Possible Lobbying Activity

SAPLC staff participated in numerous telephone conference calls sponsored by the National Alliance of HUD Tenants (NAHT) that may have included discussions of lobbying activity. They also attended a NAHT sponsored national "Save Our Homes" conference in Washington, DC, which included sessions that could be construed as relating to lobbying. However, there was no objective way to identify or separate costs associated with the possible lobbying activities from other eligible OTAG business conducted during the conference calls or at the conference. Furthermore, although the costs associated with any potential lobbying activity during the conference calls or conference cannot be specifically identified, they would not have been material in relation to the total \$109,319 drawn on the OTAG. We believe SAPLC and other grantees should be provided with clarification as to the Department's position on the eligibility of costs associated with NAHT conference calls and NAHT annual conferences which include activities that could be construed as lobbying.

AUDITEE COMMENTS AND OIG EVALUATION

The results of our review were discussed with SAPLC staff onsite at the conclusion of our fieldwork on July 24, 2002, and the draft report was discussed by telephone with the SAPLC Executive Director on September 27, 2002. We also received and discussed an advance copy of the response to the draft report on September 27, 2002. Based on the SAPLC response (Attachment B), we removed a section of the draft report dealing with moving costs for the Tenant Organizer. No other facts or statements in the draft report were disputed. Rather, the SAPLC response describes how the problems occurred and the planned actions to remedy them. The SAPLC response does express considerable concern about our recommendation to suspend OTAG funding pending resolution of administrative, accounting and financial management control weaknesses.

RECOMMENDATIONS

No recommendations will be controlled under this report relative to possible lobbying activity since the need for clarification as to the Department's position on NAHT conference calls, NAHT national conferences and other conferences impacts most if not all OTAG and ITAG grantees, not just the SAPLC. We do recommend that you:

- 1A. Require the SAPLC to repay \$79,854 of ineligible costs pertaining to: duplicate salary claims (\$62,599); salary claims prior to and subsequent to actual employment (\$14,655); and duplicate claims for office rent (\$2,600).
- 1B. Require the SAPLC to support or repay \$19,686 of unsupported costs pertaining to: salaries (\$10,658); and other office and VISTA expense claims (\$9,028).
- 1C. Suspend authorization for SAPLC to make OTAG withdrawals from LOCCS until they implement adequate administrative, accounting and financial management controls to operate the grant in accordance with OMB requirements.
- 1D. Require the SAPLC to submit detailed supporting documentation for any LOCCS draws pertaining to periods subsequent to June 30, 2002 through suspension of LOCCS authorization. The documentation should include all supporting documentation for claims made to Pima County for the same period on the CDBG, ESG and Outside Agency grants. This documentation should be reviewed to identify and adjust similar ineligible and unsupported claims as discussed herein.

MANAGEMENT CONTROLS

In planning and performing the audit, we considered the relevant grantee management controls to determine our audit procedures, not to provide assurance on the controls. SAPLC's management controls are not considered effective for limiting risk and therefore we placed no reliance on the controls to limit the scope of our review. However, we were able to review 100 percent of the expenses charged to the OTAGs in a relatively expeditious manner. 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 documentation to support costs of assistance provided, and
- Controls and procedures over the reporting of activities and costs.

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 item is a significant weakness:

- Lack of adequate administrative, accounting or financial management systems and procedures to provide reasonable assurance the OTAG or other federal grant programs are operated in accordance with the grant agreements or the requirements of OMB Circulars A-110 and A-122.

SCHEDULE OF QUESTIONED COSTS

| Recommendation Number | Type of Questioned Costs | |
|--------------------------|--------------------------|-----------------------|
| | Ineligible <u>1/</u> | Unsupported <u>2/</u> |
| 1A | \$79,854 | |
| 1B | | \$19,686 |

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

The Southern Arizona People's Law Center

"Aiding The People In Their Struggle For Justice"



September 27, 2002

Mimi Y. Lee
Regional Inspector General
U.S. Department of Housing and Urban Development
Office of the Inspector General
450 Golden Gate Avenue, Box 36003
San Francisco, CA 94102-3448

Dear Ms. Lee:

We are submitting the following response to the draft audit report received on September 6, 2002 in connection with Outreach Training and Assistance Grant (OTAG) FFO00003AZ.

The OTAG audit has provided us with the opportunity to put in place the controls and practices that are necessary to avoid in the future the problems identified in the draft audit report. This will allow us to continue our important work through the end of the OTAG grant period.

It is true that the Southern Arizona People's Law Center (SAPLC) has not had the management and accounting controls that would have prevented the majority of problems set out in the audit report. Prior to receiving the OTAG funding, SAPLC was a very small organization. We did not have in place the necessary accounting and management oversight practices and have always operated in a rather informal manner.

While it is clear that mistakes were made in the administration of the OTAG grant, none of these were intentional and all of the funds received were expended to meet the objectives set forth in the OTAG application. Our primary goal was, and still is, to provide services to low-income people pursuant to OTAG and other grants we receive.

We should have sought outside assistance in our efforts to administer the OTAG grant. Our staff and Board have already taken corrective action in response to the problems noted in the audit report. We are committed to taking all steps necessary to correct these problems.

The following response addresses the audit report section by section:

611 N. Fourth Avenue • Tucson, Arizona 85705 • Phone: (520) 623-7306 • Fax: (520) 670-9122
Email: sapeopleslaw@yahoo.com

Inadequate Management Controls

Accounting/Financial Weaknesses

We are now in the process of instituting the recommendations set forth under the Accounting/Financial Weaknesses section of the audit report. Changes already implemented according to OMB-110 include the requirement of a check request form that includes the purpose for which the check is requested, the keeping of records that identify the source and application of funds, accounting records that are supported by source documentation, and effective controls and accountability for all funds.

Administrative Weaknesses

In the audit report, there was a question regarding the lack of prior authorization for the \$10,000 pay increase for the director, Paul Gattone. When the Board learned that the OTAG funding had been approved, the pay increase was authorized effective as of January 2001. The director was paid \$3,474 after the OTAG funds were received. This represented the amount of pay he would have received if the OTAG funding had been received starting in January 2001. A letter from the Board President, Andrew Silverman, confirming these facts is attached to this response (see Attachment A).

Ineligible and Unsupported Salary Costs

1) Duplicate Salary Claims

The duplicate salary claims indicated in the audit report can be directly attributed to our accounting practices. At the beginning of the grant period, it seemed easiest to divide the year into equal time periods and to request a set amount for each period.

During 2001, all of the costs billed to the OTAG grant were designated as personnel. We did not bill any other costs to OTAG for the expenses connected with the OTAG Mark to Market Project. As such, in retrospect it was a mistake to bill Paul Gattone's entire salary to the OTAG grant. However, there was no intent on our part to double bill.

It is important to stress that all of the funds received from the OTAG grant were spent on project related costs. We feel certain that given the opportunity we can show the proper allocation of the \$62,599 for OTAG eligible activities. We are working with the accounting firm of Addington and Associates to do so. We will be able to do this in October when the reconciliation of our books is completed.

2) Salary Claims Prior and Subsequent to Employment Dates

In regard to the \$14,655 that was allegedly billed before and after the time that someone was in the position, this was similar to the mistake concerning the billing of the personnel costs discussed above. Again, we believe that we can show the proper allocation of these costs to permissible expenses if we are given the opportunity to do so.

3) Unsupported Salary Claims

The costs dealt with in this section again, were actually expended on OTAG activities and we will be in a position to show the proper allocation of these expenditures to eligible project costs. As stated above, we hope to have this allocation done by early next month. In response to the audit report, we have instituted a contemporaneous time keeping procedure.

Ineligible Office Rent

It was our belief and understanding that we were able to allocate a portion of the office rent to both our CDBG and OTAG grants. However, we erroneously billed to the OTAG grant rent that may already have been billed to the CDBG grant.

Ineligible Moving Expenses

Regarding the payment of \$4,623 in moving expenses for the tenant organizer, we were acting under the assumption that this amount was a permissible expense pursuant to Attachment B of OMB Circular No. A-122. Paragraph 45. We take this view, despite that fact that the organizer resigned from SAPLC after approximately ten (10) months, because she left when the OTAG funding was held up in Congress, and we essentially had no way to pay her salary. Therefore we feel that this is a similar situation to laying her off.

Other Unsupported Costs

The costs dealt with in this section were actually expended in support of our OTAG project. We will be in a position to support these claims when the reconciliation of our books is completed.

SAPLC REMEDIAL MEASURES

We plan to do the following in order to remedy the problems identified in the audit report:

1. As discussed in the audit report, we are in the process of completing a reconciliation of our books for 2001. We expect the reconciliation to be completed by the end of September. The reconciliation will allow us to more clearly show the allocation of eligible costs to the amounts that were claimed to have been double billed.
2. We are in the process of contracting with the accounting firm of Addington and Associates for future accounting work. It is clear that we cannot handle this work in-house. Addington and Associates has a long history of working with non-profit organizations and HUD authorized grantees. They will be helping our office to properly administer the OTAG grant and will be handling all future OTAG billings. This will

insure that there are no more problems of the type outlined in the audit report.

3. We feel that the employment of Addington and Associates will allow us to put in place the financial management systems that are required by OMB Circulars A-110 and A-122.
4. We have begun to use contemporaneous time sheets for all work done in connection with the OTAG grant. Actually, our OTAG organizer, Randall Smith, has been using time sheets for the last quarter. This should help us to avoid problems in the future and will allow us to better document time spent on project activities.

SAPLC RESPONSE TO AUDIT RECOMMENDATION

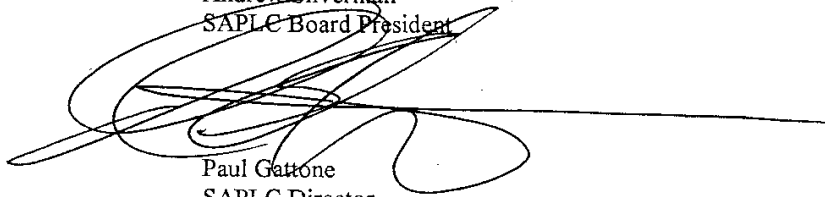
In light of the controls put in place at the SAPLC since the date of the audit report, we are asking that OMHAR not suspend our authorization to make withdrawals from LOCCS. Any such suspension will insure the end of our M2M project. We are the only project in Arizona doing this work. During the course of this program we have assisted hundreds of tenants living in government-subsidized housing. These complexes are in danger of being privatized. If this happens the rent in such units would increase substantially. This would have a disastrous impact on the present occupants of these complexes and would likely force these families to move.

Thank you for your consideration of the information contained in this letter. If we can provide any further information, please let us know.

Sincerely,



Andrew Silverman
SAPLC Board President



Paul Gattone
SAPLC Director

Andrew Silverman
3757 E. Calle Fernando
Tucson, Arizona 85716

September 18, 2002

Mimi Y. Lee
Regional Inspector General for Audit
Office of Inspector General
U.S. Department of Housing and Urban Development
450 Golden Gate Avenue
San Francisco, CA 94102-3448

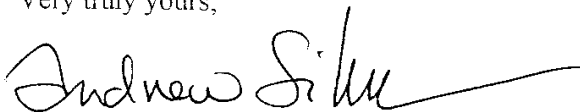
Dear Ms. Lee:

I am currently president of the Board of Directors of the Southern Arizona People's Law Center. I was president when the Center applied for and received the Outreach and Training Assistance Grant (OTAG).

When the Center was informed about being awarded the OTAG grant, the Board decided to give Paul Gattone, Executive Director of the Center, a \$10,000 salary raise from the OTAG funds for the additional work and responsibilities he would incur under the grant. The salary raise was approved by the Board at a meeting at the end of 2000 to become effective as of January 1, 2001, which was the starting date of the OTAG grant. Because the Center did not receive any OTAG funds until sometime after January 1, Paul was paid at the time the funds were drawn down a lump sum retroactive pay in the amount of \$3,474 to reflect his salary increase effective on January 1. I was aware and approved the lump sum payment to Paul.

If you have any questions, please feel free to contact me at (520) 621-1975.

Very truly yours,



Andrew Silverman

DISTRIBUTION OUTSIDE OF HUD

Board of Directors, Southern Arizona People's Law Center, 611 North Fourth Avenue,
Tucson, AZ 85705

The Honorable Christopher S. Bond, Ranking Member, Subcommittee on Veterans Affairs,
HUD and Independent Agencies, United States Senate, 274 Russell Senate Office
Building, Washington, DC 20510

The Honorable Barbara A. Mikulski, Chairwoman, Subcommittee on Veterans Affairs, HUD
and Independent Agencies, United States Senate, Suite 709 Hart Senate Office Building,
Washington, DC 20510

The Honorable Dan Burton, Chairman Committee on Government Reform, 2185 Rayburn
Building, House of Representatives, Washington, DC 20515

The Honorable Henry A. Waxman, Ranking Member, Committee on Government Reform,
2204 Rayburn Building, House of Representatives, Washington, DC 20515

The Honorable Joseph Lieberman, Chairman, Committee on Government Affairs
(senator_lieberman@lieberman.senate.gov)

The Honorable Fred Thompson, Ranking Member, Committee on Governmental Affairs
(senator_thompson@thompson.senate.gov)

Sharon Pinkerton, Senior Advisor, Subcommittee on Criminal Justice, Drug Policy &
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Andy Cochran, House Committee on Financial Services
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