



U. S. Department of Housing and Urban Development

New York/New Jersey Office
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**MEMORANDUM NO:
2004-NY-1803**

September 15, 2004

MEMORANDUM FOR: Joan K. Spilman, Director, Public Housing Division, 2CPH

Alexander C. Malloy

FROM: Alexander C. Malloy, Regional Inspector General for Audit, 2AGA

SUBJECT: Hotline Complaint
Buffalo Municipal Housing Authority
Buffalo, New York

INTRODUCTION

We completed a limited review of two programs at the Buffalo Municipal Housing Authority (BMHA). The review was initiated from complaints filed with the Office of Inspector General's (OIG) Hotline. In general, the complainants alleged embezzlement in the Buffalo Public Housing Resident Council Corporation and misappropriation of funds in the Micro Loan programs. Pertaining to the Micro Loan Program, there were specific allegations made against the entity that is administering the program, Temple Community Development Corporation (TCDC). The overall objective of the review was to determine whether there is any validity to the allegations.

METHODOLOGY AND SCOPE

We performed our on-site work at offices of the BMHA, the TCDC and the Buffalo Field Office of the United States Department of Housing and Urban Development (HUD). Generally, the review covered the period between January 1, 2001 and December 31, 2003; however, it was extended as necessary. Our on-site review work was conducted between June and August 2004.

We interviewed: members of HUD's staff; employees of at the BMHA; representatives of TCDC; a BMHA contracted investigator; and a complainant. Also, we reviewed program records maintained at HUD, the BMHA, and the TCDC. In addition, we analyzed and tested controls over the grant funds provided to the Resident Council Corporation (RCC) including tracing and accounting for expenditures charged to the grant.

BACKGROUND

The Buffalo Public Housing RCC's activities are to aid public housing residents to become self-sufficient by providing supportive services. The scope of services includes but is not limited to providing transportation services to residents authority-wide for the purpose of shopping, doctor's appointments, training programs, meetings and events. Also, the RCC is responsible for managing and maintaining a community center. In its most recent agreement with the BMHA, the RCC was awarded a maximum of \$244,833 for the period of June 1, 2004 through June 30, 2005. According to the budget, 73% of the RCC total budgeted expenses are for salaries and fringe benefits.

The Micro Loan Program was part of a \$500,000 1997 Economic Development and Supportive Services grant that HUD awarded the BMHA under the Combined Notices of Funding Availability for fiscal year 1997 for the Public and Indian Housing Economic Development and Supportive Services Program. The BMHA entered into a subrecipient agreement with the Buffalo Urban League to act as a micro loan administrator for \$87,000 of loan funds. The purpose of the program was to provide funds to public housing residents wishing to start or expand their own small business operation. The Buffalo Urban League did not make any loans during the term of their agreement. The BMHA then entered into an agreement with TCDC to administer the \$87,000 of loan funds.

RESULTS OF REVIEW

The results of our review do not substantiate the allegations that a BMHA Housing Commissioner embezzled funds from the RCC Program. Nor do the results substantiate the allegations that the BMHA Executive Director provided micro loan funds to people who did not meet the criteria for the loans. Furthermore, we did not find anything in TCDC's records that substantiated the allegation that the President of the TCDC obtained micro loan funds for his home or that funds had been directed to the Buffalo Economic Renaissance Corporation. However, we could not verify the accuracy of the program income received by the TCDC because adequate records on loan recipients' repayment activities were not maintained by TCDC. Our concerns regarding the administration of the Micro Loan Program are reported in a separate memorandum.

Should you or your staff have any questions, please contact Garry Clugston, Assistant Regional Inspector General for Audit at (716) 551-5755, extension 5901.