



U.S. Department of Housing and Urban Development
Office of the Inspector General for Audit, Region 4
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March 9, 2004

Memorandum No.
2004-AT-1803

MEMORANDUM FOR: John Niesz, Director, Office of Public Housing, 4HPH

James D. McKay

FROM: James D. McKay
Regional Inspector General for Audit, 4AGA

SUBJECT: Jacksonville Housing Authority
Jacksonville, Florida

INTRODUCTION

We completed a review of the Jacksonville Housing Authority's (Authority) administration of its housing development activities. We performed the review as part of an audit of the Department of Housing and Urban Development's (HUD) oversight of Public Housing Agency activities with related nonprofit entities. The primary objective of our review was to determine whether the Authority diverted or pledged resources subject to an Annual Contributions Contract or other agreement or regulation to the benefit of other entities without specific HUD approval.

METHODOLOGY AND SCOPE

To accomplish our objective, we reviewed applicable HUD requirements and regulations, the Annual Contributions Contract, and other requirements. We also interviewed HUD and Authority staff, and reviewed various documents including financial statements, general ledgers, and minutes from Board of Commissioner meetings. In addition, we obtained an understanding of the Authority's accounting system as it related to our review objective.

The review generally covered the period from October 1, 1998 to September 30, 2003. However, we reviewed activity in other periods as necessary. We performed our fieldwork at the Authority's administrative offices located at 1300 Broad Street, Jacksonville, Florida. We conducted our review in accordance with generally accepted government auditing standards. The review was performed during the period from October to December 2003.

BACKGROUND

The Authority was organized by the City of Jacksonville in 1995, pursuant to a local ordinance enacted in 1994. Between 1970 and 1995, the City Council functioned as the public housing authority for the City. The Authority's purpose is to provide low rent housing for qualified individuals in accordance with the rules and regulations prescribed by HUD and other Federal Agencies.

The Authority is governed by a Board of Commissioners, which is composed of seven members. The Mayor of the City of Jacksonville, with approval of the City Council, appoints the Commissioners and the Authority's Executive Director. During our review, the Executive Director was Ronnie Ferguson.

The Authority owns and manages 21 conventional low-income housing projects with a total of 2,865 units. It also administers 6,718 Section 8 vouchers and owns two affordable housing properties - Gregory West and Riviera Apartments. During our audit period, the Authority implemented three development activities.

In 1999, the Authority completed construction of the Oaks at Durkeeville redevelopment project with the help of a \$21,552,000 HOPE VI grant. The development included 200 public housing rental units, 28 single family homes, a senior living center, commercial and retail space, a day care center, and a community center.

In October 2000, the Authority and City executed a voluntary Consent Decree with the U.S. Department of Justice to provide 225 public housing units in non-minority impact areas of the city. In April 2001, the Authority entered into an agreement with Vestcor Fund XVI, Ltd., a Florida Limited Partnership, to develop and operate a mixed income community known as Lindsey Terrace Apartments, under HUD's Mixed Finance Program. The Authority provided a long-term loan of \$1.5 million, funded from non-Federal general surplus funds of the City. In turn, the owner designated 84 of the 336 units as public housing and is eligible to receive the benefit of operating subsidies provided to the Authority from HUD.

In September 2003, the Authority also purchased Colonial Village for \$4,090,500 to help satisfy the Consent Decree. The Authority plans to use \$4,124,270 in HUD development grant, HOPE VI, and capital grant funds and \$1,164,919 of Authority funds to purchase and rehabilitate the property. The Authority intends to convert the 100-unit development to public housing.

RESULTS OF REVIEW

We reviewed the three housing development activities to determine the extent of involvement by nonprofit or other related entities and whether the Authority diverted or pledged resources subject to an Annual Contributions Contract or other agreement or regulation to the benefit of other entities without specific HUD approval. We did not identify any deficiencies. Accordingly, this report does not contain any reportable conditions or recommendations for corrective action.

Should you or your staff have any questions, please contact me at (404) 331-3369 or Antonio Bailey, Senior Auditor at (904) 232-1226.