



Issue Date	September 1 , 1998
Audit Case Number	98-AT-202-1008

TO: Karen Cato-Turner, Director, Office of Public Housing, Florida State  
Office, 4DPH

FROM: Nancy H. Cooper  
District Inspector General for Audit-Southeast/Caribbean, 4AGA

SUBJECT: Metropolitan Dade Housing Agency  
Public Housing Drug Elimination Program  
Miami, Florida

We have completed our review of the Metropolitan Dade Housing Agency's (Agency) Public Housing Drug Elimination Program (PHDEP) for fiscal years 1994 through 1996. The audit was conducted as part of a nationwide audit of the PHDEP. The purpose of our review was to determine whether the Agency administered and implemented its PHDEP in accordance with the U. S. Department of Housing and Urban Development (HUD) requirements.

The report contains two findings requiring follow up action by your office. We will provide a copy of this report to the Agency.

Within 60 days, please give us a status report for each recommendation 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 this audit.

If you have any questions, please contact James D. McKay, Assistant District Inspector General for Audit, at (404) 331-3369, or William W. Nixon, Senior Auditor, at (305) 536-5387.

(THIS PAGE LEFT BLANK INTENTIONALLY)

---

# Executive Summary

As part of a nationwide audit, we performed an audit of the Metro-Dade Housing Agency Public Housing Drug Elimination Grants. The Agency received \$8,345,250 in PHDEP funds between 1994 and 1996. Our audit objectives were to determine whether the Agency (1) implemented its PHDEP awards for fiscal years 1994 through 1996 with satisfactory outcomes and benefits, (2) prepared and submitted timely and accurate semi-annual and final Financial and Performance Reports to HUD, (3) executed and monitored contracts with service providers, and (4) expended PHDEP funds for only eligible activities in accordance with applicable requirements for the fiscal years 1995 and 1996 grants.

The Agency lacked the necessary controls to properly monitor, evaluate, and report program results. Specifically, the Agency did not (1) establish a system to measure and monitor its grants to ensure that it met program objectives, (2) adequately report program results to HUD, (3) execute and monitor contracts with service providers, and (4) maintain proper managerial and accounting controls over its grants. As a consequence, the Agency expended \$246,821 prior to executing its grants and \$355,020 on ineligible and unsupported activities. The Agency used grant funds for such ineligible or unsupported activities as janitorial services, indirect costs, Christmas and Kwanzaa events, salary expenses, field trips, and other ineligible or unsupported activities. HUD should require the Agency to develop and implement the necessary management controls to establish goals, measure performance, and ensure proper administration of its grants. Further, HUD should require the Agency to reimburse its Drug Elimination Grant or the U.S. Treasury for ineligible costs and to resolve unsupported costs.

We presented our findings to the Agency and HUD throughout the audit. We also held an exit conference with the Agency on July 30, 1998. The Agency provided written comments to our findings and has taken initial steps to correct some deficiencies. HUD's Coral Gables Office also provided written comments to our findings. We considered the responses in preparing our final report. We have summarized the Agency's responses for each finding and included the complete response as Appendix B.

(THIS PAGE LEFT BLANK INTENTIONALLY)

---

# Table of Contents

---

---

Management Memorandum	i
-----------------------	---

---

Executive Summary	iii
-------------------	-----

---

Introduction	1
--------------	---

---

## Findings

1	The Agency Lacked Necessary Controls Over its PDHEP Grants	3
2	The Agency Spent \$601,841 on Ineligible and Unsupported Activities	13

---

Management Controls	23
---------------------	----

---

Follow-Up on Prior Audits	25
---------------------------	----

---

## Appendices

A	Schedule of Ineligible and Unsupported Costs and Cost Efficiencies	27
B	Auditee Comments	29
C	Distribution	35

**Abbreviations:**

CFR	Code of Federal Regulations
COPS	Community Oriented Policing
HRS	Health and Rehabilitative Services
HUD	U.S. Department of Housing and Urban Development
NOFA	Notice of Funds Availability
PHDEP	Public Housing Drug Elimination Program
PIH	Public and Indian Housing

---

# Introduction

The Metro-Dade Housing Agency is a division of the Miami-Dade County Government. The Board of County Commissioners is the legislative and governing body of the County. The County formed the Agency in May 1996 when it merged the Department of Housing and Urban Development with the Department of Special Housing Programs. The Agency maintains responsibility for housing and urban development projects for the County. The Agency manages and operates over 11,000 public housing units.

The goals of the PHDEP were to eliminate drug-related crimes and problems associated with it and encourage housing authorities and resident management corporations to develop a plan to address drugs and other related problems. The plan should include prevention and intervention initiatives that can be sustained over a period of several years. The Agency received PHDEP funds in 1994, 1995, and 1996. The Agency applied for, but did not receive, PHDEP funds in 1997. The Agency's Resident Services Department had the principal responsibility for implementing the grants. The amount of funds awarded and reimbursed at May 22, 1998, were:

<b><u>PHDEP Fund Year</u></b>	<b><u>Funds Awarded</u></b>	<b><u>Amount Reimbursed</u></b>	<b><u>Balance</u></b>
1994	\$2,792,500	\$2,792,500	\$0
1995	2,792,500	2,792,500	0
1996	<u>2,760,250</u>	<u>1,437,726</u>	<u>1,322,524</u>
<b>Total</b>	<b><u>\$8,345,250</u></b>	<b><u>\$7,022,726</u></b>	<b><u>\$1,322,524</u></b>

HUD's Jacksonville Office had responsibility for overseeing the Agency until HUD transferred the duties to the Coral Gables Office in June 1997. Specific Notice of Funds Availability (NOFA) for the grant and Title 24 of the Code of Federal Regulations (CFR) part 761 define HUD requirements for PHDEP.

The Agency maintained its records at 1401 N.W. 7<sup>th</sup> Street, Miami, Florida.

---

## Audit objectives

The overall audit objective was to determine if the Agency administered and implemented its PHDEP in accordance with HUD requirements. Specific audit objectives were to determine whether the Agency:

- Implemented its PHDEP awards for fiscal years 1994 through 1996 with satisfactory outcomes and benefits.

- Prepared and submitted timely and accurate semi-annual and final Financial and Performance Reports to HUD.
- Executed and monitored contracts with service providers.
- Expended PHDEP funds for only eligible activities in accordance with applicable requirements for the fiscal years 1995 and 1996 grants.

Audit scope and methodology

We reviewed the Agency's controls and procedures over its implementation of the program and administration of PHDEP grants awarded for fiscal years 1994 through 1996. We reviewed the Agency's PHDEP grant applications, grant agreements, financial records, and performance and financial reports. Further, we reviewed monitoring reviews by HUD's Jacksonville Office. We tested the eligibility and support for costs, the success of the PHDEP, and service provider contracts under the PHDEP. During our audit, we interviewed Agency, Metro-Dade Police, and HUD staff.

To test for the eligibility and proper support for the Agency's expenditures, we selected 39 and 34 transactions for its 1995 and 1996 grants, respectively. We randomly selected the transactions from the Agency's check register, general voucher ledger, and payroll register with 59 of the 73 sample transactions from the check register. In some instances, we expanded our review to include related transactions.

We performed our audit from February through May 1998. The audit period covered January 1, 1995, through February 28, 1998, and we extended the audit period as necessary. We conducted our audit in accordance with generally accepted government auditing standards.



---

# The Agency Lacked Necessary Controls Over its PHDEP Grants

The Agency lacked the necessary controls to properly monitor, evaluate, and report program results. Specifically, the Agency did not (1) establish a system to measure and monitor its grants to ensure that it met program objectives, (2) adequately report program results to HUD, (3) properly execute and monitor contracts with its service providers, and (4) maintain proper accounting control over its grants. As a result, the Agency and HUD had no assurance that the Agency accomplished program goals. Furthermore, the review disclosed \$601,841 in ineligible and unsupported costs. (See finding 2)

---

## Program requirements

Under 24 CFR part 761.35, the Agency was responsible for managing the day-to-day operations of the grant, monitoring activities to ensure compliance with applicable Federal requirements, and ensuring performance goals were achieved.

HUD required the Agency to submit semi-annual financial and performance reports that evaluated the grantee's performance against its plan. The performance reports were to include, among other information, the following in summary form:

- Any change or lack of change and explanation thereof in crime statistics or other indications drawn from the Agency's plan assessment;
- Successful completion of the strategy components identified in the Agency's plan;
- A discussion of any problems encountered in implementing the plan and how the Agency addressed it;
- An evaluation of whether the rate of progress met expectations;
- A discussion of the Agency's efforts in encouraging resident participation; and
- A description of any other programs that it initiated, expanded, or deleted as a result of the plan, with an identification of the resources and the number of people involved in the programs and their relation to the plan.

The Agency did not have an effective system in place to measure and monitor program results

Also, 24 CFR part 761.35(b) required the Agency to submit a final cumulative performance report within 90 days after the end of the grant. During the audit period, Public and Indian Housing (PIH) Notice 94-83 required the submission of Semi-Annual Outcome Monitoring Reports. HUD did not require the report after December 31, 1996.

Only the 1994 plan detailed a method for collecting and analyzing crime data. According to the plan, the Agency would collect crime data using activity logs, incidence reports and calls for police services. The Agency planned to compare and analyze data for the eight Community Oriented Policing (COPS) sites.

The Agency received monthly reports containing crime data for the COPS sites. However, the Agency did not review and use the information to evaluate changes in drug-related crime or perform an analysis to measure the impact of its PHDEP Program on crime rates.

Each plan included surveys to gain information on residents' perception of criminal activity, safety, and program effectiveness. However, the Agency could not provide surveys or other information to document that it conducted such surveys or obtained comments from the residents.

Each plan stated it would use the Overall Tenant Advisory Council (Council) to evaluate its program. The Agency wanted the Council to perform an overall evaluation to determine the most and least effective plan activities. The Council did prepare one report that highlighted various management problems. Issues raised in this February 1997 report included (1) lack of documentation for costs, (2) concern that only 50-70 percent of the managers understood the objectives of PHDEP, (3) lack of documentation and benefit of the block captains and activity coordinators, and (4) "a vast amount of misconception as to" what activities management could pay for with PHDEP funds. The report recommended better monitoring. The files did not indicate that the Agency took action to correct these problems or that the Council followed-up on its report or performed any other evaluations.

Although required by HUD, the Agency did not collect, analyze, and maintain vital information. Such information

would include crime statistics and drug-related indicators, resident participation in and performance of activities, management indicators,<sup>1</sup> and involvement of outside agencies. As a result of not collecting and analyzing the above information, the Agency could not measure the success of its programs or modify programs due to poor performance.

The Agency did not submit required reports to HUD

During the review period, the Agency violated HUD requirements by not submitting four performance reports or any Outcome Monitoring Reports for its grants. Furthermore, the Agency submitted the majority of the remaining financial and performance reports late. Agency officials explained they did not submit one report due to lack of activity. They could not explain why they did not submit the other reports.

During the period January 1995 through December 1996, HUD required the Agency to submit semi-annual “Outcome Monitoring” reports. If completed, the reports contained information on crime statistics, performance indicators, management indicators, external linkages, and surveys. In PIH Notice 94-83, HUD stated:

“Measuring the impact of the PHDEP funds on crime rates, resident participation in drug and crime prevention measures, and overall resident and staff satisfaction with local safety is necessary if HUD is to understand program effectiveness, and modify programs to improve the rate of drug and crime reduction in public and Indian housing.”

Not only did the Agency need to provide the information to HUD, but the Agency needed to have the information to make its own evaluations and adjustments. Although HUD required the Agency to collect, analyze, and report such information, it did not.

For the four Semi-Annual Performance Reports the Agency did not submit, HUD may have inadvertently recorded that it received the reports. HUD officials believed that if they recorded the reports as received, then the Agency must have submitted the reports. However, neither the Agency nor HUD could provide the reports. By incorrectly recording

<sup>1</sup>Such as vacancy rates, evictions, accounts receivable, etc.

that it received the reports, HUD allowed the Agency to continue to draw down grant funds.

For performance reports submitted, the Agency did not always include required information. Specifically, the reports did not:

- Contain information on the change or lack thereof in crime statistics.
- Contain information on completion of “strategic components.”
- Compare the progress of actual activities to planned activities.
- Include adequate information on resident participation.
- Describe other programs that the Agency initiated, expanded, or deleted as a result of its plan, and linkages with other service providers.

The reports only included information on the implementation and continuance of some activities and instances of problems encountered. Only one report stated the number of people who participated in a field trip. Only one service provider provided information on the population served along with the ages, activities, and residency of participants, which the Agency included in its reports.

Some reports provided HUD with misleading and unsupported information. For example, one report stated that the Resident College provided training and services to block captains. However, the Resident College did not operate during the reporting period. Resident College staff stated that they had no knowledge of specific training provided to block captains. Also, the reports claimed that the Agency provided ongoing technical assistance, training, and monitoring of the grants. The Agency did not provide supplementary information to support the claims. Contrary to the statements, the Agency did not collect and analyze information on the effectiveness of its grants. The Agency did not provide HUD with adequate information for HUD to determine if the Agency achieved program objectives.

The Metro-Dade Police Department established a Public Housing Police Section dedicated to patrolling eight of the Agency’s developments. This section had approximately 34 officers and operated out of the Agency’s central office.

The Agency did not monitor service providers or negotiate the agreements in the Agency’s best interest

The Agency reimbursed Metro-Dade Police Department for the salaries of 15 officers. The county paid for the other officers and related law enforcement equipment.

The NOFA required that the Agency execute a contract with the local law enforcement agency before the Agency could incur expenditures for this activity and/or HUD could release the funds. However, the Agency did not execute an agreement with the Metro-Dade Police Department for the 1995 grant. Officials believed that they did not need to have an agreement since the same County Commissioners oversaw both agencies. Without an agreement, the Agency could not measure Metro-Dade Police Department's performance or assure it spent PHDEP funds economically and efficiently.

Under the 1996 grant, the Agency reimbursed Metro-Dade Police Department for overtime incurred by all the officers assigned to the Public Housing Section. For the sample transactions reviewed, the overtime reimbursements amounted to over \$37,000. The Agency budgeted \$71,460 for overtime in its plan, but did not specify how this money would be spent. The Agency entered into an agreement with Metro-Dade Police Department for the 1996 grant. However, the agreement did not provide for overtime reimbursement. The agreement required Metro-Dade Police Department to "provide coverage" with 15 officers "5 days a week, 8 hours a day." HUD requirements stated that the reimbursements to Metro-Dade Police Department shall be provided according to the contractual agreement. Since the agreement did not provide for overtime, the Agency could not support these costs.

Additionally, the invoices disclosed that a Metro-Dade Police Department officer approved disbursements for salaries and the Police Athletic League. An Agency official, not a Metro-Dade Police Department officer, should approve any disbursements of Agency funds. Some of these expenditures may have been ineligible and unsupported. HUD prohibited the use of PHDEP funds for "rallies, marches, community celebrations and similar expenses." Also, a significant amount of the overtime went for officers to participate in the Police Athletic League including bowling and basketball. In future agreements with Metro-Dade Police Department, the Agency should specify the

responsibilities, overtime activities, and the extent of reimbursement.

The Agency entered into an \$85,000 a year agreement with Artz 'N the Hood for youth intervention services. Commissioners waived formal bid procedures to award this sole-source agreement. The agreement called for the Agency to reimburse Artz 'N the Hood "for expenses incurred for program operation." HUD requirements dictate that all costs "must be reasonable, necessary and justified with cost analysis." The Agency did not analyze the reasonableness of costs to the number of participants. As a result, the Agency may have paid more for the services than necessary. Further, the Agency did not properly review invoices and allowed reimbursement for ineligible grant writing services (see Finding 2). Also, the agreement allowed Artz 'N the Hood to determine whether it would renew the agreement for 2 additional years. The Agency, not Artz 'N the Hood, should have the option to renew the contract based upon Artz 'N the Hood's performance.

Similarly, the Agency paid the YMCA and Boy Scouts without benefit of competitive bidding, cost analysis, or an agreement. As with Artz 'N the Hood, the Agency should consider a per child fee to negotiate and analyze proposed costs. The Director of Resident Services agreed and said they had recently negotiated a per child fee with the YMCA. Also, the Agency should execute written agreements that identify specific responsibilities, reporting procedures, and evaluation methods for measuring performance.

The Florida Department of Health and Rehabilitative Services<sup>2</sup> (HRS) provided intervention and prevention services to the Agency. The agreement stated that HRS would provide the Agency with monthly and quarterly reports of names and numbers of people assisted, calendar of events, and accomplishments. The Agency provided some reports at the exit conference. However, the Agency did not include this information in its performance reports, and there was no indication that the Agency utilized the information provided by HRS to monitor its grants or measure success. The Agency should ensure that it receives, reviews, and analyzes the reports to determine the success of the provider.

---

<sup>2</sup> The department changed its name to Department of Children and Families.

The Agency lacked accounting controls over its grants

The Agency did not implement adequate accounting controls over its grants. Specifically, the Agency did not:

- Reconcile grant expenditures to grant draw downs.
- Properly authorize disbursements.
- Properly authorize and document transfers between funds.
- Review audited financial statements.

The Agency did not routinely reconcile HUD reimbursements with its expenditures. As a result, its reimbursements exceeded expenditures by \$71,067 and \$10,945 for the 1995 and 1996 grants, respectively.<sup>3</sup> In some instances, the Agency received funds for checks that it subsequently voided. In other instances, the Agency transferred expenditures to other grants but did not appropriately offset the excess reimbursements. HUD required the Agency to disburse all grant funds within 7 days, which the Agency may have violated. Staff agreed and stated they would eliminate the differences.

The Agency did not spend all of its 1995 grant within the grant period. With a one time 6 month extension, the grant should have expired by February 24, 1998, (30 months after grant execution). HUD incorrectly entered into its system an expiration date of June 30, 1998. The Agency stated it would try to close out the grant as of February 1998. As of March 10, 1998, the Agency still had not expended \$71,067 from this grant.

The Agency's disbursement policy required that Resident Services officials approve invoices before payment. For three transactions reviewed, Accounting paid ineligible invoices that Resident Services did not properly approve.

Both grants had a number of general journal vouchers, which moved significant amounts of expenditures between grants. In some instances the vouchers did not contain enough information to support the transfer or the official who approved the transfer. Finding 2 discusses ineligible or unsupported transfers of expenditures. The Agency should

<sup>3</sup> As of March 10 and February 28, 1998, respectively.

ensure that it documents the reason and approving official for transfers of expenditures.

In several instances, Accounting inappropriately allocated or changed allocations to Resident Services invoices. Accounting did not notify Resident Services of the change or the reason. Staff stated they would make the necessary changes to correct such problems.

Management did not review the 1996 audited financial statements. The Independent Public Accountant understated PHDEP revenue by \$472,519 (15 percent). Accounting staff provided possible explanations for the error. However, the Agency should verify the accuracy of audited financial statements.

Lack of centralized control

During the audit period, the Agency did not have an official or group of officials to ensure that it implemented its PHDEP with satisfactory outcomes and benefits. Although Resident Services had general responsibility for the grants, it did not exercise functional control over the grants. Each site manager was responsible for preparing and implementing a work plan, and for a period, approving disbursements. Staff agreed that the Agency needed more centralized control over the grant and had implemented some new procedures.

Agency reorganizations

The Agency went through a 2 year period of reorganizing and restructuring staff positions and responsibilities, including those associated with the PHDEP. The state of change may have adversely affected the Agency's ability to effectively implement and monitor its PHDEP.



## Auditee comments

The Agency generally agreed with our finding and indicated that it was undertaking corrective action. The Agency provided copies of HRS reports which we reviewed in finalizing our report.

## OIG evaluation of auditee comments

We believe the Agency's proposed actions will strengthen its controls over the program. We amended the finding as needed.

## Recommendations

We recommend your office require the Agency to:

- 1A. Develop and implement the necessary management controls to measure performance and ensure proper administration of its grants. At a minimum, the controls should address how the Agency:
  - Collects, analyzes, and evaluates data on its performance.
  - Reports results to HUD and others.
  - Measures, monitors, and reports on its service providers.
  - Authorizes and documents disbursements from and transfers between grants.
  - Reconciles grant expenditures to grant draw downs and timely offsets differences.
  - Reviews audited financial statements.
- 1B. Determine the appropriate method of resolving the discrepancy involving the 1995 grant termination date.
- 1C. Improve its contract administration over service providers to ensure proper execution and effective monitoring.

(THIS PAGE LEFT BLANK INTENTIONALLY)

## The Agency Spent \$601,841 on Ineligible and Unsupported Activities

Contrary to HUD requirements, the Agency spent \$601,841 on ineligible and unsupported activities. A review of 73 transactions disclosed the Agency inappropriately expended or could not support grant funds for:

<u>Description</u>	<u>Ineligible</u>	<u>Unsupported</u>
Costs Prior to Grant Execution	\$246,821	
Janitorial Services	143,333	
Indirect Costs	8,155	\$46,303
Christmas and Kwanzaa Events	21,237	
Salary	15,168	64,498
Field Trips	7,661	350
Other	<u>27,845</u>	<u>20,470</u>
<b>Total</b>	<b><u>\$470,220</u></b>	<b><u>\$131,621</u></b>

As discussed in Finding 1, the Agency lacked proper controls over its PHDEP grant and also lacked sufficient supporting documentation for some of the expenditures. As a result, the Agency did not properly implement its grant.

### Program requirements

Under 24 CFR 761.15(d)(2), the Agency could not use PHDEP funds for costs incurred before the effective date of the grant agreement.

According to the NOFA, all costs must be reasonable, necessary, and justified with a cost analysis. Additionally, the NOFA required that the Agency use grant funds only for PHDEP purposes. The NOFA prohibited expenditures for indirect costs. Office of Management and Budget Circular A-87 defines indirect costs as those (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved.

The NOFA allowed funding for costs such as meals and transportation, incurred for training and education activities **directly** related to “drug prevention programs to reduce/eliminate the use of illegal drugs.” The NOFA prohibited expenditures for fund raising, solicitations of

gifts, rallies, marches, and community celebrations. Further, the NOFA prohibited expenditures for entertainment, amusements, or social activities and for related expenses such as meals and transportation.

Costs prior to grant execution

The Agency charged its 1994 PHDEP grant \$162,193 for costs incurred prior to grant execution on January 27, 1995. The costs included security contracts and salaries for tenant services and security personnel. Most of the costs occurred between October 1994 and January 1995, although costs for rental cars occurred as early as December 1993.

On February 2, 1997, by a general journal voucher, the Agency transferred \$122,995 of police salaries from its 1995 grant to its 1996 grant. The voucher did not provide justification or need for the transfer. The salaries covered the period of August 26 through November 3, 1996. However, the Agency did not execute its 1996 grant until October 21, 1996. Of the \$122,995, \$84,628 was for services prior to grant execution and therefore ineligible.

Janitorial services

The Agency expended \$86,000 from its 1995 grant and \$57,333 from its 1994 grant for janitorial services at two elderly developments. The Agency did not list the developments in its plans. Furthermore, the services did not relate to PHDEP objectives. Staff believed that the janitorial services related to a job training program. However, the Agency could not provide support for its position. Other information indicated that the Agency may have charged the grants because the County stopped providing funds that the Agency had used to pay for these services.

Indirect costs

In the sample transactions reviewed, the Agency charged its PHDEP grants \$8,155 for costs of phones, beepers, and copiers associated with the Resident Services department. The Agency did not allocate these costs based upon usage or benefit to the various grants administered by the department. These expenditures were ineligible indirect costs.

The Agency charged the grant \$32,956 to lease 15 vehicles from the County's General Service Administration. The NOFA allowed leasing of vehicles for activities directly related to "programs to reduce the use of illegal drugs."

The Agency could not support that the costs directly benefited its PHDEP program or that it needed 15 vehicles.

Cursory review of the financial records revealed additional similar payments of at least \$13,347 to two vendors. Due to numerous small transactions, we did not review or compute the additional payments to the other vendors.

Christmas and  
Kwanzaa events

In December 1996 and 1997, the Agency violated HUD requirements by spending \$21,237 on Christmas and Kwanzaa events at several housing developments. The vast majority of the funds went for gifts with the remaining going for food and supplies for parties and reimbursements to the staff. The gifts included a compact disc player, quartz watches, a bike, and gift certificates for \$25 and \$50. The supporting documentation did not indicate how these events related to the Agency's drug prevention program. The events appeared to be social activities, community celebrations, or entertainment rather than a drug prevention program as defined by HUD requirements.

The Agency should have been aware that HUD prohibited the use of PHDEP funds for such expenditures. On January 26, 1996, HUD informed the Agency of ineligible expenditures from its 1995 PHDEP grant including \$3,500 for Christmas gifts, \$2,000 for refreshments, and \$500 for Christmas decorations. The Agency responded to HUD's letter by stating that none of the items noted by HUD "were included in the invoices submitted to US HUD for reimbursements." In the same letter, the Agency stated that it had credited the PHDEP account for other "ineligible expenditures" including \$2,000 for Christmas toys.

Salary

According to HUD requirements, the Agency could use PHDEP funds for employee salaries provided:

- All grant personnel must be necessary, reasonable, and justified. The Agency must provide job descriptions in the application for all grant personnel.
- Agency staff responsible for management and coordination of PHDEP Programs shall be compensated with grant funds only for work performed directly for PHDEP grant-related

activities and shall document the time and activity involved in accordance with 24 CFR 85.20

*Ineligible salaries*

The Agency inappropriately charged the grant for the salary of a person who worked with the County's General Service Administration. Personnel incorrectly coded the person as a police officer and Accounting charged the salary to its PHDEP grants. For the transactions reviewed, the Agency expended \$3,848 for this person's salary. Staff stated they would credit the grant for the entire salary amount charged to the grant.

*Ineligible payments for temporary services*

The Agency contracted for temporary employees. According to staff, only two temporary employees spent half of their time on the PHDEP grant. The Agency should have charged the remaining temporary employees to other programs. From the four transactions reviewed, the Agency charged its PHDEP \$9,318 for temporary employees not assigned to the grant.

*Excessive salary to Activity Coordinators and Block Captains*

The Agency hired residents as activity coordinators and block captains to perform activities such as truancy patrols, tutoring, and afternoon activities. The job descriptions indicated that the stipend amounts were contingent upon their skills and hours worked. The Director stated that the Agency limited stipend payments to activity coordinators at \$200 per month. The review included eight payments to activity coordinators and one payment to a block captain. The Agency paid four activity coordinators a total of \$1,902 over the limit. Another activity coordinator worked at a site not listed in the plan; therefore, the \$100 payment to her was ineligible. Considering the hours worked, the Agency could not support \$150 paid to the block captain. The Agency made additional payments to these individuals which may also be ineligible or unsupported.

---

Unsupported salaries

The Department Director allocated the employee salaries between the grants and or programs. According to staff, employees did not document actual time spent on specific activities and grants. Review of six payroll vouchers disclosed the Agency could not support and justify some of its payroll allocations. Specific instances of unreasonable allocations are as follows:

- The Agency allocated the entire salary of the former Director of Resident Services to PHDEP. The Agency lacked support that the Director spent all of her time on one grant.
- An Administrative Officer stated that he spent approximately 35 percent of his time on the grant. The division director allocated his entire salary to “Private Rental Housing.” However, the Agency charged 100 percent of his salary to the grant.
- Other employees stated that they worked less than 100 percent on the grant. However, the Agency charged all their salaries to the PHDEP grant.

According to staff, they were in the process of changing the allocation to better reflect actual time spent on the grant. The Agency could not support \$38,831 for the above employees charged to the grants for these six transactions.<sup>4</sup>

Additionally, the Agency transferred salary costs of \$25,517 from another grant to its 1996 PHDEP grant. The voucher did not provide reasonable justification for the transfer or the activities performed for the PHDEP grant. One of the employees was on leave for the period transferred and thus could not have directly worked on PHDEP activities. Staff conjectured that the other grant ended, and the Department decided to charge the salaries to its PHDEP grant. The amount remains unsupported.

---

<sup>4</sup> This amount did not include fringe benefits.

Field trips

According to its plan, the Agency was going to provide “drug prevention and deterrence activities, such as ‘Just Say No Youth Groups,’ after-school programs, parenting training, youth community service projects, drug prevention theme camps, musical and drama performances and anti-drug rap groups, all targeting youth and families with positive messages to avoid drug use.”

The Agency used funds to pay for the admission and transportation of residents to local amusement parks and movie theaters. The Agency could not support that it expended the funds as part of a comprehensive drug prevention program or how it selected participants. In contrast to the events listed in its plans, the trips were for entertainment and amusement rather than prevention and education as required by HUD.

Ineligible expenditures of this type from our sample included:

- \$2,531 for admission to Santa’s Enchanted Forest. The Agency also paid ineligible costs to transport the residents to and from the amusement park.
- \$2,470 for transportation of residents to attend a free Christmas party at a local amusement park.
- \$1,020 for buses to take residents to movie theaters. According to staff, the resident council bought tickets for kids to attend the movies every week during the summer, and PHDEP paid for the transportation.
- \$525 for admission to Hot Wheels Skating Center. The Agency paid \$165 to bus the children to and from the skating center. Furthermore, the Agency expended another \$350 to Hot Wheels Skating Center. This expenditure was unsupported.
- \$490 for the admission of 70 residents into Malibu Grand Prix. The Agency may also have used PHDEP funds for transportation.
- \$460 for transportation to and from a bowling alley.



## Other

The Agency paid the Police Athletic League \$15,000 to take approximately 50 kids to the “Florida Sheriff Youth Ranch.” The documentation indicated only 14 of the 53 (26 percent) children lived in public housing. It also included a profit of \$2,084. As a result, the Agency's documentation could only support actual camp costs of \$2,112 for the 14 public housing children. The Agency spent at least \$11,040 for costs associated with the non public housing children. The Agency could not support the remaining \$1,848.

The Agency reimbursed Artz ‘N-the Hood a total of \$3,579 on two transactions for grant writing. According to members of the organization, the grant writer assisted in soliciting foundations and other sources for additional funding. HUD requirements prohibit PHDEP funds for “organized fund raising, financial campaigns, solicitation of gifts, etc.”

The Agency reimbursed a management company \$3,084 for expenditures incurred at a site not listed in its plan. Additionally, the Agency reimbursed another management company \$2,689 in ineligible expenditures. The expenditures consisted of \$1,870 for transportation to Santa’s Enchanted Forest, Galaxy Skateway, Youth Museum, and others; \$645 for mask making and dance workshops; and \$174 for field trips.

The Agency expended \$2,422 on recreation equipment at a site not listed in its plan. Additionally, the Agency could not provide adequate documentation that this met PHDEP objectives.

The Agency expended \$2,100 for shirts and clocks that staff believed the Overall Tenant Advisory Council passed out to students. The expenditure did not meet the objectives of the PHDEP Program.

The Agency expended \$1,485 from its 1995 grant to provide Metro-Dade Police Department chairs and a desk. The activity did not relate to PHDEP objectives.

The Agency used several general journal vouchers to transfer security guard expenditures from its 1994 PHDEP grant to various grants. The Agency transferred \$13,923 of these costs to its 1995 PHDEP grant. It may have

transferred the costs to this grant because it did not have enough funds in another grant. The Agency lacked sufficient documentation to support the transfer.

The Agency expended \$3,243 from its 1995 grant for video and audio equipment for Scott Homes. The Agency provided inconclusive documentation regarding eligibility of this expenditure.

The Agency also used grant funds for these miscellaneous ineligible and unsupported expenditures:

- \$880 for two cameras and film. According to the site manager, they used the camera and film for activities unrelated to its PHDEP. Further, the site manger sent and Accounting paid the invoice without proper approval.
- \$560 to purchase back to school supplies for children at a site not listed in its plan.
- \$6 for an inadvertent overpayment to the City of Homestead.
- \$800 for a “Back to School Jamboree” for four sites. The Agency could not provide sufficient information concerning the actual activities performed to determine eligibility.
- \$656 for a “telephone maintenance fee” charged by the County on 35 telephones lines attributed to Metro-Dade Police Department. However, the Agency could not support the need and existence of 35 lines for Metro-Dade Police Department.

---

Auditee comments

The Agency generally agreed with the finding. However, the Agency disagreed with our conclusions on indirect costs and field trips. The Agency believed that it should be able to charge “support cost” such as “beepers, pagers, and copiers” to the grant. Agency officials believed the field trips were drug intervention measures and “an important deterrent to drug related criminal behavior.”

---

OIG evaluation of  
auditee comments

We agree that the Agency could have allocated the costs of beepers, pagers, and copiers to the various grants based upon direct usage or benefit to the program. However, the Agency did not allocate these costs among its various grants, but charged the entire amount to its PHDEP grants. The Agency provided no support for its contention that the specific field trips mentioned in the finding “deterred drug related criminal behavior” or how the field trips were associated with other prevention efforts.

---

Recommendations

We recommend your office require the Agency to:

- 2A. Reimburse its grants or repay HUD from non-federal funds for the ineligible expenses of \$470,220.
- 2B. If permitted, request a waiver of 24 CFR 761.15(d)(2) for Metro-Dade Police Department salaries incorrectly transferred to its 1996 grant or reverse the transaction.
- 2C. Reimburse its PHDEP grants, repay HUD from non-federal funds, or provide adequate support for the unsupported costs of \$131,621.

(THIS PAGE LEFT BLANK INTENTIONALLY)

---

# Management Controls

In planning and performing our audit, we obtained an understanding of the management controls that were relevant to our audit. Management is responsible for establishing effective management controls. Management controls, in the broadest sense, 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.

---

## Significant controls

We determined the following management controls were relevant to our audit objectives:

- Measurement and reporting of program results
- Eligibility of grant activities
- Disbursement of funds

We evaluated all the relevant control categories identified above by determining the risk exposure and assessing control design and implementation.

## Significant weaknesses

It is a significant weakness if management controls do not give reasonable assurance that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data is obtained, maintained, and fairly disclosed in reports. Our review indicated that the Agency had significant weaknesses in its measurement and reporting of program results and determining the eligibility of activities. The weaknesses are described in the Findings section of this report.

(THIS PAGE LEFT BLANK INTENTIONALLY)

---

# Follow-Up on Prior Audits

This is the first Office of Inspector General audit of the Agency's PHDEP grants.

The Agency's independent audit report for fiscal year 1996, issued by Sharpton, Brunson & Company, P.A., had no findings directly related to our audit objectives or results.

(THIS PAGE LEFT BLANK INTENTIONALLY)



---

## Schedule of Ineligible and Unsupported Costs and Cost Efficiencies

<u>Recommendation</u>	<u>Ineligible<sup>5</sup></u>	<u>Unsupported<sup>6</sup></u>	<u>Cost Efficiency<sup>7</sup></u>
1B			\$71,067
2A	\$470,220		
2C		\$131,621	

---


<sup>5</sup> Costs clearly not allowed by law, grant agreement, HUD, or local agency policies or regulations.

<sup>6</sup> Costs not clearly eligible or ineligible but which warrant being contested (e.g., lack of satisfactory documentation to support the eligibility of the cost, etc.).

<sup>7</sup> Efficiencies are an estimate of future savings from recommendations which prevent improper obligations, avoid more unneeded expenditures, or increase revenues.

(THIS PAGE LEFT BLANK INTENTIONALLY)

# Auditee Comments



July 23, 1998

Ms. Nancy H. Cooper  
District Inspector General  
for Audit-Southeast/Caribbean  
USHUD  
75 Spring Street, SW, Room 330  
Atlanta, GA 30303-3388

Dear Ms. Cooper:

The following is in response to the audit completed for the Public Housing Drug Elimination Program for grant years 1994 through 1996. The audit report did not consistently identify the specific program year for the findings, which made it difficult to prepare an appropriate response.

**Finding 1:**

**MDHA lacked accounting control over its grants.**


The MDHA did not implement adequate management controls over its grants. Specifically, the agency did not:

- properly authorize disbursements;
- reconcile grant expenditures to grant draw downs;
- properly authorize and document transfers between funds; and
- review audited financial statements

**Response**

The Agency did routinely reconcile HUD reimbursements with expenditures. It is important to emphasize that the sole basis for requesting PHDEP reimbursement is the actual cost of the expenditures, as shown on weekly check detail reports. We recognize that under certain circumstances subsequent to submission of the draw down request, checks may have gotten lost or damaged, and as a result, required cancellation of the expense. Once the expense was canceled, the Agency was unable to return the revenue to HUD. Therefore, since the Agency is responsible for ensuring that only appropriate and allowable cost be charged to the PHDEP and we believed that these credits, and other expenditure adjustments were necessary to ensure program compliance, then we fail to understand the applicability the audit comments.

Because of the above described circumstances, we concur that meeting the seven day disbursement rule was not always adhered to, and we will expedite our payment process accordingly.



1401 NW 7th Street  
Miami, FL 33125  
(305) 644-5100  
Fax (305) 541-6716

2153 Coral Way  
Miami, FL 33145-2659  
(305) 250-5232  
TDD (305) 250-5256

Page 2  
OIG Response

The Agency has a decentralized management system in place to ensure that the lowest level of services are provided at the appropriate agency level to the users and promote efficiency. Under our PHDEP structure the Residents Development Division served as the overall grant coordinator for MDHA. Our current policy is that the Resident Development Division reviews all invoices for payment.

The Agency will occasionally receive a request as stated before to adjust the cost allocated to various programs, because of a number of factors; and to comply with PHDEP requirements. It is important to note that if an over reimbursement occurs to the PHDEP LOCCS system, the PHA is powerless to return the funds since USHUD policy does not allow this. What then results is an automatic audit finding that gives the appearance that the Agency requested funds from PHDEP posted a credit but never adjusted the records to reflect the changes.

We are in the process of establishing a Grant Coordinator position to handle the authorization, reconciliation, transfers, and financial statements.

The Agency was given written approval by USHUD to extend the 1995 grant period through June 30, 1998. As of this date the grant has been closed out.

### **Program Requirements**

In accordance with the grant application, the agency planned and implemented a program for the Overall Tenant Advisory Council (OTAC) to measure and monitor our program. OTAC members implemented their plans and were paid for their collection of data. We are in the process of finalizing a comprehensive plan to monitor the program through MDHA's Office of Compliance.

### **Required Reports**

Staff has completed the missing reports and submitted them to USHUD and the OIG auditors completing this audit. (see attached copies)

### **Monitor Service Providers or Negotiate the Agreements**

A purchase order was issued for the YMCA as a sole source vendor through the County's General Services Administration Procurement Office. This purchase order is renewed annually by the County's Procurement office to ensure eligibility for payment.

Page 3  
OIG Response

The Florida Department of Children & Family (C&F) formerly known as HRS provides intervention and prevention services to our residents. We have all reports from C&F.

We are in the process of crediting 1997 grant for the expenditures of temporary personnel which was inappropriately allocated or changed by the Accounting Department without notice.

### **Lack of Centralized Control**

In February, 1996, MDHA requested that one third of our grant award be reprogrammed to be used mainly for our PRIDE-Block Captain and LEEAP programs. In doing that we were decentralizing the expenditures and giving our site managers responsibility of how to spend funds. This request was approved by USHUD on April 23, 1996.

We are now in the process of centralizing the program once again with the Grant Coordinator overseeing the whole program. We have fiscal control of the remaining funds and have established with Accounting limited signatures.

### **Finding 2:**

#### **The Agency spent \$639,452 on ineligible and unsupported activities**

Contrary to HUD requirements, the Agency spent \$639,452 on ineligible and unsupported activities. A review of 70 transactions disclosed the Agency inappropriately expended or could not support grant funds for:

Description	Ineligible	Unsupported
Costs Prior to Grant Execution	\$246,821	
Janitorial Services	143,333	
Indirect Costs	8,155	\$ 46,302
Christmas and Kwanzaa Events	21,237	
Salary	15,169	64,497
Metro-Dade Police Dept. Expenditures	1,485	38,268
Field Trips	7,661	350
Other	<u>26,360</u>	<u>19,814</u>
Total	<u>\$470,221</u>	<u>\$169,231</u>

#### **Janitorial Services**

The Agency concurs that \$143,333 in janitorial services at two elderly developments appears to be not related to the PHDEP and should be disallowed.

Page 4  
OIG Response

**Indirect Cost**

The Agency believes that the staff of the Resident Development division that are appropriately providing PHDEP related services should be able to complete their assigned task with the aide of beepers, pagers and copiers. The PHDEP activities could not be done without these support cost.

**Agency Salaries**

As a County department, Miami-Dade County has pay manuals and collective bargaining agreements that govern compensation (including overtime). MDHA has taken corrective action and has appropriately distributed staff salaries amongst the various funding sources.

Ineligible salaries \$3,849, for the Agency concurs that the salary of one individual was inadvertently charged to the grant by mistake and should be disallowed. Accounting will reimburse the charge to the PHDEP. We are in the process of crediting the grants that were inappropriately charged for temporary personnel.

**Metro-Dade Police Department Expenditures**

Again, we do not feel that an agreement is necessary, between MDHA and MDPD. MDHA is not a separate authority in that in accordance with state law, Miami-Dade County is a single governmental entity. Interagency agreements are permitted, as are scopes of services, etc. However, these agreements do not supersede County policy. Overtime pay for certain employee classifications is required, and is approved by the Board of County Commissioners in collective bargaining agreements.

The MDPD Police Athletic League (PAL) funds the sports activities and basketball games in which the Public Housing Police Section (PHPS) are participants. The overtime was authorized by USHUD in the original grant application.

While the program under the PDHEP funds 15 officers (one lieutenant, three sergeants, and 11 officers) assigned to 11 developments in unincorporated Miami-Dade county, the police department provides funding for 27 additional officers (one lieutenant, three sergeants, and 23 officers) to augment police services to public housing developments. With the assignment of the additional personnel, the Section is able to provide coverage five days a week, 16 hours a day, from 7:00 am in the morning to 10:00 PM at night. The additional officers assigned to the program enhance the ability of the County to provide increased police presence, conduct surveys to assess social services needs, and to combat drug related crimes and other criminal activity. The County's contribution of police services in support of the grant far exceeds the amount reimbursed.

Page 5  
OIG Response

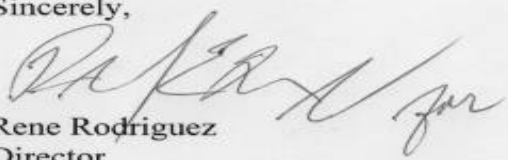
### **Field Trips**

Traditionally, whenever school is out, the incidence for drug and alcohol use as well as criminal behavior increases. The holiday events and field trips were drug intervention activities. We believe that by providing positive, supervised activities where children and their families bond in a safe drug free environment, is an important deterrent to drug related criminal behavior.

### **The Agency did not review audited financial statements.**

The Agency's policy requires that the Chief Accountant and staff review drafts of the audited financial statements and make comments/recommendations to the Independent Public Accountant (IPA) prior to finalizing the audit and presenting it to management. This procedure to review the 1996 audit report was followed, however, after the exit meeting with management the IPA issued a report with different revenue figures from those shown in Agency's general ledger. The Accounting staff had observed errors in the IPA's software program and brought this to the IPA's attention for correction. The Agency is no longer under contract with the Independent Public Accountant from 1996, but will ensure that similar errors do not occur with the current IPA.

If you have any further questions, please feel free to call Tawana Thompson at 305-644-5100.

Sincerely,  
  
Rene Rodriguez  
Director  
RR/al

RR/al  
cc: Tawana Thompson  
Al Brewster  
Raul Fernandez  
Cassandra Smith  
File

(THIS PAGE LEFT BLANK INTENTIONALLY)



---

# Distribution

Secretary's Representative, 4AS  
State Coordinator, Florida State Office  
Director , Office of Public Housing, 4DPH  
Audit Liaison Officer, 3AFI  
Director , Administrative Service Center, 4AA  
Acquisitions Librarian, Library, AS (Room 8141)  
General Counsel, C (Room 10214)  
Associate General Counsel, Office of Assisted Housing and Community Development,  
CD (Room 8162)  
Counsel to the IG, GC  
Public Affairs Officer, G  
HUD OIG Webmaster-Electronic format via Electronic mail-  
Morris\_F\_Grissom@Hud.Gov  
Director, HUD Enforcement Center, 1240 Maryland Avenue, Suite 200, Washington, DC 20024  
Chief Financial Officer, F (Room 10166) (2)  
Deputy Chief Financial Officer for Finance, FF (Room 10164) (2)  
Director, Office of Budget, FO (Room 3270)  
Director, Housing and Community Development Issue Area, U.S. GAO, 441 G Street N.W.,  
Room 2474, Washington DC 20548  
Assistant Secretary for Public and Indian Housing, P (Room 4100)  
Comptroller/Audit Liaison Officer for Public and Indian Housing, PF (Room 5156) (3)  
Assistant to the Deputy Secretary for Field Management, SDF (Room 7106)  
Assistant to the Secretary for Labor Relations, SLD (Room 7118)  
The Honorable John Glenn, Ranking Member, Committee on Governmental Affairs,  
United States Senate, Washington DC 20515-4305  
The Honorable Fred Thompson, Chairman, Committee on Governmental Affairs,  
United States Senate, Washington DC 20515-4305  
The Honorable Dan Burton, Chairman, Committee on Government Reform and Oversight,  
United States House of Representatives, Washington DC 20515-6143  
Mr. Pete Sessions, Government Reform and Oversight Committee, Congress of the United  
States, House of Representatives, Washington, DC 20510-6250  
Ms. Cindy Sprunger, Subcommittee on General Oversight and Investigations, Room 212,  
O'Neil Office Building, Washington DC 20515  
Director, Metropolitan Dade Housing Authority