



Issue Date	April 22, 1998
Audit Case Number	98-CH-209-1001

TO: Debra A. Torres, Director, Office of Public Housing, Illinois State Office

FROM: Dale L. Chouteau, District Inspector General for Audit, Midwest

SUBJECT: Peoria Housing Authority
Drug Elimination Program
Peoria, Illinois

We completed a review of the Peoria Housing Authority's Drug Elimination Program. The objectives of our review were determine if the Peoria Housing Authority: (1) implemented Public Housing Drug Elimination Program awards for Fiscal Years 1994 through 1996 with satisfactory outcomes/benefits; (2) submitted required performance and financial reports for Fiscal Years 1994 through 1996 to HUD which demonstrated satisfactory results from the Drug Elimination Program; (3) implemented Public Housing Drug Elimination Program plans and drew down grant funds according to its plans, budget, and timetable for Fiscal Years 1995 and 1996; and (4) expended Public Housing Drug Elimination Program funds only for eligible activities in accordance with the applicable Notice of Funding Availability for Fiscal Years 1995 and 1996.

We found that the Peoria Housing Authority implemented its Drug Elimination Program in accordance with HUD's requirements except for the purchase of computer equipment that was not being used for the intended objectives of the Program.

Within 60 days, please give us, for each recommendation made in this report, a status report on: (1) the corrective action taken; (2) the proposed corrective action and the date to be completed; or (3) why you consider action unnecessary. Also, please furnish us copies of any correspondence or directives issued because of this audit.

Should your staff have any questions, please have them contact me at (312) 353-7832.

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Executive Summary

We completed an audit of the Peoria Housing Authority's Drug Elimination Programs for Fiscal Years 1994 through 1996. The objectives of the audit were to determine if the Peoria Housing Authority: (1) implemented Public Housing Drug Elimination Program awards for Fiscal Years 1994 through 1996 with satisfactory outcomes /benefits; (2) submitted required performance and financial reports for Fiscal Years 1994 through 1996 to HUD which demonstrated satisfactory results from the Drug Elimination Program; (3) implemented Public Housing Drug Elimination Program plans and drew down grant funds according to its plans, budget, and timetable for Fiscal Years 1995 and 1996; and (4) expended Public Housing Drug Elimination Program funds only for eligible activities in accordance with the applicable Notice of Funding Availability for Fiscal Years 1995 and 1996.

We found that the Peoria Housing Authority implemented the Public Housing Drug Elimination Program awards for Fiscal Years 1994 through 1996 with satisfactory outcomes/benefits; submitted required performance and financial reports for Fiscal Years 1994 through 1996 to HUD which demonstrated satisfactory results from the Drug Elimination Program; and implemented Public Housing Drug Elimination Program plans and drew down grant funds according to its plans, budget, and timetable for Fiscal Years 1995 and 1996. However, the Authority purchased computer equipment with grant funds that was not being used for its intended purposes.

Computer equipment purchased with grant funds was not being used for intended purposes

The Peoria Housing Authority used Drug Elimination Program grant funds for computer equipment that was not being used for its intended purposes. Six computers were not provided to the Peoria Police Department and three other computers have not been installed in computer labs for resident training as required by the HUD approved 1995 and 1996 Drug Elimination Program grants. As a result, the expenditure of grant funds did not meet the objectives of the Drug Elimination Program.

We recommend that the Director, Office of Public Housing, Illinois State Office, assure that the Peoria Housing Authority: (1) develops a plan and obtains HUD approval for the program-related utilization of the six lap top computers purchased with Fiscal Year 1995 Drug Elimination grant funds; (2) establishes a computer lab at Harrison Homes and utilizes the three remaining desk top computers purchased with Fiscal Year 1996 Drug Elimination Program grant funds for the computer lab; and (3) develops procedures to ensure that adequate planning and coordination is performed prior to the purchase of equipment or services with Drug Elimination Program grant funds in order for purchases to have an immediate benefit.

We provided our draft finding to the Peoria Housing Authority's Executive Director. We held an exit conference with the Executive Director on April 6, 1998. The Authority provided written comments to our finding and recommendations. We included excerpts from the comments in the finding; Appendix A contains the complete text of the comments.

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Introduction

Part 761 of 24 CFR contains the regulatory requirements for the Assisted Housing Drug Elimination Program and the Public Housing Drug Elimination Program. The purposes of these programs are to: (1) eliminate drug-related crime and problems associated with it in and around the premises of Federally assisted low-rent housing, and public and Indian housing developments; (2) encourage owners of Federally assisted low-income housing, public housing agencies, Indian housing authorities, and resident management corporations to develop a plan that includes initiatives of several years for addressing drug-related crime and problems associated with it in and around the housing premises; and (3) make available Federal grants to help owners of Federally assisted low-income housing, housing authorities, and resident management corporations carry out their plans.

The Peoria Housing Authority was awarded Drug Elimination Grant funds of \$486,540 for Fiscal Year 1994; \$479,970 for Fiscal Year 1995; and \$480,500 for Fiscal Year 1996.

The Authority's Drug Elimination Program is administered by its Director of Resident Services. The Drug Elimination Program's books and records are located at the Authority's offices at 100 South Sheridan Road, Peoria, Illinois 61605. The Authority's Executive Director is Roger John.

Audit Objectives

Our audit objectives were to determine if the Peoria Housing Authority: (1) implemented Public Housing Drug Elimination Program awards for Fiscal Years 1994 through 1996 with satisfactory outcomes/benefits; (2) submitted required performance and financial reports for Fiscal Years 1994 through 1996 to HUD which demonstrated satisfactory results from the Drug Elimination Program; (3) implemented Public Housing Drug Elimination Program plans and drew down grant funds according to its plan, budget, and timetable for Fiscal Years 1995 and 1996; and (4) expended Public Housing Drug Elimination Program funds only for eligible activities in accordance with the applicable Notice of Funding Availability for Fiscal Years 1995 and 1996.

Audit Scope and Methodology

To obtain general information about the Authority's Drug Elimination Program, we interviewed appropriate HUD and Authority staff. We also reviewed HUD's grant files.

To identify the activities included in the Authority's Drug Elimination Program, and to determine if the PHA properly identified, analyzed, and reported its drug-related crime to HUD, we reviewed the Authority's Drug Elimination Applications/Plans for Fiscal Years 1994 through 1996.

For Fiscal Years 1994 through 1996; we identified each specific activity for which the PHA received funding, who would perform the activity, whom the activity was planned to reach, how many people the activity was designed to reach, and the timetable for each activity. We compared the planned Drug Elimination Program activities with actual accomplishments.

We assessed the extent of the Authority's drug related crime problem by reviewing information about various types of crimes, their prevalence, and the percentage of crimes that occur at each development designated under the Drug Elimination Program.

To determine whether crime statistics reported to HUD were accurate and reliable, we interviewed appropriate law enforcement officials of the City of Peoria, Illinois to determine the processes used to gather and collect crime statistics.

To determine if the Semi-Annual Performance and Financial Status Reports were submitted to HUD, we reviewed HUD's Line of Credit and Control System-Voice Response System Reporting Grant History for each grant reviewed. The Reporting Grant History shows the date when Financial Status Reports were submitted to HUD. We compared the due dates of the Semi-Annual Performance and Financial Status Reports to the actual dates the reports were submitted. We also determined whether the Public Housing Authority submitted the required Final Performance and Financial Status Reports within 90 days of the termination date of the grant agreement.

To determine whether Public Housing Drug Elimination Program disbursements were eligible and properly supported, we reviewed source documentation for selected disbursements including payment records, contracts, and vendor invoices.

To determine if the Public Housing Drug Elimination Program grant disbursements were properly recorded in the Authority's accounting records, we reviewed the Authority's audited financial statements, General Ledger and Disbursements Schedules.

The audit covered Drug Elimination Grant activities for the period October 1994 through February 1998. We extended the period as necessary. We performed the audit at the Authority during January and February 1998.

We conducted the audit in accordance with generally accepted government auditing standards. We provided a copy of our draft finding to the Authority's Executive Director.

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Computer Equipment Purchased With Grant Funds Was Not Used For Its Intended Purposes

The Peoria Housing Authority used Drug Elimination Program grant funds for computer equipment that was not used for their intended purposes. HUD approved the purchase of six laptop computers and related equipment to be used by police officers assigned to the Drug Elimination Program in order to gather data and statistics for Drug Elimination Grant Progress Reports. HUD also approved the purchase of nine desk top computers and related equipment to be used for resident training at three family developments. The Housing Authority never provided the six laptop computers to the Peoria Police Department and the Housing Authority has utilized only six of the nine desk top computers for resident training. As a result, the expenditure of grant funds did not meet the objectives of the Drug Elimination Program.

HUD and Authority requirements

OMB Circular A-87, Attachment A, Paragraph C.1 states that to be allowable under Federal awards, a cost must be necessary and reasonable for proper and efficient performance and administration of Federal awards.

Page PP-2 of the Authority's Procurement Policy states that the Executive Director or his/her designee shall ensure that procurement requirements are subject to an annual planning process to assure efficient and economic purchasing.

Drug Elimination grant funds were used to purchase computers

The Peoria Housing Authority purchased six laptop computers, and nine desk top computers and related equipment for \$28,548 using Drug Elimination Program grant funds from Fiscal Years 1995 and 1996. The computers were not used for their intended purposes. HUD approved the purchase of the six laptop computers and related equipment to be used by police officers assigned to the Drug Elimination Program in order to gather data and statistics for Drug Elimination Progress Reports. HUD also approved the purchase of nine desk top computers and related equipment to be used for resident training at three family Developments. The Housing Authority never provided the six laptop computers to the Peoria Police Department and the Housing Authority has utilized only six of the nine desk top computers for resident training.

Computers were not provided to the Peoria Police Department

The Authority purchased six laptop computers and related equipment for \$14,400 on April 30, 1996 using Fiscal Year 1995 Drug Elimination Program grant funds. HUD approved the purchase of the computers. The computers were budgeted as reimbursement of law enforcement expenses on line item 9110 of the grant agreement. The computers were to be used by the Peoria Police Department's Foot Patrol to gather data and statistics for the Drug Elimination Grant Progress Reports. However, due to a lack of coordination between the Authority and the Peoria Police Department the project was never initiated.

Four of the six computers were not being used regularly by the Authority and were stored in the Authority's computer department. One of these four computers was still in its original box and plastic wrap.

The Authority's Director of Resident Services said the other two computers were being used regularly by himself and another Resident Services employee at home for after hours work related to the Drug Elimination Program. The Director said he used a laptop computer to prepare Drug Elimination memoranda, reports, and to gather statistics for the Drug Elimination Program. The other Department employee used a laptop computer to prepare memoranda to various departments, the Authority's three family developments, and community groups regarding computer labs to be established at the family developments. He said the laptop computers were being used at home to avoid overtime in the office. Both employees had desk top computers at the Authority and therefore had little need for a laptop computer during normal working hours.

Computer labs were not established for resident training

On August 27, 1997, the Authority purchased nine desk top computers and related equipment for \$14,148 using Fiscal Year 1996 Drug Elimination Program grant funds. HUD approved the purchase of these computers. These computers were budgeted as Drug Prevention expenditures on line 9160 of the grant agreement. The computers and related equipment were received on September 5, 1997. The computers were to be used for resident training in computer labs to be established at the Authority's three family developments.

As of March 13, 1998, two of the nine computers and related equipment were in storage at the Authority's Central

Warehouse. Six of the new computers were installed at computer labs set up at Taft Homes and Warner Homes. The other computer was being used in the Authority's Resident Services Department to replace a computer which had malfunctioned. These two computers were of the same size and configuration. The original computer is now repaired and the Director of Resident Services said the repaired computer will be used at the remaining computer lab to be established at the Authority's family developments.

The Director of Resident Services said the Authority had not yet established the computer labs at all three family developments because of the lack of secure space at the developments to safeguard the computers. The Authority set up a computer lab at Taft Homes on February 28, 1998, utilizing three of the nine desk top computers purchased with Drug Elimination Program grant funds. The Authority also established a computer lab at Warner Homes on March 13, 1998 and plans to establish a computer lab at Harrison Homes by May 31, 1998. The Authority should have found secure places to establish the computer labs prior to purchasing the computers.

Auditee Comments

Excerpts from the Authority's response to our draft finding follow. Appendix A contains the complete text of the comments.

Four of the six laptops [purchased for use by the Peoria Police Department] were not being used on a regular basis. Three were used periodically by our MIS Department for staff training. Two laptops were being used continuously by Resident Services personnel to prepare Drug Elimination Program correspondence.

The Director of Resident Services will construct an effective plan for four of the laptop computers. The plan will determine whether the Police Department has a need for utilization of the laptops, whether the agency will seek approval from HUD to transfer the laptops to the Housing Authority's conventional equipment, or whether the laptops should be utilized in the computer centers for additional resident training. This plan should be completed no later than May 30, 1998. Two of the six laptops will remain with the Resident Services Department for continued usage of

the Drug Elimination Grant program administration. This will also be outlined in detail in the developed plan.

The computer lab in the Warner Homes was set up on March 13, 1998. The lab for Harrison Homes is scheduled to be operational by May 31, 1998. Each computer lab will contain three computers to total out the remaining six. These will be the computers purchased through Drug Elimination grant funds along with accessories.

The recommendation to develop procedures that ensures adequate planning and coordination of services and equipment will be included in the Resident Services Standard Operating Procedures Manual. We will also take into consideration the approved procurement policy. The Resident Services SOP will be completed by August 31, 1998.

OIG Evaluation of
Auditee Comments

The actions the Authority is planning or has taken should correct most of the conditions cited in the finding. However, the Authority should also obtain HUD's approval for the two laptop computers that it plans to maintain in the Resident Services Department since that purpose was not previously approved by HUD for the 1995 Drug Elimination Program grant.

Recommendations

We recommend that the Director, Office of Public Housing, Illinois State Office, assure that the Peoria Housing Authority:

- 1A. Develops a plan and obtains HUD approval for the program-related utilization of the six laptop computers purchased with Fiscal Year 1995 Drug Elimination Program grant funds.
- 1B. Establishes a computer lab at Harrison Homes and utilizes the three remaining desk top computers purchased with Fiscal Year 1996 Drug Elimination Program grant funds for the computer lab.
- 1C. Develops procedures to ensure that adequate planning and coordination is performed prior to the purchase of equipment or services with Drug Elimination Program

grant funds in order for purchases to have an immediate benefit.

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Management Controls

In planning and performing our audit, we considered the management controls relating to the management of the Peoria Housing Authority's Drug Elimination Program in order to determine our auditing procedures and not to provide assurance on management controls. Management controls consist of 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 adopted by management.

Relevant Management Controls

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

- Program Operations - The policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Validity and Reliability of Data - The policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.
- Compliance with Laws and Regulations - The policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.
- Safeguarding Resources - The policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss and misuse.

We assessed all the relevant controls identified above.

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 organizations objectives.

Significant Weaknesses

Based on our review, we believe the following items are significant weaknesses:

Program Objectives The Authority used \$28,548 of Drug Elimination Program grant funds for computer equipment that was not used for their intended purposes. The Authority did not ensure that proper planning and coordination was performed prior to purchasing the computer equipment (see Finding).

Follow Up On Prior Audits

We issued a prior audit report on the Peoria Housing Authority on September 7, 1995 (Audit Report No. 95-CH-202-1011). This report was a comprehensive review of the Authority's public housing program activities. The report contained 5 findings. None of the findings related to this report.

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Auditee Comments

March 30, 1998

Mr. Richard Urbanowski, Senior Auditor
Department of Housing and Urban Development
Office of Inspector General
77 W. Jackson Blvd., Suite 2646
Chicago, IL 60604-3507

Re: Office of Inspector General Finding
Audit of Drug Elimination Grant Programs

Dear Mr. Urbanowski,

In response to your finding that the Peoria Housing Authority never provided the six laptop computers to the Peoria Police Department and utilized only three of the nine desktop computers for resident training: We are in agreement.

The six laptop computers were purchased as stated but they were not distributed to the Peoria Police Department's Foot Patrol as planned.

Four of the six laptops were not being used on a regular basis. Three were used periodically by our MIS Department for staff training. Two laptops were being used continuously by Resident Services personnel to prepare Drug Elimination Program correspondence.

On August 27, 1997, this Housing Authority did purchase nine desktop computers and related equipment for \$14,148.00 using Fiscal Year 1996 Drug Elimination Program grant funds as stated in the audit review. The subject computers were received on September 5, 1997 for resident training in computer labs to be established at this Housing Authority's three family developments.

Lack of secure space was a major hold up in establishing the computer labs. As of February 28, 1998, three computers were set up and the Taft Homes computer lab was established. The fourth computer is located in the Resident Services department and is utilized by department personnel. This computer is used to produce and store all Drug Elimination data, correspondence, budget figures, notifications and reports.

RECOMMENDATIONS:

- 1A. Develops a plan and obtains HUD approval for the program-related utilization of the six laptop computers purchased with Fiscal Year 1995 Drug Elimination Program grant funds.

The Director of Resident Services will construct an effective plan for four of the laptop computers. The plan will determine whether the Police Department has a need for utilization of

the laptops, whether the agency will seek approval from HUD to transfer the laptops to the Housing Authority's conventional equipment, or whether the laptops should be utilized in the computer centers for additional resident training, This plan should be completed no later than May 30, 1998. Two of the six laptops will remain with the Resident Services department for continued usage of the Drug Elimination Grant program administration. This will also be outlined in detail in the developed plan.

IB. Establishes computer labs at the Authority's two remaining family developments and utilizes the six remaining desk top computers purchased with Fiscal Year 1996 Drug Elimination Program grant funds for the computer labs.

The computer lab in the Warner Homes was set up on March 13, 1998. The lab for Harrison Homes is scheduled to be operational by May 31, 1998. Each computer lab will contain three computers to total out the remaining six. These will be the computers purchased through Drug Elimination grant funds along with accessories.

1C. Develops procedures to ensure that adequate planning and coordination is performed prior to the purchase of equipment or services with Drug Elimination Program grant funds in order for purchases to have an immediate benefit.

The recommendation to develop procedures that ensures adequate planning and coordination of services and equipment will be included in the Resident Services Standard Operating Procedures Manual. We will also take into consideration the approved procurement policy. The Resident Services SOP will be completed by August 31, 1998.

Any questions or comments can be directed to Ivan Williams at (309) 677-7328.

Sincerely,

Roger John, Executive Director

Distribution

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