



Issue Date	June 16, 1999
Audit Case Number	99-BO-202-1002

TO: Donna J. Ayala, Acting Director, Office of Public Housing,
Massachusetts State Office, 1APH

FROM: William D. Hartnett, District Inspector General, Office of Audit, 1AGA

SUBJECT: Westbrook Housing Authority
HOPE I Implementation Grant
Westbrook, Maine

We conducted an audit of the Westbrook Housing Authority in specific relation to its HOPE 1 Implementation Grant Program. The purpose of our review was to determine whether the Housing Authority provided adequate accountability for awarded Federal funds; maintained records which identify the source and application of Federal funds; and carried out its home ownership activities as described in its HUD approved grant application.

Our audit disclosed a significant portion of HUD's HOPE 1 Implementation Grant award of \$717,000 to the Housing Authority was not needed to accomplish the goal of home ownership. We found that the Housing Authority is nearing completion of their home ownership program and has sold over 75 percent of the units; however, only 13 percent of grant funds were used toward accomplishing this goal. We further found that the Housing Authority did not use sale proceeds of \$420,000 to accomplish stated objectives in their grant application; that grant funds and sale proceeds were commingled with the low income housing general fund; and that such funds were used for unauthorized and unrelated purposes including non-federal assisted housing programs.

Within 60 days, please provide us a status report on: (1) the corrective action taken; (2) the proposed corrective action and date to be completed; or (3) why action is not considered necessary. Also, please furnish us copies of any correspondence or directives issued related to this audit.

If you have any questions, please contact our office at 617-565-5259.

Executive Summary

We conducted an audit of the Westbrook Housing Authority in specific relation to its HOPE 1 Implementation Grant Program. The purpose of our review was to determine whether the Housing Authority provided adequate accountability for awarded Federal funds; maintained records which identify the source and application of Federal funds; and carried out its home ownership activities as described in its HUD approved grant application.

Audit Results

A significant portion of HUD's HOPE 1 Implementation Grant award of \$717,000 to the Westbrook Housing Authority (PHA) was not needed to accomplish the goal of home ownership. The PHA is nearing completion of their home ownership program, and has sold over 75 percent of the units, but only used \$92,100 of the \$717,000 in the process. The PHA also did not use sale proceeds of \$420,000 to accomplish stated objectives in their grant application which is contrary to their HOPE 1 Implementation Grant Agreement. The primary reason for these conditions is that the PHA did not maintain proper accountability and administration over the receipt and use of home ownership funds

The PHA commingled grant funds and sale proceeds with its low income housing general fund and used such funds for unauthorized and unrelated purposes including non-federal assisted housing programs. The PHA's low income housing program has incurred an Accounts Receivable due from non-federal assisted housing programs. We were advised by PHA staff that it is unlikely the low income housing program would fully collect the receivable whereas the PHA does not have a plausible solution to increase the flow of income from the non-federal assisted housing programs.

Recommendations

We are recommending that your office require the PHA to establish fiscal accountability and effective controls that will assure that scarce Federal funds are used effectively and efficiently. Further, we are recommending that you require the PHA to identify the HOPE 1 Implementation Grant Program funds that were used for unauthorized and unrelated purposes, and take appropriate actions.

Finding and Recommendations Discussed

We discussed the finding with PHA staff during the course of our audit and at an exit conference on April 7, 1999. By letter dated May 26, 1999, the Executive Director provided

a response to the draft audit report. In general, the PHA provided a rationale on the manner the HOPE 1 Implementation Grant was operated, but did not dispute any facts depicted in the audit report. We have included the PHA's pertinent comments in the Finding and Recommendation section of this report. The PHA's full response is included in Appendix B.

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Abbreviations

ACC	Annual Contributions Contract
CD	Certificate of Deposit
CFR	Code of Federal Regulations
CIAP	Comprehensive Improvement Assistance Program
HUD	Department of Housing and Urban Development
LIH	Low Income Housing
LOCCS	Line of Credit Control System
OMB	Office of Management and Budget
PHA	(Westbrook) Public Housing Authority
WHA	Westbrook Housing Authority

Introduction

The Housing Authority of the City of Westbrook (PHA) was established pursuant to the laws of the State of Maine to provide low rent housing for qualified individuals in accordance with rules and regulations prescribed by the Department of Housing and Urban Development and other Federal Agencies. The PHA is governed by a Board appointed by the Mayor and has governance responsibilities over all activities related to low rent housing within the City of Westbrook. The Chairman of the Board is Malcolm Noyes. On April 26, 1999, a new Executive Director took office at the PHA. The Executive Director is John Gallagher.

Currently, the PHA administers 817 total units; with 125 low income units and 692 Section 8 units. The PHA operates both federally assisted and non federally assisted housing programs through the same Board of Commissioners and staff. The PHA provides management and/or maintenance services for two area housing projects for which it receives fee income. The PHA also owns and operates a local 36 unit housing project.

In 1994, the PHA was awarded a HOPE 1 Implementation Grant of \$717,000. The PHA was awarded the grant to sell 40 condominium units, collectively known as Pine Knoll Terrace, to its low income tenants. Pine Knoll Terrace, first opened in 1974, consists of six buildings with units ranging in size from one to five bedrooms

The HOPE 1 Implementation Grant was awarded for completion in a two year period; initially October, 1996. However, subsequent extensions approved by HUD has revised the completion date to April 4, 1999. At January 28, 1999, the PHA had drawn down for expenditures all but \$8 in grant funds awarded:

Eligible Activity	Awarded	Drawn Down
Administrative Cost	\$ 92,100	\$ 101,310
Assistance for Operating Expenses	284,900	275,682
Replacement Reserves	140,000	140,000
Economic Development	200,000	0
Rehabilitation	0	200,000
Total	\$ 717,000	\$ 716,992

In April 1996 the PHA requested a grant amendment to re-program the \$200,000 in Economic Development funds to rehabilitate the final two buildings of Pine Knoll Terrace. The funds for Economic Development were to be used for the creation of resident owned business cooperatives. In the PHA's April 18, 1996 letter requesting the amendment, the PHA stated that the Economic Development Fund will be reimbursed by using proceeds from the sale of each unit, thereby still allowing for seed money for the start of resident owned cooperative businesses. By letter dated July 11, 1996, HUD approved the PHA's proposed amendment.

Audit Objectives

The overall audit objective was to determine if the PHA is operating in an effective, efficient, and economical manner. Specific audit objectives were to determine whether the PHA:

- Established an appropriate financial system that provides adequate accountability for awarded Federal funds;
- Maintained records which adequately identify the source and application of Federal funds; and
- Carried out its home ownership activities as described in its HUD approved HOPE 1 Implementation Grant application.

Audit Scope and Methodology

We reviewed the PHA's financial and administrative records; grant applications, agreements, and budgets; monitoring reviews and performance reports. We conducted limited physical inspections of the PHA's federally assisted developments.

Audit tests were conducted on the PHA's HOPE 1 Implementation Grant. We compared stated Program objectives to accomplishments; source and application of grant funds and sale proceeds; eligibility and support of Program cost; and the success of the Program.

We reviewed related Federal requirements including the Annual Contributions Contract, Code of Federal Regulations, Office of Management and Budget Circulars, HUD Handbooks, and Public and Indian Housing Notices.

We interviewed staff from the Massachusetts and New Hampshire State Office, Office of Public Housing, and that of the PHA. We also interviewed the PHA's Fee Accountant and representatives from the PHA's Certified Public Accounting firm.

Audit work was performed from September, 1998 to February, 1999 and covered the period January 1, 1996 through August 31, 1998. Where appropriate, the review was extended to include other periods.

We conducted the audit in accordance with generally accepted government auditing standards.

HOPE 1 Implementation Grant Award Was Not Used for Intended Purposes

A significant portion of HUD's HOPE 1 Implementation Grant award of \$717,000 to the Westbrook Housing Authority (PHA) was not used to accomplish the goal of home ownership. Although the PHA is nearing completion of their home ownership program, and has sold over 75 percent of the units as of December 31, 1998, only \$92,100 of the \$717,000 was used for its intended purposes. The PHA also did not use sale proceeds of \$420,000 to accomplish stated objectives in their grant application which is contrary to their HOPE 1 Implementation Grant Agreement. The PHA commingled grant funds and sale proceeds with its general fund and used such funds for unauthorized and unrelated purposes including non-federal assisted housing programs. The primary reason for these conditions is that the PHA did not maintain proper accountability and administration over the receipt and use of home ownership funds. HUD needs to assess the PHA's use of grant funds, and consider recapturing the remaining unexpended grant funds or carry out administrative actions available under the Grant Agreement, if warranted.

Program Regulations

HOPE 1 Grantees are not allowed to commingle awarded funds. The PHA's Grant Agreement, Article I, paragraph 7, provides "the Grantee agrees that it will not commingle grant funds with funds from any other sources including, but not limited to, other HUD program funds or funds from other Federal, State, tribal or local government agencies".

The PHA's Grant Agreement also provides that funds will be expended in accordance with the approved application (Article I, paragraph 2), and that the Grantee will be paid on an advance basis provided that the Grantee minimizes the time elapsing between transfer of the grant funds and disbursement for project purposes (Article IX, paragraph 2).

In addition, Article XV, paragraph 1 of the PHA's Grant Agreement provides that "a default under this Grant Agreement shall consist of using grant funds for a purpose other than as authorized by this Agreement, and noncompliance with legislative, regulatory, or other requirements applicable to this Agree. . . ."

Furthermore, paragraph (d)(2) of the Code of Federal Regulations, Title 24, Part 85.50, Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Government, provides "The grantee must immediately

refund to the Federal agency any balance of unobligated (unencumbered) cash advanced that is not authorized to be retained for use on other grants”.

HOPE 1 Grant
Implementation Award

In 1994, the PHA was awarded a HOPE 1 Implementation Grant of \$717,000. The PHA was awarded the grant to sell 40 condominium units, collectively known as Pine Knoll Terrace, to its low income tenants.

The \$717,000 grant was awarded for the following:

HOPE 1 Activity	Allocation
Administrative Cost	\$ 92,100
Assistance for Operating Expenses	284,900
Replacement Reserves	140,000
Economic Development	200,000
Total	\$717,000

In April, 1996 the PHA requested a grant amendment to re-program the \$200,000 in Economic Development funds to rehabilitate the final two buildings of Pine Knoll Terrace. In the PHA’s April 18, 1996 letter requesting the amendment, the PHA stated that the Economic Development Fund will be reimbursed by using proceeds from the sale of each unit. By letter dated July 11, 1996, HUD approved the PHA’s proposed amendment.

HOPE 1 Program Funds
Commingled

The design of the PHA’s accounting system allowed the PHA to draw down HOPE 1 Grant funds from the Line of Credit Control System (LOCCS) directly into the Low Income Housing (LIH) General Fund account. The entire grant of \$717,000 was drawn down in increments between fiscal years 1995 and 1997. These funds were commingled in the LIH General Fund with receipts from other federal assisted housing programs, as well as non federal assisted housing programs.

From the LIH General Fund account, grant funds were disbursed for two purposes; administrative cost and investments. According to the PHA’s financial records, \$92,100 was expended for administrative cost relating to the program, and \$624,900 was invested.

PHA Maintains Investment Accounts

The PHA maintains three investment accounts for HOPE 1 Grant funds drawn down for the purposes of: (a) Assistance for Operating Cost; (b) Rehabilitation Cost; and (c) Replacement Reserve. The PHA did not actually expend funds that were drawn down from LOCCS for these purposes. Instead, the funds were used to purchase Certificates of Deposits (CD) and are held by the PHA in investment accounts. As such, the PHA was drawing down grant funds from LOCCS before the funds were ever expensed. There was no documentation submitted with the draw down request supporting that the funds were expensed and for what reason.

The HOPE 1 Implementation Grant Agreement allows the PHA to be paid in advance as long as the funds are expensed timely. The funds were not expensed timely whereas all the funds were received by the PHA prior to the end of fiscal year 1997, and as of January 31, 1999 the balance of the investment accounts is \$309,500. Even further, the amount of funds said to be deposited into the investment accounts were never actually deposited, and the PHA has been withdrawing funds from these accounts for purposes unrelated to the HOPE 1 Implementation Grant.

Grant Funds Not Used for Intended Purposes

Of the \$717,000 in HOPE 1 grant funds, we have identified \$92,100 was expended for its intended purpose of administrative cost relating to the program. However, the remaining grant funds of \$624,900, plus \$51,836 of earned interest, were not used for its intended purposes of (a) Assistance for Operating Cost; (b) Rehabilitation Cost; and (c) Replacement Reserve. The \$676,736 comprises the following items:

Ineligible Cost	\$125,000
Unsupported Cost	\$229,800
Unexpended Funds *	\$309,500
Unauthorized Use of Interest	\$ 12,436
Total	\$676,736
<i>* Includes earned interest of \$39,400.</i>	

By using grant funds for unintended purposes, the PHA did not fulfill its obligations under the HOPE 1 Implementation Grant Agreement. Although home ownership is being accomplished, it is not being accomplished through use of

HOPE 1 grant funds, nor is the PHA using HOPE 1 grant funds for other stated objectives as cited in their grant application such as economic development.

Ineligible Use of \$125,000
In Grant Funds

Although the PHA’s financial records show that a total of \$624,900 of the HOPE 1 grant funds were allocated to the investments accounts, there was only \$499,900 actually invested resulting in a shortfall of \$125,000.

Fiscal Year	Allocated to Investments	Actual Deposit to Investments	Difference
1996	\$ 249,960	\$ 187,470	\$ 62,490
1997	\$ 374,940	\$ 312,430	\$ 62,510
Totals	\$ 624,900	\$ 499,900	\$ 125,000

As confirmed by the PHA’s Fee Accountant, funds of \$125,000 were never invested and remained in the LIH General Fund to be used for other purposes unrelated to the HOPE 1 Implementation Grant. At given times during the grant, the amount of funds drawn down from LOCCS for the purposes of Assistance for Operating Cost, Rehabilitation Cost, and Replacement Reserve were not equal to the amount of funds actually deposited into the investment accounts. The Fee Accountant advised that due to the PHA’s overall financial troubles some of the funds remained in the LIH General Fund resulting in the shortage of deposits to the investment accounts.

Unsupported Withdrawals
From Investment

In fiscal year 1998, the PHA made two withdrawals from the investment accounts totaling \$229,800. These funds were again deposited into the LIH General Fund. There is no supporting documentation as to the reasons for the withdrawals, and as a result we question their nature.

From discussions with staff from the PHA’s Finance Department, we were advised that the funds were withdrawn for LIH operations and rehabilitation of Pine Knoll Terrace. Again, there was no supporting documentation provided.

Grant Funds Remain
Unexpended

Notwithstanding \$354,800 (\$125,000 + \$229,800) that has been diverted from the \$624,900 in invested grant funds, the remaining balance at January 31, 1999 is \$309,500 (includes

\$39,400 of interest earned on investment accounts). These funds are in investment accounts and not used for intended purposes explicit in the grant application.

Furthermore, the funds in the investment accounts are accruing interest as noted. However, contrary to federal regulations, all interest is not credited for use under the PHA's HOPE 1 program.

Earned Interest Credited
For Use Under Program

The HOPE 1 Revised Program Guidelines, published in the January 14, 1992 Federal Register (24 CFR Subtitle A), provides that interest earned on the investment accounts shall be credited for its use under the program.

In fiscal year 1998, the PHA began transferring the interest earned on the three investment accounts to the LIH General Fund. At January 31, 1999, a total of \$12,436, which is in addition to the \$39,400 credited to the investment account, has been allotted to the LIH General Fund for use in other purposes unrelated to the HOPE 1 Implementation Grant.

The PHA's Finance Director advised that the interest was transferred at the request of the bank because the added interest was increasing the level of the CD over and above the allowable insured amount. The Finance Director advised that he was not aware of any restrictions on the interest, so the funds were transferred to the LIH General Fund.

Home Ownership Sale
Proceeds Regulated

The PHA's Grant Agreement provides, "the Grantee shall use the proceeds, if any, from the initial sale of units to eligible families for the costs of the home ownership program, including operating expenses, improvements to the project, business opportunities for low income families, supportive services related to the home ownership program, additional home ownership opportunities, and other activities approved by HUD, either as part of the approved application, or as subsequently approved by HUD" (Article 1, paragraph 1).

Specifically, the PHA provided in its grant application that the plan for the use of sale proceeds will be used for: (a) mortgage payment guarantee to conventional lender; (b) business opportunities for low income people (i.e. create resident owned cooperative); and (c) additional home

Sale Proceeds Not Used
In Accordance With
Approved Grant
Application

ownership opportunities (purchase, rehab and sell smaller properties to low income homeowners).

At December 31, 1998, the PHA sold a total of 31 units and received sale proceeds of \$578,561. According to the PHA's plan for use of sale proceeds, there should be \$341,000 in reserve accounts, and the remaining \$237,561 used for resident owned business opportunities and additional home ownership opportunities. Reserve accounts were established to fund loan guarantee money required by the lender, and to repay grant funds initially awarded for Economic Development, as previously noted. However, the PHA is not funding the reserve account as necessary and not utilizing the remaining funds for business or home ownership opportunities.

The balance of the reserve accounts for the loan guarantee and reimbursement of the Economic Development Fund at December 31, 1998 was \$158,118. This results in shortfalls of \$182,882 to the reserve accounts (\$341,000-\$158,118).

We were advised by the PHA's Finance Director that the shortfall of \$182,882 along with \$237,561 in remaining proceeds from the sales, or a total of \$420,443, were deposited into the LIH General Fund and used for other purposes unrelated to the HOPE 1 Implementation Grant. These funds were not used for their intended purpose of providing business or additional home ownership opportunities to low income families, which is again contrary to the PHA's Grant Agreement.

Funds Used For Non-
Federal Assisted Housing

Funds in excess of \$787,000 (\$354,800 diverted from grant funds, \$12,436 in interest, and \$420,443 from sale proceeds) that were deposited into the LIH General Fund essentially lost their identity and actual use of these funds is unknown. Nevertheless, we have determined that funds from the LIH General Fund were used to pay for cost of non-federal assisted housing programs.

At December 31, 1997 the PHA's LIH program had an Accounts Receivable, other than from tenants or HUD, of \$477,341. The majority of the receivable results from an Accounts Receivable to Local Programs in the amount of \$323,251. The LIH financial statements for 1998 was due to HUD on April 15, 1999 but have yet to be received. However, using the PHA's revised 1998 budget (November

1998 revision), the Accounts Receivable - Local Programs is estimated to increase by \$159,623 in 1998, to approximately \$480,000 .

ACC Restricts The Unauthorized Use of Funds

Part A, Section 10 (C) of the Annual Contribution Contract (ACC) provides, “the housing authority shall not withdraw from any of the funds or accounts authorized under this section amounts for the projects under ACC, or for the other projects or enterprises, in excess of the amount then on deposit in respect thereto”.

The Accounts Receivable - Local Programs represents an allocation of primarily management staff salaries paid by the PHA’s LIH General Fund for non-federal assisted housing programs. Local Programs includes management and/or maintenance services for three area housing projects for which the PHA receives a fee (Larrabee Village, Millbrook Estates, and Larrabee Heights). It also includes the management of tenant services, know as Senior Dreams, which provide such services as meals, house keeping, nursing, transportation, etc.

Accounts Receivable - Local Programs Unlikely Collectable

Our review of PHA’s financial records disclosed that sufficient income is not generated by Local Programs and Senior Dreams to cover all cost, nor are these expenses appropriate to charge against any federal grant. The PHA’s Fee Accountant advised that it is very unlikely the LIH program would collect the receivable whereas the PHA does not have a plausible solution to increase the flow of income from Local Programs or Senior Dreams.

PHA Needs To Be Held Accountable

Although the PHA is nearing completion of their HOPE 1 Implementation Grant, they have not used grant funds or sale proceeds in accordance with their grant application. The PHA did not use funds to accomplish stated objectives, including home ownership and economic development; commingled funds with its general fund; and used funds for unauthorized and unrelated purposes including non-federal assisted housing programs. HUD needs to assess the PHA’s use of grant funds and to determine whether the grant funds are still needed to accomplish home ownership. HUD needs to hold the PHA accountable to its Grant Agreement and consider recapturing the remaining investment funds or carry out administrative action available under the HOPE 1 Implementation Grant Agreement.

Auditee Comments

The Executive Director indicates in his response to the draft report that “the present housing authority staff tried to act responsibly in dealing with the intention of the grant. They understood that the grant was to be used for specific project related expenses, future economic development programs, and future home ownership opportunities. Problems with the Authority’s financial software package, loss of leadership, confusion with program procedure and other issues outside the control of the staff caused a lack of proper grant monitoring and poor and/or delayed decision making.” The Executive Director goes on to state, “I don’t believe that the issue is one of malicious intent, or commingling or diversion of funds for individual profit or gain, but rather the lack of tracking, following procedure, and possible putting principal social intention before financial accountability and good decision making”.

The Executive Director responds to the issue of commingled funds by stating, “It was the housing authority staff’s understanding that the use of a singular account and advance drawdowns were acceptable procedures”. As for the use of interest on investment accounts, the Executive Director responds “the staff did not find language in the grant restricting the use of the interest earned and was unaware of any regulation that superseded the agreement”.

The Executive Director further responds to the issue of grant funds not used for their intended purpose and money was diverted to other non-HUD subsidized programs or projects. The Executive Director states, “the staff holds to their believe that the grant funds were used for their intended purposes, but that some of the sale proceeds were used to sustain an undefended HUD subsidized elderly assisted housing project known as Larrabee Village”.

OIG Evaluation of Auditee Comments

Although the Executive Director provides rationale on why the housing authority operated their home ownership grant in the manner they did, the Executive Director does not dispute any facts depicted in the audit report. No additional information was provided for our consideration toward conditions cited with ineligible and unsupported cost.

Further, the Executive Director did not provide any comment or dispute to the audit recommendations. As a result, the facts, conditions, and recommendations cited in the audit report remain unchanged. The Executive Director advised his office would work with HUD program staff to resolve all recommendations.

Recommendations

We recommend that you:

- 1A. Require the PHA to establish fiscal accountability and effective controls that will assure that scarce Federal funds are used effectively and efficiently.
- 1B. Instruct the PHA to reimburse the program the \$557,879 for funds expended for ineligible purposes identified as follows: \$125,000 deposits not invested, \$12,436 investment account interest, and \$420,443 of sale proceeds.
- 1C. Instruct the PHA to provide support that the \$229,800 withdrawn from the investment account was used for HOPE1 activities. For the funds that cannot be supported, consider requiring the PHA to reimburse the program.
- 1D. Determine whether the PHA is in default of its grant agreement and consider recapturing the HOPE 1 grant funds of \$309,500 remaining in investment accounts or implement administrative actions available under the Grant Agreement, if warranted.

Other Matters

The PHA operates an accounting system that does not include a formal allocation method whereas a determination can be made as to whether or not the method is appropriate.

Attachment C of Office Management and Budget (OMB) Circular A-87 provides that cost allocation plans shall be established as a process to assign costs to benefited activities on a reasonable and consistent basis. All costs and other data used to distribute the cost included in the plan should be supported by formal accounting and other records that support the propriety of the costs assigned to Federal awards.

We were advised by the PHA's Fee Accountant that the allocation of cost is made to the greatest extent possible directly to the entity receiving the benefit. For those cost that are not directly chargeable to one entity, the allotment of cost is based on which entities received benefit from the cost in a proportion that is reasonable considering the revenue of the entity. The Fee Accountant advised that he relies on his experience and knowledge of the programs when allocating the costs, and there is no scientific or specific method used to support the allocation. In addition, the allocation of expenses are not posed on a timely basis. As a result, at given times during the fiscal year an accurate picture of the PHA's financial records is not achievable.

Management Controls

In planning and performing our audit, we considered the management controls of the Housing Authority of the City of Westbrook (PHA), specifically as related to its HOPE 1 Implementation Grant Program, in order to determine our audit procedures and not to provide assurance on internal controls.

Management controls consist of a plan of organization and methods and procedures adopted by management to ensure 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.

Relevant Management Controls

We determined that administrative and accounting controls in the following areas were relevant to our audit objectives:

- Financial Controls over Program Funds
- Management Controls over Program Expenditures
- Management Controls Over Program Performance
- Allocation of Cost

Assessment Results

A significant weakness exist if internal 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.

Significant Weaknesses

Our review identified significant weaknesses over the PHA's ability to properly administer funds associated with their HOPE 1 Implementation Grant. Specific weaknesses were identified in all the management control areas disclosed above. These weaknesses are described in the finding section of this report.

Ineligible and Unsupported Costs

	Ineligible 1)	Unsupported 2)
Finding 1		
- Funds Not Deposited to Investment Accounts	\$125,000	
- Investment Account Withdrawals		\$229,800
- Investment Account Interest	12,436	
- Sale Proceeds	420,443	
Total	\$557,879	\$229,800

- 1) Ineligible amounts obviously violated law, contract, HUD or local agency policies or regulations, such as buying unneeded services or not depositing receipts.
- 2) Unsupported amounts do not obviously violate law, contract, policy or regulation, but warrant being contested for various reasons, such as the lack of satisfactory documentation to support eligibility and HUD approval.

Auditee Comments

B

Distribution

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