



U.S. Department of Housing and Urban Development
New England Office of District Inspector General
for Audit, 1AGA
Thomas P. O'Neill, Jr. Federal Building
Room 370
10 Causeway Street
Boston, Massachusetts 02222-1092

Audit Related Memorandum
No: 99-BO-219-1802

January 21, 1999

MEMORANDUM FOR: Joseph A. Crisafulli, Director, Rhode Island Multifamily
Program Center, 1GHM

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

SUBJECT: Review of Service Coordinator Grants
Davenport Associates Ltd.
Providence, Rhode Island

We performed a limited review of the Service Coordinator Grants awarded to Davenport Associates, Ltd. Our objective was to determine whether funds were properly drawn down by Davenport Associates, Ltd. (the Owner) under its Service Coordinator Contracts with HUD and whether the funds were properly expended in accordance with HUD requirements. This report contains a finding indicating the need for you to: (1) recover excess funds of \$48,161 requisitioned by Davenport Associates, Ltd.; and (2) assure all Service Coordinator recipients are aware of HUD financial requirements for the draw-down of these funds.

Within 60 days, please provide us with a status report on: (1) the corrective action taken; (2) the proposed corrective action and the date to be completed; or (3) why action is considered unnecessary. Should you or your staff have any questions, please contact Stephen King, Assistant District Inspector General for Audit at (617) 565-5259.

Background

Funding for Service Coordinators is allowed as a Section 8 Housing Assistance Payment (HAP) Contract expense under Section 808 of the National Affordable Housing Act. A Service Coordinator is a social service staff person hired by the project Owner/management company. The coordinator is responsible for assuring that the elderly, especially those who are frail and disable, residents of the project are linked to the supportive services they need to continue living independently in that project.

The Rhode Island State Office entered into five Housing Assistance Payment (HAP) Contracts with Davenport Associates Ltd. to provide a Service Coordinator at the following projects:

FHA Project Number	Project Name	Number of Units	Budget Authority	Contract Authority
016-44080	Charlesgate North	200	\$ 134,980	\$ 26,996
016-44053	Parkis Place	108	134,980	26,996
non insured	Charlesgate South	100	134,980	26,996
non insured	Charlesgate East	100	134,980	26,996
non insured	Park West	100	134,980	26,996
Total		608	\$674,900	\$134,980

Each contract was signed by Lucille Massemينو, President of Davenport Associates, Ltd. All the contracts were for 5 year terms starting January 1, 1995.

Scope and Methodology

To achieve our objective, we reviewed the Rhode Island State Office's service coordinator files for the five Davenport Associates, Ltd. Properties and the Owner's requisitioning of and accounting of the funds. We also interviewed HUD and the Owner's staff responsible for the requisitioning and accounting of the service coordinator funds. In addition, we reviewed the Service Coordinators files at Charlesgate North and Parkis Place in order to determine whether they were providing the type of services required by HUD.

We discussed the results of our review with the Director of the Rhode Island Multifamily Program Center and with the Director of Resident Services & Marketing of Davenport Associates, Ltd .

Audit work was performed during October and November 1998 and covered the audit period January 1, 1995 to October 31, 1998. We conducted the audit in accordance with generally accepted government auditing standards.

Audit Results

Finding - Service Coordinator Funds Over-Requisitioned

Our review disclosed that Davenport Associates, Ltd. (the Owner) has erroneously over-requisitioned about \$48,161 in Service Coordinator funds. HUD regulations require that draw-downs be restricted to reimbursement for actual goods purchased and services rendered. The Owner submitted requisitions based on budgeted amounts rather than on actual costs. As a result, the Owner is holding onto \$48,161 of HUD funds, as of October 31, 1998.

Davenport Associates, Ltd. over-requisitioned \$48,161 in Service Coordinator funds under the following projects.

Service Coordinator Funding As of October 31, 1998		
Project Name	Funds Requisitioned	Funds Over-Requisitioned
Charlesgate North	\$ 103,487	\$ 2,595
Parkis Place	103,487	4,074
Charlesgate South	103,487	17,171
Charlesgate East	103,487	11,499
Park West	103,487 *	12,822 *
Total	\$ 517,435	\$ 48,161
* Requisitions totaling \$13,498.68 have been submitted, but have yet to be paid by HUD. \$12,822 indicates the difference between the amount requisitioned and actual expenditures.		

From inception through the present, the Owner has requisitioned funds based on budgeted amounts rather than on actual costs. The Housing Assistance Payment (HAP) specifically states that:

" . . . draw-downs on these annual installments will be restricted to reimbursements for goods purchased and services rendered and neither the total amount of the award nor any of the annual installments will be subject to amendment during the five-year term of the award."

According to the Director of the Rhode Island Multifamily Program Center, the Owner can requisition funds on a monthly basis based on budgeted amounts rather than on actual costs, but must, in the following month, make necessary adjustments for actual costs. There were no adjustments made on any of the monthly requisitions.

The Owner's Director of Resident Services & Marketing advised they relied on the expertise of their staff who believed that they could requisition funds using budgeted figures instead of actual costs. Requisitions were made in equal monthly installments of \$2,249.67 (\$134,980/5 years/12 months) so that the Owner would maintain a sufficient level of funding over the entire five years.

Our review found that the Owner used grant funds for actual and proper costs associated with the Service Coordinator program. All Service Coordinator receipts were properly deposited into an individual bank account maintained exclusively for each project's Service Coordinator funds. Any Service Coordinator funds not spent are maintained in these individual bank accounts.

Actual program costs were less than those amounts requisitioned due to lower salaries for the Service Coordinators in the first few program years and due to time lapses at some projects when the Service Coordinator position was vacant. For example, Charlesgate North and Parkis Place employed a Service Coordinator since almost the inception of the program, note the lower account balances (see above chart entitled "Service Coordinator Funding"). Conversely, at the other projects, a Service Coordinator was not hired immediately and there were other times when the position was vacant due to a lapse between when the old Service Coordinator left and a new one was hired, this resulted in higher account balances.

Recommendations

We are recommending that your office:

- 1A. Require that the Owner reimburse HUD funds over-requisitioned under the Service Coordinator Contracts.
- 1B. Advise all Service Coordinator recipients of HUD's financial requirements for the draw-down of these funds.

Appendix A

Distribution

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Director, Housing and Community Development Issue Area, U.S. GAO, 441 G Street, NW, Rm. 2474, Washington, DC 20548, Attn: Judy England-Joseph (1)

Dan Burton, Chairman, Committee on Government Reform and Oversight, House of Representatives, Washington, DC 20415-6143, (1)

Ms. Cindy Sprunger, Sub-Committee on General Oversight & Investigations, Room 212, O'Neill House Office Building, Washington, DC 20515, (1)

Mr. Pete Sessions, Government Reform and Oversight Committee, Congress of the United States, House of Representatives, Washington, DC 20515-4305, (1)

The Honorable Fred Thompson, Chairman, Committee on Governmental Affairs, United States Senate, Washington, DC 20510-6250, (1)

The Honorable John Glenn, Ranking Member, Committee on Governmental Affairs, United States Senate, Washington, DC 20510-6250, (1)