



U.S. Department of Housing and Urban Development
District Office of the Inspector General
Office of Audit
Richard B. Russell Federal Building
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April 14, 1999

No. 99-AT-204-1805

TO: Ledford L. Austin, Director, Office of Public Housing, 4FPH

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

SUBJECT: Citizen Complaints
Residents Council of Asheville Housing Authority, Inc.
Asheville, North Carolina

In response to a citizen's complaints, we reviewed Tenant Opportunity Program (TOP) activities of the Residents Council of Asheville Housing Authority, Inc. (Council). The purpose of our review was to determine whether the Council maintained proper control over TOP funds, used the funds for eligible activities, and complied with applicable laws and regulations.

SCOPE

We interviewed HUD North Carolina State Office of Public Housing staff, and Council staff, and reviewed their related files and documents. We reviewed TOP expenditures of \$82,414 for eligibility and support. We also interviewed the complainant.

Our review generally covered the period October 1, 1995, through November 1998. The review was extended to other periods when appropriate. We conducted our review in November 1998 through January 1999.

BACKGROUND

We received several complaints from a citizen beginning in August 1998. The general theme of the complaints concerned the Council not conducting its HUD funded activities in accordance with requirements.

The Council was organized in 1985. The Council's purpose was to be a non-profit charitable organization for the benefit of low-moderate income residents of the Housing Authority of the City of Asheville, North Carolina. The Council is managed by a Board of Directors, limited by its by-laws to seven voting members.

On September 11, 1995, HUD awarded the Council a TOP grant of \$100,000. The Council disbursed the last grant funds in July 1998. The Council also contracted with the Housing Authority to perform activities for the Housing Authority's Drug Elimination Program and to mow lawns for the Housing Authority's housing communities.

SUMMARY

The TOP expenditures we reviewed were eligible and properly supported.

The Council did not obtain an audit of the activities of its TOP grant. As a result, HUD did not have assurance that the Council administered its grant in accordance with program requirements.

The Council required the signature of only one officer on disbursement checks. This policy did not provide effective internal control for disbursements.

We are recommending the Council obtain the required audit of its TOP grant and improve its controls over disbursements.

Details of the findings and recommendations are in Attachment A.

We provided the Council a draft of the findings and discussed them with the Council President on March 11, 1999. The Council agreed with the findings. We summarized the Council's comments in the findings.

Within 60 days, please give us, for each recommendation in the report, 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. Also, please furnish us copies of any correspondence or directives issued because of this review.

We provided a copy of this memorandum to the Council.

If you have any questions, please contact me at (404) 331-3369, or Bruce Milligan, Senior Auditor at (336) 547-4056.

Attachments:

A - Findings and Recommendations

B - Distribution

FINDINGS AND RECOMMENDATIONS

Finding 1 - Audit of TOP Grant Was Not Obtained

The Council did not obtain an audit of the activities of its \$100,000 Tenant Opportunities Program (TOP) grant. As a result, HUD did not have assurance that the Council administered its grant in accordance with program requirements.

Criteria

The Code of Federal Regulations, 24 CFR Part 964.230; published in the Federal Register August 24 1994; requires the grantee to obtain an audit of the expenditure of TOP grant funds. The same requirement is included in the Grant Contract, Article V, Paragraph 4, dated September 11, 1995.

Audit Not Obtained

The Council completed the TOP activities in July 1998. However, the Council did not obtain an audit of the expenditure of the \$100,000 in grant funds.

Council officials were not aware of the requirement for an audit. The TOP grant budget included \$2,000 for an audit, but the Council had spent all of the \$100,000 grant for other activities.

The Council should have obtained the required audit to provide HUD proper assurance that the grant funds were used in accordance with program requirements.

Council Comments

The Council agreed with the finding.

Recommendation

1A. We recommend that you require the Council to obtain an audit of the TOP grant funds and provide a copy of the report to HUD or return the \$2,000 set aside for this purpose.

Finding 2 - Effective Control Not Maintained Over Disbursements

The Council required the signature of only one officer on disbursement checks. This policy did not provide effective internal control for disbursements.

Criteria

The Code of Federal Regulations, 24 CFR Part 84.21; published in the Federal Register September 13, 1994; requires that the grant recipient's financial management system shall provide for the effective control over and accountability for all funds. The Council's By-Laws, Article IV, Section 8, state that the Council's checks shall be signed by two persons, either members of the Board of Directors or Council officers.

Checks Included Only One Signature

The Council disbursed funds with only the Council Treasurer signing the checks.

The Council President stated she was not aware of the requirement for two check signatures.

The Council should follow its established requirement for the signatures of two persons on checks to provide better internal controls for disbursements.

Council Comments

The Council agreed with the finding.

Recommendation

2A. For any future HUD funded activities, we recommend you require the Council to follow its policy for the signature of two persons on checks.

DISTRIBUTION

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Director, Housing and Community Development Issue Area, U.S. GAO, 441 G Street N.W.,
Room 2474, Washington DC 20548 (ATTN: Judy England-Joseph)