



U.S. Department of Housing and Urban Development
District Office of the Inspector General
Office of Audit
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June 28, 1999

99-AT-211-1809

TO: Thomas J. Rone, Director, Multifamily Housing Program Center, 4JHM

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

SUBJECT: Use of Section 8 Service Coordinator Funds
Overlook Senior Citizens Housing, Inc.
Knoxville, Tennessee

We have completed a limited review of the use of Section 8 Service Coordinator Funds at Overlook Senior Citizens Housing, Inc.'s (OSCH) three Section 202 projects:

Dogwood Terrace I, Knoxville, TN (087-EH110)
Dogwood Terrace II, Sweetwater, TN (087-EH168)
Dogwood Terrace III, Lenoir City, TN (087-EH169)

On August 2, 1994, the three projects received contracts to fund a shared service coordinator. The budget authority for the 5-year contracts totaled \$131,815.

The objective of the review was to determine whether OSCH properly used and accounted for the service coordinator funds. We started our review based on a memorandum from your office dated March 25, 1999. During the review, we interviewed your staff, the OSCH staff, and selected residents. We reviewed your records and OSCH's records.

BACKGROUND

In your memorandum you stated you wanted to know if OSCH appropriately used and accounted for the service coordinator funds. You stated that this was based on the following:

The projects' financial statements did not reflect the receipt and disbursement of the service coordinator funds.

OSCH did not provide documents to support the service coordinator's salary and duties performed.

OSCH did not locate the project equipment and resident files at the Dogwood Terrace I property as stated in the application.

RESULTS OF REVIEW

Financial Statements

We found no evidence that OSCH used the service coordinator funds improperly. OSCH, however, did not account for the receipt and disbursement of the service coordinator funds on the projects' records. Instead, OSCH accounted for the funds through its accounting system. OSCH paid the service coordinator's salary and expenses with its funds and sought reimbursement from the Department of Housing and Urban Development (HUD) annually. When OSCH received the reimbursement from HUD it would deposit the funds in its accounts and credit the coordinator's expenses. By not accounting for the receipt and disbursement on the projects' records, OSCH understated the projects' income and expenses. Since the projects' records were not posted, the financial statements would not reflect the coordinator funds.

Item 3 of the Service Coordinator Program Contract provides that the owner agrees to abide by the terms and conditions of Notice H 93-71 and all applicable laws and regulations. Notice H 93-71, Part XIII, A, 2 states the owner must keep records of all expenses for the service coordinator position consistent with normal Section 8 requirements. Normal record keeping requirements for insured projects are included in Handbook 4370.2 Rev-1, Financial Operations and Accounting Procedures for Insured Multifamily Projects. Chapter 2, Paragraph 2-3B of this handbook provides that books and accounts must be complete and accurate. The books of original entry must be kept current at all times, and postings must be made at least monthly to ledger accounts.

Supporting Documentation

We interviewed the coordinator's prior supervisor (the current supervisor was unavailable) and determined the coordinator was performing the duties as described in HUD's Service Coordinator's Handbook and was currently serving 31 residents. We also confirmed this through interviews with several residents at the projects. The prior supervisor provided time records showing the coordinator was working the prescribed number of hours.

Location of Records

OSCH was not storing the residents' files at the Dogwood Terrace I project as stated in the application. Instead, OSCH kept the files in a locked file cabinet at the coordinator's office located in OSCH's corporate offices. This location appeared to be the most convenient for the coordinator.

RECOMMENDATION

- 1A. We recommend that you instruct OSCH to establish appropriate project accounts for the receipt and disbursement of the service coordinator funds and to make appropriate adjustments to these accounts for prior transactions.

* * *

Within 60 days, please furnish this office, for the recommendation cited, 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 issued because of our review.

Should you or your staff have any questions, please call me or Dennis Durick, Senior Auditor, at (404) 331-3369

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