



U.S. Department of Housing and Urban Development  
District Office of the Inspector General  
Office of Audit  
Richard B. Russell Federal Building  
75 Spring Street, SW, Room 330  
Atlanta, GA 30303-3388  
(404) 331-3369

August 2, 1999

99-AT-201-1810

TO: Boyce Norris, Director, Office of Public Housing, 4APH

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

SUBJECT: Tenant Opportunity Program  
Grantees of Atlanta Housing Authority Developments  
Atlanta, Georgia

At the request of the Department of Housing and Urban Development (HUD) Office of Public Housing, we completed a review of four Tenant Opportunity Program (TOP) grantees in Atlanta, Georgia. The objective of the audit was to determine whether the four resident associations, (McDaniel Glenn Resident Association, Martin Luther King Senior Highrise Resident Association, and Jonesboro North and South Resident Associations) administered their programs and expended HUD funds in accordance with federal requirements.

#### SCOPE AND METHODOLOGY

To accomplish the objectives we tested compliance with the federal requirements, interviewed appropriate HUD officials, grantee personnel, grantees' consultants and trainers, and Atlanta Housing Authority (AHA) staff. We also interviewed residents, Dominion Management Company officials, and staff from the Georgia Department of Human Resources, U. S. Department of Labor, Georgia Department of Labor, and Atlanta Workforce Development Agency. We examined HUD grantee files and reviewed the grantees' accounting records (e.g., checks, invoices, and contracts). We reviewed \$45,860 in expenditures for McDaniel Glenn Resident Association, \$18,005 for Martin Luther King Senior Highrise Resident Association, \$14,979 for Jonesboro North and \$50,947 for Jonesboro South Resident Associations for eligibility and support.

Our review covers the period February 1, 1996, through December 31, 1998. However, we extended the review to January 1999 to further develop certain issues. The fieldwork was performed between January and March 1999.

## BACKGROUND

We completed a review of four TOP grantees. The review was requested by the Office of Public Housing who had concerns regarding the grantees' use of grant funds. In 1994, the four grantees were awarded \$100,000 each to increase the resident management of public housing projects and to promote the formation and development of resident management entities. In 1997, HUD restructured the program to focus resources on getting residents off public assistance (welfare to work) and independent living for the elderly and persons with disabilities.

Our prior audit of the TOP grantees of Atlanta Housing Authority Developments (Audit Report 97-AT-101-0002 dated February 21, 1997) contained one finding and seven recommendations. The finding disclosed that the grantees lacked control over grant funds, had inadequate books and records, and lacked basic knowledge of the Tenant Opportunity Program. Three of the seven recommendations cited the need to ensure appropriate accounting systems are implemented, ensure community specific work plans are developed, and to terminate the grant for one senior highrise due to lack of desire to remain in the program. The remaining four recommendations included recovering ineligible costs of \$9,639, obtaining records to support \$66,973 in expenditures or recover the funds, suspending one grantee until expenses of \$5,707 can be verified, and identifying eligible activities for senior highrise grantees or terminating the remaining grant balances.

In April 1998, the Office of Public Housing requested forgiveness of the ineligible and unsupported costs, but before we concurred a corrective action verification review was performed to determine whether the conditions still existed. Our corrective action verification review of the Tenant Opportunity Program grantees of the Atlanta Housing Authority Developments dated June 19, 1998, determined that the TOP grantees still lacked the capacity to administer their grants.

We recommended terminating the TOP grants as a condition of forgiving the costs. As of March 1999, the Office of Public Housing reported the four recommendations concerning the ineligible and unsupported costs and identifying eligible activities for senior highrise grantees as open. The Office of Public Housing also reported that HUD Headquarters contracted with Education Training and Enterprise Center to provide technical assistance to the grantees and to assess their capacity to continue administering their grants in response to our recommendations to recapture the funds. The Office of Public Housing has requested and was granted an extension of the final action target date to June 30, 1999.

Our review determined that the grantees continue to lack the capacity to administer their grants as cited in the prior reports.

## SUMMARY OF RESULTS

The TOP grantees still lacked the capacity to administer their grants as reported in prior Office of Inspector General (OIG) reviews. The four grantees did not adequately administer their grants and account for grant funds in accordance with federal requirements. We also determined that the grantees did not follow proper procurement procedures and did not maintain adequate documentation to evidence the procurement procedures used in awarding contracts to consultants and trainers. Two of the grantees had made little progress towards accomplishing the tasks cited in their work plans. We attribute these conditions to HUD not properly monitoring the grantees and the ineffective monitoring and technical assistance performed by the Atlanta Housing Authority. As a result, the grantees incurred \$37,945 of ineligible and unsupported costs and lacked the capacity to continue their grants. We recommend that you terminate all four grantees and recover the outstanding grant amounts.

Details of our conclusions and recommendations are in Attachment A. We discussed our report with the Office of Public Housing officials during our review and at a July 1, 1999, exit conference. The Office of Public Housing generally agreed with our conclusions and recommendations; therefore, we did not obtain a written response. We provided a copy of the report to the grantees during our review.

Within 60 days, please furnish us, for each recommendation in this report, a status report on: (1) the corrective action taken; (2) the proposed corrective action and the planned implementation date; or (3) why action is considered unnecessary. Also, please furnish us copies of any correspondence or directives issued as a result of this report. Note that HUD Handbook 2000.06 REV-3 requires management decisions to be reached on all recommendations within 6 months of report issuance. It also provides guidance regarding interim actions and the format and content of your reply.

We appreciate the cooperation of your staff during the audit. If you or your staff have any questions, please contact me or Sonya D. Lucas, Assistant District Inspector General for Audit, at (404) 331-3369.

### ATTACHMENTS:

- A - Findings and Recommendations
- B - Distribution

## FINDINGS AND RECOMMENDATIONS

### Finding 1 - TOP Grantees Did Not Properly Administer Their Grants

The four Resident Associations of the AHA developments did not properly administer their TOP grants. Specifically, the grantees did not maintain a financial management system to provide adequate control over their grant funds or maintain a complete set of books and records. In addition, the grantees did not follow or document adherence to proper procurement procedures in awarding contracts for consulting services and training. Overall, the grantees were not making substantial progress towards accomplishing the tasks cited in their work plans. We attribute these conditions to HUD not properly monitoring the grantees and the ineffective monitoring and technical assistance performed by the Atlanta Housing Authority. As a result, the Associations incurred \$37,945 of ineligible and unsupported costs. Furthermore, there was no assurance the contracts were procured in a manner to provide full and open competition and that the intent of the program was accomplished.

#### Criteria

Office of Management and Budget Circular A-110, dated August 29, 1997, titled *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, requires grantees to maintain financial management systems that provide accurate, current and complete financial records. They are also required to effectively control and account for all funds, safeguard assets, and assure they are used only for authorized purposes.

The Resident Associations' responsibilities state that the all duly authorized checks shall be signed by the President and Treasurer.

The Federal Register, dated June 6, 1997, *Combined Notices of Funding Availability for Public and Indian Housing Economic Development and Supportive Services Program and the Tenant Opportunity Program*, states trainees and TOP program participants of a Resident Association may only receive stipends to cover the reasonable costs related to participation in training and other activities in the TOP program, subject to the availability of funds. It also states that stipends should be used for additional costs incurred during the training programs, such as child care and transportation costs.

The August 29, 1997, Circular A-110, requires all procurement transactions be conducted in a manner to provide, to the maximum extent practical, open and free competition. TOP grantees are to be alert to organizational conflicts of interest as well as noncompetitive practices among contractors that may restrict or eliminate competition. TOP grantees are also required to establish written procurement procedures, as well as, perform some form of cost or price analysis and document it in the procurement files for every procurement action.

The June 6, 1997, Federal Register highlights HUD's restructuring of the program and states the goal is to most effectively focus the resources on "welfare to work" and on independent living for the elderly and persons with disabilities. This restructuring comes as a result of the recent transformation of the former Aid to Families with Dependent Children program into the Temporary Assistance to Needy Families program. The purpose of the TOP technical assistance grant is to prepare residents to manage their projects.

#### TOP Grantees Did Not Maintain Control Over Their Grant Funds

The TOP grantees lacked adequate control over their grant funds. The grantees wrote checks to cash or the check signer, did not require two signatures on checks, made payments for excessive equipment, and used funds for ineligible and unsupported activities totaling \$5,631. Details of the deficiencies follow.

The Martin Luther King Senior Highrise and Jonesboro South grantees wrote checks to cash or the check signers without always obtaining proper support for the payments. The Treasurer of the Martin Luther King Senior Highrise wrote three checks totaling \$4,559 payable to cash. Two of the three checks were written, signed and endorsed by the Treasurer. One check for \$1,000 was cashed by the Treasurer on January 22, 1998. The funds were for supplies and to repair a ceramic kiln. However, the supplies were not purchased and the kiln was not repaired, but the funds were not re-deposited until May 20, 1998. The Treasurer stated she held the money until she received other money to make one deposit. Another check for \$1,150 did not have any documentation to support the disbursement. The third check for \$2,409 was cashed and given to a consultant for reimbursement. The consultant purchased office supplies and equipment on his personal credit card. At the time of purchase, the Association did not have the money in their account to cover the purchase. As a result, \$1,150 of the funds remained unsupported.

The Jonesboro South grantee wrote six checks totaling \$5,830 payable to cash. Three of the checks totaling \$3,115 for office equipment were supported. The Resident Association President stated that two checks totaling \$650 were written because the money was originally deposited into the TOP account by error. However, the President could not provide support to verify the original deposit or support the use of the funds withdrawn. The last check for \$2,065 made payable to cash was used to purchase office equipment and supplies. However, the grantee did not provide support for \$169 spent from the disbursement. As a result, the grantee could not support \$819 of payments.

In addition, on numerous occasions, the Martin Luther King Senior Highrise and Jonesboro South Resident Associations disbursed funds with only one signature. The checks were signed and endorsed by the same person. The King Highrise checks were solely signed by the Resident Association's Treasurer, while Jonesboro South checks were solely signed by the President.

The grantee incurred \$1,262 in excessive telephone charges. The Martin Luther King Senior Highrise Resident Association had three different telephone lines. One line was for a regular telephone, another was an 800 line, and the third was a fax line. The payments made for the 800 line were unnecessary.

The Resident Association Presidents for McDaniel Glenn and Jonesboro South were paid \$1,200 each for ineligible activities. The grantees made ineligible payments totaling \$2,400 to the officials as stipends for serving as community service resource assistants.

#### Grantees' Accounting Records Were Inadequate

The grantees' accounting records were inadequate. The grantees failed to maintain accounting records and documentation to support expenditures totaling \$19,659, had missing bank statements and canceled checks, did not maintain cash receipts and disbursements ledgers, and lacked supporting source documents for expenditures.

McDaniel Glenn Resident Association had incomplete accounting records. The Association did not maintain a general ledger or accounting records from February 1996 through June 1998. The grantee's expenditure reports did not reflect any disbursements from January 1996 through December 1997. However, the grantee had an ending bank balance at January 1996 of \$6,900 and received a refund of \$665 from the Technical Assistance Organization in September 1997. The grantee could not account for the funds. The Association officers stated they were not provided with records from the previous administration; therefore, they could only account for TOP grant activities from June 1998. The Association officers opened a new account in June 1998, because the books and records were not provided to them. As a result, \$7,565 of grant funds remain unsupported.

Martin Luther King Senior Highrise Resident Association did not maintain proper accounting records. The grantee could not support \$811 in payments for bookkeeping services and two checks made payable to unknown payees. The grantee had not updated its general ledger since December 1995, its cash disbursement journal since October 1997, and its cash receipts journal since February 1996. The Association did not have all of its bank statements and canceled checks. However, during the review the grantee updated its cash disbursements and receipts journals and provided its bank records. The accountant stated that the general ledger could not be updated until other information was obtained. As a result, \$811 remained unsupported.

Jonesboro North Resident Association had incomplete accounting records. The grantee did not have bank statements, cash receipts and disbursements ledgers, or supporting documentation prior to August 1998. In addition, the grantee did not maintain a general ledger. The grantee had an ending bank balance at June 1996, of \$5,293 and received a refund of \$5,325 from the Technical Assistance Organization in September 1997. The grantee could not account for the funds. The Association President stated that the prior President did not turn the books and records over to her. As a result, \$10,618 of grant funds remain unsupported.

Jonesboro South Resident Association did not have a complete set of accounting records and could not support a refund of \$665 received from the Technical Assistance Organization in September 1997. The Association did not maintain a general ledger or cash receipts and disbursements ledgers prior to July 1998. The Association's bank statements, canceled checks and invoices were missing prior to August 1998.

### Proper Procurement Practices Were Not Followed

The TOP grantees did not follow the procurement requirements. They did not maintain complete and proper documentation to evidence their procurement procedures used in procuring consultant and training services. Also, the grantees did not establish written procurement procedures. All grantees maintained requests for proposals as part of their procurement files. However, the grantees did not document the number of bids received, how the bids were evaluated, a cost estimate and/or price analysis, and the basis for contractor selection. As a result, \$12,655 in contract payments was unsupported.

McDaniel Glenn Association officials stated that they interviewed at least three different people and obtained bids for the services. Further, the officials stated the procurement was done but the follow up on the documentation was weak. Martin Luther King Highrise officials stated that they also interviewed three different people and obtained bids, but the Executive Board decided to contract with the current consultant. Jonesboro South Resident Association officials stated that they interviewed at least three people and obtained bids. In addition the procurement was performed, but the documentation was weak. Jonesboro North Resident Association President stated she was unaware that bids were required. These actions may have limited competition.

As a result of the improper procurement practices, the grantees contracted with HM Social Services, a conflict of interest firm, for employment assessments and training. HM Social Services is owned by a Resident Services Coordinator for Dominion Management Services. Dominion is a Management Agent for the Atlanta Housing Authority. McDaniel Glenn paid \$4,140 to HM Social Services, Martin Luther King Highrise owes HM Social Service \$550 for training, and Jonesboro South paid the Services \$5,590 for employment assessments and training. Jonesboro South also received \$2,375 in duplicate billings from HM Social Services. HUD disbursed the funds to Jonesboro South; however, the grantee had not paid HM Social Services.

### Substantial Program Accomplishments Were Not Made

Martin Luther King Senior Highrise Resident Association and Jonesboro North Resident Association did not make substantial progress towards accomplishing the tasks cited in their work plans.

Although the King Senior Highrise had drawn down \$47,401 or 47 percent of its TOP grant and was 4 years into the 5 year grant, the grantee had not made any substantial progress towards accomplishing the tasks cited in its work plan. At the onset of the program, the Resident Association was progressing towards accomplishing its tasks as cited in its work plan. However, subsequent progress reports to HUD did not indicate any significant accomplishments.

The Resident Association essentially became inactive after the Technical Assistance Organization became defunct. Specifically, draw downs made after June 1996 were for administrative expenses that were small in amount. The Resident Association hired a contract administrator in September 1998, at which time they revised their work plan to coincide with the new objectives of the program. Since that time, the Resident Association had virtually started over and was progressing toward the completion of the tasks cited in its revised work plan. For example, the Resident Association had six training classes ongoing at the time of our review. The classes started in

December 1998, which was the first time there had been any training classes at the project under the TOP grant.

Jonesboro North grantee has not demonstrated the ability to administer its TOP grant. The grantee had drawn \$38,477 or 38 percent of its TOP grant and was in year 4 of the 5-year grant, but had not made any substantial progress towards accomplishing the tasks cited in its work plan. In 1995, the TOP grantee was progressing towards accomplishing its tasks as cited in its work plan. However, after the Technical Assistance Organization became defunct in 1996, the TOP grantee became inactive. In September 1997, the TOP grantee was refunded a proportionate share of the remaining TAO funds and reported that it had used the funds to pay for consultant services and life skills training. In April 1998, the TOP grantee hired a contract administrator and program consultant, at which time the work plan was revised to coincide with the restructuring of the TOP program. Only one training class was held. However in October 1998, the Association terminated the contracts. The Association hired another contract administrator shortly thereafter; however, the contract was put on hold until a final settlement is reached regarding the prior contract administrator and program consultant contracts. Due to the contract dispute, there were no on-going TOP training programs for residents at Jonesboro North.

Even though the grantees have made little to no progress in accomplishing the tasks cited in the work plans, similar services and training are available for the residents through the Georgia Department of Human Resources as part of its welfare reform. Therefore, as part of the program restructuring the resources should be used.

Recommendations:

We recommend that you:

- 1A. Recover the outstanding grant amounts.
- 1B. Terminate all four TOP grants.



## Finding 2 - Monitoring of Grantees Did Not Assure Compliance

The Office of Public Housing's monitoring of the four Resident Associations' performance under the Tenant Opportunity Program did not assure compliance. The monitoring and technical assistance provided by Atlanta Housing Authority staff was not adequate and there was no documentation to evidence their efforts regarding the financial management system prior to August 1998. As a result, the Resident Associations did not properly administer their TOP grants.

The Memorandum of Understanding between the Housing Authority of the City of Atlanta, U. S. Department of Housing and Urban Development, and the Resident Associations states that HUD shall be responsible for determining grantees' compliance with all applicable HUD regulations and the Grant Agreement. It also states AHA shall provide or coordinate ongoing technical assistance, training, and monitor the performance of Grantees' administration of its TOP grant funds and periodically assess and evaluate the Grantees' performance and progress pursuant to the work plans.

The Management Decision Corrective Action Plan dated June 18, 1997, states the Office of Public Housing will monitor the TOP grantees regarding their accounting services and will request AHA provide a written status report regarding the grantees' accounting services. AHA agreed to assist TOP grantees with the procurement of an accountant and/or accounting services.

The Office of Public Housing officials stated they had not performed any onsite monitoring of the TOP grantees. They stated that the grantees agreed to come to their office for technical assistance. Also due to the reduction in staffing, the office performed remote monitoring which included reviewing the grantees' drawdowns and work plans. The officials stated that they held routine meetings with AHA and the Education Training and Enterprise Center. However, some of the grantees hired consultants which caused a difficult working relationship between the grantees and HUD. At this point, assistance was solicited from the Office of Inspector General for Audit-Southeast/Caribbean. Although the Office of Public Housing made efforts to monitor the grantees, the four grantees reviewed were not in compliance with the regulations.

The Office of Public Housing did receive status reports from AHA and assisted AHA in providing financial management and procurement training to the TOP grantees. HUD in conjunction with AHA provided procurement training in January 1998. Education Training and Enterprise Center provided training for the financial management system in August 1998. However, we found no evidence that the Office of Public Housing had received status reports from AHA regarding the grantees' accounting services. Also, there was no evidence that Public Housing had provided training regarding the financial management system prior to August 1998.

The Public Housing officials stated that prior to the changes in top administrative staff at both HUD and AHA, they did receive status reports of the financial system, which included the accounting system updates. Also, the officials stated they did not have evidence of training provided by their office and HUD's contracting and procurement staff shortly after the award in 1994 and again in 1998.

AHA staff stated technical assistance and monitoring is performed on an on-going basis and monthly reports are prepared. They stated assistance was provided to the TOP grantees in obtaining accounting services. According to AHA staff, they identified non-profit organizations which would provide accounting services and training for a small fee. They also suggested to the grantees to pool their resources and hire an accountant. In addition, the need for a financial management system was discussed during meetings and training sessions with the grantees. AHA staff stated efforts made regarding the grantees' accounting systems were discussed during the weekly and biweekly meetings with HUD. However, AHA did not have documentation to support their efforts to assist the grantees with obtaining accounting services. In addition, AHA staff stated they did not prepare written status reports to HUD regarding the grantees' accounting services.

As a result, the grantees did not maintain financial management and procurement systems, and substantial progress was not being made towards accomplishing the tasks identified in the work plans.

Recommendation:

We recommend that you:

- 2A. Monitor and provide adequate technical assistance and training to the remaining TOP grantees.

## DISTRIBUTION

Executive Director, McDaniel Resident Association  
 Executive Director, Martin Luther King Senior Highrise Resident Association  
 Executive Director, Jonesboro North Resident Association  
 Executive Director, Jonesboro South Resident Association  
 Deputy Secretary, SD (Room 10100)  
 Chief of Staff, S (Room 10000)  
 Special Assistant to the Deputy Secretary for Project Management, SD (Room 10100)  
 Acting Assistant Secretary for Administration, S (Room 10110)  
 Assistant Secretary for Congressional and Intergovernmental Relations, J (Room 10120)  
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 Deputy Assistant Secretary of Administrative Services/Director of Executive Secretariat, AX  
 (Room 10139)  
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 Deputy Assistant Secretary for Public Affairs, W (Room 10222)  
 Special Assistant for Inter-Faith Community Outreach, S (Room 10222)  
 Executive Officer for Administrative Operations and Management, S (Room 10220)  
 Senior Advisor to the Secretary for Pine Ridge Project, W, (Room 10216)  
 General Counsel, C (Room 10214)  
 Director, Office of Federal Housing Enterprise Oversight, O (9<sup>th</sup> Floor Mailroom)  
 Assistant Secretary for Housing/Federal Housing Commissioner, H (Room 9100)  
 Office of Policy Development and Research, R (Room 8100)  
 Inspector General, G (Room 8256)  
 Assistant Secretary for Community Planning and Development, D (Room 7100)  
 Assistant Deputy Secretary for Field Policy and Management, SDF (Room 7108)  
 Government National Mortgage Association, T (Room 6100)  
 Assistant Secretary for Fair Housing and Equal Opportunity, E (Room 5100)  
 Chief Procurement Officer, N (Room 5184)  
 Assistant Secretary for Public and Indian Housing, P (Room 4100)  
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 Director, Office of Departmental Equal Employment Opportunity, U (Room 5128)  
 Director, Office of Departmental Operations and Coordination, I (Room 2124)  
 Chief Financial Officer, F (Room 2202)  
 Director, HUD Enforcement Center, V, 451 Portals Bldg, Suite 200, Washington, DC 20140  
 Director, Real Estate Assessment Center, X, 1280 Maryland Avenue, SW, Suite 800  
 Director, Office of Multifamily Assistance Restructuring, Y, 4000 Portals Building

Secretary's Representative, 4AS  
Director , Office of Public Housing, 4APH  
Deputy Chief Financial Officer for Finance, FF (Room 2202) (2)  
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Audit Liaison Officer, 3AFI  
Audit Liaison Officer, Office of Public and Indian Housing, PF (Room P8202)  
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Counsel to the IG, GC (Room 8260)  
HUD OIG Webmanager-Electronic Format Via Notes Mail (Cliff Jones@hud.gov)  
Public Affairs Officer, G (Room 8256)  
Director, Housing and Community Development Issue Area, U.S. GAO, 441 G Street N.W.,  
Room 2474, Washington DC 20548 ATTN: Judy England-Joseph  
The Honorable Fred Thompson, Chairman, Committee on Governmental Affairs,  
United States Senate, Washington DC 20510-6250  
The Honorable Joseph Lieberman, Ranking Member, Committee on Governmental Affairs,  
United States Senate, Washington DC 20510-6250  
The Honorable Dan Burton, Chairman, Committee on Government Reform,  
United States House of Representatives, Washington DC 20515-6143  
Henry A. Waxman, Ranking Member, Committee on Government Reform, United States House  
of Representatives, Washington, DC 20515-4305  
Ms. Cindy Fogleman, Subcommittee on Oversight and Investigations, Room 212,  
O'Neil House Office Building, Washington, DC 20515-6143  
Steve Redburn, Chief, Housing Branch, Office of Management and Budget, 725 17<sup>th</sup> Street, NW,  
Room 9226, New Executive Office Bldg., Washington, DC 20503  
Sharon Pinkerton, Deputy Staff Director, Counsel, Subcommittee on Criminal Justice, Drug  
Policy and Human Resources, B373 Rayburn House Office Bldg., Washington, DC 20515