



Issue Date November 6, 1998

Audit Case Number 99-FW-202-1002

TO: Judy Wojciechowski
Director
Troubled Agency Recovery Center, PB2

FROM: D. Michael Beard
District Inspector General for Audit, 6AGA

SUBJECT: Housing Authority of St. James Parish
Public Housing Drug Elimination Program
Lutcher, Louisiana

As part of a nationwide review of the Public Housing Drug Elimination Program, we performed an audit of the St. James Parish Housing Authority, Lutcher, Louisiana. This report contains one finding.

Within 60 days, please give us, for each recommendation made in this report, a status report on: 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 related to the audit.

If you or your staff have any questions, please contact Darrel M. Vaught, Assistant District Inspector General for Audit, at (817) 978-9309.

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Executive Summary

We conducted an audit of the Public Housing Drug Elimination Program administered by the St. James Parish Housing Authority, Lusher, Louisiana (Authority). Our review was to determine whether the Authority, for grant years 1994 through 1996: (1) implemented its drug elimination program awards with satisfactory outcomes and benefits and (2) expended program funds only for eligible activities and in accordance with program requirements.

The Authority did not maintain data or have a system to measure the satisfactory outcomes and benefits of its programs. Without this data, neither the Authority nor HUD can determine whether the Drug Elimination Grant Program has provided satisfactory outcomes and benefits.

Further, the Authority did not properly administer the Drug Elimination Grant Program. The Authority generally relied on the Sheriff's Department to prepare the grant applications and prepare periodic reports to HUD. Also the Authority did not maintain appropriate accounting records and source documents to support its drawdown and use of grant funds. As a result, the Authority: (1) did not have documentation to show how it used about \$4,000 it drew down from the 1994 and 1995 grants; (2) used \$10,400 to reimburse the Sheriff's Department for purchase of ineligible police equipment; and (3) did not have invoices to support payments of about \$1,300 for cameras and travel.

HUD designated the Authority as "troubled" based on its Public Housing Management Assessment Program scores for the year ended September 30, 1993. Subsequently, after the Authority hired several different Executive Directors, HUD contracted with a consultant to manage the day-to-day operations of the Authority and assist in the search for a new qualified Executive Director. In March 1998, the Authority hired an experienced person for this position. HUD's Troubled Agency Recovery Center staff were working with the new Director and her staff to increase the Authority's capacity to effectively and properly manage the Authority's programs and operations.

We are recommending, in the event HUD awards any future Drug Elimination Grants,¹ the Authority: (1) establish an appropriate performance monitoring system; (2) develop strategies for continuation of activities when specific funding is no longer available; and (3) develop the necessary management and financial capacity to carry out the programs before drawing down funds. We are also recommending the Authority repay HUD for any unsupported or ineligible expenditure of Grant funds.

We provided a draft copy of the report to the Authority on October 9, 1998. We held an exit conference with the Executive Director on October 20, 1998. We have summarized the Authority's October 20, 1998 response to the draft report in the finding and included it in its entirety as Appendix C.

¹ The Authority initially submitted an application for a 1997 grant, but requested the HUD Louisiana State Office not forward the application to HUD Headquarters for review.

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Abbreviations

CFR Code of Federal Regulations
HUD U.S. Department of Housing and Urban Development
OIG Office of Inspector General
OMB Office of Management and Budget

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Introduction

St. James Parish, Louisiana, established the St. James Parish Housing Authority in 1966 and the Parish President appointed a five-member Board of Commissioners to govern Authority operations. The Board is responsible for hiring an Executive Director to manage the Authority's day-to-day operations. The Authority keeps its records at its administrative office, located at 2627 King Avenue, Litcher, Louisiana 70071. The Authority has 318 Low-Rent units located at six different sites on both the east and west banks of the Mississippi River.

Chapter 2, Subtitle C, Title V of the Anti-Drug Abuse Act of 1988 authorized the Public Housing Drug Elimination Program. HUD makes grants to public housing authorities to fund activities directed toward the elimination of drug-related crime in public housing developments. Public housing authorities use the grants to carry out activities, which include increased security and protective services, physical improvements to enhance security, and (c) other permitted activities to reduce drug-related crime.

HUD has awarded Drug Elimination Grants to the Authority for fiscal years 1993 through 1996 programs. The following chart shows the funds HUD awarded and the funds the Authority has drawn down from HUD's Line of Credit Control System as of April 23, 1998:

Public Housing Drug Elimination Program			
Grant Year	Funding	Drawn Down	Balance Available
1993	\$159,000	\$159,000	\$ -
1994	95,000	95,000	-
1995	159,000	159,000	-
1996	158,500	44,918	113,582
Totals	\$571,500	\$457,918	\$113,582

Based on its Public Housing Management Assessment Program rating for September 30, 1993, HUD classified the Authority as "troubled." Also, since, January 1995, the Authority has had five Executive Directors, including one interim and one acting executive director. Because of continued deterioration in management, HUD contracted with a consultant to manage the day-to-day operations of the Authority and conduct a search for a qualified Executive Director.

Scope and Methodology

We conducted our examination of the St. James Parish Housing Authority to determine whether the Authority for grant years 1994 through 1996: (1) implemented its drug elimination program awards with satisfactory outcomes and

benefits and (2) expended program funds for only eligible activities and in accordance with program requirements.

To accomplish these objectives, we obtained background information by:

- Reviewing relevant HUD regulations, guidelines, grant agreements, and Notices of Funding Availability;
- Examining records and reports maintained by the HUD Louisiana State Office, Public Housing Division, and interviewing Division staff;
- Scanning the Authority's accounting records, financial reports, and policies, and interviewing Authority staff;
- Reviewing the minutes of the Board of Commissioners meetings; and
- Reviewing independent public accountant audit reports.

To determine if the Authority properly followed HUD requirements in monitoring program performance and expending funds, we:

- Reviewed the Authority's grant year 1994 through 1996 grant applications;
- Reviewed the Authority's semiannual performance and financial reports submitted to HUD for the reporting periods occurring between January 1995 through December 1997;
- Interviewed Authority, HUD, and Parish Sheriff's Department staff regarding the Authority's drug elimination program;
- Reviewed the Authority's supplemental police services contracts with the Parish Sheriff's Department;
- Scanned Public Housing Daily Activity Reports for supplemental police services the Sheriff's Department maintained for the period January 1, 1994, through September 30, 1997;
- Scanned and randomly tested Sheriff's Department time sheets for officers assigned to the Drug Elimination Grant funded activity, for the period October 1, 1994, through September 30, 1997;
- Reviewed the Sheriff's Department Payroll History Check Register for selected officers for the period October 1, 1995, through September 30, 1997;
- Scanned the Sheriff's Department complaint files for calls for service at Authority developments;

- Reviewed Sheriff's Department drug elimination files, invoices, and supporting records for payments received from the Authority;
- Reviewed available Authority financial records (general ledgers, check vouchers, invoices, billings, and bank statements) for the period January 1, 1994, through February 6, 1998;
- Obtained from the Sheriff's Department available crime statistics for January 1995 through December 1997; and
- Obtained drug elimination program Line of Credit Control System reports, for fiscal years 1993 through 1996 Grants, from the HUD Louisiana State Office.

We conducted the audit in accordance with generally accepted government auditing standards. The audit period for the Authority's implementation of its drug elimination program covered the 1994 through 1996 grant awards. For the Authority's use of program funds we reviewed expenditures from October 1, 1994, through February 6, 1998, which included 1993 through 1996 Drug Elimination Program Grant activities. The Authority did not have complete and comprehensive records for financial transactions, which limited the scope of our review. As a result, the Authority could have additional eligible expenditures and supporting documentation, which we were unable to locate. We performed our review from January through June 1998.

We provided a copy of this report to the Executive Director of the Housing Authority of St. James Parish.

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Authority Has Not Properly Managed its Grant Program

The Authority: (a) cannot demonstrate the effectiveness of its program in reducing drug activity and crime; (b) has not developed a strategy to ensure that its activities are sustainable for future periods; and (c) cannot support the propriety of about \$15,700 of the \$457,918 in total Drug Elimination grant funds obtained from HUD. This occurred because the Authority relied almost totally on the St. James Parish Sheriff's Department to prepare its Drug Elimination Grant application, carryout the program, and prepare reports to HUD.² Neither the Authority nor the Sheriff's Department met regulatory requirements for measuring and reporting on the beneficial impact of its grant-funded activities or took action to develop a strategy for sustaining drug elimination and prevention initiatives over a period of years. Further, the Authority did not meet HUD requirements for maintaining appropriate and essential accounting records to support its grant costs.

HUD Requirements

HUD regulations note that the purpose of the Public Housing Drug Elimination Program is to: (a) eliminate drug-related crime and problems associated with it in and around the premises of low-income housing and (b) encourage Public Housing Authorities to develop a plan that includes initiatives that can be sustained over a period of several years for addressing drug-related crime and its problems in and around their premises.³

Further, these regulations⁴ note grantees are responsible for managing the day-to-day operations of the grant and must monitor each grant-funded program, function, or activity to assure compliance with federal requirements and achievement of performance goals and are required to maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must: (a) contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income, (b) be supported by source

² Although HUD's Louisiana State Office rated the Authority's capacity to carry out the grant program low and the application did not include baseline crime information for the Authority's developments, HUD Headquarters approved and funded the applications.

³ HUD regulations at 24 CFR §961.1 (applicable to 1994 and 1995 Grants) and 761.1 (applicable to 1996 Grant).

⁴ HUD regulation at 24 CFR §§85.20(b) and §85.40(a).

documentation; and (c) provide accurate, current, and complete disclosure of the financial results for any required reporting.

HUD regulations also require grantees to provide semiannual reports to HUD setting forth actual accomplishments in comparison to the objectives established for the reporting period, including any change in crime statistics, successful completion of strategy components, problems encountered, and evaluation of the rate of progress⁵.

Further, HUD requires grantees to provide a financial status report semiannually for periods ending June 30 and December 31. The grantee must submit the reports to the local HUD office by July 30 and January 31 of each year.⁶

Authority was not actively involved in carrying out the program.

Representatives of the Parish Sheriff's Department stated that after learning of the grant program, they approached the Authority's Executive Director about getting the Authority to apply for the 1993 grant to help rid the Authority developments of drug-related crime. They further stated that: (a) the Executive Director was not interested in the grant; (b) the Executive Director told them to prepare the application if they wanted the program; (c) they prepared the 1993 and subsequent applications; and (d) they prepared the semiannual performance reports for submission to HUD. They further noted that any questions or help the Sheriff's Department needed came from the local HUD office, and not the Authority. Further, they stated the Sheriff's Department assigned staff and prepared the work schedules for the additional police services at the developments without Authority oversight. These statements were generally confirmed by HUD's August 3, 1994 monitoring report of the Authority's 1993 Drug Elimination Grant, which stated:

The St. James Parish Sheriff's Department is to be commended for taking the lead in implementing the PHDEP in the Authority. The level of ongoing resident involvement in implementing the program is

⁵ HUD regulations at 24 CFR §961.28 (applicable to 1994 and 1995 Grants) and §761.35 (applicable to 1996 Grant).

⁶ HUD regulations at 24 CFR §85.41(b) and (c) and §961.28(c)(1) and (2) for 1994 and 1995 Grants and §761.35(c)(1) and (2)(ii) for the 1996 Grant.

spearheaded by the sheriff's deputies assigned within the PHAs sites. ... In essence, the St. James Parish Sheriff's Department is in control of the PHDEP at the St. James Parish Housing Authority and are certainly doing a fine job.

The report also noted that the Authority needed to establish a system to evaluate the program, as follows:

We recommend that the grantee develop a self-evaluation method which will document the progress of the program and problems that have been encountered. This will enable the grantee to analyze additional needs, if any, for future funding requests. Also, this information would be an aid to preparing the semi-annual performance and financial reports.

Authority and Sheriff's Department had not determined the extent of drug-related crime.

Neither the Authority nor the Sheriff's Office had assembled data on the extent of drug related crime in the developments. Therefore, the Authority did not have baseline data to use in measuring the effectiveness of its grant activities in reducing such crime. Further, the Authority had not established well-defined goals or objectives for its planned activities, e.g., to reduce drug activity or crime by a specified percentage. Although the Sheriff's Department had Parish-wide crime statistics and detail records for the number and type of complaints handled by its officers in each development, neither the Sheriff's Office nor the Authority had established a management information system to compile, summarize, and compare this information to measure the program's effectiveness in reducing drug activity and related crime.

Authority has not adequately planned for continuation of efforts.

The Authority application budgeted substantially all of its grant funding for additional police services provided by the Sheriff's Department. As of February 1998, the Authority had budgeted \$412,500 and expended \$319,136 of its 1994, 1995, and 1996 Grant funds for the following activities:

Finding 1

	Amount		Percent of Total	
	Budgeted	Expended	Budgeted	Expended
Law Enforcement				
1994	\$ 89,100	\$ 89,099		
1995	138,660	152,526		
1996	106,246	69,166		
Subtotals	\$334,006	\$310,791	81.0%	97.4%
Physical Improvements				
1994	\$ 2,000	\$2,000		
1995	10,000	-		
1996	13,291	-		
Subtotals	\$25,291	\$2,000	6.1%	0.6%
Other Costs				
1994	\$ 3,900	\$ 2,525		
1995	10,340	3,820		
1996	-	-		
Subtotals	\$ 14,240	\$ 6,345	3.5%	2.0%
1996 Additional Categories				
Voluntary Tenant Patrol	10,540	-		
Drug Prevention	4,620	-		
Drug Intervention	23,803	-		
Subtotals	\$ 38,963	\$ -	9.4%	0.0%
Totals	\$412,500	\$319,136	100.0%	100.0%

The Sheriff's Officers assigned to patrol the Authority's low-rent developments believe that their efforts have made a significant impact toward reducing drug activity and crime. However, the Sheriff's Department bases its use of officers dedicated to patrol the low-rent developments, upon the availability and continuation of Drug Elimination Grant funding. One of HUD's stated purposes is for grantees to develop a plan with initiatives for addressing drug-related crime and its problems that can be sustained over a period of several years

As shown, the Authority's primary use of 1993 through 1995 Grant funds has been for added police protection.⁷ Although the Authority included \$38,963 for Voluntary Tenant Patrols, Drug Prevention, and Drug Intervention activities in its 1996 Grant application, as of February 1998,

⁷ The 1993 Grant totaled \$159,000 in the following categories - \$139,680 for police services, \$5,500 for physical improvements, and \$13,800 for other program costs.

the Authority had not started or expended any funds on these activities.⁸ Consequently, the Authority's primary use of Drug Elimination Grant funding is for added police protection, which the Authority can sustain only by using continued HUD grants.

Authority did not keep appropriate accounting records to support Grant drawdown and expenditures.

The Authority did not maintain proper accounting records with source documents to support its use of grant funds for Drug Elimination Activities and its reporting of financial transactions to HUD. The HUD Louisiana State Office, in their August 3, 1994 letter to the Authority regarding the 1993 Drug Elimination Program noted the need to improve financial accounting:

... "The financial records must contain accurate, complete and up-to-date information on all of the grant funds. From the records, the reviewer should be able to determine how much was spent and how much money is left..." ... "The accounting records must contain complete information about the receipt and disbursements of grant funds..."

However, the Authority did not correct these accounting and other management problems.⁹ The contract consultant provided OIG with available records. These records did not include an accurate general ledger, disbursements journal, or a proper filing system for supporting invoices and documents.

However, based on various files at either the Authority or Sheriff's Department, OIG was able to identify a total of \$319,136 expended through February 8, 1998, from the 1994 through 1996 Grants. Appendix A shows the amount of identified expenditures for the 1994, 1995, and 1996 Grants as of February 28, 1998. The following shows the amount of grant funds the Authority drew down compared to the OIG identified expenditures:

⁸ HUD has extended the grant through November 30, 1998.

⁹ As noted in the Background Section, the Authority experienced turnover in its top management position and, because of continued ineffective management, HUD contracted with a consultant to take over management of the Authority.

Grant		Grant Funds		
Year ¹⁰	Award	Drawn	Expended	Over (Under)
1994	\$ 95,000	\$ 95,000	\$ 93,624	\$ 1,376
1995	159,000	159,000	156,346	2,654
1996	158,500	44,918	69,166	(24,248)
Totals	\$412,500	\$298,918	\$319,136	\$(20,218)

Authority cannot support all expenditures for 1994 and 1995 Grants and used funds for ineligible police equipment.

The Authority did not have documentation to show expenditure of \$4,030 it drew down for 1994 or 1995 Grant activity. HUD closed the 1994 Grant on March 10, 1997, based on the Authority’s Financial Status Report showing a total of \$95,000 expended for grant activities. However, the Authority’s documentation showing expenditures attributable to the 1994 Grant year totaled \$93,624. Therefore, the Authority does not have support for \$1,376 in 1994 Grant funds drawn down in excess of OIG identified expenditures.

Further, the Authority has drawn down all \$159,000 of 1995 Grant funds, but had documentation to support only \$156,346 in expenditures, or \$2,654 less than the Grant funds drawn down. The Authority and Sheriff’s Department had adequate documentation to support the use of \$152,526 of 1995 Grant funds for law enforcement salaries.¹¹

The Authority’s 1994 expenditures for law enforcement and 1995 expenditures for other costs included \$4,760 of questionable or ineligible cost, as follows:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Expended</u>
3/29/95	017724	Two radar units	\$2,500.00
3/29/96	019341	Police radio microphone speakers	998.26
3/29/96	019342	Travel for 2 Police Officers	641.00
		Southern Camera Shop	620.76
		Total	<u>\$4,760.02</u>

¹⁰ The 1994 Grant expired on September 30, 1995, and the 1995 Grant expired on January 31, 1998.

¹¹ OIG classified all payments to the Sheriff’s Department for salaries based on the time period worked within the 1995 Grant period up to the total authorized budget amount of \$138,660 plus \$13,866 (10% modification HUD regulations allow without obtaining prior HUD approval. OIG classified all subsequent payments for salaries to the 1996 Grant).

The radar units and radio microphones are police equipment and therefore not eligible for grant funding.¹² The Authority's records did not contain supporting documents for the travel and camera shop purchases. In addition, the Authority did not have property records for any of the equipment as required by HUD regulations.¹³ Sheriff's Department staff stated the radar units and police radios are being used by the Sheriff's Department. However, neither Authority staff nor Sheriff's Department personnel knew where the camera equipment was located.

In addition, OIG inquiries regarding the police radio microphones and radar units disclosed that the Authority used \$6,900 of 1993 Grant funds to purchase four police radios. Therefore, OIG is also questioning the Authority's use of \$6,900 to reimburse the Sheriff's Department for this ineligible police equipment.

Authority was consistently late in submission of its semiannual financial reports.

HUD requires Drug Elimination Grant recipients to provide a financial report to HUD every 6 months for each active grant.¹⁴ Although the Authority submitted the required reports, they were not based on any underlying accounting records and were consistently late. As previously noted, the Authority did not maintain proper accounting records to support Grant financial activity. Further, of the ten reports due during the audit period, the Authority submitted only one by the due date. The remaining reports varied between 7 and 145 days late.

Auditee Comments

The Executive Director's October 20, 1998 written response did not disagree with the findings and recommendations. The Executive Director noted the Authority has made significant improvements in its management practices to eliminate future findings.

¹² HUD regulations at 24 CFR §961.10(c) and Notice of Funding Availability (Federal Register, Volume 59, No. 63, and Volume 60, No. 3).

¹³ HUD regulations at 24 CFR §85.32(d).

¹⁴ HUD regulations at 24 CFR §85.41(b) and (b)(4) require grantees to use Standard Form 269 or 269A, to report the status of funds for all non-construction grants. The reports are due 30 days after the reporting period, which for Drug Elimination Grants was for the 6-month periods ending June 30th and December 31st.

Recommendations

We recommend that the HUD Troubled Agency Recovery Center:

- 1A. Require the Authority, if it receives any additional Drug Elimination Grants, to establish a system that will identify baseline crime and drug activity statistics, set forth goals and objectives for its activities, and will measure activity performance in accomplishing those goals and objectives;
- 1B. Instruct the Authority, if it receives any additional Drug Elimination Grants, to work to develop a strategy for continuing drug elimination and prevention activities in future years;
- 1C. Continue to assist the Authority to develop management capacity to carry out its operations and, in the event of future Drug Elimination Grant funding, require the Authority to demonstrate such capacity prior to releasing funds;
- 1D. Require the Authority to repay HUD for the \$10,398 used to purchase police equipment;
- 1E. Require the Authority to either provide proper supporting documentation or repay HUD for the \$1,262 used for purchase of cameras and travel;
- 1F. Afford the Authority a reasonable period to identify other proper 1994 and 1995 Grant expenditures made within respective grant periods and, if not provided, require repayment to HUD of \$4,030 in excess drawdown of funds; and
- 1G. Require the Authority to prepare, maintain, and submit timely financial reports on open grant activities.

Management Controls

In planning and performing our audit, we obtained an understanding of the management controls that were relevant to our audit. Management is responsible for establishing effective management controls. Management controls, in the broadest sense, include the plan of organization, methods, and procedures adopted by management to ensure that its goals are met. Management controls include the processes for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

Relevant Management Controls

We determined the following management controls were relevant to our audit objectives:

- Performance evaluation system
- Reporting program performance
- Activity and cost eligibility
- Fiscal management system

We assessed all of the relevant control categories identified above, to the extent they impacted on our audit objectives.

Significant Weaknesses

A significant weakness exists if management 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 are obtained, maintained, and fairly disclosed in reports. Based on our review, we believe the following items are significant weaknesses as discussed in the finding:

- The Authority has not established well-defined goals or objectives for its activities or implemented a system to measure their effectiveness and
- The Authority did not have a system to ensure proper financial transactions were eligible and properly recorded.

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Follow-Up on Prior Audit Findings

William Daniel McCaskill, Certified Public Accountant, whose report is dated February 25, 1997, performed the independent financial audit for the fiscal year ended September 30, 1996. He disclaimed an opinion on the Authority's financial statements because, in part, the inability to confirm account balances including the Drug Elimination Program. The Auditor included the following comment in his findings:

The PHA has inadequate controls over it's Modernization and PHDEP Programs and HUD Grants relative to those programs . . . the general ledger is not reconciled to the costs and grant funds. We could not tie the general ledger costs and grant costs to HUD documents.

OIG comments on these conditions relative to the Drug Elimination Grant Program in the report finding.

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Schedule of Grant Costs

For the Period October 1, 1994, through February 6, 1998

	Budget	Expended	Ineligible	Unsupported	Allowable
Grant Year 1994					
Law Enforcement	\$ 89,100	\$ 89,099			\$ 89,099
Physical Improvement	2,000	2,000			2,000
Other Costs	3,900	2,525	\$2,500		25
Grant Totals	\$ 95,000	\$ 93,624	\$2,500	\$ -	\$ 91,124
Grant Year 1995					
Law Enforcement	\$138,660	\$152,526			\$152,526
Physical Improvement	10,000	-			-
Other Costs	10,340	3,820	998	1,262	1,561
Grant Totals	\$159,000	\$156,346	\$ 998	\$1,262	\$154,087
Grant Year 1996					
Law Enforcement	\$106,246	\$ 69,166		\$ -	\$ 69,166
Physical Improvement	13,291	-		-	-
Voluntary Tenant Patrol	10,540	-		-	-
Drug Prevention	4,620	-		-	-
Drug Intervention	23,803	-		-	-
Other Costs	-	-		-	-
Grant Totals	\$158,500	\$ 69,166	\$ -	\$ -	\$ 69,166
Totals for all 3 years	\$412,500	\$319,136	\$3,498 ¹	\$1,262	\$314,377

¹ OIG also identified another \$6,900 of 1993 Grant funds used to purchase police equipment, making total of \$10,398 in Grant funds used to purchase police equipment.

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Schedule of Questioned Costs

<u>Recommendation Number</u>	<u>Ineligible</u> ¹	<u>Unsupported</u> ²
1D	\$10,398	
1E		\$1,262
1F		4,030
TOTALS	<u>\$10,398</u>	<u>\$5,292</u>

¹ Ineligible costs are costs charged to a HUD-financed or insured program or activity that the auditor believes are not allowable by law, contract, or federal, state, or local policies or regulations.

² Unsupported costs are costs charged to a HUD-financed or insured program or activity and eligibility cannot be determined at the time of audit. The costs are not supported by adequate documentation or there is a need for a legal or administrative determination on the eligibility of the cost. Unsupported costs require a future decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of Departmental policies and procedures.

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Auditee Comments

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