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TO: Paula O. Blunt, Acting General Deputy Assistant Secretary,
Office of Public and Indian Housing, PEC

A handwritten signature in black ink, appearing to read 'N. H. Cooper'.

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

SUBJECT: Memphis, Tennessee Troubled Agency Recovery Center

In response to a citizen's complaint, we conducted an audit of the operations of the Memphis Troubled Agency Recovery Center (TARC). This report presents our audit results. The U.S. Department of Housing and Urban Development's (HUD) comments to the two findings and associated recommendations are included as Appendix B. Excerpts of the comments and the Office of Inspector General's (OIG) response are incorporated into the Findings and Recommendations section of the report.

Within 60 days, please provide a status report for each recommendation on: (1) the corrective action taken; (2) the proposed corrective action and a planned completion date; or (3) why action is considered unnecessary. Also, please furnish us copies of any correspondence or directives issued as a result of the audit. Note that 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. Should you or your staff have any questions, please contact me at (404) 331-3369, or Gerald Kirkland, Assistant District Inspector General for Audit, at (865) 545-4368.

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Executive Summary

This report presents the results of our audit of the Memphis, Tennessee, TARC. Our objective was to determine whether the TARC accomplished its mission in an efficient and effective manner. This included assessing the effectiveness of its management controls.

We found the TARC's operations were generally inefficient and ineffective. For example, it did not consistently provide effective oversight to Public Housing Authorities (PHAs), and it did not fully utilize its staff. A 1999 OIG survey of the Memphis and Cleveland, Ohio, TARCs found similar deficiencies.¹ While a recent management change at the TARC has improved operations, several areas need further improvement.

As discussed in Finding 1, the TARC did not consistently provide adequate oversight to PHAs. Also, it did not take aggressive actions against PHAs that failed to either show adequate improvement or comply with requirements. This occurred because TARC management did not establish comprehensive operating policies and procedures needed for an adequate management control system. As a result, public housing residents continued to live in substandard housing.

We found it particularly disturbing that the TARC did not provide adequate oversight to the Memphis Housing Authority (MHA), a historically troubled PHA. In fact, the MHA's performance declined since being assigned to the TARC. Also, despite 2 years of TARC oversight, the Housing Authority of St. James Parish, Louisiana failed to show improvement. In fact, its performance deteriorated. Yet, the TARC did not refer it to the Enforcement Center for further action.

In Finding 2, we discuss the TARC's inefficient and ineffective operations and its inability to fully and effectively utilize its staff. This occurred primarily because Congress imposed a moratorium on the implementation of HUD's Public Housing Assessment System (PHAS). As a result, the anticipated inventory did not materialize. Further, the location of out-stationed staff hampered the TARC's ability to efficiently service its inventory and did not permit adequate supervision of its staff. Thus, the TARC did not make significant progress towards accomplishing its mission. In fact, as of November 30, 2000, it had recovered and returned to their respective Hub/PC (Program Center) offices only eight troubled PHAs.

The Office of Trouble Agency Recovery (OTAR), which oversees the TARC, recently contracted with Andersen Consulting to develop the Continuous Processing Improvement system that should improve the TARC's operations. Also, under the leadership of the new TARC Director, not only has the TARC increased productivity, it has taken several measures to improve operations.

¹ Survey of the Troubled Agency Recovery Centers (TARC) and Related Field Office Activities, HUD Office of Inspector General (99-FO-101-0802, September 30, 1999).

To correct these weaknesses identified in this report, we are recommending you ensure the TARC:

- Continues to implement the Continuous Process Improvement system provided by Andersen Consulting and continues to take additional measures to improve operations;
- Takes swift and aggressive actions against noncompliant PHAs, including the MHA;
- Takes other actions to ensure it meets its program mission in an efficient and effective manner;
- Performs a staff utilization analysis to determine the number of staff needed to manage the existing workload and formally detail or reassign remaining staff to local HUD offices;
- Discontinues hiring staff at out-stationed locations; and,
- Implements effective supervisory controls over remaining out-stationed staff.

HUD's response to the draft report

We provided HUD our draft report on June 21, 2001. We discussed the draft report with HUD officials at an exit conference on July 13, 2001. HUD provided written comments to the draft on August 3, 2001. HUD generally agreed with the findings. We considered the comments in preparing our final report. The comments are summarized within each finding and included in their entirety as Appendix B.

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Abbreviations

HUD	U.S. Department of Housing and Urban Development
MHA	Memphis Housing Authority
MOA	Memorandum of Agreement
OIG	Office of Inspector General
OTAR	Office of Troubled Agency Recovery
PC	Program Center

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PHA	Public Housing Authority
PHAS	Public Housing Assessment System
PHMAP	Public Housing Management Assessment Program
PIH	Office of Public and Indian Housing
REAC	Real Estate Assessment Center
SEMAP	Section 8 Management Assistance Program
TARC	Troubled Agency Recovery Center

Introduction

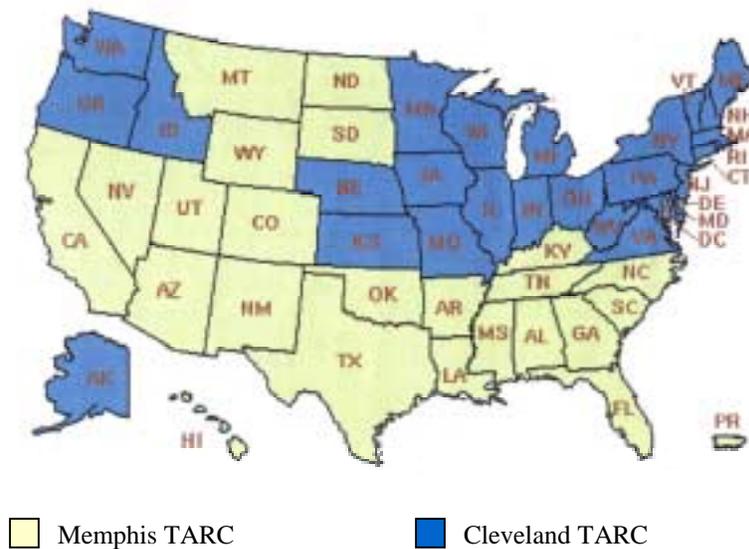
As part of HUD’s 2020 Management Reform Plan, its office of Public and Indian Housing (PIH) established TARCs in Memphis, Tennessee and Cleveland, Ohio. The TARCs report to the PIH Deputy Assistant Secretary for OTAR in Headquarters. Management expected the TARCs would improve servicing for under-performing PHAs designated as “troubled.”

“The mission of the Office of Troubled Agency Recovery is to coordinate with all program areas to support the recovery of troubled PHAs, thereby ensuring the provision of decent, safe, and sanitary housing for all public housing residents.”

Initially, HUD anticipated a portfolio of 575 troubled PHAs based on annual assessment scores. To service the anticipated portfolio, HUD estimated total TARC costs, including Headquarters staff, at approximately \$25 million annually after the 1998 startup. It also estimated a total staff of 205 would be needed for the TARC centers, out-stationed offices, and Headquarters. This included 96 staff for the Memphis TARC, 39 out-stationed in various Hub/PC offices and 57 in Memphis.²

The TARCs began operations in August 1998 and were fully operational by October 1, 1998. In January 2001, OTAR appointed Catherine Lamberg as Director of the Memphis TARC.

The following map shows the Memphis and Cleveland TARC jurisdictions:



² Although HUD estimated 57 staff would need to be located in Memphis, the staffing plan only provided for 32 staff.

The National Housing Act of 1937, as amended, and Title 24, Parts 901 and 902, of the Code of Federal Regulations establish the policies, procedures, and criteria for identifying and improving troubled PHAs. Title 24, Part 985, contains the regulations for the Section 8 Management Assistance Program (SEMAP).

Prior to fiscal year 2000, HUD used its Public Housing Management Assessment Program (PHMAP) to assess PHA operations. However, PHMAP only measured a few key areas of operations. Beginning with fiscal year 2000, HUD replaced PHMAP with the PHAS, as management believed it would more effectively identify troubled PHAs.

HUD's Real Estate Assessment Center (REAC) works closely with, but independent of, HUD program areas to assess the housing stock. Annually, the REAC assesses PHA physical condition, financial soundness, customer satisfaction, and management capability. The PHAS score is a single score derived from the combination of the four assessments. Based on that score, PHAs are rated as high, standard, or troubled performers. A PHA is identified as troubled if it obtains an overall score below 60 percent, or if it fails the physical, management, or financial indicators.

PIH management decided the Congressional moratorium did not apply to PHAs that failed the Management Operations indicator. Thus, the REAC began referring PHAs that failed the management indicator to the appropriate TARC. However, the Management Operations score is a self-assessment. Thus, the REAC has referred only a few troubled PHAs to the TARC.

On May 30, 2001, HUD issued a revised timetable for implementation of PHAS.³ The Management Operations indicator will continue to be the official assessment score for PHAs with fiscal years ending on June 30, 2000, through June 30, 2001. HUD intends to conduct informal consultations with PHAs, public housing residents, housing advocacy representatives, and others to identify ways to improve HUD's procedures for assessing PHA performance. These consultations are expected to commence within the near future and occur periodically through November 2001, and thereafter as necessary. HUD may issue modified PHAS scores for PHAs with fiscal years ending after June 30, 2001, through June 30, 2002. Thus, it appears the anticipated inventory will not be forthcoming in the near future.

SEMAP is a management assessment system that HUD implemented in the fall of 1998 to measure the performance of housing agencies administering Section 8 rental assistance. SEMAP measures performance in 14 key areas to determine whether eligible families are helped to afford decent rental units at a reasonable subsidy. The areas measured include rent reasonableness, verification of family income, calculation of the tenant share of the rent, and housing inspections and maintenance. At the time of our review, HUD had not fully implemented SEMAP and the TARC was not servicing any SEMAP troubled PHAs.

³ Federal Register/Vol. 66, No. 104/Wednesday, May 30, 2001/Notices.

TARCs are responsible for developing and implementing intervention strategies to help troubled PHAs attain an acceptable performance level. They are also responsible for providing the PHAs technical assistance on a variety of public housing operational issues including property needs and maintenance, occupancy procedures, resident and applicant relations, and financial management. TARCs must refer those PHAs unable to recover within established time frames to HUD's Enforcement Center for potential receivership or other action.

In 1999, the OIG performed a survey of the Memphis and Cleveland TARC activities to determine: (1) whether the TARCs were effectively improving troubled PHA's performance levels, and (2) whether troubled PHAs were properly identified and forwarded to the TARCs for processing under PHMAP. The report concluded that the TARCs were operating below the capacity for which they were established because PHMAP was not generating sufficient numbers of troubled PHAs to justify the existing TARC staff. Also, the TARCs' strategies and processing procedures did not always identify and address all pertinent management and operational deficiencies the troubled PHAs needed to correct in order to improve performance on a sustainable basis.

The report further concluded the TARCs' procedures did not always comply with the National Housing Act and PHMAP regulations. The TARCs did not always (1) timely obtain independent assessments for troubled PHAs transferred from the Hubs; (2) complete independent assessments before on-site evaluations and Memoranda of Agreement (MOA)/Recovery Plans were completed; and (3) prepare comprehensive Recovery Plans that addressed all operational and management issues. The report questioned whether the TARCs would have a significant impact on improving PHA performance on a sustainable basis and prevent them from failing in the future without appropriate action to improve operational and administrative deficiencies.

Audit objectives and scope

Our primary audit objective was to determine whether the Memphis TARC was operating in an efficient and effective manner in accordance with sound management practice. This included assessing the effectiveness of its management control system.

We conducted the audit at the Memphis TARC offices from April 2000 to March 2001. The audit generally covered the period from August 1998 through December 2000. To meet our objectives, we:

- Interviewed TARC management and staff;
- Interviewed 12 Hub/PC Directors in the TARC's jurisdiction;

- Obtained and reviewed various background material including Title 24, Parts 901 and 902, of the Code of Federal Regulations;
- Reviewed management control documentation and assessed controls relevant to the primary audit objective;
- Reviewed files for 6 of 41 troubled/non-troubled and all 8 recovered PHAs; and
- Performed a walk-through inspection of five MHA family developments.

We conducted our audit in accordance with generally accepted government auditing standards.

The TARC Did Not Provide Adequate Oversight to PHAs

The TARC did not consistently provide adequate oversight to PHAs. Also, it did not take aggressive actions against PHAs that failed to show adequate improvement or comply with requirements. This occurred because TARC management did not establish comprehensive operating policies and procedures needed for an effective management control system. As a result, public housing residents continued to live in substandard housing. The OTAR recently contracted with Andersen Consulting to improve TARC policies and procedures, and TARC management has recently taken measures to improve controls and operations. We recommend the TARC continue to implement the systems provided by Andersen Consulting and continue to take additional measures to improve operations. Also, the TARC must take swift and aggressive actions against noncompliant PHAs to ensure it meets its program mission of supporting the recovery of troubled PHAs.

Management is responsible for establishing effective management controls including:

- Methods and procedures to ensure its goals are met;
- Processes for planning, organizing, directing, and controlling program operations; and
- Systems for measuring, reporting, and monitoring program performance.⁴

Inadequate oversight

To assess the TARC's oversight of PHAs, we reviewed files and conducted interviews for a sample of 6 of the 41 (including non-troubled) PHAs in its inventory as of December 31, 2000. We also reviewed files for all eight recovered PHAs. We found the TARC did not provide adequate oversight because it did not establish effective management controls.

The TARC's servicing of the Memphis, Tennessee, Benson, North Carolina, St. James Parish, Louisiana, and Paris, Texas, housing authorities illustrate the TARC's inadequate oversight and lack of effective management controls.

⁴ Government Auditing Standards – 1994 Revision, Comptroller General of the United States

**Memphis Housing
Authority**

The MHA has a significant history of problems. The OIG has issued several audit reports over the years showing the MHA's failure to provide tenants with decent, safe, and sanitary housing. Our most recent report, dated January 13, 1997, recommended HUD declare the MHA in substantial default of its Annual Contributions Contract, and either (1) select a third party to manage the MHA's maintenance and modernization operational areas, or (2) undertake joint management consisting of the existing MHA administration and HUD.

HUD rejected our recommendations and decided to allow the new MHA Executive Director a final opportunity to improve performance. The PIH Assistant Secretary assured us a MOA would be executed that contained specific measurable goals and interim performance targets. The MOA would require the MHA to attain a minimum passing score of 60 percent on the PHAS physical indicator by October 5, 2001.

Despite 2 years of TARC oversight responsibility, the MHA does not appear to be making substantial progress towards passing the PHAS physical indicator.⁵ In fact, according to the REAC's inspections, both the physical indicator and overall scores declined. Between the 1999 and 2000 REAC inspections the MHA's physical indicator score dropped from 48 percent to 34 percent. MHA's overall PHAS score dropped from 61 percent to 51 percent. This occurred because the MOA/Recovery Plan did not contain meaningful tasks that enabled substantial improvement within prescribed time frames. Also, the TARC did not provide adequate oversight.

The MHA is only about four blocks from the TARC, and all of its units are within the Memphis metropolitan area. Yet, the TARC had not made official on-site visits to any of the complexes since the MOA was executed. Also, although the MHA was in default of the MOA for failure to timely provide required reports, the TARC failed to take timely or meaningful action.

⁵ The MOA was not executed until April 21, 2000. However, the TARC began servicing the MHA on April 28, 1999.

Our review results support the continued deterioration of the MHA evidenced by the REAC's inspections. Three of five MHA family developments we visited showed clear evidence of a general lack of maintenance and a tolerance for hazardous conditions. Of the other two developments, one was newly renovated and the other had been demolished and was being re-constructed.

In March 2001, KPMG Consulting performed an independent assessment of the MHA. Its June 12, 2001, draft report concluded the MHA's current strategic plan will not address the specific short-term issues required to immediately improve its PHAS scores. KPMG found the poor condition of MHA properties was attributable to four major factors: (1) lack of modernization, (2) poor housekeeping, vandalism, resident abuse, and scavenging, (3) poor annual inspections, and (4) low quality and low speed maintenance. The report states, "MHA's maintenance department doles out rather low quality maintenance work, at a very slow rate. They are, as a group, at the very low end of productivity." KPMG also concluded, "While the agency recognizes some of these issues and is taking steps to address them, MHA's strategic plan orients the agency in such a direction that significant improvement under PHAS is not likely to occur in the short term." The report further concluded that in the interim, residents live in conditions that are not decent, safe, and sanitary.

The TARC must provide more intensive, comprehensive, and meaningful oversight of the MHA. Also, the TARC should revise the existing, or execute a new, MOA/Recovery Plan for the MHA to ensure it includes meaningful tasks designed to enable its timely recovery from troubled status. Otherwise, it is unlikely the MHA will recover from its troubled status and residents will continue to live in unsatisfactory housing.

Benson Housing Authority

The TARC's servicing of the Benson Housing Authority exemplifies unnecessary processing delays. A March 27, 2000, OIG audit report on the Authority (report number 00-AT-02-1005) recommended that HUD declare it in substantial default of its Annual Contributions Contract. It

also recommended the Authority deliver possession and control of its housing developments to HUD. Subsequently, the OIG and the Acting General Deputy Assistant Secretary for PIH agreed to assign the Authority to the Memphis TARC for oversight and assistance.

The TARC assumed oversight of the Authority on September 11, 2000. Even though the TARC had three out-stationed staff in the Greensboro, North Carolina, office, it did not perform the initial assessment until November 7, 2000. Further, although HUD promised the OIG the MOA would be executed by December 31, 2000, it was not completed until March 14, 2001.

This occurred because the TARC did not have written standards for performing critical events, such as performing initial assessments and executing MOA/Recovery Plans. As shown in Appendix A, the TARC routinely failed to complete critical events timely. For example, the TARC took an average of 45 days to make initial site visits and 185 days to execute MOA/Recovery Plans.

PHAs must improve their PHAS score at least 50 percent during the first year and achieve non-troubled status within 2 years after assignment to the TARC. Regulations require the TARC to refer to the Enforcement Center those PHAs failing to attain a passing PHAS score of 60 percent within 2 years of assignment. Also, both the MOA and the regulations provide that PHAs may be in substantial default if they do not satisfy or make “reasonable progress” to meet MOA requirements. The TARC’s delays seriously hamper the PHAs’ ability to recover within prescribed timeframes.

**St. James Parish
Housing Authority**

The TARC failed to take timely action with regard to the St. James Parish, Louisiana, PHA. The Authority was clearly in default of its MOA and, despite having been with the TARC for over 2 years, its performance was deteriorating. Still, the TARC did not timely refer it to the Enforcement Center.

The Authority had been troubled since September 30, 1993. From September 1992 through September 1997 the Authority's annual PHMAP scores steadily declined from 62.5 percent to 21.5 percent. In February 1998, the Authority was assigned to the TARC for servicing. From

February 1998 through September 1998, TARC staff worked at the Authority offices on a daily basis in order to assist the new Executive Director and ensure stability. The Authority's PHMAP score rose to 50.7 percent as of September 30, 1998. Although the Authority was still troubled, the TARC discontinued the daily on-site assistance at the Executive Director's request. The Executive Director felt that she and her staff could assume full responsibility. The TARC continued to provide remote servicing.

In addition to its on-site assistance and remote servicing, the TARC spent over \$726,000 for contracted technical assistance. Despite these efforts, the Authority's performance deteriorated after the TARC discontinued the on-site assistance. Its advisory PHAS score for the fiscal year ended September 30, 1999, dropped to 40.2 percent. According to requirements, the TARC should have referred the Authority to the Enforcement Center because of its failure to recover within the 2-year maximum period.⁶ However, the TARC did not receive the Authority's fiscal year 1999 PHAS advisory score from the REAC until September 20, 2000. In October 2000, Congress issued the moratorium preventing HUD from taking adverse actions against PHAs based solely on PHAS scores. Thus, the TARC could not make a referral to the Enforcement Center based on the scores.

Nonetheless, as early as March 1999, the TARC knew the Authority was not in compliance with the MOA/Recovery Plan. Thus, it should have declared the Authority in default and began enforcement actions at that time. Also, the TARC knew the Authority had breached the terms of its Annual Contributions Contract, which also warranted referral to the Enforcement Center.

Subsequent to our review, the Authority's Board voluntarily relinquished control of the agency to the TARC.

⁶ The Authority was assigned to the TARC in February 1998. Thus, the TARC should have referred it to the Enforcement Center in February 2000.

Paris Housing Authority

The Paris, Texas, Housing Authority was a troubled authority that received service from the TARC. It obtained a 65.2 percent PHAS score for fiscal year 1999. Thus, the TARC transitioned it back to the Ft. Worth, Texas, Hub on December 17, 1999, even though the Authority had not completed all of the tasks in the MOA/Recovery Plan. Unfortunately, its Fiscal year 2000 PHAS score dropped to 55.1 percent and it was again designated as troubled. This occurred because the TARC did not establish follow up procedures to ensure that PHAs transitioned back to the Hub/PCs completed any remaining tasks. According to Hub staff, no one monitored the Paris Housing Authority to ensure it completed its remaining tasks.

A PHA normally will not have completed all the tasks included in its agreement when the TARC transfers servicing responsibility back to the Hub/PC. The existing protocol between the TARC and the various Hub/PC offices does not specify which office is responsible for ensuring tasks are completed following transition. This condition was previously reported in our September 30, 1999, report. In her response to that report, the Deputy Assistant Secretary for OTAR said, "The protocols will be revised to reflect that Hubs/PCs will continue monitoring agencies returned to their portfolio in accordance with the MOA to ensure sustainable recovery." However, the May 10, 2000, updated protocol still does not assign responsibility to ensure tasks are completed. Also, the TARC's standard letter to recovered PHAs only suggests the PHAs complete the tasks. As a result, PHAs did not always complete the tasks. As discussed in Finding 2, this may have contributed to the recovered PHAs' inability to maintain or further improve their performance.

The protocol between the TARC and Hub/PC offices must be revised to assign responsibility for ensuring tasks are completed.

Other management control weaknesses

In addition to the previously discussed management control weaknesses, management did not establish other necessary controls. It did not have adequate written policies and procedures establishing file documentation requirements for critical reports, correspondence, records of meetings, and

other information needed to document the recovery process, including workplans and actions it took or did not take against noncompliant PHAs. Also, it did not have effective controls to properly supervise out-stationed staff.

Because the TARC did not have established procedures, critical information was not always maintained in the files. Thus, it could not consistently support whether PHAs complied with MOA and other requirements or support management's actions taken or not taken against noncompliant PHAs. For example, the TARC did not consistently maintain adequate documentation regarding workplans, initial assessments, draft MOAs and negotiations with the PHAs, or PHAs' failures to comply with their MOAs. The TARC also did not adequately document its review of PHA reports or provide timely responses to the PHAs.

Only 6 of the 14 PHA files we reviewed contained a workplan. We found the workplan formats and contents varied. Some contained little more than travel cost estimates. In two cases, workplans were dated after the work was performed. Because the TARC had not adequately documented the files, we were unable to assess the timeliness of some critical processing steps.

Files did not always contain required reports from PHAs. Also, there often was no documentation as to what, if any, action the TARC took when PHAs failed to submit reports timely. Further, the TARC did not always properly document its review of the reports or respond timely to the PHAs. Timely action regarding PHA reporting is essential since the reports showed the PHAs' progress toward completing MOA/Recovery Plan tasks. Without adequate documentation of review results, the TARC may overlook weaknesses in a PHA's recovery process. Further, failure to submit timely reports generally constitutes default of the MOA/Recovery Plan. Thus, the TARC must ensure its files are fully documented to support any subsequent referrals to the Enforcement Center.

Further, the TARC did not have effective controls to properly supervise out-stationed staff. Management at the Memphis TARC supervised the work of out-stationed staff, but timekeepers at the Hubs/PCs maintained the time and attendance records for those staff. Hub/PC supervisors could sign leave slips for up to 8 hours leave, but they did not have supervisory authority over the staff. TARC management had concerns about out-stationed staff with an insufficient workload, admitting that it did not always know what the staff was doing. Despite this, management did not take timely action to correct the problems. This resulted in abuse by staff.

We informed the TARC of an out-stationed employee who abused work hours, including hours scheduled for telework. We referred the matter for an OIG investigation. Subsequently, management transferred the timekeeping duties for out-stationed staff to the TARC and temporarily terminated telework schedules for staff located at the Hub where the abuse occurred.



**Improved
procedures**

Recently, the TARC worked with Andersen Consulting to develop the Continuous Process Improvement system. Management expects the system to improve performance in weak areas and achieve consistent operations within the Memphis TARC as well as between the Memphis and Cleveland TARCs. The system was designed to prevent recurrences of past servicing deficiencies by better managing the workload and making staff accountable for their work. The system provides a procedures manual and standardized computer spreadsheets and database files to track information. At the time of our review, the TARC had just begun implementing the system and anticipated additional changes to the system. Full implementation of the system should significantly improve procedures. However, in addition to this system, other controls are needed. Specifically, the TARC must implement time standards for critical events, standardize file documentation requirements, and implement procedures to ensure recovered PHAs complete any remaining MOA/Recovery Plan tasks following transition back to the Hubs/PCs.

HUD comments

Management generally agreed with the finding and agreed with the recommendations. It has taken or agreed to take appropriate actions to address each of our recommendations. For example, it recognized its need to improve servicing activities to the MHA and engaged in aggressive servicing and oversight of the PHA. It also contracted for and completed an independent assessment of the MHA and is negotiating a new MOA.

The TARC continues to refine the Continuous Process Improvement system and implement other controls to improve operations. It is also continues to review and further develop policies that promote effective supervision of out-stationed staff.

The TARC disagreed somewhat with our analysis of its failure to refer the St. James Parish PHA to the Enforcement Center. It explained that it did not receive the PHA's Fiscal year 1999 PHAS scores from the REAC until September 2000. Also, the October 2000 Congressional moratorium prevented HUD from taking adverse actions against PHAs based solely on PHAS scores. Thus, the TARC could not make a referral to the Enforcement Center based on the scores.

OIG response to comments

We are encouraged by management's current efforts to improve operations by implementing more effective policies and procedures. We are particularly encouraged by its efforts to increase its oversight of the MHA and its willingness to accept the difficult task of attempting to resolve the MHA's longstanding problems. It is critical that the TARC provide intensive oversight to the MHA to ensure it provides decent, safe, and sanitary housing. If the MHA does not make swift, effective improvements, the TARC must take necessary actions to quickly refer the MHA to the Enforcement Center for receivership.

Finding 1

We concur with the management decisions for Recommendations 1A, 1B, 1D, and 1F and consider those recommendations closed. We also concur in the management decisions for recommendations 1C and 1E pending completion of final action.

Based on the TARC's response, we made appropriate changes to the finding. For example, we revised the finding to recognize the delayed receipt of the PHAS scores for St. James Parish PHA and the effect of the moratorium.

Recommendations

We recommend you:

- 1A. Ensure the TARC continues to implement the Continuous Process Improvement system provided by Andersen Consulting.
- 1B. Ensure the TARC develops and implements procedures establishing:
 - 1) Standard processing times for critical events, such as performing the initial PHA assessment and executing MOA/Recovery Plans; and,
 - 2) File documentation requirements for critical reports, correspondence, records of meetings, and other information needed to document the recovery process including, workplans and actions taken or not taken against noncompliant PHAs.
- 1C. Ensure the TARC revises the existing, or executes a new, MOA/Recovery Plan for the MHA to ensure it includes meaningful tasks designed to enable the MHA's timely recovery from troubled status.
- 1D. Ensure the TARC takes a more intensive, comprehensive, and aggressive role in overseeing MHA's recovery.

- 1E. Amend the protocol “Transferring PHAs Back From TARC To Field Office” to assign responsibility for monitoring recovered PHAs’ to ensure they complete any remaining outstanding MOA/Recovery Plan tasks.

- 1F. Require the TARC to revise the standard letter to PHAs transitioned back to the Hub/PC offices to require them to complete any remaining MOA/Recovery Plan tasks.

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The TARC's Operations Were Inefficient and Ineffective

The TARC did not have sufficient workload to fully and effectively utilize its staff. Also, the locations of out-stationed staff hampered the TARC's ability to efficiently service its PHA inventory. As a result, the TARC did not make significant progress towards accomplishing its mission of supporting the recovery of troubled PHAs. This occurred because the anticipated inventory of troubled PHAs did not materialize. We recommend HUD reduce the number of staff to the appropriate level needed to service troubled PHAs.

Insufficient

Our September 30, 1999, Audit Related Memorandum reported the TARCs were operating well below the capacity for which they were established. We found this condition still existed at the Memphis TARC. Also, there was still an insufficient workload to fully employ the staff.

The OTAR anticipated an inventory of about 300 PHAs for the Memphis TARC upon implementation of PHAS. Based on this assumption, the OTAR estimated 96 staff could service this inventory, at a ratio of about 3 PHAs for each staff person. However, Congress imposed a moratorium on the implementation of PHAS, and HUD has not fully implemented SEMAP. Thus, the anticipated inventory has not materialized. As a result, the current PHA-to-staff ratio is less than one PHA for each staff person.

When the anticipated inventory of troubled PHAs did not materialize, the TARC began servicing non-troubled PHAs in an effort to keep staff busy. Also, management assigned staff to special projects and loaned some staff back to Hub/PC offices. However, of 12 PIH Directors we contacted, 6 said that because they did not supervise the out-stationed staff, they were frustrated with using them. Further, TARC employees loaned to PIH were not always available because they were also performing TARC duties. Despite the TARC's efforts, some staff was still underutilized.

At the time of our review, the Memphis TARC had 67 staff. This included 37 out-stationed staff in 13 Hub/PCs throughout 10 states. The TARC only had 41 PHAs in its inventory (23 troubled and 18 non-troubled). Based on the June 2000 preliminary PHAS scores, the TARC expected to receive only eight more PHAs into inventory. The TARC cannot reasonably project the number of PHAs it might eventually have in its inventory or when that inventory might develop. Nonetheless, the TARC continued to assume it would eventually have about 300 PHAs in inventory. Thus, it continued to maintain its staff level. Given the recent revised timetable for implementation of PHAS, management must reduce its staffing level.

The TARC's utilization tracking system assigns values to each PHA based on the PHAS scores and the size of the PHA. The system uses these values to determine each employee's workload. TARC management estimated an employee's full workload value should be a maximum of 12 to 15 points. According to a May 3, 2001, analysis, no employee had a workload higher than nine points. Only 8 of the 67 employees had a workload over 6 points. This is not an efficient use of valuable staff resources.

**Location of
out-stationed staff is
inefficient**

The OTAR has not been able to accurately project where troubled PHAs might be located. Thus, it has not been able to efficiently use out-stationed staff to service the inventory. Most out-stationed staff did not have any troubled PHAs in their jurisdictions. In fact, 22 of the 23 troubled PHAs in the TARC's inventory are located in the Southwest District. Only 12 of the 37 out-stationed staff were in the Southwest District.

Because of the imbalanced workload, the TARC used staff with little, if any, work to service PHAs in other distant states. For example, TARC staff stationed in Florida serviced PHAs in Louisiana, New Mexico, and Oklahoma. While this may help utilize staff resources, it is inefficient.

The TARC's results are limited

From its inception on August 1, 1998, through November 30, 2000, the TARC only recovered eight troubled PHAs. The PHAs were small with a total of only 1,728 public housing units. We found the TARC provided only minimal services to four of the eight PHAs. Given the underutilization of staff, we question whether the results are justified.

We also found that six of the eight recovered PHAs were having difficulty maintaining, or further improving, their performance. The fiscal year 2000 PHAS scores for these six PHAs declined from their fiscal year 1999 scores. The inability of these PHA's to maintain improved performance levels could be due to the lack of an effective follow-up system once the TARC returns PHAs to the Hub/PCs. As discussed in Finding 1, the TARC did not have effective procedures for ensuring recovered PHAs completed any remaining recovery plan tasks.

The following table provides the PHAS scores for the eight recovered PHAs. As shown, the scores for six of the PHAs declined after the TARC returned them to the Hub/PCs.

HOUSING AUTHORITY	FISCAL YEAR 1999 PHAS SCORE	FISCAL YEAR 2000 PHAS SCORE
Butte, Montana	85.7	90.2
Donna, Texas	79.5	78.7
Mansfield, Louisiana	72.4	69.2
Orange County, Texas	67.8	67.2
Paris, Texas	65.2	55.1
Rockmart, Georgia	66.9	77.1
Sarasota, Florida	77.2	68.2
Venice, Florida	73.8	61.6

According to TARC management's assessment of its inventory, it recovered another nine PHAs between January 1, 2001, and March 31, 2001. We did not confirm whether the PHAs were recovered.

HUD comments

Management agreed the TARC staff has an insufficient workload. However, it disagreed with the substantial staff reductions we recommended. Instead, it proposed formally detailing a limited number of TARC staff to other duties, plus exploring other methods to better utilize remaining staff. Management believes a planned interim PHAS rule, to be effective for PHAs with fiscal years ending September 30, 2001, will substantially increase the number of troubled PHAs and alleviate the workload issue.

Management also disagreed with our recommendation to transfer out-stationed staff into the Memphis office for better supervisory control. Instead, it proposed retaining staff currently out-stationed, but filling all current and upcoming vacancies with positions in Memphis. Management also proposed reviewing and further developing policies with which to promote effective remote supervision. It is reluctant to discontinue the use of out-stationed staff because it believes the staff will be needed after implementation of the proposed interim PHAS rule.

OIG response to comments

Management is reluctant to make staff reductions given its expectation the troubled inventory will soon increase. While management anticipates the troubled PHA inventory will increase substantially, it cannot say with certainty when, or if, the increase will actually occur. The underutilization of staff that has existed since 1998 should not be allowed to continue indefinitely. Management did not agree with our estimate of staff needs. Thus, management should perform its own assessment of staff utilization and reduce staff based on the result. It should detail any remaining staff to PIH until such time the TARC's workload justifies their employment.

Based on management's comments, we modified recommendations 2A and 2C and added recommendation 2D. We concur with the management decisions for recommendations 2B and 2C and consider recommendation 2C to be closed. Recommendations 2A and 2D remain open pending management's decisions.

Recommendations

We recommend you:

- 2A. Perform an analysis to determine the number of staff needed to manage the existing workload.
- 2B. Formally detail or reassign unneeded staff to local HUD offices.
- 2C. Discontinue hiring staff at out-stationed locations .
- 2D. Ensure the TARC develops additional policies to effectively supervise out-stationed staff.

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Follow-Up On Prior Audits

An OIG survey of the Memphis and Cleveland TARC's reported several conditions that impacted our audit objective (Audit Related Memorandum No. 99-FO-101-0802, September 30, 1999). All recommendations were closed based on HUD's promised actions.

As discussed in the Findings of this report, the following conditions from the Memorandum were not adequately resolved:

- The TARC operates well below the capacity needed to justify existing staff;
- The TARC does not always complete assessments or prepare comprehensive Recovery Plans in a timely manner; and,
- The protocol policy does not specify whether the TARC or the appropriate Hub/PC will be responsible for monitoring the MOA/Recovery Plan after a PHA is transferred from the TARC.

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Timeliness of Critical Events (Elapsed Days)

Housing Authority	Initial Contact With PHA Until Initial Site Visit	Initial Site Visit Until Execution of MOA/Recovery Plan	Initial Assignment Until Execution of the MOA/ Recovery Plan
Pulaski	11	63	74
Alexandria	9	67	85
St James	11	66	77
Alma	13	182	210
Sarasota	148	71	219
Rockmart	49	MOA Not Executed	MOA Not Executed
Venice	43	183	226
Paris	13	206	234
Butte	26	MOA Not Executed	MOA Not Executed
Donna	13	256	284
Orange Co.	56	MOA Not Executed	MOA Not Executed
Mansfield	41	29	78
Benson	49	MOA Not Executed	MOA Not Executed
Memphis	152	207	359
Average	45.3	133	184.6

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HUD Comments



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-5000

OFFICE OF THE ASSISTANT SECRETARY
FOR PUBLIC AND INDIAN HOUSING

AUG - 3 2001

MEMORANDUM FOR: Nancy H. Cooper, District Inspector General for Audit – Southeast/
Caribbean, 4AGA

FROM: *Karen C. Newton*
Paula O. Blunt, Acting General Deputy Assistant Secretary, P

SUBJECT: Response to Draft Audit AT010007, Memphis, Tennessee Troubled Agency
Recovery Center, Issued June 21, 2001

Finding 1:

The TARC did not provide adequate oversight to PHAs.

PIH Response:

PIH concurs, in part, with finding 1, in that the TARC did not consistently provide oversight to all PHAs within the TARC portfolio.

Action Planned/Completed:

Memphis Housing Authority (MHA): Recognizing the need to improve servicing activities to this PHA, the TARC has engaged in aggressive servicing and oversight of MHA. Written responses to the MHA's MOA reports are completed and transmitted to the ED on a monthly basis. An independent assessment was contracted out and completed and a draft MOA presented to MHA. Negotiations for the MOA have been completed and it is anticipated that the MOA will be executed in early August, 2001. The TARC has consolidated internal efforts relative to the MHA servicing and recovery with the Office of Community Planning and Development, the Senior Community Builder, the Office of Inspector General, and the Departmental Enforcement Center.

Benson Housing Authority (BHA): After the TARC assumed oversight of the Benson Housing Authority on September 11, 2000, the TARC staff met with the Board of Commissioners on October 2, 2000, to schedule the Initial Assessment. The delay from the Initial Assessment on November 7, 2000 to the execution of the MOA on March 14, 2001, was due in part to this Assessment being the first time the new CPI/MOA Template was utilized and the staff had to become familiar with its use. While, the Continuous Process Improvement (CPI), which was implemented in November 2000, did not clearly provide for established timeframes for performing critical events, such as performing initial assessments and executing MOA/Recovery Plans, the committee working on CPI refinements developed reasonable timelines for inclusion in the process. The CPI process will be amended to reflect these timelines which includes the initiation of an Initial Assessment/Independent Assessment within 30 days of receipt of a

troubled PHA in the TARC inventory and execution of a MOA within 90 days.

St. James Parish Housing Authority (SJPHA): “The PHA was assigned to the TARC in February 1998. Thus, the TARC should have referred it to the Enforcement Center in February 2000.”

The servicing of SJPHA was transferred to the TARC in February 1998. The trigger for transferring or referring PHAs, is the official PHAS score and designation. SJPHA’s second year PHAS advisory score was not released by REAC until September 20, 2000.

Immediately after receiving the score that indicated the SJPHA had not made the required progress, the TARC began working with the Departmental Enforcement Center to prepare a referral package. SJPHA would be the first referral from the Office of Public and Indian Housing and involved many discussions and working sessions in Memphis, Ft. Worth, and Washington D.C. The Memphis TARC forwarded the initial Recommendation of Declaration of Substantial Default based on failing PHAS scores to the Deputy Assistant Secretary for Troubled Agency Recovery on December 15, 2000 for enforcement action. However, in October, 2000, the Conference Report 106-988 for the Department’s fiscal year 2001 Appropriations Act indicated HUD could not take any adverse action against PHAs solely on the basis of PHAS scores (Notice PIH 2001-5). This language had far reaching impact on PIH policy on PHA designations.

In January, 2001, guidance for implementation of direction contained in the Conference Report was issued. In this notice, HUD stated its intention to hold all troubled designations based upon PHAS scores with the exception of those generated by failing the management operations indicator. Because the regulation requiring referral to the Enforcement Center after two years was predicated on PHAS designations, OGC performed a legal analysis to determine HUD’s authority to pursue receivership remedies based upon a PHA’s length of time under a troubled designation. That analysis yielded an opinion that all receivership actions must be based on breach of the Annual Contributions Contract rather than the statutory time limits. Accordingly, revisions were made to the enforcement package so that the contents provided evidence for a declaration of substantial default of the A.C.C. and the rationale for emergency takeover.

In April 2001, the Deputy Assistant Secretary for Troubled Agency Recovery and Memphis TARC Director met with the St. James Parish Council President and Board Chair to discuss the placement of SJPHA in receivership. Agreement was reached by all parties that the receivership would be accomplished through a voluntary relinquishment of control of the housing agency effective April 17, 2001.

Paris Housing Authority: The Paris Housing Authority was determined to be a standard performing PHA based upon their Public Housing Management Assessment Program (PHMAP) score of 71.66 for the fiscal year ending June 30, 1999. Both the TARC staff and HUB staff felt that the housing authority would not be able to sustain and improve their level of performance without the intensive servicing provided by the TARC. The HUB recommended in a letter to the PHA Board Chair in October, 1999, that the agency remain in the TARC for one additional year. The PHA Board Chair responded that the agency preferred to transfer out of the TARC. Failing to achieve the Paris Housing Authority’s agreement for continued TARC oversight, the TARC

transitioned the PHA to the HUB on December 17, 1999.

To prevent such occurrences in the future, the protocols between the TARC and HUB/PC will be revised to include the language contained in guidance from the General Deputy Assistant Secretary for Public and Indian Housing that requires the field to convert incomplete MOA tasks into Improvement Plans.

Other management control weaknesses: We agree that some of the files contained inadequate documentation. This is the result of a cumbersome filing system. However, newly implemented CPI processes more clearly defines the role of Program Assistants in the filing process and implemented automated systems for the recovery process. The automated systems, including work plans, review of monthly PHA Progress Reports, and actions taken or not taken against noncompliant PHAs eliminate the need for hard copies of certain documents. Further, we are embarking on a project to revamp our filing system so that it will be more user friendly, thereby increasing the efficiency in documenting and maintaining files.

Ineffective controls to properly supervise out-stationed employees were partially alleviated when the timekeeping responsibilities for the outstationed staff was transferred to the TARC in July 2000. HUD is committed to increasing the number of employee's teleworking. Essentially, outstationed TARC staff offer the same challenges to management as telework employees. As such, it is incumbent upon us to review and further develop workable policies which promote effective remote supervision.

Recommendation 1A:

Ensure the TARC continues to implement the systems provided by Andersen Consulting.

PIH Response:

PIH concurs with recommendation 1A.

Action Planned/Completed:

The Memphis and Cleveland TARCs have established a joint CPI task force that teleconferences every two weeks. The task force receives input from all TARC employees, researches issues, and provides recommendations to the Directors and the Office of Troubled Agency Recovery on implementation of TARC CPI systems. The CPI task force will provide for continued improvement of CPI systems, controls, and operations.

Recommendation 1B:

Ensure the TARC develops and implements procedures establishing:

- 1) Standard processing times for critical events, such as performing the initial PHA assessment and executing MOA/Recovery Plans.**
- 2) File documentation and requirements for critical reports, correspondence,**

records of meetings, and other information needed to document the recovery process including workplans and actions taken or not taken against noncompliant PHAs; and

- 3) Follow up procedures to ensure that PHAs transitioned back to the HUB/PCs complete any remaining MOA/Recovery Plan tasks.**

PIH Response:

PIH concurs with recommendation 1B.

Action Planned/Completed:

The TARC has planned or completed the following:

- (1) The CPI process has been amended to reflect initiation of the Independent Assessment within 30 days of the date the PHA has been officially received by the TARC as a troubled agency and to reflect the execution of the MOA within 90 days of the TARC's receipt of a troubled PHA in our inventory and is attached for your review.
- (2) The CPI process more clearly defined the roles of the Program Assistants to ensure that the required filing is performed timely. The CPI process also implemented automated systems for the recovery process, including work plans, review of monthly PHA Progress Reports, and actions taken or not taken against non-compliant PHAs.
- (3) The General Deputy Assistant Secretary for Public and Indian Housing issued guidance (attached) in August, 1999, to REAC and all HUB Offices and Program Centers requiring the field to incorporate all remaining items under Recovery Plans or MOAs into the development, implementation, and tracking of an Improvement Plan. However, in order to provide each HUB/PC staff member with all policies and guidance in one document at their fingertips and to clarify the responsibility of tracking incomplete MOA tasks, the protocols between the TARC and the HUB/PC will be revised to reflect the guidance provided to the field. Further, where the incomplete tasks under the MOA are not conducive to conversion to an IP, the TARC would retain authority over the PHA through the completion of these MOA task items.

Recommendation 1C:

Revise the existing or execute a new MOA/Recovery Plan for the MHA to ensure it includes meaningful tasks designed to enable the MHA's timely recovery from troubled status.

PIH Response:

PIH concurs with recommendation 1C.

Action Planned/Completed:

Negotiations for a new MOA have been completed with MHA and it is anticipated that the MOA will be executed in early August, 2001. The MOA tasks directly address the physical and

operational recovery of the agency. A copy of the executed MOA will be provided for your review.

Recommendation 1D:

Reassess your recovery efforts regarding MHA, including taking a more intensive, comprehensive, and aggressive role in overseeing its recovery.

PIH Response:

PIH concurs with recommendation 1D.

Action Planned/Completed:

Recovery efforts regarding MHA have been reassessed. Under CPI, the Project Executive's role is responsible for recovery efforts at a PHA. The Project Executive level for this agency was elevated from a Deputy Director to the Director. The Director, as Project Executive, evaluated the recovery needs of MHA and personally selected each member of the current recovery team based on their expertise and proven ability to aggressively and comprehensively facilitate servicing, oversight, and recovery.

Recommendation 1E:

Amend the protocol, "Transferring PHAs Back from TARC to Field Office," to assign responsibility for monitoring recovered PHAs to ensure they complete any remaining outstanding MOA/Recovery Plan tasks.

PIH Response:

PIH concurs with recommendation 1E.

Action Planned/Completed:

In August, 1999, the General Deputy Assistant Secretary, issued guidance to REAC and all HUB Offices and Program Centers requiring the field to incorporate all remaining items under Recovery Plans or MOAs into the development, implementation, and tracking of an Improvement Plan. The protocol between Field Operations and the Office of Troubled Agency Recovery will be revised to include the GDAS guidance and delineation of responsibilities in transferring PHAs back from TARC to the Field Office. A copy of the executed protocol containing these elements will be provided to your office.

Recommendation 1F:

Revise the standard letter to PHAs transitioned back to the HUB/PC offices to require them to complete any remaining MOA/Recovery Plan tasks.

PIH Response:

PIH concurs with recommendation 1F.

Action Planned/Completed:

The TARC has revised the standard letter to PHAs transitioning back to the HUB/PC to require them to complete all remaining MOA/Recovery Plan tasks and to continue to provide a monthly MOA report documenting progress of the tasks through completion. A copy of the letter is attached.

Finding 2:

The TARC operations were inefficient and ineffective.

PIH Response:

PIH concurs, in part, with finding 2, in that the TARC's operations were not consistently efficient and effective.

Action Planned/Completed:

Insufficient Workload:

As noted in the audit, the Congressional moratorium on the implementation of PHAS and HUD's incomplete implementation of SEMAP, created an insufficient workload for the TARC staff. However, TARC staff are routinely used for Headquarters and Field level projects and supplement the HUB/PC staff. The Memphis TARC is currently working with several HUBs to perform coordinated reviews of housing authorities and Section 8 confirmatory reviews and assessments. We continue to structure and promote ourselves as a resource for HUB/PC offices to assist in servicing problematic PHAs. The implementation of an interim PHAS for the September 30 PHAs should substantially increase the workload of the TARC staff, thereby alleviating the insufficient workload issue. In the meanwhile, the TARC will continue to explore other methods to fully utilize staff. In addition to performing collaborative management reviews, we are detailing a limited number of HUB based staff pending PHAS implementation.

The Staffing Model created by Andersen Consulting during our CPI process is based upon TARC staff providing most of the Initial Assessments and technical assistance to troubled PHAs during times of reduced workload. As workload increases, the Staffing Model projects increased reliance on contract services for Independent Assessments and technical assistance. Utilizing a model in which technical assistance contractors provide only five percent of the Independent Assessment and technical assistance; for 25 troubled PHAs, the TARC would need a staff of 42.9 FTEs; and with 50 troubled PHAs, the TARC would need a staff of 83.8 FTEs. At the time of the review, the 41 PHAs in the Memphis TARC inventory and 50 staff positions seems more in line with the Staffing Model projections than the 12-15 staff persons recommended by the audit for the 41 PHAs in the inventory.

Location of out-stationed staff is ineffective

We agree that it is difficult, at best, to accurately predict where troubled PHAs might be located. We continue to maintain that it is best to utilize staff resources where needed, rather than let staff sit idle. That approach more effectively utilizes staffing resources by allowing us to match the skills needed at the housing authority with the strengths of the staff. A particular housing agency might require a PHRS with a strong Section 8 background or an FM with a strong engineering background for servicing and oversight. Therefore, the location of the HA is not dispositive on the deployment of staff.

The TARC's results are limited.

The TARC transitioned fifteen PHAs back to the HUB/PC for servicing as standard performing PHAs from January 1, 2001 to July 31, 2001. Since the recovery of a housing authority is normally a two-year process and is impacted by the delay of PHAS scoring, the audit period was unable to accurately reflect actual results to date. Once, PHAS scoring is routinely released on time and protocols are revised to reflect the policy that incomplete MOA tasks for transitioned PHAs are to be converted to Improvement Plans and monitored by the Field until completed, overall results will improve.

Recommendation 2A:

Reduce the number of staff to the appropriate level needed to provide services to troubled PHAs. Based on the current inventory of 41 PHAs, between 12 and 15 staff should be retained to provide direct services. Management and support staff should be reduced proportionally.

PIH Response:

PIH nonconcur with recommendation 2A. As noted above, the 41 PHAs in the Memphis TARC inventory and 50 staff positions seems more in line with the Staffing Model projections developed by Anderson Consulting than the 12-15 staff persons recommended by the audit. We anticipate that this finding will be adequately addressed with the Resource Estimation and Allocation Process (REAP) that is currently underway to create an effective and efficient workload measurement and resource allocation system for the Department. In accordance with the HUD Work Measurement Study Report dated June 25, 2001, the presence of deficiencies noted in troubled agencies frequently doubles or triples the staff hours customarily expended on troubled PHAs with more or less routine operational deficiencies. It is this factor that renders efforts to generate average task times per troubled PHA somewhat problematic.

Action Planned/Completed:

NA

Recommendation 2B:

Formally detail or reassign remaining staff to local HUD offices.

PIH Response:

PIH concurs with recommendation 1B.

Action Planned/Completed:

TARC staff are routinely used for Headquarters and Field level projects and supplement the HUB/PC staff. The Memphis TARC is currently working with several HUBs to perform coordinated reviews of housing authorities and Section 8 confirmatory reviews and assessments. In addition to performing collaborative management reviews, we are detailing a limited number of HUB based staff pending PHAS implementation.

Recommendation 2C:

Transfer remaining out stationed staff into the Memphis TARC office.

PIH Response:

PIH nonconcur with recommendation 1C, however, all current and upcoming Memphis TARC vacancies will be slated into the Memphis TARC office.

Action Planned/Completed:

NA

Attachments

1. Overview – Step 1: Creating the MOA (CPI process as noted in 1B(1)).
2. Public Housing Assessment System (PHAS) Field Guidance (as noted in 1B(3)).
3. Letter to PHAs Transitioning Back to the HUB/PC (as noted in 1F).

STEP 1

TARC Notified of PHA Assignment

Person Responsible: Director

Process Flow Reference: 1.2.1, 1.2.2



**Starting
Action**

Before the TARC begins the process of assigning a team to a PHA, it must first receive information that the PHA is being transferred from the HUB. PHA's may be assigned to the TARC by either a notification through REAC or by special assignment from the Deputy Assistant Secretary for Troubled Agency Recovery.

STEP 2

Assigning a Team

Person Responsible: Project Executive

Process Flow Reference: 1.2.3

After the TARC assumes responsibility for the recovery of the PHA, the following steps are taken to assign the team:

1. **Collect Basic PHA Information and Team Workload:** The team collects additional preliminary assessment information before conducting the on-site Initial Assessment or reviewing an Independent Assessment:
2. **Conduct Assignment Meeting:** The Project Executive initiates the recovery process by determining the appropriate team member(s) and team lead assignments.
3. **Initiate PHA Tracking:** This tool provides management and team members with the background, as well as the up-to-date information regarding the complete recovery process of the PHA.
4. **Determine Independent Assessment:** The Project Executive determines the need for an Independent Assessment.
5. **Notify Team Lead and Team Members of Assignment:** The Project Executive notifies the team lead and team members if an Independent Assessment is planned.

STEP 3

Assessing the PHA

Person Responsible Team Lead, Team Members

Process Flow Reference: 1.2.4

When the team is assigned to the PHA, a series of preliminary actions must occur. The team collects the additional preliminary assessment information before conducting the onsite Initial Assessment or reviewing an Independent Assessment. The team researches all available HUD systems on the PHA, creates a workplan, and contacts the PHA to confirm a date and time for an initial assessment. **Per 902.75 b of the PHAS regulations, this Initial Assessment must be initiated within 30 days of assignment of the PHA to the TARC jurisdiction.**

The team determines if an Independent Assessment was conducted. If so, the team requests and reviews the Independent Assessment. **Per 902.75 b of the PHAS regulations, this Independent Assessment must be initiated within 30 days of assignment of the PHA to the TARC jurisdiction.** If an Independent Assessment was not conducted, the team conducts its own Initial Assessment.

The team usually travels to the PHA to conduct an Initial Assessment. Before leaving the PHA, the team meets with the PHA executive director and partners to discuss the outcome of the initial assessment. This meeting is very important and serves as a opportunity for the Executive Director to receive a preview of what the Recovery Team perceives as the major obstacles facing the PHA.

Once the team has returned from the Initial Assessment (or has discussed the Independent Assessment with the PHA), it begins to report its findings. Team members (separately) draft their section of the initial assessment and the MOA. The team lead then compiles all the reports and works with the team members to complete the final draft.

Revisions to the Work Plan may be necessary after the completion of the Initial Assessment Report and MOA. The Team is responsible for maintaining the Work Plan throughout the recovery process.

STEP 4

Negotiate MOA

Person Responsible: Project Executive, Team Lead, Team Members

Process Flow Reference: 1.2.5

After the team members complete the final draft of the MOA, the

Team Lead compiles all the reports. The Project Executive then reviews the Assessment and the MOA. If acceptable, the Project Executive sends the MOA to the PA's for distribution to the PHA (two copies). If not approved, the documents go back to the Team Lead and the Team Members who resolve the issues in question.

Prior to the MOA being executed, it must be negotiated between the PHA and the TARC. If negotiated off-site, the Team Lead and the Team Members contact the PHA by conference call and complete the negotiations. After the negotiations are complete, the PHA is asked to sign off on the MOA. **The TARC will accomplish the execution of the MOA within 90 days of assignment of the PHA to the TARC jurisdiction.**

STEP 5

Execute MOA

Person Responsible Team Lead, Team Members

Process Flow Reference: 1.2.6

After the negotiations between the PHA and the TARC are complete and the PHA finds the terms acceptable, the PHA and all required signatures are secured. Both copies of the MOA must be signed off on by the PHA representatives; the Board Chairperson, a receiver, or another Alternative Management Entity (AME) acting in lieu of the PHA Board, and the PHA Executive Director (or a designated receiver, or other AME-designated Chief Executive Officer).

The signed MOA is forwarded to the TARC Director for signature. The TARC Director signs off on both PHA signed copies of the MOA and forwards them to the appropriate PA for distribution. Copies are then made for the team.



Process Complete

Once all parties sign the MOA, one original remains in the TARC official file, one original is sent to the PHA, and copies are made for team members. The MOA is now a official contract between the PHA and the TARC. Failure of the PHA to adhere to the MOA could force the TARC into referral to the Enforcement Center.



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-5000

August 10, 1999

OFFICE OF THE ASSISTANT SECRETARY
FOR PUBLIC AND INDIAN HOUSING

MEMORANDUM FOR: Donald J. Lavoy, Acting Director, Real Estate Assessment Center

Deborah Vincent
FROM: Deborah Vincent, General Deputy Assistant Secretary, P

SUBJECT: Public Housing Assessment System (PHAS) Field Guidance

Attached is the Public Housing Assessment System (PHAS) guidance we released to the Public Housing Hub Offices and Program Centers. I want to thank Bill Thorson and David Vargas of your staff for discussing the PHAS program with the working group we had assembled to create this guidance. Their input allowed us to develop a comprehensive and workable product.

As always we look forward to working with you in partnership to implement the PHAS program. If you have any questions about the guidance, please contact myself or Elizabeth Hanson.

Attachment

PUBLIC HOUSING ASSESSMENT SYSTEM
FIELD PROCESSING OF PHAS INFORMATION

On October 1, 1998, a final rule (24 CFR 902) became effective which implemented the new Public Housing Assessment System (PHAS). A proposed rule with amendments to PHAS was published on June 22, 1999. Beginning with PHA fiscal years ending September 30, 1999, PHAS will be the primary system utilized by the Department for assessing the performance of public housing authorities (PHAs). The Department elected to issue advisory scores for the one year period that began for PHAs with a September 30, 1998 fiscal year end. Beginning October 1, 1999, PHAs with a fiscal year ending (FYE) September 30, 1999, will electronically certify management and financial information to the Real Estate Assessment Center (REAC). Data pertaining to the physical condition of properties owned and operated by the PHAs will be collected by REAC. Residents will be surveyed to determine their satisfaction with the housing and services provided by the PHA.

For exigent/fire safety health and safety conditions (EHS) that are life threatening, HUB/PCs, or in the case of Troubled PHAs, TARC's, will receive from REAC an electronic or faxed notification of any identified EHS conditions.

The Office of Public and Indian Housing (PIH) is responsible for ensuring safe, decent and affordable housing, creating opportunities for residents' self-sufficiency and economic independence and ensuring financial and program integrity by all program participants. PIH will use the information generated through PHAS, in conjunction with compliance, program performance and funding information to focus on improving PHA management and service delivery through oversight, assistance and selective interventions. Using risk assessment techniques, PIH will determine where to focus its oversight efforts. The Office of Public and Indian Housing and the PHAs need to be proactive regarding potential problem areas.

Each HUB/PC must establish procedures for working with PHAs on the Improvement Plan. Additional guidance will be prepared and disseminated to the HUBs/PCs regarding a methodology for working with PHAs on the development, implementation and tracking of Improvement Plans.

Standard performing PHAs that score above 70 may be required to submit an Improvement Plan. The HUB/PC must develop a risk based criteria for determining which standard performers scoring above 70 will be required to submit an Improvement Plan and a process and timeframe they will use for notifying the PHAs of the need to submit an Improvement Plan. Submission of an Improvement Plan by these PHAs would generally be the exception and not the rule, but the HUB/PC must develop and consistently apply their criteria to ensure that those PHAs that need to submit an Improvement Plan do so. The criteria and process must be developed as a part of the Office's overall Improvement Plan Procedures and submitted to Field Operations [Desk Officer] once the additional guidance has been issued. The process must include a way of tracking PHA submissions and needed follow-up by HUB/PC staff.

In the event that a PHA fails to submit an acceptable Improvement Plan or to correct deficiencies within the time specified in the Improvement Plan, the HUB/PC will notify the PHA of its noncompliance. Within 30 calendar days, the PHA will provide the HUB/PC of its reasons for lack of progress in submitting or carrying out the Improvement Plan. The HUB/PC will advise the PHA as to the acceptability of the reasons specified and if unacceptable, will notify the PHA that it will be referred to the TARC for remedial actions or such actions as the TARC may deem appropriate.

Beginning with PHAs having fiscal year end dates of 9/30/1999, it is possible that there will be overlap from an existing Improvement Plan, Recovery Plan or MOA, as a result of the prior year's PHMAP score and an Improvement Plan required as a result of the PHAS. Remaining actions under existing Improvement Plans, Recovery Plans or MOAs should be incorporated into the Improvement Plan being developed as a result of the PHAS score.



**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Troubled Agency Recovery Center, Memphis Office**

One Memphis Place
200 Jefferson Avenue, Suite 300
Memphis, Tennessee 38103-2335

Addressee/Title
HA Name
Street Address
City, State, Zip

Dear (Executive Director):

Subject: Removal of (*troubled or substandard*) designation /Change of Jurisdiction

This Office has received notification from the Real Estate Assessment Center confirming that your Housing Authority is no longer designated as (insert *troubled or substandard*, as appropriate). Consequently, effective the date of this letter, jurisdiction of your agency is hereby removed from this Office and returned to the Office of Public Housing which has jurisdiction in your area. A copy of this letter will be transmittted immediately to that Office to assure continuity of service to your agency.

Inasmuch as removal of the *troubled* designation indicates that progress has been made in improving the performance of your agency, I congratulate you on this accomplishment and wish you continued success in effectively serving the housing needs of low income families. In the interest of maintaining the positive momentum of improvement in your Housing Authority's performance, you should continue to pursue the uncompleted tasks of the Memorandum of Agreement/Recovery Plan until all remaining deficiencies are cured. In this regard and in accordance with the terms of your executed MOA, please continue to provide to the TARC staff the required written monthly progress report based upon that month's scheduled targets and strategies until all open targets and strategies are acceptably completed.

Should you have any questions regarding this letter, please contact (insert name), Supervisor, at (901) 544-(insert #).

Sincerely,

Catherine D. Lamberg
Director
Troubled Agency Recovery Center

Internet Address: <http://www.hud.gov/local/mem/memhome.html>

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