



Issue Date
June 3, 1997
Audit Case Number
97-FW-174-0001

TO: Susan M. Forward
Acting Assistant Secretary
Fair Housing and Equal Opportunity, E

Kevin E. Marchman
Acting Assistant Secretary
Public and Indian Housing, P

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

SUBJECT: Beaumont Fair Housing and Public Housing Offices
Beaumont, Texas

We audited the Beaumont Fair Housing and Public Housing offices to determine if: (1) the offices were effectively accomplishing their mission and (2) HUD had the necessary funding to carry out court requirements.

The audit found that the Beaumont offices are not achieving their mission and HUD may not have sufficient funding to carry out court-ordered improvements. Also, HUD officials need to determine if a court ruling warrants action. The ruling may result in HUD staff and the Fair Housing Services Center performing duplicate duties and may infringe on HUD's statutory rights to perform compliance monitoring.

Within 60 days, please furnish this office, for each recommendation in this report, a status on: (1) corrective action taken; (2) the proposed corrective action and the date to be completed; or (3) why action is not considered necessary. Also, please furnish us copies of any correspondence or directives issued related to the audit.

Please write or call me at (817) 978-9309 if you or your staff have any questions.

(THIS PAGE LEFT BLANK INTENTIONALLY)

Executive Summary

We audited the Beaumont Fair Housing and Public Housing offices to determine if: (1) the offices were effectively accomplishing their mission and (2) HUD had the necessary funding to carry out court requirements. The audit found that the Beaumont offices are not achieving their mission and HUD may not have sufficient funding to carry out court-ordered improvements. Also, HUD officials need to determine if a court ruling warrants action. The ruling may result in HUD staff and the Fair Housing Services Center performing duplicate duties and may infringe on HUD's statutory rights to perform compliance monitoring.

The Beaumont Fair Housing and Public Housing offices are not achieving their mission

Principally because of the Beaumont Fair Housing's poor management, ineffective Headquarters oversight of the offices, and the inability or unwillingness of the Beaumont Fair Housing and Public Housing directors to get along with each other, numerous serious problems kept the offices from achieving their mission, namely:

- Constant conflict between the two Beaumont directors;
- Confusion and frustration at east Texas housing authorities;
- High turnover and low morale at the Beaumont Fair Housing Office;
- Very little monitoring of the authorities by the two offices;
- A change in mission focus from enforcement to technical assistance; and
- Untimely preparation of court required reports and notices.

Also, these problems have added to the confusion that already exists at the authorities; confusion created by jurisdiction complexities. Jurisdiction problems arise because Beaumont, due to its small size, needs assistance from the Fort Worth and Houston offices.

As a result, the Beaumont Fair Housing and Public Housing offices have not effectively carried out their mission to implement court orders relating to the desegregation of 36

HUD does not know how much it will cost to implement the court orders

east Texas counties. For these and other reasons we are recommending that you initiate action to close the Beaumont Fair Housing and Public Housing offices, and transfer their duties and functions to the Fort Worth and/or Houston offices.

HUD does not have an accurate estimate of what court-ordered improvements will cost, and is not tracking the amount of funds it has spent or the progress of improvements made thus far. As a result, HUD cannot determine the status of court-ordered improvements and may lack sufficient funds to complete improvements by the court-ordered deadline. Court-ordered improvements have not been quantified or properly tracked because the Office of Public and Indian Housing (Public Housing) only obtained rough estimates when it committed to make the improvements. Also, Public Housing has not assigned any office the task of tracking the funding or status of the improvements. We are recommending the Acting Assistant Secretary for Public and Indian Housing assign staff to track expenditures and progress. Also, Public Housing needs to develop an accurate estimate of what the court-ordered improvements will cost and take action if HUD will not have sufficient funds to complete the improvements by the court's deadline.

Headquarters Fair Housing officials need to determine if judge's ruling warrants action

A court ruling may result in HUD staff and the future Fair Housing Services Center performing duplicate duties. Also, the court's ruling that the Fair Housing Services Center will perform monitoring of housing authorities and other providers may infringe on HUD's statutory rights to perform compliance monitoring. Headquarters Fair Housing officials maintain the Fair Housing Services Center will not perform monitoring or duplicate work performed by HUD staff. Therefore, they have not taken action regarding the ruling. We are recommending the Acting Assistant Secretary for Fair Housing and Equal Opportunity determine whether the issues raised by the ruling warrant action; if so, prompt measures should be taken.

HUD response to draft report

Fair Housing and Public Housing officials responded in writing to the draft report in a May 2, 1997 memorandum (Appendix A), and verbally at an exit conference held May 6, 1997. HUD officials partially agreed with the findings but generally disagreed with the recommendations. At the exit

conference, the Acting Assistant Secretary for Fair Housing indicated she wants to further study the Beaumont situation and implement various alternative actions before she would consider the actions we recommend in this report.

(THIS PAGE LEFT BLANK INTENTIONALLY)

Introduction

HUD established the Beaumont (Texas) Fair Housing and Public Housing offices in 1993-1994 to ensure the Department complied with the various court orders that came out of the Young v. Cisneros case¹.

In December 1993 Roberta Achtenberg, the (then) Assistant Secretary for Fair Housing and Equal Opportunity, established the Beaumont Fair Housing office to take the place of the Desegregation Coordinating Office located in Fort Worth, Texas. However, permanent staffing of the Beaumont Fair Housing office did not start until June 1994. Ms. Achtenberg originally envisioned the Beaumont Fair Housing office as the sole office to implement the court-ordered requirements for the 36 east Texas counties covered by the lawsuit. The original function statement drawn up at this time reflects this fact and included duties and responsibilities that were by their nature traditionally Public Housing duties.

Joseph Shuldiner, the (then) Assistant Secretary for Public and Indian Housing, decided to open a Public Housing office in Beaumont after consulting with Ms. Achtenberg. Mr. Shuldiner felt that Fair Housing staff lacked the technical and programmatic knowledge needed to fully implement the court orders. Although Public Housing staff went to Beaumont as early as January 1994, the Beaumont Public Housing office was not formally established until November 1994. However, when HUD established the Beaumont Public Housing office, Fair Housing officials did not revise the function statement for the Beaumont Fair Housing office. Also, the mission statement prepared for the Beaumont Public Housing office was very broad and general.

Historical background of the Young v. Cisneros lawsuit

Court finds segregation. In 1980, African-American residents of Public Housing in east Texas filed an action alleging that HUD had knowingly maintained a continuing system of segregated housing in a 36-county area of east Texas, in violation of the U.S. Constitution and various civil rights laws.

In 1982, the U.S. District Court for the Eastern District of Texas (court) certified a class consisting of all African-American applicants for, and residents of, HUD-funded public housing, rent supplement, and Section 8 Programs in the 36-county area.

In 1985, the court issued a liability decision, finding that HUD had knowingly and continually maintained a system of segregated housing in the 36-county area.

¹ Since HUD has a new Secretary, it is now the Young v. Cuomo case.

Interim Injunction. In 1988, the court issued an Interim Injunction which included the appointment of a special master. The Injunction compelled HUD to: (1) require each of the 70 public housing authorities to implement race conscious Tenant Selection Assignment Plans; (2) provide all class members a series of notices of desegregative opportunities in all HUD-assisted housing in east Texas; (3) direct private providers of HUD-assisted housing to amend their Affirmative Fair Housing Marketing Plan or Equal Housing Marketing plan to provide class members with desegregative housing opportunities; and (4) file quarterly reports with the court on the status of HUD compliance with the order.

HUD establishes Desegregation Coordinating Office. In 1984, HUD established the Desegregation Coordinating Office in the Fort Worth District office to facilitate the desegregation of the east Texas housing authorities under the court's orders.

After settlement discussions between HUD and the plaintiffs proved unsuccessful, the court issued an Order for Further Relief in 1990. The Order required HUD to: (1) develop an information system for reporting compliance; (2) develop desegregation plans for each of the 70 Authorities; (3) provide funding for a non-profit fair housing organization for the class action area; and (4) continue providing quarterly reports that give specific results achieved.

In late 1990, the Desegregation Coordinating Office undertook a massive fact gathering effort to develop desegregation plans. HUD teams with staff from a variety of disciplines visited all 70 housing authorities. From the information these teams gathered, HUD submitted to the court plans or unitary status assertions² for all 70 Authorities by June 1991.

In March 1992, the plaintiffs filed an opposition to the 70 plans and unitary status assertions, arguing that HUD's proposed actions were insufficient to remove the identified vestiges of discrimination. The plaintiffs sought, among other things, the provision of new units, Section 8 certificates and vouchers, and the installation of air conditioning in the over 7,000 non-elderly public housing units in the 36-county area.

² Unitary status exists when a public housing site has been desegregated.

The court-ordered a hearing for October 1993. However, before this date HUD withdrew all of the plans and unitary status assertions. The plaintiffs agreed to allow HUD's new administration to review the withdrawn plans and agreed to a postponement of the hearing until February 1994.

The Beaumont Fair Housing office replaces the Desegregation Coordinating Office. In November 1993, Roberta Achtenberg convened an intra-departmental Desegregation Plan and Remedial Task Force (DEPART) to review and recommend revisions to the 70 plans and unitary status assertions. The task force prepared a comprehensive plan (the East Texas Comprehensive Desegregation Plan) to present HUD's proposed solutions to eliminate segregation in the 36 counties. The Plan provides for: physical improvements, such as air conditioning, laundry facilities, recreation facilities, community centers, neighborhood and infrastructure improvements; a wide variety of wait listing initiatives; the creation of a Fair Housing Services Center and the establishment of a Beaumont Fair Housing office to monitor the Authorities compliance with their desegregation plans. The Plan, the original, and amended desegregation plans were filed with the court in February 1994. The Beaumont Fair Housing office began operations in June 1994 and was subsequently joined by a small Public Housing office.

Final Judgement and Decree. In March 1994, the Plaintiffs filed an opposition to HUD's amended desegregation plans and the Comprehensive Plan.

On March 30, 1995, U.S. District Judge William Wayne Justice issued the Final Judgement and Decree (Final Judgement). The Final Judgement: (1) approved the desegregation plans and the amended desegregation plans; (2) required HUD to fund promised improvements with Community Development Block Grant, Comprehensive Improvement Assistance Program, and Comprehensive Grant Program funds; (3) required HUD to create a total of 5,134 desegregated housing opportunities to class members; (4) required HUD to establish and fund a Fair Housing Services Center; and (5) defined unitary status as being achieved when an authority's project's occupants are less than 75% of one race.

Audit Objectives

We audited the Beaumont Fair Housing and Public Housing offices to determine if: (1) the offices were effectively accomplishing their mission and (2) HUD had the necessary funding to carry out court requirements.

Scope and Methodology

We initiated the audit based on problems OIG staff identified at the Beaumont offices while reviewing a complaint against the New Boston Housing Authority. To achieve the audit objectives we examined legal documents related to the court case, conducted comprehensive interviews of current and former HUD staff at the various offices involved, examined HUD program and financial records, and visited and interviewed east Texas housing authority officials.

Interviews included:

- Management and staff of the Beaumont Fair Housing and Public Housing offices;
- HUD Fair Housing and Public Housing staff in the Fort Worth and Houston offices;
- HUD staff who had worked for the Desegregation Coordinating office;
- The Deputy Secretary, the Acting Assistant Secretary for Fair Housing and Equal Opportunity, the former Assistant Secretary for Fair Housing and Equal Opportunity (Roberta Achtenberg), the former Assistant Secretary for Public and Indian Housing (Joseph Shuldiner - telephone interview), other Headquarters Fair Housing and Public Housing personnel - including Deputy Assistant Secretaries and their staffs, and an attorney from the Office of General Counsel;
- Officials from 14 east Texas housing authorities; and
- A former special envoy for the Deputy Secretary.

Records examined included:

- Various orders and statements associated with the lawsuit;

- Function and mission statements associated with the Beaumont Fair Housing and Equal Opportunity and Public Housing office;
- Notice of Funding Availability (NOFA) for the Fair Housing Services Center;
- Quarterly reports to the courts;
- Notices to class members;
- Racial occupancy figures included in the unitary status reports;
- Correspondence and electronic mail obtained from various current and previous HUD staff;
- Various records and reports obtained from the Beaumont offices; and
- Comprehensive Improvement Assistance Program (CIAP) and Comprehensive Grant Program (CGP) budgets for the 70 east Texas public housing authorities.

We also made site visits to three east Texas housing authorities.

Scope Impairment

During the audit, we found that neither the Fair Housing and Equal Opportunity offices nor the Public and Indian Housing offices could provide a estimate of the total costs for court-ordered improvements. A review of CIAP and CGP funds budgets provided an estimate of what is currently budgeted. However, budgeted figures do not necessarily reflect actual expenditures because revisions to the budgets are quite common. Also, HUD has until 2002 to budget funds for improvements. Thus, HUD has no firm estimate for current or future expenditures for the court orders (see Finding 2).³

Audit Period and Site

The audit generally covered the period from when the Beaumont Fair Housing office opened in December 1993

³ HUD's written response to the draft audit report included funding estimates. At the exit conference, Public Housing staff provided us with documentation to support the funding estimates. However, the supporting documentation did not reconcile to the written response; nor did it approximate OIG's estimates.

through April 1996; we extended the coverage, as appropriate. We performed audit field work primarily at the Beaumont offices but also at Headquarters and the Fort Worth and Houston offices. We performed the audit between June 1996 and January 1997 in accordance with generally accepted government auditing standards.

Table of Contents

Management Memorandum	i
Executive Summary	iii
Introduction	1
<hr/>	
Findings	
1 The Beaumont Offices are Not Achieving their Mission	7
2 Costs of Court-Ordered Improvements have Not Been Quantified or Properly Tracked	25
3 Judge's Ruling Regarding the Fair Housing Services Center May Result in Duplicate Duties and Infringe on HUD Statutory Rights	29
<hr/>	
Management Controls	33
<hr/>	
Appendices	
A HUD Written Response to Draft Audit Report	35
B Distribution	39
<hr/>	
Abbreviations	

CGP	Comprehensive Grant Program
CIAP	Comprehensive Improvement Assistance Program

Table of Contents

HUD U.S. Dept. of Housing and Urban Development
OIG Office of Inspector General

(THIS PAGE LEFT BLANK INTENTIONALLY)

The Beaumont Offices are Not Achieving their Mission

Strife and confusion plague the Beaumont Fair Housing and Public Housing offices because: (1) HUD has not clearly defined the offices' duties and responsibilities; (2) Fair Housing and Public Housing officials appear unable or unwilling to get along; (3) jurisdiction complexities among the Beaumont, Fort Worth, and Houston offices cause confusion; (4) the Beaumont director seems to lack good management skills; and (5) Headquarters staff does not adequately monitor Beaumont activities. Because of this, numerous serious problems have arisen:

- The Beaumont Fair Housing and Public Housing offices fight continuing territorial battles mainly because the Fair Housing director, supported by his Headquarters supervisors, believes he should be in charge of both offices.
- Housing authority officials in the 36-county area express confusion and frustration because Fair Housing and Public Housing duties are shared by the Beaumont, Fort Worth and Houston offices.
- Turnover is high and morale low at the Beaumont Fair Housing office because in our opinion poor management has created an oppressive environment.
- The Beaumont offices have accomplished only minimal compliance monitoring due to poor management (Fair Housing) and understaffing (Public Housing).
- Fair Housing's focus has become technical assistance and public relations, to the detriment of enforcement and compliance.
- HUD does not timely prepare required court reports and notices, making HUD vulnerable to contempt charges.

As a result, the Beaumont Fair Housing and Public Housing offices have not effectively carried out their mission to implement court orders relating to the desegregation of 36 east Texas counties.

We are recommending HUD close the Beaumont Fair Housing and Public Housing offices and assign their duties and functions to the Fort Worth and/or Houston offices. In addition to the above, other reasons for this recommendation include: (1) the Fair Housing Services Center can adequately serve as a HUD "presence" in the area, symbolizing HUD's continuing efforts to achieve desegregation; (2) the Beaumont location offers no significant advantages over Fort Worth or Houston; (3) with downsizing, HUD can be more efficient by consolidating Beaumont with larger offices; and (4) other

court cases demonstrate that implementation can be successfully accomplished without opening a separate office.⁴

Friction between offices hampers implementation of court orders

The duties and responsibilities of the Beaumont Fair Housing and Public Housing offices have never been clearly or formally defined. As a result, there has been continuing friction between the two offices. The continuing conflict has caused confusion among housing authorities and destroyed the Beaumont offices' effectiveness in trying to implement the court-ordered requirements. Headquarters realizes that the conflicts exist but has never taken the strong action needed to correct the problems. As a result, HUD is not ensuring that the various requirements of the court orders are being implemented.

The former Assistant Secretary for Fair Housing and Equal Opportunity, Roberta Achtenberg, originally envisioned the Beaumont Fair Housing office as the sole office to implement the court-ordered requirements for the 36 counties covered by the lawsuit. The original function statement for the Fair Housing office reflects this and includes duties and responsibilities that traditionally belonged to Public Housing. The former Assistant Secretary for Public and Indian Housing, Joseph Shuldiner, felt that Fair Housing lacked the technical and programmatic knowledge needed to implement the court orders. Therefore, after consulting with Ms. Achtenberg, Mr. Shuldiner opened the Beaumont Public Housing office in November 1994. However, the function statement for the Fair Housing office was never revised, and the mission statement for the Public Housing office was very broad and general.

Beaumont offices fight territorial battles

Conflicts occur between the Beaumont offices because the Beaumont Fair Housing director believes he has authority over both the Fair Housing and Public Housing offices; therefore, does not cooperate or coordinate with the Beaumont Public Housing office director. His direct supervisor and attorney advisor in Headquarters share this opinion that the Beaumont

⁴ The following have similar litigation settlements without the problems Beaumont has experienced nor a separate office: Pittsburgh, Buffalo, Dallas, and Chester.

Fair Housing director should be in charge of both offices, in part because of the higher grade and larger staff of the Fair Housing director. As a result, the Beaumont Fair Housing director often takes action without consulting or coordinating with the Beaumont Public Housing office. However, because the Fair Housing director lacks the programmatic and technical knowledge of Public Housing staff, his actions sometimes conflict with Public Housing regulations. For example, the integration of Grand Saline, an all-white housing authority, was one of Fair Housing's achievements. However, Fair Housing did not include Public Housing in this effort until integration efforts were underway. As a result, the Authority's tenant selection assignment policy was violated: at HUD's direction, the authority improperly skipped other persons on the waiting list to house the class members who had applied. Fair Housing has also received complaints that should be handled by Public Housing but has instead given housing authorities improper instructions on what action to take.

Public Housing has also initiated its fair share of conflicts. The Beaumont Public Housing director believes that Fair Housing is improperly encroaching on areas that should be administered by Public Housing. Arguments between the two directors have arisen over the Public Housing director's chairmanship of the Orange County Housing Authority, the handling of complaints, funding of improvements, and other areas.

Even more disconcerting than conflict over responsibilities is that the two directors do not seem to be able to cooperate with each other. The two directors have used electronic mail to make the other look inept and unprofessional to their respective supervisors. In one instance the Fair Housing director sent a letter to Grapeland Housing Authority in July 1996, stating that he tried to contact a member of the Beaumont Public Housing office to discuss their request but that no one was available. The Fair Housing director went on to say the he would forward the letter to the Public Housing office, even though the two offices are co-located.

Because the Beaumont Public Housing office has never been fully staffed, it has not been able to provide financial and engineering support to the housing authorities. East Texas housing authorities have to coordinate with the Beaumont Public Housing office and one or both of the other Public

Overlapping Beaumont, Fort Worth, and Houston jurisdictions add to confusion

Housing offices in Fort Worth or Houston. The complex Public Housing office set-up has led to problems between the three offices. One problem is that the computer systems Public Housing uses to oversee authorities is fragmented for the 70 east Texas authorities. Part of the systems are in Beaumont (SMIRPH), and the other parts are in Fort Worth and Houston (LOCCS). Fort Worth and Houston cannot access information on the systems in Beaumont and vice versa. Another problem concerns workload priority. Fort Worth and Houston have their own authorities and goals assigned to them. Thus, east Texas housing authorities assigned to Beaumont may hold a lower priority for financial and engineering areas needing Fort Worth or Houston assistance.

Beaumont Fair Housing has a similar problem. The Fort Worth Fair Housing office investigates Title VI and Title VIII complaints for the housing authorities assigned to Beaumont office. In one case, problems arose because the Fort Worth Fair Housing office investigated a complaint and did not notify the Beaumont office until after the investigation was completed and the housing authority was trying to settle the complaint.

Friction and jurisdictional complexity confuse housing authorities

This friction between Beaumont offices, and the jurisdictional complexity between the Beaumont, Fort Worth, and Houston offices has led to confusion among the housing authorities. Of 14 officials from different housing authorities interviewed, 10 said they had received conflicting information from the HUD offices involved in servicing the 36-county area. Comments ranged from the Fair Housing and Public Housing offices not agreeing and were never on the same track, to the two offices saying that it was the other office's responsibility to deal with a problem. Authorities also have problems with all of the offices involved in overseeing their operations. Rather than easing their workload, the establishment of the Beaumont office has increased it since authorities must now deal with at least three HUD offices. One director complained that he now has to send everything out in triplicate to prevent problems from occurring with the various offices.

Headquarters has not taken effective action to resolve the Beaumont offices' problems

Numerous Headquarters staff and even a special envoy from the Deputy Secretary have visited Beaumont in an attempt to find a solution to the problems that have plagued the offices. Several memos, voluminous cc:mail, and many phone calls have transpired in an effort to get the offices to work

effectively and efficiently. Headquarters officials have spent a staggering amount of time and effort on a daily basis trying to get the Beaumont offices to function smoothly. However, despite these efforts, Headquarters has never taken strong or definitive measures to correct problems they identified. For example, the Assistant Secretaries for Fair Housing and Equal Opportunity and Public and Indian Housing issued two joint memorandums to the two offices requiring them to cooperate and coordinate with each other. The May 1995 memo stated that, without a consistent exchange of communication between the offices, it is possible that HUD will create confusion among the housing authorities under the court decree. The memo required that the two offices concur on each others correspondence and meet weekly to share information. However, subsequent to these memos in the fall of 1995, the previously cited problems from a failure to communicate occurred at Grand Saline. Further, in July 1995, a special envoy from the Deputy Secretary spent several weeks at the Beaumont offices determining what the problems were and needed corrective action. In a discussion points summary, the special envoy noted as a major problem:

"The Beaumont office appears in a state of confusion and mutual contradiction between pih and fheo. The 70 pha's in the Young court order are confused and frustrated."

In August 1995, the Deputy Secretary and senior officials from both Fair Housing and Public Housing met to discuss the special envoy's concerns. However, HUD officials took no corrective action. When OIG staff asked why there had been no changes, the Assistant to the Deputy Secretary for Field Management stated they had considered making changes but had not taken action because things died down and it was assumed the problems were resolved or minimized. However, OIG staff observed the same problems the special envoy found when they performed audit work in 1996.

High turnover and low morale negatively impact Beaumont Fair Housing office's performance

The Beaumont Fair Housing office suffers from high turnover and low morale because the office does not have an impartial environment where staff can work concertedly and effectively. In our opinion, an oppressive office environment exists because the Fair Housing office director apparently lacks the skills needed to be a good manager. The office environment is so deplorable that it represents a significant contributing factor to work not being accomplished.

During the roughly 2½ years since the Fair Housing office opened, the staff has never numbered more than 15, including 2 contract computer employees. During the same time period,

seven staff people have been fired, quit, or transferred. Of the remaining staff, half find the work environment oppressive and are seeking to leave. Almost half of the past and present employees have submitted Equal Employment Opportunity complaints, grievances, or other complaints to the Fair Housing director's superiors in Headquarters.

Staff raised a variety of issues to illustrate the lack of an impartial office environment. Documented concerns included staff abuse of office work hours, disparate and inconsistent leave and travel policies, erratic and contradictory work instructions, and inconsistent restrictions to office space, computers, equipment, and parking.

The director's inability to hire and maintain qualified staff also denotes inadequate management skills. The director either does not thoroughly investigate backgrounds of employees he hires, or else ignores red flag indicators of suspect applicants. In one case, the director hired a staff member who had resigned from an east Texas housing authority. The individual's employment application documents stated that he resigned because he and a family member improperly participated in a grant program that the applicant administered. In another instance, all of the employee's prior supervisors in HUD Headquarters felt that the employee was a poor performer and would not be able to perform required tasks at Beaumont. However, the director did not contact the employee's supervisors and proceeded to hire the individual.

The director also may have misused government equipment which negatively affected the office work environment even further. The director had both a notebook computer and desktop 486 computer assigned to him. However, without the approval of his supervisors the director took home a new 486 mini-tower computer which had not been inventoried. The director's justification for taking the mini-tower computer home was that his family used his personal computer, and he did not want to carry the notebook home.

Supervisors in the Office of Policy and Initiatives⁵ believe the Beaumont director has managed the office well. His rating official gave the Beaumont director an outstanding

⁵ The name of the office has since been changed to the Office of Program Operations and Compliance.

performance evaluation for the period October 1, 1994, to January 31, 1996, although the rating official acknowledged that management was not the director's strength. The performance evaluation stated the:

". . . Director of the Beaumont Fair Housing Office has provided stable and competent leadership for his staff through his continuous efforts to achieve high standards and goals in accordance with policy and procedures set by Headquarters."

The Beaumont director's supervisor said he had not seen the office's personnel problems as a management issue; that most of the staff had problems before coming to Beaumont or were wanting to leave and place blame on the director. We disagree. Given the high turnover, number of complaints, the nature and duration of other problems, and direct observations of OIG audit staff, the director must to a large extent be held accountable for the office's troubles and poor performance.

Beaumont offices have accomplished only minimal monitoring

The Beaumont Fair Housing and Public Housing offices have not been effective in ensuring that the housing authorities in the 36-county area have stopped using discriminatory practices in tenanting their projects. So that previously identified discriminatory practices did not continue, the court required HUD to: (1) monitor the 70 east Texas housing authorities to ensure that the authorities are properly implementing race conscious Tenant Selection Assignment Plans and (2) complete all open Title VI reviews of all authorities that had been started but not completed since 1989. However, as of April 1996 the Beaumont Fair Housing office had fully completed only two Tenant Selection Assignment Plan reviews⁶. Fair Housing never completed any of the open Title VI reviews. This occurred because the Fair Housing office lacked clear goals, was poorly managed and did not receive effective Headquarters supervision. Public Housing completed only 14 Tenant Selection Assignment Plant reviews, mainly because the office is understaffed.

Monitoring requirements

⁶ After OIG staff went on-site at the Beaumont offices in May 96, the level of activity related to these reviews sharply increased.

In early 1995, the Office of General Counsel together with other HUD offices completed an implementation plan to carry out the court order requirements. The implementation plan listed the requirements of the various court orders and identified the offices responsible for implementing each requirement. The plan required the Beaumont Fair Housing and Public Housing offices to monitor all 70 public housing authorities' implementation of race conscious Tenant Selection Assignment Plans. The plan also called for the Beaumont Fair Housing office to complete by December 1995 all Title VI reviews begun but not completed since 1989.

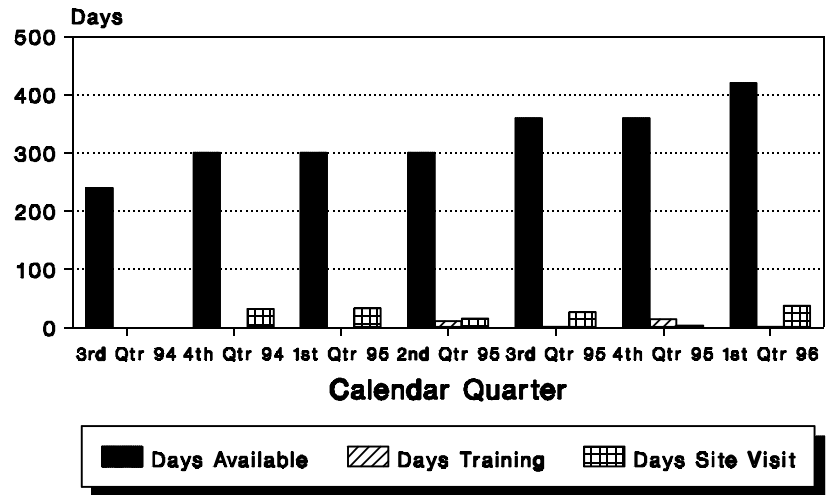
Public Housing also had their own limited management plan, completed in 1995. Under the plan, Public Housing ranked by risk various housing authorities and determined that 27 needed on-site reviews before September 30, 1995, with an additional 10 needing intensified remote site monitoring.

Fair Housing performed negligible monitoring

As of April 1996, the Beaumont Fair Housing office had monitored only 2 of the 70 east Texas housing authorities for compliance in implementing their Tenant Selection Assignment Plans. The Fair Housing office actually performed four reviews; however, only two of the four housing authorities received a completed report. One of the two reports not issued had significant findings relating to violations of the Civil Rights Act and court requirements by the Port Arthur Housing Authority. In August 1996, OIG staff interviewed the Port Arthur executive director. The executive director said he hadn't heard back from Fair Housing regarding the review, performed in March 1996. He therefore assumed nothing was wrong and was continuing operations as before. As a result, housing authorities could be continuing discriminatory practices unchecked.

Reviews went undone because the Fair Housing office did not have any goals, was poorly managed, and was not adequately monitored by Headquarters supervisors. The Beaumont Fair Housing director did not have a schedule or other plan for the staff to follow to perform monitoring. Instead of being on-site performing reviews, Fair Housing staff sat in the office. Several staff complained of a lack of work and being unable to travel to perform their jobs. They said requests for travel authorization went unapproved by the director. A comparison of available travel days to actual travel appears to confirm this:

Travel and Training Performed by Staff



In addition, Headquarters Fair Housing staff did not effectively monitor the Beaumont office. Headquarters Fair Housing supervisors said they kept abreast of the Beaumont office's activities via frequent telephone discussions and cc:mail. However, they did not receive reports or other information to inform them of Beaumont's activities, nor did

Fair Housing has not completed open Title VI cases

they have written plans or goals by which they could measure Beaumont's performance.

The Beaumont Fair Housing office never completed 44 open and unfinished compliance reviews that were transferred from its predecessor Desegregation Coordinating Office. The Beaumont director's superior told him to complete the Title VI reviews; however, he balked at completing them because he felt the data collected when the reviews were performed was bad. For over a year the director did not allow his staff to go out or otherwise contact the authorities to update the information. In an attempt to force action on the cases, the Deputy Assistant Secretary for Enforcement and Investigations in March 1996 requested an opinion from General Counsel as to whether the cases needed to be completed. Office of General Counsel determined that the cases had to be completed. However, the opinion concluded:

"My staff and I, of course, are available to advise you on the most prudent course at this time. If FHEO decides that it must seek relief from the requirements of the Interim Injunction (for example, by seeking to start the reviews over or seeking to avoid them altogether), please advise me so that we may discuss the options thoroughly in an attempt to arrive at the best possible strategy."

At the request of the Director of Program Compliance, a Headquarters staff member went to Beaumont and reviewed 14 of the open Title VI cases. In his July 1996 summary, the staff member concluded the cases were of poor quality and lacking in evidence. However, the summary stated ". . . the case files are sufficiently complete to answer many of the questions and make most of the determinations," and recommended updating the information to satisfy the Interim Injunction requirement. Headquarters Fair Housing officials in the Office of Policy and Initiatives, who directly oversee the Beaumont Fair Housing office, do not think the open Title VI cases should be completed. However as of December 1996, Fair Housing officials had taken no action to resolve the issue, and only said they were considering asking the Office of

General Counsel to go back to the court and have the requirement for completion waived.

Public Housing did little monitoring due to understaffing

As of April 1996, the Beaumont Public Housing office had completed 14 Tenant Selection Assignment Plan reviews. Only 8 of the 14 reviews related to the 27 housing authorities that Public Housing identified as high risk. Public Housing stated that the additional reviews were not completed due to staff limitations. This appears reasonable as Beaumont Public Housing only had three staff people until late 1996: the director, one specialist, and one clerical.

Mission of the Beaumont Fair Housing office appears to have changed

The Beaumont Fair Housing office was originally envisioned as an enforcement office that would oversee the 70 east Texas housing authorities' compliance with and implementation of the court-ordered requirements. However, based on the Beaumont director's statements and actions, the office mission appears to have changed. The Fair Housing director emphasizes providing technical assistance and fostering working relationships with the authorities. Although these are admirable measures, they should not replace Fair Housing's main mission of monitoring and enforcing the authorities' compliance with the court orders. The Fair Housing office's lack of compliance reviews and failure to complete unfinished Title VI investigations evidences the shift in the office's mission. Changes in Headquarters leadership also appear to have influenced the Fair Housing office's drift away from enforcement. Originally, the Fair Housing office was directly under Assistant Secretary Achtenberg. However, when Ms. Achtenberg left, her successor had to recuse herself from anything having to do with Beaumont because she had previously been an attorney for the plaintiffs. However, rather than place the office under the Deputy Assistant Secretary for Enforcement and Investigations, oversight responsibility went to the Deputy Assistant Secretary for Policy and Initiatives. The change in office function is potentially hazardous because it weakens HUD's ability to provide assurance that the east Texas housing authorities are complying with the court orders.

HUD risks contempt charges by not timely filing quarterly reports or issuing notices to class members

The Final Judgement, filed March 30, 1995, required HUD to continue to report progress towards desegregation and to include reports on significant actions taken under the order. The order set a time limit on court filing: by 30 days of the end of the quarter covered in the report. The court apparently

imposed the time limit deadline because HUD had been tardy in filing the reports in the past; sometimes filing them over a year after the end of a reporting period.

In addition, the Interim Injunction, filed in 1988, required that HUD mail to class members every 6 months a notice listing all HUD assisted low income projects and programs in relevant market areas and any alternative housing opportunities created as a result of the court order.

Quarterly reports. All quarterly reports have been late. The Desegregation Coordinating Office, the Beaumont Fair Housing office, and the Office of General Counsel did not ensure the quarterly reports were timely filed. The late submissions occurred in large part because the Beaumont Fair Housing office did not timely obtain information from housing authorities and other entities. Until recently, Fair Housing management did not seem concerned that the reports were being submitted late. Also, the reports submitted contain inaccurate or incomplete information resulting in additional filing delays and revisions to reports previously filed. Continued late report filings may result in HUD being found in contempt of court. In June 1996 the plaintiff's attorney warned HUD he would file an action for contempt because of the late reports.

The Beaumont Fair Housing office is tasked with compiling information for the quarterly reports. Beaumont Fair Housing obtains the information from various entities, including housing authorities, private providers, the Beaumont Public Housing office, the Houston Public Housing office, and the Fort Worth Public Housing and Fair Housing offices. Any of these entities not timely submitting their information can cause the Beaumont Fair Housing office to be late in issuing the draft quarterly report to the Office of General Counsel. The Office of General Counsel reviews the draft report for accuracy and relevancy, and then provides the final report to the Department of Justice for filing with the court.

For the period September 30, 1995, to June 30, 1996, the Beaumont Fair Housing office and the Office of General Counsel submitted the quarterly reports to the Department of Justice an average 4 months after the 30-day due date:

Quarter ending	Deadline	Beaumont submission date	Gen Counsel submission date	Months late
06/30/96	07/30/96	08/27/96	12/03/96	4
03/31/96	04/30/96	06/12/96	08/08/96	3
12/31/95	01/30/96	01/31/96	05/01/96	3
09/30/95	10/31/95	10/31/95	03/18/96	5.5

In June 1996, the plaintiff's attorney sent a letter to the Department of Justice because the report for the quarter ending March 30, 1996, had not yet been submitted and the previous period's report was 4 months late. The letter warned HUD that a motion for contempt would be filed if the current late report was not filed in 45 days. HUD Office of General Counsel then sent a letter to the Acting Deputy Assistant Secretary for Policy and Initiatives, Office of Fair Housing, stating that a major reason for not meeting deadlines was because the Beaumont Fair Housing office did not send the reports to Headquarters on time.

Legal staff said they had to scrutinize reports for accuracy, completeness, and relevance. Their concern appears valid since, in September 1996, the Beaumont Fair Housing office submitted revisions to three quarterly reports previously submitted to the court. Nevertheless, both Beaumont Fair Housing and the Office of General Counsel need to improve the timeliness of their submissions.

The Deputy Assistant Secretary for Program Operations and Compliance was concerned that the reports had not been submitted to the court on time. He stated Fair Housing staff was working with the General Counsel attorney to resolve this, and that they should be able to get the report out in 30 days. However, the direct supervisor and attorney advisor of the director of the Beaumont Fair Housing office indicated they did not believe the late reports to be a problem; instead, HUD should petition the court for more time to prepare the report. Further, the direct supervisor gave the Beaumont Fair Housing director outstanding ratings in the area of timeliness and quality of correspondence and written products for the period March 3, 1994, to January 31, 1996. The 1996 rating stated that the director ". . . oversees the court required

submissions from the Beaumont Fair Housing office and assures the production of a timely and acceptable product."

The Fair Housing office staff person responsible for preparing the quarterly report indicated there was no way to enforce time deadlines on entities providing information for the report. However, HUD Fair Housing and Public Housing management officials could use their authority to impress upon reporting entities the need for timely information and consider using enforcement action or penalties. For HUD reporting offices especially, there is no reason why this should not be corrected.

Class member notices. The Beaumont Fair Housing office did not issue a class member notice for over 19 months even though it was required to issue one every 6 months. Apparently, a lack of management controls and oversight by Headquarters allowed this to occur. Since HUD was so late in reporting, the court could have easily found HUD in contempt.

The interim injunction required HUD to submit class member notices to the court each April and October. The Desegregation Coordinating Office mailed out their last class member notice in October 1994. However, the Beaumont Fair Housing did not issue a notice until June 1996. The long gap in notice issuance is an indication of the need for effective management and closer oversight of the Beaumont Fair Housing office.

HUD Officials' Response

Exit conference. The Acting Assistant Secretary for Fair Housing indicated at this time she does not want to close the Beaumont Fair Housing office or remove its director. Instead, she wants to take the actions described in the written response and obtain additional feedback from her representatives before considering taking stronger measures. The Deputy Assistant Secretary for Public and Assisted Housing Operations stated the Beaumont Public Housing office would be closing by the end of the month. The Fort Worth office will assume Public Housing responsibilities for the east Texas housing authorities.

Written comments. In their written comments (Appendix A), Fair Housing and Public Housing state:

- The Beaumont Fair Housing and Public Housing offices have made significant accomplishments in carrying out their mission. However, Fair Housing, Public Housing, and General Counsel need to develop an action plan to identify activities and specify timeframes. Other steps to enhance mission achievement include initiating weekly conference calls with Headquarters and adding a deputy director and more staff to the Fair Housing office.
- Regarding the confusion created by multiple agencies and HUD offices, the response states: "When discrimination permeates a community as in the East Texas communities, the involvement of multiple agencies is necessary for successful integration." Fair Housing will determine if it is necessary to establish Memorandums of Understanding with the various agencies and offices.
- HUD stated that despite significant differences of opinion among the two directors, they have cooperated to resolve issues. Fair Housing will use the services of the Employee Assistance Program to try to achieve more cooperative working relationships between the Beaumont Fair Housing staff. Also, Fair Housing will seek General Counsel guidance regarding the issue of taking a computer home.
- The Acting Assistant Secretary for Fair Housing will direct a management/programmatic review of the Beaumont Fair Housing office. Based on this review, Title VI compliance reviews will be completed or Fair Housing may consider seeking court relief from the requirement to perform the reviews.
- Oversight of the Beaumont Fair Housing office by the Deputy Assistant Secretary of Policy and Initiatives is consistent with Fair Housing's delegation of authority.
- Headquarters will require Beaumont Fair Housing to submit timely quarterly reports to the Court and also have concurrent Department of Justice and Office of General Counsel review of the report.

OIG Evaluation of
HUD Response

Since the establishment of the Beaumont Fair Housing office, numerous Headquarters and other HUD officials have issued directives, visited, and studied the problems in Beaumont to no avail. Despite the good intentions of the Acting Assistant Secretary for Fair Housing and Equal Opportunity, we fail to see how additional evaluation and staff will yield different results.

In our opinion, the written response overstates the accomplishments of the Beaumont office and downplays the severity of its problems. For example, the response:

- States the Beaumont Fair Housing office achieved first African-American occupancy at 9 of the 11 previously all white housing authorities. Yet, at the exit conference, the Deputy Assistant Secretary of Public and Assisted Housing Operations said that there were still 5 all white housing authorities. Our review found that, as of June 1996, 8 of 11 previously all white housing authorities were still all white and 1 was now all black.
- Cites Grand Saline as an example of cooperation between the two Beaumont offices, whereas our review found exactly the opposite.
- Glosses over the problems of overlapping jurisdictions and confusion at the housing authorities by stating the involvement of multiple agencies is necessary for successful integration.
- Skirts the issue of the central role of the director in the poor morale and environment of the Beaumont Fair Housing office, and instead refers to the need to "...try to achieve more cooperative working relationships between the BFHO staff."

Closing the Beaumont Public Housing office will eliminate "territorial battles" between the Beaumont Fair Housing and Public Housing offices. However, we believe the corrective measures proposed in the response will only alleviate symptoms, rather than provide a lasting solution to three of Beaumont's most critical problems: (1) a director who is not

a good manager; (2) Headquarters supervisors that are unwilling or unable to take effective action; and (3) a small office that cannot function efficiently on its own.

Recommendation

We recommend the Acting Assistant Secretaries for Fair Housing and Equal Opportunity and Public and Indian Housing:

1A. Initiate action to close the Beaumont Fair Housing and Public Housing offices and transfer the duties and functions of those offices to the Fort Worth and/or Houston offices. You should ensure the successor office(s):

(1) are not managed by the previous Beaumont Fair Housing and Public Housing directors;

(2) receive adequate monitoring of their progress and activities by responsible Headquarters staff, to include specific controls, such as performance measures and reports;

(3) have clearly defined goals and responsibilities within each office, between the Fair Housing and Public Housing offices, and between the Fort Worth and Houston offices and the Fair Housing Services Center;

(4) timely prepare court required reports and notices;

(5) perform required monitoring of Tenant Selection Assignment Plans and Title IV reviews, or otherwise resolve the issue (e.g., seek court relief); and

(6) cooperate and work with each other in a professional manner.

Costs of Court-Ordered Improvements Have Not Been Quantified or Properly Tracked

HUD does not have an accurate estimate of what court-ordered improvements will cost and is not tracking the amount of funds it has spent or the progress of improvements made thus far. As a result, HUD cannot determine the status of court-ordered improvements and may lack sufficient funds to complete improvements by the court-ordered deadline. Court-ordered improvements have not been quantified or properly tracked because the Office of Public and Indian Housing (Public Housing) only obtained rough estimates when it committed to make the improvements. Also, Public Housing has not assigned any office the task of tracking the funding or status of the improvements. Since the court order lacks the standard phrase "pending availability of funding," HUD must complete the repairs by the deadline or it will be in contempt of court.

Final Judgement requires HUD-funded improvements

The Final Judgement and Decree requires HUD to fund improvements listed in the Comprehensive Desegregation Plan for the 70 east Texas public housing authorities. The improvements include such items as: air conditioning, laundry facilities, recreation facilities, community centers, playground equipment, and security measures. The Final Judgement requires HUD to complete the improvements within 7 years of the date of the decree (March 30, 2002). The court requires HUD to report quarterly on the status of progress made on physical improvements to projects in the 36 east Texas counties.

HUD does not know how much improvements will cost

In her statements to the court, Roberta Achtenberg, as Deputy Assistant Secretary for Fair Housing and Equal Opportunity, originally estimated that the court-ordered improvements would cost HUD upwards of \$40 million. However, a review of air conditioning cost estimates and grant budgets indicates that costs could be significantly higher. In fact, a high probability exists that HUD may lack sufficient funding to make all required repairs by the 2002 deadline.

Public Housing now estimates that \$36.7 million will be needed to install air conditioning in the 70 east Texas housing authorities. This estimate does not include any maintenance allowances or utility allowances which would significantly

increase the cost of air conditioning the authorities. No estimates exist for the costs of installing laundry facilities, recreation facilities, community centers, playground equipment, and security measures in the 70 authorities. However, a review of Comprehensive Improvements Assistance Program (CIAP) and Comprehensive Grant Program (CGP) budgets for 1991 to 1995 found that \$14 million has been budgeted so far for items other than air conditioning. Therefore, HUD has: (1) already anticipated spending about \$50.7 million as of end of fiscal year 1995 and (2) will probably be spending millions more to complete the installation of laundry facilities, recreation facilities, community centers, playground equipment, and security measures.

Public Housing and the Office of General Counsel could not provide written reports or other information on how the original cost estimate of \$40 million was derived but admitted the figure was a rough estimate. Currently no work is underway to quantify the total dollar amount needed to complete the court-ordered improvements.

The Office of General Counsel expressed concern that budget allocations will be insufficient to complete court-ordered improvements by the deadline. Since the court order lacks the standard phrase "pending availability of funding," HUD must complete the repairs by the deadline or it will be in contempt of court.

HUD is not tracking funds spent or progress of improvements

HUD is not formally or accurately tracking expenditures for or progress of court-ordered improvements. Tracking of expenditures and progress has not been done because Public Housing officials have not tasked anyone with tracking such information. As a result, HUD has not accurately reported to the court information concerning the funding and status of court-ordered improvements.

Information forwarded from Public Housing offices to the Office of General Counsel contained financial information that was not always consistent with figures reported in the housing authorities' budgets. The review found instances where reported amounts were overstated or understated. For example, a report to the court listed Alba as having received funding totaling \$62,300 for Young improvements in 1994.

However, according to the CIAP budget for that year, Alba budgeted \$119,800 for court-ordered improvements. In another instance, a report to the court showed Atlanta as receiving \$544,100 in funding for court required improvements. However, the \$544,100 actually represents Atlanta's total CIAP grant, of which \$455,000 is for court-ordered improvements. In addition, housing authorities may divert funds budgeted for court items for other uses after HUD releases the funds to the authorities. To illustrate, Livingston did not receive full funding for air conditioning and was concerned that a disparity of conditions would occur if it air conditioned only a part of its units. As a result, Livingston revised their CIAP budget and used the air conditioning funds to make sewer repairs. Thus by reporting budgeted figures and not expenditures, HUD may be inadvertently misleading the court as to both the status and progress of court-ordered improvements.

Neither Public Housing nor the Office of General Counsel knows what percentage of court-ordered improvements has been completed or remains to be done. Public Housing staff stated they had a rough idea of what had been completed but were unable to provide any reports or records that reflected the status of improvements. Since HUD does not know the actual status of improvements, it cannot determine if it will be able to comply with the deadlines set by the court.

Both Public Housing and Office of General Counsel staff acknowledged that no formal tracking of expenditures or progress of court-ordered improvements was being done. However, neither office has taken action to ensure the accuracy of information reported to the court.

HUD Officials' Response

Public and Indian Housing staff reviewed information from the Fort Worth and Houston office, and prepared a table showing current and projected CIAP and CGP funding (page 8 of Appendix A). The table shows \$78.2 million in current funding and projected needs of \$12.6 million, for a total estimated cost of \$90.8 million for court-ordered

improvements.⁷ The response states Public Housing is ". . . confident that modernization funding will continue to be appropriated at levels that will allow completion of court-ordered improvements long before the imposed deadline."

OIG Evaluation of
HUD Response

The written comments are not responsive to the issue of accurately tracking expenditures and progress of court-ordered improvements. As shown in the following paragraph, the Office of Public and Indian Housing still needs to assign staff to accurately track expenditures and progress.

The documentation provided at the exit conference does not reconcile to the amounts shown on table. An analysis of the documentation shows current funding of \$64,226,089 and projected needs of \$13,686,955 for a total of \$77,913,044. This significantly differs from the \$78,191,355 current funding and \$12,659,600 projected needs (total \$90,850,955) in the table. In any event, these amounts are far higher than Ms. Achtenberg's original \$40 million estimate.

Recommendations

We recommend the Acting Assistant Secretary for Public and Indian Housing:

- 2A. Assign staff to accurately track expenditures and progress of court-ordered improvements.
- 2B. Prepare an comprehensive, formal estimate of what court-ordered improvements will cost HUD. If HUD will not have sufficient funds to complete the improvements by the court deadline, take timely action to resolve the matter.

⁷ The table in the written comments shows projected needs of \$89,740,100. The correct amount should be \$12,659,600. The table has an arithmetic error under the Houston projected Comp Grant needs; the amount should be \$8,564,500 instead of \$85,645,000. Thus total current and projected funding equals \$90,850,955 (\$78,191,355 + \$12,659,600).

Judge's Ruling Regarding the Fair Housing Services Center May Result in Duplicate Duties and Infringe on HUD Statutory Rights

A court ruling may result in the Fair Housing Services Center duplicating duties performed by HUD staff. The ruling may also infringe on HUD's statutory rights. This situation may occur because Headquarters Fair Housing officials have not acted to resolve the issues arising from the ruling. As a result, HUD may pay for costly duplicate services and allow the issue of statutory rights to go uncontested.

The Fair Housing Services Center

The Final Judgement requires HUD to establish a Fair Housing Services Center that ". . . shall be operated by a private, non-profit organization. HUD shall provide funding to the FHSC in an amount no less than \$500,000 per year for a period of five years." The final judgement listed several services the Fair Housing Services Center would provide, including providing counseling to class members regarding housing opportunities. However, the Final Judgement also stated that the Services Center would ". . . monitor the compliance of the providers of low-income housing in the class action area (low-income public housing and assisted housing) with the fair housing laws and the requirements placed upon the providers under the Comprehensive Plan and the individual desegregation plan." HUD is currently in the process of contracting for the Services Center.

Court rules against HUD -
- requires monitoring
despite overlapping duties

Duties assigned to the Fair Housing Services Center may duplicate duties of the Beaumont Fair Housing office. An analysis of the East Texas Comprehensive Desegregation Plan, the Final Judgement, the Beaumont Fair Housing Office Function Statement, and the September 25, 1996 NOFA (Notice of Funds Availability) found duplication occurs in the areas of outreach, Section 8 voucher issuance oversight, assistance in creating housing opportunities, and compliance monitoring. The Deputy Assistant Secretary for Policy and Initiatives and the Beaumont director's supervisor stated there would be no duplication of duties; the supervisor said the

Services Center would only be recruiting landlords and doing mobility counseling.

However, this appears to conflict with a January 12, 1996 ruling, in which the court addressed this issue, stating:

"The Final Judgement and Decree specifies that among the functions of the FHSC is the duty to 'monitor the compliance of the providers of low-income housing in the class action area . . .' HUD does not want to put this language in the Rfp verbatim because of a concern that the FHSC might duplicate the monitoring functions of HUD's Beaumont Fair Housing office. The Beaumont office has the primary responsibility for ensuring that the PHAs and assisted housing providers comply with the fair housing laws and the remedies ordered in this section. To accord with this understanding of the FHSC's role, HUD has drafted a description of the FHSC's monitoring duties that restricts the FHSC to reporting any suspected violations of the law to HUD. The plaintiffs object, arguing that the Rfp should contain the description of the FHSC's role as specified in the Final Judgement."

"It is found that the Rfp should contain the description of the FHSC's services as described in the Final Judgement, ¶ IV(5)(c). HUD itself advocated the FHSC's monitoring role in the same terms as ultimately included in the Final Judgement. Compare Third Declaration of Roberta A. Achtenberg Withdrawing Second Declaration and in Support of HUD's Position on Remedies. Apr.13, 1994, ¶ 31(2) with Final Judgement, ¶ IV(5)(c). HUD may not now redefine the FHSC's role in the face of a court order adopting HUD's proposal. Moreover, FHSC's monitoring role will not render the functions of HUD's Beaumont office obsolete, nor will their overlapping duties result in the waste of resources. The FHSC will provide more monitoring, not the same monitoring, and more monitoring will contribute to the effective implementation of the desegregative remedies in the Final Judgement."

Even if "overlapping duties" result in more monitoring, it nevertheless would appear more efficient and cost effective to have the increased monitoring performed by one entity, rather than two.

According to the General Counsel attorney handling the court case, HUD has statutory rights to perform compliance monitoring which it never intended to turn over to the Fair Housing Services Center. However, Fair Housing officials have not requested General Counsel to determine if HUD can do anything about the ruling. If HUD believes the issue of statutory rights regarding compliance monitoring to be serious, it should consider what legal or other alternatives it has to deal with the court ruling.

HUD Officials' Response

Fair Housing tried to get the court to eliminate monitoring language from the Fair Housing Services Center NOFA, but the court rejected HUD's request. However, the 1997 NOFA requires the Fair Housing Services Center to coordinate all monitoring efforts with the Beaumont office, thereby reducing or eliminating the duplication of duties.

OIG Evaluation of HUD Response

Coordinating monitoring efforts may result in reducing duplication of duties; however, the response does not address the issue of statutory rights.

Recommendation

We recommend the Acting Assistant Secretary for Fair Housing and Equal Opportunity:

- 3A. Determine whether the issues of duplicate duties and statutory rights warrant action. If so, take timely and effective measures to resolve these issues.

(THIS PAGE LEFT BLANK INTENTIONALLY)

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.

We obtained an understanding of management controls through inquiries, observations, and inspection of documents and records. We focused our review on management controls related to: (1) program operations and oversight of the Beaumont Fair Housing and Equal Opportunity and the Public Housing offices and 2) compliance with the court-ordered requirements. Based on our review, we found that there were significant weaknesses in management controls over both program operations and oversight of the offices and compliance with court-ordered requirements (see Findings 1, 2, and 3).

(THIS PAGE LEFT BLANK INTENTIONALLY)