



U. S. Department of Housing and Urban Development
Office of the Inspector General for Audit
New York/New Jersey
26 Federal Plaza, Room 3430
New York, New York 10278-0068

September 23, 2002

MEMORANDUM NO:
2002-NY-1803

MEMORANDUM FOR: Charles H. Williams, Director HUD's Office of Multifamily
Housing Assistance Restructuring, HY

Alexander C. Malloy

FROM: Alexander C. Malloy, Regional Inspector General for Audit, 2AGA

SUBJECT: New York State Tenant and Neighborhood Information Service
Outreach and Technical Assistance¹ and Public Entity Grants
New York, New York

INTRODUCTION

We completed an audit of the New York State Tenant and Neighborhood Information Service's (herein referred to as Grantee) Outreach and Technical Assistance Grants (OTAG) and Public Entity Grants (PEG). We performed the review at the direction of Congress.² The primary objective of our review was to determine whether the Grantee expended grant funds for only eligible activities as identified in the OTAG/PEG agreements and in accordance with U.S. Department of Housing and Urban Development (HUD) and other Federal requirements to further the Mark-to-Market Program. Also, the review was conducted to determine whether the Grantee used grant funds to pay expenses associated with lobbying activities. Federal regulations specifically prohibit the use of grant funds for lobbying activities.

METHODOLOGY AND SCOPE

To accomplish our objectives, we interviewed members of the Grantee's staff who are responsible for the administration of OTAG/PEG funded activities. Also, we reviewed the Grantee's accounting records, and other documents that support the expenditures of

¹ OTAG Nos. FFOT98020NY and FFOT00030NY

² The 2002 Defense Appropriation Act (Public Law 107-17) Section 1303 requires the U.S. Department of HUD, Office of Inspector General to audit all activities funded by Section 514 of the Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA).

the OTAG and PEG funds. This included review of the Grantee's monthly board minutes, telephone records and employee timesheets for events that would indicate lobbying activities. Additionally, we reviewed the requirements in the Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA), the Notice of Fund Availability, the OTAG/PEG agreements, and the Office of Management and Budget's (OMB) guidance on allowable cost for nonprofit grantees. We tested \$93,019.92 or 22 percent of the Grantee's total OTAG expenditures of \$424,107.84 that were incurred during the period we reviewed. Regarding the PEGs, we reviewed 100 percent of costs, totaling \$84,574 that were incurred with PEG funds during the review period.

The audit covered the period between January 1, 1998, and April 30, 2002. The audit period was extended, as appropriate, to meet our objectives. The audit fieldwork was conducted during the months of June and July 2002. We conducted the audit in accordance with Generally Accepted Government Auditing Standards.

BACKGROUND

The 2002 Defense Appropriation Act (Public Law 107-17) Section 1303 requires the U.S. Department of Housing and Urban Development, Office of Inspector General to audit all activities funded by Section 514 of the Multifamily Assisted Housing Reform and Affordability Act of 1997. The directive includes the Outreach and Technical Assistance Grants (OTAG) and Intermediary Technical Assistance Grants (ITAG) administered by the Office of Multifamily Assistance Restructuring.

The Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA) established the Office of Multifamily Housing Assistance Restructuring (OMHAR) within HUD. Utilizing the authority and guidelines under the MAHRA, OMHAR's responsibility includes the administration of the Mark-to-Market Program, which includes the awarding and oversight of the Section 514 Outreach and Technical Assistance and Intermediary Technical Assistance Grants. The objective of the Mark-to-Market Program is to reduce rents to market levels and restructure existing debt to levels supportable by reduced rents for thousands of privately owned multifamily properties with federally insured mortgages and rent subsidies. Congress recognized, in Section 514 of the MAHRA, that the Mark-to-Market program would affect tenants of the project, residents of the neighborhood, the local government, and other parties; accordingly, Section 514 of the MAHRA authorized the Secretary to provide up to \$10 million annually (\$40 million in total) for resident participation, for the period 1998 through 2001.

HUD issued NOFAs in Fiscal Years 1998 and 2000, to provide opportunities for nonprofit organizations to participate in the Section 514 programs. Through these NOFAs, HUD provided two types of grants. The Intermediary Technical Assistance Grant (ITAG) and the Outreach and Technical Assistance Grants (OTAG). The ITAG program provides technical assistance grants through intermediaries to sub-recipients to include tenant affiliated community-based nonprofit organizations in properties that are

eligible under the Mark-to-Market program to help tenants participate meaningfully in the Mark-to-Market process. These ITAG grantees use Section 514 funds to provide Public Entity Grants (PEG) to sub-recipients, including OTAG grantees, and other public entities. The OTAG program provides technical assistance to tenants of eligible Mark-to-Market properties so that the tenants can participate meaningfully in the Mark-to-Market Program, and affect decisions about the future of their housing.

New York State Tenant and Neighborhood Information Service

New York State Tenant and Neighborhood Information Service (Grantee) is a statewide 501(c)(3) organization, which was incorporated in 1993, and is dedicated to helping tenants preserve and improve their housing. It provides residents of New York State’s rent-regulated, public housing and Section 8 buildings with the educational, organizing skills, and technical assistance to address system wide and specific housing concerns.

The Grantee received two OTAGs, as shown below:

<u>Fiscal Year</u>	<u>Grant Number</u>	<u>Amount</u>
1998	FFOT98020NY	\$350,000
2000	FFOT00030NY	\$400,000

At the time of our review, the Grantee had fully expended its Fiscal Year 1998 OTAG funds, and \$74,107.00 of its Fiscal Year 2000 OTAG funds. For the period reviewed, we noted that the Grantee was not required to have an independent audit conducted in accordance with OMB Circular A-133, since they did not expend federal funds in excess of \$300,000. However, an Independent Auditor's Report for the Grantee's fiscal years ending March 31, 2001 and March 31, 2000, was performed. The report contained no findings. We also noted that the Grantee did not receive any on-site monitoring from HUD’s Office of Multifamily Housing Assistance Restructuring. Nevertheless, the Grantee identified a total of 143 projects that qualified for assistance under its OTAGs.

The Grantee also received a total of five Section 514 Public Entity Grants (PEG) during our audit period. All five PEGs, each for \$20,000, were received from the Intermediary Technical Assistance Grantee (ITAG) “Georgetown University” doing business as the “National Center for Tenant Ownership”. To date, the Grantee has expended \$84,574 of the PEG funds.

In addition to the HUD grants, the Grantee obtained funds from non-Federal sources. During the period reviewed, the Grantee received grants totaling \$968,000 from public and private foundations.

RESULTS OF REVIEW

The results of our review disclosed that the Grantee generally administered the OTAG/PEG Programs in accordance with HUD requirements, and used grant funds only

for eligible activities to further the Mark-to-Market Program. In addition, we did not find any instances where the Grantee expended grant funds on lobbying activities.

We appreciate the courtesies and assistance extended by the personnel of the New York State Tenants and Neighborhood Information Service during our review.

Should you or your staff have any questions, please contact me or Edgar Moore, Assistant Regional Inspector General for Audit, at (212) 264-8000, extension 3976.

MANAGEMENT CONTROLS

In planning and performing our audit, we considered the management controls relevant to the Grantee's Section 514 programs to determine our audit procedures, not to provide assurance on the controls. Management controls 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 determined that the following management controls were relevant to our audit objectives:

- Controls Over Allocating of Costs and Reporting of Activities
- Controls over Cash Receipts and Cash Disbursements
- Controls over Payroll

It is a significant weakness if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet an organization's objectives.

For the period reviewed our testing did not disclose any management controls weaknesses in the above areas.

Distribution

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