



| |
|---------------------------------|
| Issue Date: October 28, 2002 |
| Audit Case Number: 2003-DE-1003 |

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

A handwritten signature in black ink that reads "Robert C. Gwin".

FROM: Robert C. Gwin, Regional Inspector General for Audit, 8AGA

SUBJECT: Congressionally Requested Audit of the June 1998, Memorandum of Understanding
between HUD's Office of Multifamily Housing and the Corporation for National
Service

INTRODUCTION

We completed an audit of the \$2.4 million provided by HUD to the Corporation for National Service (Corporation), under a June 1998 Memorandum of Understanding. We performed the review at the direction of Congress. We wanted to know if VISTA members' activities, funded under the Memorandum of Understanding, were eligible under the Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA). We reviewed 21 of the 53 VISTA projects supported by HUD funding. We identified that the Corporation approved VISTA projects with goals/objectives that did not comply with MAHRA or the HUD Memorandum of Understanding. In addition, we identified that four of the 21 projects provided ineligible assistance under MAHRA. We determined that the Corporation expended at least \$57,916 to fund these ineligible activities. In addition, we could not determine the eligibility of the assisted HUD multifamily projects because the VISTA sponsors' quarterly reports lacked sufficient detail to make a determination. As a result, VISTA members were utilized to further the goals and objectives of the National Alliance of HUD Tenants. In addition, HUD cannot be sure that the projects assisted were eligible under MAHRA. The Corporation did not establish adequate management control to ensure only items eligible under MAHRA and the Memorandum of Understanding received assistance. In addition, the Corporation did not prepare or submit the required quarterly reports per the Memorandum of Understanding.

We did not identify lobbying activities by the VISTA members.

Our report contains two recommendations to address the issues identified in the report and strengthen management controls over future agreements between HUD and the Corporation.

Section 1303 of the 2002 Defense Appropriation Act (Public Law 107-117) requires the HUD Office of Inspector General to audit all activities funded by Section 514 of the MAHRA. The directive would include the Memorandum of Understanding between HUD and the Corporation administered by the Office of Multifamily Housing Assistance Restructuring (OMHAR). Consistent with the Congressional directive, we reviewed the eligibility of costs with particular emphasis on identifying ineligible lobbying activities.

We appreciate the courtesies and assistance extended by the personnel of the Corporation for National Service during our review. We also appreciate the cooperation and assistance by the local VISTA Offices, in providing documents for our review.

In accordance with HUD Handbook 2000.06 REV-3, within 60 days please provide us, for each recommendation without a management decision, a status report on: (1) the corrective action taken; (2) the proposed corrective action and the date to be completed; or (3) why action is considered unnecessary. Additional status reports are required at 90 days and 120 days after report issuance for any recommendation without a management decision. Also, please furnish us copies of any correspondence or directives issued because of the audit.

Should you or you staff have any questions, please contact me at (303) 672-5452.

SUMMARY

We identified that the Corporation approved VISTA projects with goals/objectives that did not comply with MAHRA or the Memorandum of Understanding. In addition, we identified that four of the 21 projects provided ineligible assistance under MAHRA. We determined that the Corporation expended at least \$57,916 to fund these ineligible activities. In addition, we could not determine the eligibility of the assisted HUD multifamily projects because the VISTA sponsors' quarterly reports lacked sufficient detail to make a determination. As a result, VISTA members were utilized to further the goals and objectives of the National Alliance of HUD Tenants. In addition, HUD cannot be sure that the projects assisted were eligible under MAHRA. The Corporation did not establish adequate management control to ensure only items eligible under MAHRA and the HUD Memorandum of Understanding received assistance. In addition, the Corporation did not prepare or submit the required quarterly reports per the Memorandum of Understanding.

We did not identify lobbying activities by the VISTA members.

BACKGROUND

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 MAHRA, OMHAR's responsibility included the administration of the Mark-to-Market Program, which included the awarding, and oversight of the activities of the VISTA members funded by Section 514 of MAHRA. The objective of the Mark-to-Market Program was to reduce rents to market levels and restructure existing debt to levels supportable by these reduced rents for thousands of privately owned multifamily properties with Federally insured mortgages and rent subsidies. OMHAR worked with property owners, Participating Administrative Entities, tenants, lenders, and others to further the objectives of MAHRA.

Congress recognized, in Section 514 of MAHRA, that tenants of the project, residents of the neighborhood, the local government, and other parties would be affected by the Mark-to-Market Program. Accordingly, Section 514 of MAHRA authorized the Secretary to provide up to \$10 million annually (\$40 million total) for resident participation, for the period 1998 through 2001. The Secretary authorized \$40 million and HUD staff awarded about \$26.6 million to 40 grantees (a total of 83 awards).

Section 514 of MAHRA required that the Secretary establish procedures to provide an opportunity for tenants of the project and other affected parties to participate effectively and on a timely basis in the restructuring process established by MAHRA. Section 514 required the procedures to take into account the need to provide tenants of the project and other affected parties timely notice of proposed restructuring actions and appropriate access to relevant information about restructuring activities. Eligible projects are generally defined as HUD insured or held multifamily projects receiving project based rental assistance. Congress specifically prohibited using Section 514 grant funds for lobbying members of Congress.

In March 1995, HUD's Office of Multifamily Housing utilized \$3.5 million from the Preservation Program for VISTA members. HUD and the Corporation entered into a three-year Interagency Agreement. The Agreement provided VISTA members to assist residents in HUD insured and assisted projects by providing technical assistance to tenant groups and design programs to increase services to the projects. These program areas included development of public safety, computer education and development of welfare to work strategies for residents of the properties. In fiscal year 1997, Congress provided no additional funds for the Preservation Program, but did provide funding for resident organizations under Section 514 of MAHRA.

In June 1998, HUD's Office of Multifamily Housing and the Corporation entered into a second three-year agreement. The Memorandum of Understanding provided \$1 million, funded through Section 514 of MAHRA, in the first year. HUD provided an additional \$1 million in the second year and \$0.4 million in the third year. The second agreement provided VISTA members to organize resident councils, act as coordinators to assist residents in accessing social, educational and economic development services, perform resident training and capacity building for management or ownership roles, and other activities. The National Alliance of HUD Tenants acted as the primary sponsoring organization for the VISTA members funded by this agreement.

In June 2001, the Memorandum of Understanding between HUD and the Corporation expired. HUD elected to not extend or enter into another agreement with the Corporation.

The Corporation utilizes Sponsoring Organizations to manage VISTA members and provide the support necessary to achieve VISTA project goals. The Sponsoring Organization may be Federal, state, or local agencies, nonprofit, or private organizations that are committed to solving problems affecting low-income communities. The Sponsoring Organization support includes providing dedicated supervision of the VISTA member, a clear work plan, and the mentoring needed to promote the professional growth of the VISTA members.

Sponsoring Organizations also must ensure that each project achieves the following:

- Engaging members of the low-income community in planning, developing, and implementing the project to ensure that it is responsive and relevant to the low-income residents to be served;
- Leveraging community resources (including part-time community volunteers) from the public and private sectors; and
- Expanding community and organizational capacity to sustain the project once the VISTA member(s) finishes his/her term.

The Corporation's State Office and the Sponsoring Organization sign a VISTA Memorandum of Agreement establishing a VISTA project. The VISTA Memorandum of Agreement is the legal document that identifies Federal laws and regulations applicable to VISTA projects and outlines the specific obligations of each party.

A VISTA Memorandum of Understanding is a document negotiated between a VISTA Sponsoring Organization (signatory to the VISTA Memorandum of Agreement) and a participating agency or organization responsible for part of the overall VISTA project goals/objectives. The participating agency is assigned VISTA members directly from the Sponsoring Organization under circumstances specified in the VISTA Memorandum of Understanding.

All VISTA members assigned to a Sponsoring Organization must designate a supervisor for the VISTA project. It is the Sponsoring Organization and supervisor, rather than the Corporation, who provide day-to-day direction and guidance to the members. From time to time, Corporation State Office staff may offer advice and technical assistance such as clarifying a Sponsoring Organization's project application or a member's assignment description, or responding to questions about VISTA policy and procedure.

Federal requirements at 45 Code of Federal Regulation 1226 prohibit the VISTA members' participation in lobbying and voter activities.

In conducting the audit, we reviewed the Corporation's accounting records, and other documents supporting the expenditures of Section 514 funds. According to the Corporations records, HUD provided funding to 53 sponsoring organizations. The funding provided 262 VISTA members for 100 VISTA projects. We reviewed 21 of the 53 project sponsors' records (the sample

represented 97 of the 262 VISTA members activities). Specifically, we reviewed the VISTA project sponsors' 1) applications, 2) Memorandum of Agreements, and 3) quarterly reports. We interviewed Corporation staff members and HUD staff responsible for the Section 514 funded VISTA member activities. Our audit scope did not include the process or method used by HUD to award the February 1995 Interagency Agreement or the June 1998 Memorandum of Understanding to the Corporation. We also reviewed the requirements in MAHRA, HUD's Memorandum of Understanding, the VISTA member Handbook, the Federal regulations applicable to the Corporation on lobbying, and HUD and the Office of Management and Budget's guidance on the establishment of management controls over program activities.

The audit covered the period June 12, 1998 through June 2002. We reviewed the \$2.4 million provided by HUD, of the originally intended \$3.0 million. Due to the funding shortfall, the Corporation used its own funds to continue funding VISTA members' activities after December 31, 2001. Therefore, our review includes activities funded in part with Corporation funds. We performed the fieldwork at the Corporation's Office located at 1201 New York Avenue, NW, Washington, District of Columbia during July 2002.

In accordance with the Chief Financial Officers (CFO) Act of 1990, as amended, the Corporation received an annual audit for each of the years under our review. We reviewed the reports to ascertain if the reports included concerns within the scope of our audit. We did not identify reported conditions related to the scope of our review.

We conducted the audit in accordance with Generally Accepted Government Auditing Standards.

FINDING

We identified that the Corporation approved VISTA projects with goals/objectives that did not comply with MAHRA or the HUD Memorandum of Understanding. In addition, we identified that four of the 21 projects provided ineligible assistance under MAHRA. We determined that the Corporation expended at least \$57,916 to fund these ineligible activities. In addition, we could not determine the eligibility of the assisted HUD multifamily projects because the VISTA sponsors' quarterly reports lacked sufficient detail to make a determination. As a result, VISTA members were utilized to further the goals and objectives of the National Alliance of HUD Tenants. In addition, HUD cannot be sure that the projects assisted were eligible under MAHRA. The Corporation did not establish adequate management control to ensure only items eligible under MAHRA and the Memorandum of Understanding received assistance. In addition, the Corporation did not prepare or submit the required quarterly reports per the Memorandum of Understanding.

In June 1998, HUD's Office of Multifamily Housing and the Corporation entered into a three-year agreement. The Memorandum of Understanding provided \$2.4 million over the three-year period. The agreement provided VISTA members to:

- Organize resident councils,
- Perform resident training and capacity building for management or ownership roles, and
- Act as coordinators to assist residents in accessing social, educational and economic development services and other HUD approved activities,

The agreement required the Corporation to provide quarterly reports, at the end of March, June, September, and December on VISTA members' activities. Specifically, the agreement required the report to include the following:

- Area of coverage (HUD Project where the VISTA member is assigned)
- Number of VISTA members assigned per program area
- City and State where VISTA members are located
- Organizational level of tenants upon arrival,
- Existence of Tenant association,
- Level of involvement of tenants
- Short narrative description of assistance provided at each site, highlighting success and problems encountered
- Expenditure for each location by quarters and cumulative for the location
- Accounting and overhead expenses.

The National Alliance of HUD Tenants acted as the primary VISTA sponsoring organization for the VISTA members funded by this agreement. The Corporation's agreement with the National Alliance of HUD Tenants listed six goals for the program. Specifically,

- Help local sponsors build strong tenant organization capacity to advocate for repairs affordable rents, and services; advance resident ownership; and cope with uncertain policy environments.
- Educate newly emergent tenant leaders, VISTAs, and other staff through national and regional training/capacity-building conferences; field staff and tenant leader visits; and on-call organizational development assistance.
- Assist local VISTA sponsors and HUD tenant groups to form area wide tenant coalitions.
- Establish a "Tenant Eyes and Ears" program to facilitate communication between tenant groups and HUD field staff regarding problems in at least six HUD regions on a quarterly basis.
- Establish a HUD Tenant Clearinghouse and referral for the national network of local tenant organizations, VISTAs and local VISTA sponsor organizations.
- Create and distribute National Alliance of HUD Tenants informational materials.

Even though the National Alliance of HUD Tenants acted as the primary project sponsor, each of the other 52 project sponsors submitted their own goals/objectives for their VISTA project.

Section 514 of MAHRA provided funding to provide an opportunity for tenants of the project and other affected parties to participate effectively and on a timely basis in the restructuring process established by MAHRA. Section 514 required the funding take into account the need to provide tenants of the project and other affected parties timely notice of proposed restructuring actions and appropriate access to relevant information about restructuring activities. Eligible projects are generally defined as HUD insured or held multifamily projects receiving project based rental assistance.

For the 21 VISTA project sponsors we reviewed, the sponsors generally included a goal to organize tenants in Section 8 projects. However, the goals were not targeted to the Mark to Market projects but projects where owners were opting out or where resident organizations had already been started.

Moreover, the project sponsors reviewed also included goal/objective to further the programs and recruitment of members for the National Alliance of HUD Tenants. These goals/objectives are similar to the last four goals listed above for the National Alliance of HUD Tenants.

As stated above, Section 514 of MAHRA provided funding to assist the tenants not the National Alliance of HUD Tenants. As such, any goals/objectives specifically directed at the furthering the causes of the National Alliance of HUD Tenants or its policies and political agendas is ineligible for Section 514 funding. The Corporation staff advised that an expected result of the VISTA members is a furtherance of the sponsoring organization's objectives.

We agree that a natural outcome of utilizing VISTA members would most likely result in the furtherance of the sponsoring organization. However, the approved goals/objectives for the VISTA projects must include only those items eligible under MAHRA and identified in the Memorandum of Understanding between HUD and the Corporation. Nowhere in MAHRA or the HUD memorandum of Understanding do we find funding specifically targeted to the National Alliance of HUD Tenants programs or its causes. As such, any goals/objectives targeted to the furtherance of the National Alliance of HUD Tenants is ineligible.

We could not make a determination on the amount of assistance provided by the 21 projects to these ineligible goals/objectives, because the quarterly reports did not segregate the VISTA members' time by the various goals/objectives.

We also identified that four of the 21 projects reviewed provided assistance for ineligible activities under MAHRA (VISTA Project number PA313427, NY055506, and 2 projects under CO050925). Again, Section 514 of MAHRA provided an opportunity for tenants of the project, residents of the neighborhood, the local government, and other affected parties to participate effectively and on a timely basis in the restructuring process under MAHRA. Contrary to the legislation and the agreement with HUD, the VISTA members provided assistance for after school daycare activities and new homeownership activities.

Based on the Corporations financial records we determined that the Corporation expended at least \$57,916.12 for these ineligible activities. We did not determine an exact amount because certain expenditures are specific to the various VISTA members and not the VISTA project. As

such, we did not identify the specific VISTA members associated with the projects and identify these additional amounts.

We could not determine the eligibility of the multifamily projects assisted. The Corporation's agreement with HUD required the preparation, submission of quarterly reports on the HUD projects assisted, and the level of assistance provided. We could not fully determine from the VISTA project sponsors' quarterly reports the HUD projects assisted or if the projects were eligible for assistance under MAHRA. Moreover, the Corporation did not prepare the required quarterly reports nor summarize the VISTA projects quarterly reports. HUD staff exacerbated the Corporation's failure by neither requesting the required quarterly reports nor performing a review of the VISTA members' or project activities.

OMB Circular A-123, Management Accountability and Control, requires Agencies and individual Federal managers to take systematic and proactive measures to; 1) develop and implement appropriate, cost-effective management controls for results-oriented management; 2) assess the adequacy of management controls in their programs and operations; 3) identify needed improvements; 4) take corresponding corrective action; and 5) report annually on management controls. HUD performed little if any oversight of the Corporation's activities under the Memorandum of Agreement.

The HUD staff responsible for training, guidance, and oversight did not review or oversee the VISTA project sponsors' applications or activities. As identified above, the HUD staff neither performed site visits of activities nor required the Corporation to submit the required quarterly reports. It would appear, based on available documents, that HUD staff responsible for the program acquiesced their responsibility for program management and oversight to the Corporation and National Alliance of HUD Tenants.

In our opinion, HUD staff and the Corporation relied on the National Alliance of HUD Tenants to manage and oversee the goals and activities of the VISTA project sponsors. As stated above, we identified that the VISTA project sponsors' project goals/ objectives included a goal to strengthen the National Alliance of HUD Tenants. We also noted that the National Alliance of HUD Tenants provided and directed the training and overall guidance to the VISTA members. Moreover, the training material and guidance we reviewed contained the National Alliance of HUD Tenants specific policies and political agenda. For example, the training materials contained:

- Talking points for the National Alliance of HUD Tenants lobbying visits,
- National Alliance of HUD Tenant's priorities for FY 2000 appropriation funding,
- Position paper on saving and expanding affordable housing,
- Demands to save tenants from expiring Section 8 contracts,
- How to use Freedom of Information requests to obtain HUD projects information from the local HUD office,
- Local activities to save and expand affordable housing to include legislative activities, and
- Vouchers versus projects based assistance.

Again, Section 514 of MAHRA provided an opportunity for tenants of the HUD project and other affected parties to participate effectively and on a timely basis in the restructuring process. MAHRA did not provide funding to further the National Alliance of HUD Tenants and its membership.

As a result, HUD provided funding to support the furtherance of the National Alliance of HUD Tenants and four ineligible VISTA projects. In addition, HUD has no assurance that VISTA members assisted only eligible projects.

The HUD staff that prepared the 1998 agreement between the Corporation and HUD advised us that the 1998 agreement was a continuation of the 1995 agreement with the Corporation. The staff believed that even though the focus of the funding legislation changed everything eligible under the Preservation Program should and would be eligible under MAHRA.

We noted that the Corporation approved projects with goals/objectives that were not eligible under MAHRA or the Memorandum of Understanding. Even more important, HUD staff responsible for the program acquiesced their management of the program to the Corporation and National Alliance of HUD Tenants.

AUDITEE COMMENTS AND OIG EVALUATION OF AUDITEE **COMMENTS**

We provided a draft report to the Corporation for their comments on September 20, 2002. The Corporation requested two extensions and provided final comments dated October 18, 2002. We included the Corporation's comments in Appendix B of the report. We did not include the Pre Service Orientation Participant Manual for VISTA members provided by the Corporation in their response, due to the voluminous nature of the binder.

The Corporation disagreed with the finding in the report. Specifically, the Corporation believes that it complied with the terms and conditions of the Memorandum of Understanding. In their response, the Corporation states that HUD clearly understood the scope of the VISTA members' activities and HUD interposed no objections.

The Corporation also implies that they requested documents contained in the audit working paper and that these documents were not provided. OIG received no requests for clarification or documents from the Corporation staff. After issuance of the draft report, the only contacts with the Corporation were the two requests to extend the time for providing written responses to the draft report.

The Corporation states that the after school daycare and the homeownership were permissible under the terms of the Agreement and the December 3, 1999 memorandum from Ira Peppercorn, Director of OMHAR. As stated in the report, Section 514 of MAHRA provided funding to provide an opportunity for tenants of the project and other affected parties to participate effectively and on a timely basis in the restructuring process established by MAHRA. Section 514 required the funding take into account the need to provide tenants of the project and other

affected parties timely notice of proposed restructuring actions and appropriate access to relevant information about restructuring activities. We find nothing in MAHRA that would allow for the assistance to daycare and homeownership activities. As such, any assistance to these activities is not consistent with the funding legislation. We made changes to the report to include the specific VISTA projects that provided the ineligible activities.

We agree with the response that capacity building of the sponsoring organization is a principle function of AmeriCorps* VISTA and we state this conclusion in the report. However, as stated in the report, the approved goals/objectives for the VISTA projects must include only those items eligible under MAHRA and identified in the Memorandum of Understanding between HUD and the Corporation. Nowhere in MAHRA or the HUD Memorandum of Understanding do we find funding specifically targeted to the National Alliance of HUD Tenants programs or its causes. As such, any goals/objectives targeted to the furtherance of the National Alliance of HUD Tenants is ineligible.

The Corporation disagrees that they transferred oversight of the AmeriCorps*VISTA projects to the National Alliance of HUD Tenants. Specifically, the Corporation refers to the Pre Orientation binder and training for VISTA members and the December 3, 1999 memorandum from Ira Peppercorn, Director of OMHAR. We did review the AmeriCorps*VISTA Member Handbook 2001 and the December 3, 1999 memorandum, as part of our audit work. However, our review was not of the VISTA program but the activities of the VISTA members funded by HUD. As such, our review focused on the activities performed and training provided for the HUD funded VISTA members activities. Neither the Corporation's response nor the Pre Orientation binder provided information that would change the conclusions and recommendations reached in the report. As such, we plan no additional audit work.

RECOMMENDATIONS

We recommend that the Director of OMHAR:

- 1A. Require the Corporation to refund to HUD the \$57,916 for the ineligible activities, plus any additional costs associated with the VISTA members that worked on the four projects.
- 1B. Not enter into another agreement for VISTA members until the Corporation establishes appropriate management controls, to include policies and procedures, to ensure funding of goals/objectives eligible under the funding legislation and the agreement with HUD.

MANAGEMENT CONTROLS

In planning and performing our audit, we considered the management controls relevant to the Corporation's Section 514 program 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:

- Identification of VISTA projects and activities eligible for assistance,
- Controls and documents to support costs of assistance provided,
- Controls and procedures over the eligibility of funded activities, and
- Monitoring of the VISTA members' activities.

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.

Based on our review, we believe the following items are significant weaknesses:

- Lack of a system to ensure VISTA projects were eligible for assistance with Section 514 funds,
- Lack of a system to ensure and support that only eligible HUD projects were assisted with Section 514 funds, and
- Lack of a system to identify ineligible HUD activities and take appropriate actions.

FOLLOW-UP ON PRIOR AUDITS

The HUD Office of Inspector General performed no previous audit of the Corporation for National Service.

SCHEDULE OF QUESTIONED COSTS

| Recommendation Number | Type of Questioned Costs |
|----------------------------------|---------------------------------|
| | Ineligible 1/ |
| 1A | \$57,916 |

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

AUDITEE COMMENTS

October 18, 2002

Mr. Robert C. Gwin
Regional Inspector General for Audit
U.S. Department of Housing and Urban Development
633 17th Street, North Tower, 14th Floor
Denver, CO 80202-5452

Dear Mr. Gwin:

Thank you for the opportunity to review the draft audit report sent with your letter of September 20, 2002. The Corporation has reviewed the draft report and offers its comments and recommendations for your consideration as you prepare the final report.

This response provides information on the major findings and recommendations. In some cases, assertions have been made in the findings but no specific documentation has been provided, so it is difficult to address those points concretely. Supporting documentation may exist in the audit work papers, but those documents have not been provided to this office.

The information included here will provide: (a) our concurrence and non-concurrence on items, as appropriate; (b) additional facts; (c) comments about information that we provided during the course of your office's audit, but that we do not believe has been factored into your findings; and, (d) questions about assertions made in the findings for which no documentation was cited to support certain conclusions.

In our view this report should not be released as a final report until the responsible auditor has performed additional coordination with this office to ensure that available information is appropriately included in the report. Our office will assist in providing any additional available information or support you may need to achieve resolution.

Sincerely,

A handwritten signature in black ink that reads "Rosie K. Mauk".

Rosie K. Mauk
Director of AmeriCorps

Enclosures

1201 New York Ave., N.W. • Washington, DC 20525 • 202-606-5000 • www.nationalservice.org
Senior Corps • AmeriCorps • Learn and Serve America

A proud part of

The President's Call to Service

The Corporation approved VISTA projects with goals/objectives that did not comply with MAHRA or the Memorandum of Agreement

The Corporation disagrees with this finding. The Corporation fully complied with the terms and conditions of the Memorandum of Agreement and the policy guidelines for the MAHRA goals and objectives in approving member activities.

Specifically, the language related to member activities, taken from the original Statement of Work in the 1998 Memorandum of Agreement, states that AmeriCorps*VISTA members may perform the following activities:

1. Acting as service coordinators to assist residents in accessing social, educational and economic development services;
2. Organizing resident councils;
3. Performing resident training and capacity building for management or ownership roles; and
4. Planning and directing programs that address problems caused by crime and drugs, provide training and services to achieve employment, and foster a supportive environment for families and children.

In addition, with the enactment of the Mark to Market legislation, the Corporation notified HUD that it was terminating all ineligible projects. In a letter to Victor Lambert dated September 8, 1999 (see attachment), AmeriCorps*VISTA Program Development and Training Manager Kathy Dennis stated:

I have also included information from programs part of the original initiative which, with the specific Mark to Market language, can no longer be supported after members finished their terms of service this fiscal year. This includes: Neighborhood Reinvestment Coalition, Neighborhood Networks, most of the National Association of Housing Cooperatives sites, and SNAP (Safe Neighborhood Action Program.)

A subsequent memorandum dated December 3, 1999 from Mr. Ira Peppercorn, Director of the HUD Office of Multi-family Housing Assistance Restructuring, established new policy guidelines for M2M properties and expanded the scope of activities of AmeriCorps*VISTA members in non-M2M properties (see attachment). The Corporation provided a copy of this critical memorandum to the HUD auditor, but it apparently was not considered in arriving at the draft findings. HUD clearly was on notice as to the scope of VISTA member activities and interposed no objection.

Moreover, the activities related to after-school daycare and new homeownership were permissible and determined to be appropriate by the Corporation staff reviewing the NAHT project's quarterly reports as well as other Corporation staff. In addition, as stated in the IG report, HUD officials did not determine any of the AmeriCorps*VISTA activities to be unallowable. At no time did HUD staff indicate to us that we had approved any project's goals and objectives that contained "inappropriate activities."

Finally, we are not aware of any AmeriCorps*VISTA members assigned to NAHT having engaged in ineligible activities. The report does not fully support this claim in that the specific projects and time frames for the purported ineligible activities were not cited. This information may be included in the work papers, but it also should be clearly discussed in the report's text to facilitate audit resolution. Therefore, we do not agree with the recommendation to reimburse HUD.

AmeriCorps*VISTA members building the capacity of NAHT

Building the capacity of their sponsoring organization is a principle function of AmeriCorps*VISTA members, and a major goal of the AmeriCorps*VISTA program. All members strive to strengthen their site and project so that the organization can sustain the AmeriCorps*VISTA members' efforts after they complete service, and, in addition, after AmeriCorps*VISTA members are no longer assigned to the project. The more that AmeriCorps*VISTA members can build the infrastructure and volunteer base of the sites where they are placed, the better equipped that organization is to continue the projects that the members began. Because AmeriCorps*VISTA members were placed at NAHT sites, it is to be expected that NAHT member sites would be strengthened as a result. In addition, AmeriCorps*VISTA staff attest that the responsible HUD officials serving as liaisons to the Corporation were well aware of the program goals related to building the capacity of the sponsoring organizations, and of sustainability, and they voiced no objection to these goals.

CNCS did not adequately oversee NAHT program

The draft audit report's section on management controls concludes that a lack of systems existed to enforce eligibility requirements and monitor project activities. However, the documented evidence within the report does not support these findings.

CNCS did not transfer oversight of the AmeriCorps*VISTA project to NAHT. CNCS and AmeriCorps*VISTA staff reviewed project progress reports, communicated with project supervisors and AmeriCorps*VISTA members, and visited sites, as necessary. Corporation and HUD staff met with all AmeriCorps*VISTA members twice each year at training events.

Moreover, NAHT did not direct the AmeriCorps*VISTA Pre-Service Orientation. AmeriCorps*VISTA runs all Pre-Service Orientations, including those for NAHT members. At the Pre-Service Orientation, AmeriCorps*VISTA members learn the terms

and conditions of their service, including allowable and unallowable activities, and basic information on community development. (See attached binder.)

Sessions were also set aside for NAHT staff to meet with and provide training to the members. During these sessions, NAHT materials related to the organization's overall mission and activities were distributed. These materials, including the information on NAHT's overall mission, are simply background information on their organization, not training materials. These materials were given to the VISTA members so they would have an understanding of NAHT's mission and a broader context for their own work.

Because AmeriCorps*VISTA staff members have attended all Pre-Service Orientations involving NAHT members, they assure that no training was provided on any of the political or lobbying work in which NAHT is involved. Because HUD officials attended many of the Pre-Service Orientations, they can also confirm that no improper training was provided.



AmeriCorps ★ VISTA

CORPORATION
FOR NATIONAL
★ SERVICE

September 8, 1999

Victor Lambert
OMAR/HUD
1280 Maryland Ave. SW Suite 4000
Washington, DC 20024

Dear Mr. Lambert,

Enclosed are project reports, budget allocations, and member lists for this past fiscal year to date. I have also included information from programs part of the original initiative which, with the specific Mark to Market language, can no longer be supported after members finished their terms of service this fiscal year. This includes: Neighborhood Reinvestment Corporation, Neighborhood Networks, most of the National Association of Housing Cooperatives sites, and SNAP (Safe Neighborhood Action Program).

If you have any questions please contact me at (202) 606-50000 ext. 110.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Kathleen Dennis'.

Kathleen Dennis
Manager,
Program Development and Training

1201 New York Avenue
Washington, DC 20525
Telephone 202-606-5000

Getting Things Done
AmeriCorps
Learn and Service America
National Senior Service Corps



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-8000

OFFICE OF MULTIFAMILY HOUSING ASSISTANCE RESTRUCTURING

December 3, 1999

Dear Housing Advocate:

Thank you for your interest in and support of the Mark-to-Market Program (M2M). Because of your efforts, thousands of families who live in properties that receive Section 8 assistance will have the opportunity to participate meaningfully in the Mark-to-Market process.

In recent months, the Office of Multifamily Housing Assistance Restructuring (OMHAR) has received numerous inquiries from Intermediary Technical Assistance Grant (ITAG) and Outreach and Training Grant (OTAG) recipients, non-profit housing organizations, and housing advocacy groups regarding the role of tenants and tenant organizations in the M2M program, including how residents of M2M eligible properties will be involved in the process, what information will be provided to ITAGs and OTAGs about properties coming into the program, and the types of properties ITAGs and OTAGs can work with.

This letter clarifies OMHAR's position concerning these and other pertinent issues, and establishes new policy guidelines intended to help facilitate your efforts to work with residents of M2M eligible properties and assist residents living in at-risk properties.

ITAG/OTAG ACTIVITIES IN NON-M2M BUILDINGS

In addition to helping residents living in Mark-to-Market eligible developments play a prominent role in the M2M process, OMHAR recognizes that ITAGs and OTAGs can also provide valuable assistance to residents living in below market buildings where contracts are close to expiration, where owners are opting out of the program or prepaying their mortgages, where substandard conditions or poor management exists, or where ownership transfers that preserve the building as affordable housing are underway.

Recognizing the need to provide assistance to residents living in these buildings, OMHAR will now allow ITAGs and OTAGs to use their grant funds to assist residents at risk of being displaced.

To help accommodate this change in policy, ITAGs and OTAGs will be allowed to assist residents in buildings where the current Section 8 contract is less than area fair market rents.

In order to ensure tenants have a voice, ITAGs and OTAGs also will be allowed to work with residents of above market properties, where contracts are close to expiration, where owners are opting out of the program or prepaying their mortgages, where substandard conditions or poor management exists, where ownership transfers that preserve the building as affordable housing are underway, or where an owner has been deemed ineligible for M2M.

Section 534 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 2000, Pub.L. 106-74, expanded the scope of Section 514 (f) (3) of the 1997 Multifamily Assisted Housing Reform and Affordability Act to allow the inclusion of non-M2M properties.

USE OF PUBLIC ENTITY GRANTS IN NON-M2M PROPERTIES

In order to further meet the general need to organize tenants in non-M2M properties, OMHAR is adjusting the existing ITAG Public Entity Grant (PEG) program to allow OTAGs and other non-profits to apply for the \$20,000 grants.

OTAGs are hereby deemed appropriate recipients of PEG grants, pursuant to Section 1 (c) of the Intermediary Technical Assistance Grant Agreement, and will be given priority for the funds to help assure the continuity of their outreach efforts and ongoing capacity building.

TENANT AND COMMUNITY ACCESS TO INFORMATION

Section 514(f) of the Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA) requires HUD to establish procedures to provide an opportunity for tenants of M2M eligible properties, residents of the neighborhood, local government, and other affected parties to participate effectively and on a timely basis in the restructuring process. This requires that Participating Administrative Entities (PAEs) provide tenants and the community with access to certain project specific documents.

At the same time, however, the guidelines that implement M2M make it clear that an owner's confidential and proprietary business information must be protected. Accordingly, residents and community groups will be granted access to documents and/or information outlined in Section 3-6 (page 3-16) of the M2M Operating Procedures Guide.

OMHAR is committed to balancing owner privacy and tenant access to information, and will soon publish a proposed rule designed to ensure that residents and other interested parties have access to the documents needed to participate in the development of restructuring plans. Residents will also have the opportunity to comment on the proposed rule before final language is developed, and OMHAR will continue its efforts to reach out to residents affected by M2M to ensure they receive accurate and

In order to ensure tenants have a voice, ITAGs and OTAGs also will be allowed to work with residents of above market properties, where contracts are close to expiration, where owners are opting out of the program or prepaying their mortgages, where substandard conditions or poor management exists, where ownership transfers that preserve the building as affordable housing are underway, or where an owner has been deemed ineligible for M2M.

Section 534 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 2000, Pub.L. 106-74, expanded the scope of Section 514 (f) (3) of the 1997 Multifamily Assisted Housing Reform and Affordability Act to allow the inclusion of non-M2M properties.

USE OF PUBLIC ENTITY GRANTS IN NON-M2M PROPERTIES

In order to further meet the general need to organize tenants in non-M2M properties, OMHAR is adjusting the existing ITAG Public Entity Grant (PEG) program to allow OTAGs and other non-profits to apply for the \$20,000 grants.

OTAGs are hereby deemed appropriate recipients of PEG grants, pursuant to Section 1 (c) of the Intermediary Technical Assistance Grant Agreement, and will be given priority for the funds to help assure the continuity of their outreach efforts and ongoing capacity building.

TENANT AND COMMUNITY ACCESS TO INFORMATION

Section 514(f) of the Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA) requires HUD to establish procedures to provide an opportunity for tenants of M2M eligible properties, residents of the neighborhood, local government, and other affected parties to participate effectively and on a timely basis in the restructuring process. This requires that Participating Administrative Entities (PAEs) provide tenants and the community with access to certain project specific documents.

At the same time, however, the guidelines that implement M2M make it clear that an owner's confidential and proprietary business information must be protected. Accordingly, residents and community groups will be granted access to documents and/or information outlined in Section 3-6 (page 3-16) of the M2M Operating Procedures Guide.

OMHAR is committed to balancing owner privacy and tenant access to information, and will soon publish a proposed rule designed to ensure that residents and other interested parties have access to the documents needed to participate in the development of restructuring plans. Residents will also have the opportunity to comment on the proposed rule before final language is developed, and OMHAR will continue its efforts to reach out to residents affected by M2M to ensure they receive accurate and

timely information about the program.

VISTA VOLUNTEER ACTIVITY IN NON-M2M PROPERTIES

VISTA volunteers, because of their first-hand knowledge of local housing markets and their experience organizing tenant groups, are uniquely qualified to help organize and train residents living in FHA-insured multifamily properties.

Because expiring Section 8 contracts threaten the continued availability of thousands of affordable housing units, OMHAR is amending the current VISTA contract to allow VISTA volunteers to also work in properties where contracts are close to expiration, where owners are opting out of the program or prepaying their mortgages, where substandard conditions or poor management exists, where ownership transfers that preserve the building as affordable housing are underway, or where an owner has been deemed ineligible for M2M.

Given the limited amount of funds supporting VISTA outreach efforts, however, VISTA volunteers should establish as first priority those properties that are M2M eligible.

OTAG NOTIFICATION OF PROPERTY ELIGIBILITY

To help Outreach and Training Grant recipients facilitate resident participation in M2M as early in the process as possible, OMHAR will post to its Web site (<http://www.hud.gov/omhar>) information about properties coming into the program as soon as they have been deemed eligible and assigned to a Participating Administrative Entity (PAE) for restructuring.

Posting the information at this point will allow OMHAR to verify the accuracy of information on properties coming into the program, and enable OTAGs to allocate their resources in the most efficient and cost-effective manner.

Posted information will include the names and addresses of properties, as well as the names, addresses, phone numbers, and fax numbers of PAEs. The information will be presented in a list format that can be downloaded by users for sorting and easy manipulation, and provided through the Web site's "Tenant" selection icon. The list will be updated every Friday, with new listings highlighted for easy identification.

ITAG/OTAG TRAINING

Conferences and workshops, particularly those that specifically focus on M2M and other Departmental programs, provide a unique opportunity for ITAGs and OTAGs to increase their capacity to train resident groups and for residents to obtain valuable information about M2M.

In view of this, OMHAR will now allow ITAGs and OTAGs to use

grant funds to cover documentable costs related to resident and staff training relevant to their efforts to organize tenant groups.

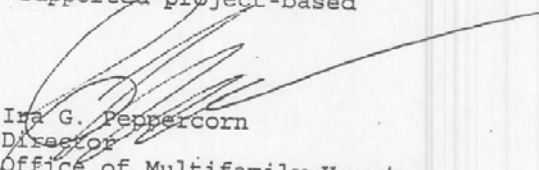
Training must be based on an assessment of training needs and skill among OTAGs and staff whose salaries are paid in whole or in part from ITAG and OTAG grant sources. In addition, hotel expenses, miscellaneous travel costs, and per diem expenses for any day(s) in which lobbying occurred during training conferences or workshops cannot be reimbursed from OTAG or ITAG funds. Such reimbursements would be a violation of the Byrd Amendment, which prohibits organizations that receive federal funds from using those funds to conduct lobbying activities.

The Office of Multifamily Assistance Restructuring applauds your commitment to informing residents living in HUD subsidized developments and their immediate communities about Departmental initiatives and how those initiatives will affect them, and believe these new policy guidelines will assist your efforts.

OMHAR also will host a Mark-to-Market training session for housing advocates in late January 2000 that will focus on the M2M program in general, as well as those issues that are of particular interest to you.

Until then, should you have comments or questions regarding any of the policy changes, or clarifications, outlined in this letter, please contact Victor Lambert, Community Technical Assistance/Public Trust Officer, at (202) 708-0001, ext. 3779.

We look forward to working with you to build a program that reflects the best interests of this Department, housing advocates, and the residents of HUD supported project-based developments.


Ira G. Peppercorn
Director
Office of Multifamily Housing
Assistance Restructuring

EXTERNAL REPORT DISTRIBUTION

Sharon Pinkerton, Senior Advisor, Subcommittee on Criminal Justice, Drug Policy & Human Resources, B373 Rayburn House Office Bldg., Washington, DC 20515

Stanley Czerwinski, Director, Housing and Telecommunications Issues, U.S. General Accounting Office, 441 G Street, NW, Room 2T23, Washington, DC 20548

Steve Redburn, Chief Housing Branch, Office of Management and Budget, 725 17th Street, NW, Room 9226, New Executive Office Bldg., Washington, DC 20503

Linda Halliday (52P), Department of Veterans Affairs, Office of Inspector General, 810 Vermont Ave., NW, Washington, DC 20420

William Withrow (52KC), Department of Veterans Affairs, OIG Audit Operations Division, 1100 Main, Rm 1330, Kansas City, Missouri 64105-2112

The Honorable Joseph Lieberman, Chairman, Committee on Government Affairs, 706 Hart Senate Office Bldg., United States Senate, Washington, DC 20510

The Honorable Fred Thompson, Ranking Member, Committee on Governmental Affairs, 340 Dirksen Senate Office Bldg., United States Senate, Washington, DC 20510

The Honorable Dan Burton, Chairman, Committee on Government Reform, 2185 Rayburn Bldg., House of Representatives, Washington, DC 20515

The Honorable Henry A. Waxman, Ranking Member, Committee on Government Reform, 2204 Rayburn Bldg., House of Representatives, Washington, DC 20515

Andy Cochran, House Committee on Financial Services, 2129 Rayburn H.O.B., Washington, DC 20515

Clinton C. Jones, Senior Counsel, Committee on Financial Services, U.S. House of Representatives, B303 Rayburn H.O.B., Washington, DC 20515