



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-1000

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ASSISTANT SECRETARY FOR CONGRESSIONAL
AND INTERGOVERNMENTAL RELATIONS

MAY 14 2010

The Honorable Charles E. Grassley
United States Senate
Washington, DC 20510-1501

Dear Senator Grassley:

On behalf of Secretary Shaun Donovan, thank you for your letter of March 15, 2010, regarding the implementation of the American Recovery and Reinvestment Act of 2009 (Recovery Act). The Department of Housing and Urban Development shares your concern for ensuring that the Recovery Act Capital Fund Grants are administered in accordance with the requirements and goals of the Act. HUD has been proactive in the administration of these funds to ensure that they are not only expended in a timely manner to promote economic growth, but also that they are administered in accordance with the statutory and regulatory requirements.

It is important to note that HUD provides formal responses and management decisions in response to all review findings from the Office of the Inspector General (OIG). The OIG performs regular audits of all HUD programs. Some of the findings that resulted from these audits have been determined to not be material. In addition, a majority of the reviews cited in your letter were based on reviews of the regular Public Housing Capital Fund program, not Recovery Act funds specifically, though they are still matters that HUD takes very seriously.

I would also note that several of the findings you cite in your letter have since been addressed and closed out. All findings have been addressed and officially closed out by the OIG for the Miami-Dade Housing Authority (MDHA). The MDHA provided documentation to support that they were in compliance with the Recovery Act procurement requirements and priorities. HUD also found that several of the OIG findings for the Puerto Rico Public Housing Administration (PRPHA) were not material and provided documentation to the OIG to support the proper use of Recovery Act funds. Further HUD investigation into the finding for the \$57.4 million illustrated that the disbursement is an allowable use of funds. HUD has also reached agreement with OIG for corrective actions enhancing the internal controls for the PRPHA financial management and reporting systems. HUD is engaged in ongoing discussion with the OIG to ensure all concerns related to the PRPHA are resolved.

In the case of the New London Housing Authority (NLHA), HUD concurred with all of the recommendations cited in your letter, issued a management decision and has actively assisted the PHA in resolving outstanding issues. As a troubled agency, the NLHA has received and will continue to receive enhanced monitoring and oversight of the Recovery Act funds in accordance with HUD's Troubled Agency Monitoring Strategy outlined in question 3. HUD is also working closely with the PHA to review the internal and financial controls, revise procurement policies, and implement the adopted policies.

The OIG review for the Housing Authority of New Orleans (HANO) was conducted prior to HUD fully implementing the Troubled Agency Monitoring Strategy and before HANO began implementing the Recovery Act funds. Since the time of the review, a new Leadership Team including a set of specialist consultants have been in place working to manage and assess all functional areas of the PHA. This team has prioritized areas critical to the obligation and expenditure of Recovery Act funds. The HANO has been adhering to the requirements of HUD's enhanced Troubled Agency Monitoring Strategy and successfully obligated all of its Recovery Act funds by the deadline in accordance with its procurement policy and the requirements of the Recovery Act.

Additionally, the findings you cite in your letter for the Syracuse Housing Authority (SHA) reference the implementation of the regular Capital Fund program and Capital Fund Financing Program in years prior to the Recovery Act. HUD is closely monitoring the obligation and expenditure schedules for the open grants from 2002 and 2007-2009. Further, the concerns with the procurement policy and procedures at the SHA have been addressed in the course of HUD's Recovery Act monitoring process.

As you can see from the information provided here, HUD shares the OIG's commitment to accountability and transparency and actively partners with the OIG to take corrective action when needed. As mentioned above, in some cases, the OIG findings are not material and are closed out early. As you will see from the responses to your questions, HUD has been proactive and thorough in its implementation of the Recovery Act funds.

The following are HUD's responses to your questions about the Department's monitoring and oversight of Recovery Act funds:

- 1) In spending Recovery Act dollars, does HUD take into consideration the capacity at which a Housing Authority can handle a large arrival of these funds? Please explain in detail.**

The Recovery Act provided the Office of Public and Indian Housing (PIH) with a \$4 billion appropriation for public housing agencies (PHAs) to carry out capital and management activities, including modernization and development of public housing (as authorized by Section 9 of the U.S. Housing Act of 1937). The Recovery Act allocated \$3 billion for formula grants and \$1 billion for competitive grants. The Recovery Act formula funds were distributed per the Recovery Act requirements, using the formula for the traditional Capital Funds from Fiscal Year 2008. For competitive funds, the Notice of Funding Availability (NOFA) identified the factors that determined whether or not a grant was awarded; some of those factors relate to a PHA's capacity.

PIH does take capacity issues into consideration when employing the appropriate monitoring and oversight strategy, which is described in response to your third question.

Specifically, the Recovery Act provided the Secretary with the authority to decide whether to provide troubled Public Housing Agencies (PHAs) with Recovery Act funds. The Secretary agreed with the PIH's recommendation that troubled PHAs needed this funding in

order to improve their inventory and engage in much needed capital and management activities. However, it was agreed that troubled PHAs would require enhanced monitoring and oversight in order to meet the Recovery Act obligations. In order to standardize this process, the PIH developed a Troubled PHA Recovery Act Strategy that provided a plan for technical assistance as well as increased monitoring and oversight to the 172¹ PHAs that were designated troubled as of February 25, 2009 in the Public Housing Assessment System (PHAS).

2) It is my understanding that HUD maintains a list of troubled Housing Authorities based on public housing assessment scores.

a. Did any of the Public Housing Authorities that are on the list of troubled Housing Authorities receive any Recovery Act money either directly or indirectly?

Yes, HUD provided Recovery Act formula funds to the 172 PHAs that were designated troubled in PHAS as of February 25, 2009 as described above.

b. If yes, please name those organizations, set forth how much they received and provide a detailed explanation as to why they were provided taxpayer funds.

Enclosed is a listing of PHAs designated troubled as of February 25, 2009 that received Recovery Act formula funds along with the amount of funds they received. After much deliberation and careful consideration, the determination was made that troubled PHAs needed this funding in order to improve their inventory and engage in capital and management activities. The Department believes that troubled PHAs' efforts to make much needed improvements to their capital stock should not be hindered due to their troubled status as all public housing residents should live in decent and safe housing. PIH is committed to provide increased monitoring and oversight for those agencies as well as additional quality assurance on the review process.

c. Is the list of troubled Housing Authorities publicly available? If yes, where can the public locate this list? If not, why not?

HUD does not currently publish a list of troubled agencies that is readily available for the public. However, this information is available to the public through the Freedom of Information Act process. Under President Obama's Open Government Initiative, the Department will be making all PHAS scores available to the general public on HUD's website at www.hud.gov beginning June 2010. Troubled agencies will be included on this list and identifiable by their PHAS score.

¹ The original troubled PHA list for the Recovery Act contained 174 PHAs. Since February 25, 2009, three PHAs have been removed. Two were designated troubled in error according to the Real Estate Assessment Center and one was removed because they no longer manage public housing units as they merged with another PHA. In addition, the East St. Louis PHA was not designated troubled as of February 25, 2009 under the Public Housing Assessment System (PHAS) but is included on the list receiving enhanced monitoring because they are currently in HUD receivership.

3) Please describe in detail the safeguards developed by HUD to limit fraud, waste, and/or abuse of Recovery Act funds at Housing Authorities.

The PIH has taken the lead role in providing oversight and monitoring for the 3,119 PHAs that received Capital Fund Formula grants. Also, the PIH implemented a standardized process for both the troubled and non-troubled PHAs which includes comprehensive and substantive reviews of a number of areas, including but not limited to, grant initiation activities, adherence to program requirements, environmental compliance, procurement and grant performance. This review process also included placing some PHAs (including those designated as troubled) on a zero threshold for the Line of Credit Control System (LOCCS) which meant that they could not draw down any funds without prior HUD approval. For the first year, these reviews resulted in 100 percent of the grantees receiving a remote and on-site review which accounted for over \$2.2 billion of the grant funding.

To ensure that Recovery Act funds were appropriately obligated and expended, PIH is continuing to provide comprehensive monitoring and oversight in order to ensure that PHAs are implementing the Recovery Act and program requirements appropriately and effectively. In addition to ongoing monitoring, a quality control/quality assurance process is in place to ensure that the grant funds are used for authorized activities and program goals are achieved. The PIH is currently finalizing the monitoring strategy for the second year of the Recovery Act implementation which will also include enhanced monitoring for troubled agencies and a combination of remote and on-site reviews.

It is important to note that an additional tool critical to the detection of waste, fraud and abuse of Recovery Act funds is the annual financial audit performed by independent auditors at all PHAs, and the Office of the Inspector General.

4) Please describe in detail the actions taken to date by HUD against any and all Housing Authorities found to have misspent Recovery Act funds or otherwise not complied with their obligations, such as reporting on the use of funds.

At this time HUD has not taken action against any PHA for misspending Recovery Act funds or otherwise not complying with their obligations. Through the enhanced monitoring and oversight described above, HUD has provided technical assistance as necessary to assist PHAs with fulfilling the requirements of the Recovery Act. In the event that any PHAs are identified as having misspent Recovery Act funds HUD will take action as appropriate.

However, HUD has provided warning letters and taken some enforcement actions where necessary to ensure PHAs report on the use of funds in the Federal Reporting system as required by the Recovery Act. In accordance with the OMB guidance (M-10-08) and HUD's Recovery Act Non-Reporting Enforcement Plan, when a PHA fails to report for one quarter, HUD issues a letter describing the consequences of current and continued non-compliance. If the non-compliance persists and a PHA fails to report in two consecutive reporting cycles, HUD suspends the Recovery Act funds in LOCCS until the PHA submits its report to HUD. As a part of the Department's enforcement plan, HUD determines the specific reasons a recipient failed to

submit a report as required and provides assistance to those recipients that experienced technical challenges or had difficulty in understanding the system to avoid similar problems in the next reporting cycle.

It is important to note that as a result of this effort, over 94 percent of PHAs have reported in every reporting cycle with the reporting rate increasing each new quarter. During the initial reporting period (October 2009), 152 PHAs failed to report and many of these PHAs had legitimate technical issues preventing them from reporting such as system failure and registration delays. In line with the enforcement policy, a warning letter was sent to all 152 PHAs who failed to report. During the second reporting cycle (January 2010), only 25 PHAs were determined to be non-compliant through failure to report. Of these 25 PHAs, six failed to report in both reporting cycles and therefore had their funds suspended in LOCCs. It is important to note that those 25 PHAs were all compliant in the third reporting cycle (April 2010).

As further evidence of the hard work on the part of both HUD and the PHAs, HUD determined that only two PHAs were non-compliant with the reporting requirement in the third reporting cycle. Given that neither PHA failed to report in the previous quarter, they received the warning letter from HUD and HUD is following up with the PHAs to ensure compliance in the fourth reporting cycle (July 2010). HUD has not had to take any additional action to date.

5) Is HUD aware of any contract or grant being awarded to an entity or individual listed on the Excluded Parties List System? If so, please explain and describe what actions were taken regarding that entity or individuals.

At this time, HUD is not aware of any grants or contracts that have been awarded to a PHA, an associated entity or individual listed on the Excluded Parties List System.

Thank you again for your interest and sharing your concerns regarding the Recovery Act. HUD has worked closely with all of its grant recipients and will continue to work with them to ensure they have the guidance, technical assistance, and oversight needed to comply with the requirements and goals of the Act. If I can be of further assistance, please let me know.

Sincerely,



Peter A. Kovar
Assistant Secretary for Congressional
and Intergovernmental Relations

Enclosure

Troubled PHAs with Formula Capital Fund Recovery Grants for Year 1 of the Recovery Act

State	Formal Housing Authority Name	Authorized Amount
MA	Wayland Housing Authority	\$133,909.00
MA	Lynn Housing Authority	\$947,254.00
CT	Bloomfield Housing Authority	\$37,938.00
CT	Manchester Housing Authority	\$520,654.00
CT	New London Housing Authority	\$381,631.00
CT	Housing Authority of the Town of West Hartford	\$189,381.00
NY	Town of Hempstead Housing Authority	\$2,055,521.00
NY	Rockville Centre HA	\$65,098.00
NY	North Hempstead Housing Authority	\$246,535.00
NY	Glen Cove Public Housing Authority	\$555,508.00
NY	Town of Huntington Housing Authority	\$157,315.00
NY	New Rochelle Housing Authority	\$1,034,874.00
NY	Tuckahoe Housing Authority	\$248,709.00
NY	Woodridge Housing Authority	\$81,855.00
NY	Housing Authority of Newburgh	\$224,341.00
NY	Lackawanna Municipal Housing Authority	\$1,459,353.00
VA	Hopewell Redevelopment & Housing Authority	\$996,557.00
VA	Newport News Redevelopment & Housing Authority	\$4,858,857.00
MD	Glenarden Housing Authority	\$121,203.00
GA	Housing Authority of the City of Jonesboro	\$62,611.00
GA	Housing Authority of the City of Vienna	\$150,405.00
GA	Housing Authority of the City of Cave Spring	\$39,856.00
GA	Housing Authority of the City of Union City	\$30,361.00
GA	Housing Authority of the City of Byron	\$56,326.00
GA	Housing Authority of the City of Abbeville	\$28,767.00
NJ	Princeton Housing Authority	\$331,493.00
NJ	Newark Housing Authority	\$27,470,874.00
NJ	Housing Authority of the City of Orange	\$991,715.00
NJ	Irvington Housing Authority	\$1,396,294.00
MD	Housing Authority of Cambridge	\$394,932.00
MD	St. Michaels Housing Authority	\$137,515.00
MD	Housing Authority of the City of Annapolis	\$2,215,493.00
VA	Abingdon Redevelopment And Housing Authority	\$58,439.00
VA	Charlottesville Redev & Housing Authority	\$796,931.00

Troubled PHAs with Formula Capital Fund Recovery Grants for Year 1 of the Recovery Act

State	Formal Housing Authority Name	Authorized Amount
VA	Petersburg Redevelopment & Housing Authority	\$1,071,310.00
GA	Housing Authority of the City of West Point	\$449,109.00
GA	Housing Authority of the City of Cordele	\$912,365.00
GA	Housing Authority of the City of Manchester	\$100,941.00
GA	Housing Authority of the City of Ringgold	\$57,390.00
GA	Housing Authority of the City of Conyers	\$573,059.00
AL	Housing Authority of the City of Goodwater	\$79,136.00
AL	The Housing Authority of the City of Prichard	\$793,996.00
AL	Fairfield Housing Authority	\$666,440.00
AL	Housing Authority of the Town of Parrish	\$34,433.00
AL	Housing Authority of the City of Dadeville	\$148,128.00
AL	Housing Authority of the Town of Hobson City	\$113,861.00
AL	HA Foley	\$180,561.00
AL	Housing Authority of the City of Livingston	\$211,494.00
AL	HA Anniston	\$1,512,258.00
AL	Housing Authority of the City of Montgomery	\$5,938,353.00
AL	Ragland Housing Authority	\$110,196.00
AL	Housing Authority of the City of Hartford	\$63,514.00
FL	Melbourne Housing Authority	\$474,592.00
FL	Venice Housing Authority	\$99,008.00
FL	Riviera Beach Housing Authority	\$286,494.00
FL	Housing Authority of the City of Stuart	\$137,280.00
FL	Winter Haven Housing Authority	\$457,196.00
FL	Housing Authority of the City of Cocoa	\$895,973.00
SC	Housing Authority of Atlantic Beach	\$99,332.00
SC	Housing Authority of Laurens	\$250,744.00
NC	Lenoir Housing Authority	\$303,600.00
MS	The Housing Authority of the City of Vicksburg	\$888,788.00
FL	Crestview Housing Authority	\$542,167.00
FL	Brooksville Housing Authority	\$247,090.00
FL	The Housing Authority of the City of Sanford	\$1,010,897.00
KY	Housing Authority of Falmouth	\$54,107.00
KY	Housing Authority of Owenton	\$57,411.00
KY	Housing Authority of Scottsville	\$110,175.00

Troubled PHAs with Formula Capital Fund Recovery Grants for Year 1 of the Recovery Act

State	Formal Housing Authority Name	Authorized Amount
KY	Housing Authority of Williamsburg	\$403,361.00
KY	Housing Authority of Whitesburg	\$181,231.00
KY	Housing Authority of Irvington	\$60,619.00
TN	Shelby County Housing Authority	\$315,372.00
VQ	Virgin Islands Housing Authority	\$9,415,806.00
IL	Housing Authority of the City of Waukegan	\$815,416.00
IL	The Housing Authority of City of East St. Louis	\$4,948,702.00
OH	Chillicothe Metropolitan Housing Authority	\$735,798.00
OH	Coshocton Metropolitan Housing Authority	\$242,503.00
OH	Morgan Metropolitan Housing Authority	\$112,029.00
OH	Fairfield Metropolitan Housing Authority	\$229,598.00
OH	Logan County Metropolitan Housing Authority	\$235,594.00
MI	Flint Housing Commission	\$2,548,758.00
MI	Luna Pier Housing Commission	\$170,186.00
MI	Royal Oak Township Housing Commission	\$265,633.00
MI	Ecorse Housing Commission	\$380,455.00
MI	Highland Park Housing Commission	\$323,034.00
MI	Algonac Housing Commission	\$103,969.00
MI	Detroit Housing Commission	\$17,275,908.00
MI	Pontiac Housing Commission	\$663,116.00
MI	River Rouge Housing Commission	\$939,153.00
MI	Wakefield Housing Commission	\$39,518.00
MI	Graying Housing Commission	\$133,363.00
MI	Iron County Housing Commission	\$204,135.00
MI	Rapid River Housing Commission	\$33,686.00
MI	Jackson Housing Commission	\$889,894.00
MI	Benton Harbor Housing Commission	\$628,259.00
IN	Housing Authority of the City of Rome City	\$85,261.00
IN	Housing Authority of the City of Gary	\$5,874,358.00
IN	Housing Authority of the City of Muncie	\$872,488.00
IN	Housing Authority of the City of Terre Haute	\$1,794,175.00
WI	Trempealeau County Housing Authority	\$99,036.00
MN	HRA in And for the City of Brainerd, Minnesota	\$322,479.00
MN	HRA of Henning, Minnesota	\$28,894.00
MN	Douglas County HRA	\$55,243.00
TX	Housing Authority of Rolan	\$158,712.00

Troubled PHAs with Formula Capital Fund Recovery Grants for Year 1 of the Recovery Act

State	Formal Housing Authority Name	Authorized Amount
TX	Housing Authority of Plano	\$106,341.00
TX	Housing Authority of Seymour	\$310,963.00
TX	Housing Authority of McKinney	\$343,674.00
TX	Housing Authority of Quannah	\$161,654.00
TX	Housing Authority of Floydada	\$106,037.00
NM	Housing Authority of the Town of Bayard	\$146,555.00
NM	Housing Authority of the City of Tucuman	\$182,514.00
NM	Housing Authority of the County of Rio Arriba	\$121,182.00
NM	Housing Authority of the Village of Pecos	\$68,755.00
NM	Housing Authority of the Village of Wagon Mound	\$39,368.00
NM	Housing Authority of the Village of Cuba	\$52,610.00
NM	Housing Authority of the City of Las Vegas	\$693,162.00
NM	Town of Bernalillo Dept of Housing Services	\$144,796.00
NM	Housing Authority of the City of Espanola	\$365,777.00
NM	Housing Authority of the City of Gallup	\$590,726.00
TX	Housing Authority of the City of Madisonville	\$99,962.00
TX	Housing Authority of the City of Baytown	\$263,117.00
TX	Housing Authority of Garrison	\$37,663.00
TX	Housing Authority of the City of Buffalo	\$42,390.00
TX	Housing Authority of Pineland	\$165,941.00
AR	Loneke County Housing Authority	\$211,997.00
AR	Housing Authority of the City of Des Arc	\$81,356.00
AR	Housing Authority of the City of Sparkman	\$28,604.00
AR	Housing Authority of the City of Yellville	\$39,947.00
AR	Hot Springs Housing Authority	\$683,263.00
LA	Housing Authority of the Town of Logansport	\$46,682.00
LA	Housing Authority of the Village of Parks	\$22,664.00
LA	Housing Authority of St. John the Baptist Parish	\$697,601.00
LA	Housing Authority of St. Charles Parish	\$226,125.00
LA	Housing Authority of City of Slidell	\$219,926.00
LA	Housing Authority of the Town of Collafox	\$167,907.00

