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October 14, 1999

00-FW-177-0801

MEMORANDUM FOR: Saul N. Ramirez, Jr.
Deputy Secretary, SD

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

Subject: Community Builder's Role in Phoenix Point Transitional Housing
Alexandria Housing Authority
New Orleans, Louisiana

During our nationwide audit of the Community Builders program¹, we noted that a Senior Community Builder inappropriately interfered with a Public Trust Officer's attempt to bring the Alexandria Housing Authority (Authority) within compliance of its Annual Contribution Contract (ACC). We refer to Phoenix Point in the Community Builder's audit, but believe that the issues warrant further attention by your staff.

The Community Builders in the New Orleans office lauded Phoenix Point, a transitional housing program in Alexandria, Louisiana, as an excellent example of Community Builder, Public Trust Officer, and community collaboration. During the audit of Community Builders, a complainant alleged that the Senior Community Builder pressured the Authority into continuing the Phoenix Point program. HUD's Director of Public and Indian Housing (PIH) informed the Authority that the program violated the ACC. Thus, we expanded the review to include the complainant's allegations.

Our review concluded that HUD's Senior Community Builder for New Orleans had inappropriately interfered with a Public Trust Officer's attempt to bring the Authority within compliance of its ACC. The Senior Community Builder's interference created an atmosphere of confusion to Authority and local government officials. As a result, the Authority did not know whose directions within HUD to follow. Without the Senior Community Builder's interference, the Authority may have resolved Phoenix Point within 1 month of the notification letter. To date, Phoenix Point remains unresolved.

¹ Nationwide Audit of Community Builders. Report Number 99-FW-177-0002. Issued on September 30, 1999.

During our review, HUD's Director of Community, Planning and Development (CPD) attempted to impede our audit by denying that his office had any files pertaining to Phoenix Point. Another CPD employee had to provide the file on Phoenix Point.

Within 60 days please give us, for each recommendation made in this memorandum report, a status report on: (1) corrective action taken; (2) proposed corrective action and date to be completed; or (3) why action is considered unnecessary. Also, please furnish us copies of any correspondence or directives issued because of this review.

Background

The Alexandria Housing Authority (Authority) owns a 29-unit public housing complex called Phoenix Point. In November 1998, the Executive Director of the Authority entered into an agreement with Hope House, a local nonprofit, allowing Hope House to use Phoenix Point as transitional housing. HUD's Community Planning and Development (CPD) awarded funding of \$316,093 to Hope House for the transitional housing program.

Community Builder Interference

In June 1999, HUD's PIH notified the Authority that its interagency agreement with Hope House violated HUD regulations. As a result of PIH's notification, the Authority's Assistant Executive Director² recommended that the interagency agreement with the nonprofit be rescinded. The Board did rescind the agreement at its June 17, 1999 meeting.

In response to the Board's rescission, Alexandria's City Attorney contacted CPD and the Senior Community Builder to discuss the transitional housing project.³ The Senior Community Builder assured the City Attorney that they would meet to write the needed Authority resolutions to continue with the program. Neither the Senior Community Builder nor the City Attorney invited Authority officials to the meeting. The City and the Authority are separate entities. As such, the City should not be working with HUD to write Authority resolutions.

In a letter dated July 9, 1999, PIH provided several options to the Authority to continue its agreement with Hope House while remaining in compliance with its ACC. PIH did not recommend any of the options. On the same day, the CPD Director and Senior Community Builder jointly issued a letter with similar options. However, their letter authorized the Authority to proceed with Phoenix Point. The CPD Director and the Senior Community Builder do not have the authority to instruct the Authority to take a particular action.

The joint CPD and Senior Community Builder letter confused local government and Authority officials. The officials did not know which HUD representative the Authority should follow. The Mayor and City Attorney believed that the Senior Community Builder had the authority to reverse PIH decisions. During an Authority Board meeting, the City Attorney stated that the Senior Community Builder assured him that HUD would find a regulatory way to continue the Authority's agreement with Hope House. At this same meeting, the Assistant Executive Director reminded the Board that, per PIH, the continuation of the agreement was not in the Authority's best interest. Nonetheless, the Board voted to rescind their previous termination of the agreement and continue to house current occupants.

During our review, the City Attorney and the Senior Community Builder stated the agreement would continue. When asked about the Authority's position regarding Phoenix Point, each stated that the Authority did not know what it wanted. In another interview, we informed the Senior

² Acting as the Interim Executive Director while the Executive Director was on leave.

³ The City Attorney stated that the City was a grant subrecipient.

Community Builder that the Authority did not want Phoenix Point, yet it felt pressured to continue. The Senior Community Builder responded that the Authority was wrong. He insisted that the Authority did not have a position. Additionally, he stated that the next time he heard that the Authority did not want the project, he would visit the Authority with the auditors in tow to look at the Authority. Also, he planned to meet with the Mayor and direct him to handle the situation. He noted that the Mayor appoints Authority Board members.

Mayor attempted to remove two Board members.

On September 3, 1999, the Mayor inappropriately attempted to replace two Board members. The current Board members' terms had not expired and, in fact, both had been recently re-appointed. When the PIH Director was notified of the attempted Board restructuring, he requested that the Mayor provide the cause for removal of the members as state statutes require. The Mayor did not remove the Board members. As an aside, in a letter to one of the prospective replacement Board members the Mayor wrote that his participation would "provide the needed help to those in need including the initiative pioneered by the authority with the Phoenix Point project."

Senior Community Builder provided incorrect information to the Board.

At a special Board meeting in September 1999, the Senior Community Builder addressed the Board regarding the Phoenix Point project. He incorrectly stated that the PIH Director works for him.⁴ At this meeting, the Senior Community Builder made other comments that confused the Board. He noted that the PIH Director had laid out what the Authority needed to do to continue with the project. Further, he stated that PIH's problems with the project were procedural. The Board and the City Attorney inferred from his comments that HUD would not penalize the Authority for incorrectly implementing the Phoenix Point project. The Senior Community Builder incorrectly confirmed that HUD would not penalize the Authority as long as it did not intentionally make the mistakes. He emphasized that the decision belonged solely to the Board.⁵ He also gave the appearance that Phoenix Point had his and the Secretary's support.

After the Senior Community Builder addressed the Board, the City Attorney said the following:

“. . . And in your hearts if you think this is a good program then we need to continue this program and let [it] flourish and we will get the technical stuff done. The procedural things taken care of, and I do believe that if we have to get a special waiver from the Secretary because of our transgressions of not doing it in the proper sequence of events that we can get that. I'm sure that [the Senior Community Builder] will assist us in getting that.”⁶

⁴ The Senior Community Builder also incorrectly told the Board that OIG reports to him.

⁵ This would contradict the Senior Community Builder's action of meeting with the City Attorney to write the Authority's Board Resolutions.

⁶ The Authority's Board meeting on September 14, 1999.

The Senior Community Builder did not correct the City Attorney's statement that the Authority could intentionally disregard PIH procedures and receive a waiver. At the end of the meeting, the Board passed a 6-month extension so that it could obtain HUD approval for the Phoenix Point project.

At a September 28, 1999 Board meeting, the Board suspended additional payments to the Executive Director for leave. Consequently, the Executive Director returned in his official capacity. On October 1, 1999, the Executive Director relieved the Assistant Executive Director "of any dealings with the Phoenix Point project" including the advisory board. The Executive Director originally signed the grant agreement with Hope House in November 1998.

PIH has informed the Authority to close down the project.

In a September 30, 1999 letter, the PIH Director wrote to the Authority:

"Please advise us immediately as to the plans for the closing down of this project and moving those people presently housed in the units. We suggest that arrangements be made with Hope House to have the people moved out by the end of October. No further consideration of the transitional housing program will be entertained by our office. If no action is taken, we will have no choice but to declare the Alexandria Housing Authority in substantial default of the Annual Contributions Contract."

Subsequently, the Executive Director requested direction from the Senior Community Builder. Specifically, he wrote, "At the request of [the Mayor] and yourself, Phoenix Point was extended for 6 months on September 14, 1999. . . [The PIH Director] has instructed this office to shut the project down. Since I have conflicting instructions please advise by return mail or fax in what direction I should go. The Alexandria Housing Authority is caught in the middle and we do not care to be there." According to the Executive Director, the Senior Community Builder has yet to respond.

The Authority may have other problems to address.

On September 10, 1999, the PIH Director suggested to the Authority that it may be prudent to revisit the viability of Phoenix Point at a later date. The letter cited several indicators that the Authority is "nearly troubled," and a recent management review confirmed administrative management and maintenance weaknesses.

Conclusion.

Based on the facts, the Senior Community Builder overstepped his authority as a Community Builder and interfered with a Public Trust Officer function. His interference created unnecessary confusion that kept the Authority from resolving the issue timely and consistent with HUD requirements.

Recommendations:

We recommend that HUD:

- 1A. Clarify to the Authority that the Senior Community Builder has no program authority over CPD or PIH.
- 1B. Inform the Authority that it should follow PIH's instructions on programmatic issues.
- 1C. Direct the Senior Community Builder to not interfere with Public Trust Officer duties.
- 1D. Take appropriate action against the CPD Director for his attempts to impede the audit by not providing full access to HUD records.

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