

May 15, 2000

Audit Related Memorandum  
No. 00-FO-177-0801

MEMORANDUM FOR: David Gibbons, Assistant Chief Financial Officer for Budget, FO

FROM: James A. Heist, Director, Financial Audits Division, GAF

SUBJECT: Independent Accountant's Report on the Department of Housing and Urban  
Development's Fiscal Year 1999 Detail Accounting Submission Report

In accordance with *The Office of National Drug Control Policy (ONDCP) Reauthorization Act of 1998* and *Office of National Drug Control Policy Circular: Annual Accounting of Drug Control Funds*, dated December 17, 1999, the accompanying report presents the results of our attestation review of the Department of Housing and Urban Development's *Submission of Detailed Accounting of FY 1999 Drug Control Funds*, dated March 31, 2000 and revised May 9, and May 10, 2000.

Our review focused on assessing the Detailed Accounting prepared by the Office of Housing and the Office of Public and Indian Housing, prior year actual obligations, the accompanying disclosures, the financial systems and data supporting the drug methodologies, the estimation methods used, the completeness of the data, the application of the methodologies, and the assertions made regarding the obligation data presented in the Resource Summaries using the criteria indicated above. We were precluded by independence standards from reviewing the Detailed Accounting prepared by the Office Inspector General. In addition, the Office of Inspector General has been given the authority to submit its Detailed Accounting report separately from HUD.

If you have any questions concerning the above or the performance of the review, please contact me at 708-0383.

**Office of Inspector General's Independent Accountant's Report on the U.S. Department of Housing and Urban Development's Submission of Detailed Accounting of FY 1999 Drug Control Funds, dated March 31, 2000 and revised May 9, 2000 and May 10, 2000**

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We have reviewed the accompanying report from the U.S. Department of Housing and Urban Development, entitled *Submission of Detailed Accounting of FY 1999 Drug Control Funds*. This Submission includes a Detailed Accounting of Fiscal Year 1999 Drug Control Funds from the Office of Housing and the Office of Public and Indian Housing. Not included is a separate Submission prepared by the Office of Inspector General. We were precluded by the standards cited below from reviewing the Detailed Accounting prepared by the Office of Inspector General due to a lack of independence. The Office of Inspector General has decided to submit their Detailed Accounting report separately from the Department of Housing and Urban Development's Submission. The Detailed Accounting prepared by the Office of Housing and Office of Public and Indian Housing were the responsibility of Department of Housing and Urban Development's management. They were prepared under the authority of 21 U.S.C. 1704(d), which also requires a review by the Inspector General.

Our review was conducted in accordance with the attestation standards, *Statement for Standards of Attestation Engagements*, established by the American Institute of Certified Public Accountants. The objective of a review is to provide negative assurance on the basis of the work performed as to whether any information came to our attention to indicate that management's assertions are not presented in material respects based on the criteria stated in the Office of National Drug Control Policy (ONDCP) Circular: *Annual Accounting of Drug Control Funds*, dated December 17, 1999. A review is substantially less in scope than an examination. The objective of an examination would be the expression of an opinion on HUD's *Submission of Detailed Accounting of FY 1999 Drug Control Funds*. Accordingly, we do not express such an opinion.

We performed review procedures on the *Submission of Detailed Accounting of FY 1999 Drug Control Funds*, for the purpose of expressing a conclusion about the reliability of each assertion made in the Submission. We did not review "Program Descriptions." In general, our review procedures were limited to inquiries and analytical procedures appropriate for our attestation review engagement.

Based on our review, nothing came to our attention that caused us to believe that the accompanying U.S. Department of Housing and Development's *Submission of Detailed Accounting of FY 1999 Drug Control Funds*, dated March 31, 2000 and revised May 9 and May

10, 2000, is not presented in all material respects based on the ONDCP Circular: *Annual Accounting of Drug Control Funds*, dated December 17, 1999. Our review identified issues that were not significant enough to affect our conclusion as reported above. These matters were discussed with appropriate Department of Housing and Urban Development officials.

This report is solely intended for the use of the U.S. Congress, Office of National Drug Control Policy, and the Department of Housing and Urban Development.

James A. Heist  
Director, Financial Audits Division

May 10, 2000

**DEPARTMENT OF HOUSING AND URBAN  
DEVELOPMENT**

**OFFICE OF PUBLIC AND INDIAN HOUSING  
OFFICE OF PUBLIC AND ASSISTED HOUSING DELIVERY  
COMMUNITY SAFETY AND CONSERVATION DIVISION**



**DETAILED ACCOUNTING OF FISCAL YEAR 1999 DRUG  
CONTROL FUNDS**

**IN SUPPORT OF THE  
*NATIONAL DRUG CONTROL STRATEGY***

**AS REQUIRED BY SECTION 1704(D) OF  
TITLE 21 UNITED STATES CODE**

**MARCH 31, 2000**

Department of U.S. Housing and Urban Development  
Detailed Accounting of Fiscal Year 1999 Drug Control Funds

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**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
OFFICE OF PUBLIC AND INDIAN HOUSING  
OFFICE OF PUBLIC AND ASSISTED HOUSING DELIVERY  
COMMUNITY SAFETY AND CONSERVATION DIVISION**

**DETAILED ACCOUNTING OF FISCAL YEAR 1999 DRUG CONTROL FUNDS**

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## RESOURCE SUMMARY

	FY 1999 Actual Obligations In millions (\$)
<b>Drug Resources by Goal:</b>	
Goal 1: Educate and enable America's Youth to reject illegal drugs, alcohol and tobacco.	159.0
Goal 2: Increase the safety of America's citizens by substantially reducing drug-related crime and violence.	132.9
Goal 3: Reduce health and social costs to public of illegal drug use.	4.7
Goal 4 Shield America's air, land and sea.	-
Goal 5 Break foreign and domestic drug sources of supply.	-
<b>Total</b>	<u>\$ 296.6</u>

### Drug Resources by Function:

Corrections	-
Intelligence	-
Interdiction	-
International	-
Investigations	7.4
Prevention	148.7
Prosecution	-
Research & Development	-
State & Local Assistance	116.9
Treatment	4.5
Other Program Expenses	19.1
<b>Total</b>	<u>\$ 296.6</u>

## PROGRAM DESCRIPTION

The Department of Housing and Urban Development (HUD) is committed to reducing illegal drug use and drug related crime. The Public and Indian Housing Drug Elimination Program (PHDEP) has been authorized since 1988. PHDEP provides funds to public housing authorities and Tribally Designated Housing Entities to support their anti-drug and anti-crime efforts. Grantees use these resources to fight crime by increasing police coverage and security and by providing residents with alternatives to crime and violence. In particular, they have used their PHDEP funding to employ security personnel and investigators; to contract with private security services; to reimburse local

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law enforcement agencies for above-baseline services; to establish volunteer resident patrols; to implement physical improvements to enhance security; and to establish and operate drug prevention, intervention, and treatment programs, as well as youth violence prevention projects. A description of the above anti-drug and anti-crime efforts follows.

Goal 1 of the National Drug Control Strategy is to educate and enable America's youth to reject illegal drugs as well as alcohol and tobacco. The PHDEP grant program, administered by the Department's Office of Public and Indian Housing (PIH), Office of Public and Assisted Housing Delivery, Community Safety and Conservation Division (CSCD), allocates funding on a formula basis to local agencies with severe drug-related problems and with a long-term strategy to reduce crime. PHDEP calls for a comprehensive prevention approach that addresses individual residents and their relationship to families, peers, and communities. To this end, it allows housing authorities to administer programs ranging from youth initiatives to substance abuse education and other social programs.

Youth initiatives recognize youth as an essential resource in solving community problems. Their enlistment can, in itself, be good prevention programming. Youth participate as coaches in recreational programs, peer mentors and leaders in community solution action planning. Related initiatives emphasize training, education, recreation, career planning, employment, substance abuse education and prevention. Youth programming both provides the opportunities, skills and information needed for youth to make appropriate lifestyle choices and offers a deterrence to drug-related gang activity.

PHDEP prevention activities extend beyond youth programs. Housing authorities utilize PHDEP funding to establish educational opportunities such as computer learning centers enabling residents to pursue educational, vocational and economic goals. PHDEP funds also support the dissemination of information pertaining to drug prevention programs, employment opportunities, and substance abuse counseling.

The PHDEP program further supports Goal 1 by allowing housing authorities to devote PHDEP funding to voluntary tenant patrol activities and to physical improvements. HUD believes that the successful elimination of drug-related crime requires both the commitment and the participation of residents. Voluntary tenant patrols allow residents to participate directly in their housing community's crime prevention effort. Physical improvements aim at enhancing security in housing communities. These improvements include the installation of fences or lighting systems or surveillance equipment and the landscaping and reconfiguration of common areas so as to discourage drug-related crime.

Goal 2 of the National Drug Control Policy is to increase the safety of America's citizens by substantially reducing drug-related crime and violence. The PHDEP grant program is

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designed to meet the needs defined by this goal. Often with a concentration of crime in and around public housing, staff and residents use these resources to increase police coverage and security as well as to provide alternate activities to residents. Eligible activities include reimbursing local law enforcement for additional services, security contracts, investigators, and training residents for volunteer resident programs. Recent appropriation acts have expanded the definition of crime beyond drug-related crime, to include patrols, physical changes to enhance security, allowing housing authorities greater scope in targeting crime and developing successful alternatives. For fiscal year 1999, it is anticipated that 67 percent of the funding awarded will be spent on Law Enforcement and Prevention activities.

The Department's Public Housing Management Reform Act of 1997 made a number of reforms in the Drug Elimination Grants program. Foremost among these is the conversion of the program from a competitive to a formula-allocated program. Formula allocation reduces administrative burdens on PHA and HUD staff. The predictable funding will allow housing authorities to strategically plan the use of their anti-crime funds. In this manner, the Drug Elimination formula grants will empower communities to tailor HUD resources to their needs while operating at maximum administrative efficiency.

HUD also supports the President's "One Strike and You're Out" Policy through the Drug Elimination Grant program. To meet the challenge of maintaining the Nation's public housing developments and to keep the families and children who live there safe, the Department implemented "One Strike and You're Out" in fiscal years, 1996 and 1997. As part of a comprehensive strategy to change the social dynamics in public housing, housing authorities are required to design policies on screening and eviction to eliminate individuals with records of illegal drug-related or criminal activity through the security indicator of the Public Housing Management Assessment Program. Many housing authorities are already effectively screening and evicting drug dealers and other criminals from public housing. Fiscal year 1997 responses to a Departmental survey of housing authorities indicated that 75 percent of the responding housing authorities had implemented a "One Strike and You're Out" policy. The reporting housing authorities also indicated that there was a substantial increase in the number of drug and criminal-related evictions and admission denials following the implementation of a "One Strike" policy.

Goal 3 of the National Drug Control Strategy is to reduce health and social costs to the public of illegal drug use. The Public Housing Drug Elimination Program provides grants to housing authorities for the support substance abuse and dependency treatment programs. Funds awarded can be directed to sobriety maintenance, substance-free maintenance support groups, substance abuse counseling, referral treatment services and short or long range structured aftercare. Additionally, Drug Elimination Grants are used to provide services designed for youth and/or adult drug abusers and recovering addicts including prenatal and postpartum care, specialized family and parental



counseling, parenting classes or other supportive services such as domestic or youth violence counseling. Referral programs, family/youth counseling, and educational, vocational and employment counseling qualify as eligible activities. Furthermore, grant funding can be distributed for the coordination of services from and to appropriate local substance abuse/treatment agencies, HIV-related agencies, mental health and public health programs.

## **DISCLOSURES**

### **Drug Methodology**

HUD used the latest statistical information available from the Public Housing Drug Elimination Program (PHDEP) National Summary to calculate the drug-related financial statistics. Figures included in this report reflect information derived from the fiscal year 1998 National Summary because these figures represent money obligated for fiscal year 1999. The National Summary includes a breakdown of PHDEP funding by budget line item. These budget line items reflect a compilation of the summary of expenses listed on PHDEP grant applications received from all PHDEP eligible housing authorities. Since HUD's accounting system cannot quantify its obligation by goals and functions, HUD then applied the percentages from the National Summary to the actual obligation of \$296,564,674 reported to the Treasury in fiscal year 1999 to arrive at an estimate of the amount obligated to each eligible expense category. HUD matched these expense categories and their associated funding amounts to ONDCP goals and objectives listed on the Performance Measure of Effectiveness.

### **Investigations**

PHDEP grantees can choose to allocate PHDEP funds to employ investigators who investigate drug-related crime occurrences in and around the housing authorities. Eligible housing authorities dedicated 2.48 percent of the total amount of PHDEP funds or \$7,360,084 of the \$296,564,674 obligated for fiscal year 1999.

### **Prevention**

HUD maintains that 100 percent of the PHDEP funding allocated to the four budget line items, voluntary tenant patrols, physical improvements, drug prevention, and drug intervention, support the prevention accounting submission. Funds allocated to the physical improvement budget line item focus on eliminating drug related crime by enhancing security around the exterior of housing communities. In fiscal year 1998, housing authorities spent 3.73 percent of the total PHDEP funding on physical improvements. PHDEP money dedicated to voluntary tenant patrols focuses on crime prevention, particularly drug-related crimes, through the active involvement and commitment of residents. PHDEP grantees devoted 1.56 percent of the total PHDEP funding to voluntary tenant patrols. PHDEP grantees administer comprehensive drug

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prevention and drug intervention programs that range from youth initiatives, such as youth sports programs, peer mentors, and training to substance education and other social programs which help to deter illegal drug use and crime by addressing underlying causes. Housing authorities allocated 38.86 percent of the total PHDEP funding amount to drug prevention programs and 5.98 percent of the total PHDEP funding amount to drug intervention activities according to the fiscal year 1998 National Summary. The above budget line items account for 50.14 percent of PHDEP funding or \$148,706,849 of the \$296,564,674 obligated for fiscal year 1999 grants.

State and Local Assistance

Two budget line items, security and law enforcement, account for the amount shown under the resource summary in section I of this report. PHDEP grantees used 27.38 percent of the total PHDEP funding amount to fund supplemental law enforcement services in order to improve the housing authority's ability to combat drug-related crime. In addition, housing authorities used 12.05 percent of the total PHDEP funding to employ security officers that can perform safety and security services above and beyond those already performed by local law enforcement. Together these budget line items account for 39.43 percent of PHDEP funding or \$116,943,852 of the \$296,564,674 obligated to PHDEP grants.

Drug Treatment

The drug treatment budget line item which allows housing authorities to use PHDEP money for drug treatment activities in their housing communities correlates directly to this accounting submission. It accounts for 1.49 percent of the total amount of PHDEP funds or \$4,428,172 of the \$296,564,674 obligated to the Public Housing Drug Elimination Program.

Other Program Expenses

HUD classifies expenses incurred by housing authorities that support implementation of the PHDEP, but do not provide direct services, as an other program expenses budget line item. Under this budget line item, housing authorities fund PHDEP expenses such as tasks necessary to comply with program regulations and with the financial and audit controls of PHDEP funds. To this end, housing authorities may use PHDEP funding to purchase computers and other necessary office materials. Housing authorities can also utilize funds under this budget line item for PHDEP related staff training and development or conferences. This budget line item does not include administrative costs incurred by HUD for the PHDEP program. 6.45 percent of the total amount of PHDEP funds or \$19,125,717 of the \$296,564,674 obligated to the PHDEP funded other program expenses.

### **Methodological Modifications**

HUD has not made any modifications to the methodology used to determine any of its drug-related financial statistics in 1999.

### **Material Weaknesses or Other Findings**

As stated in an earlier section of this report, reports submitted from PHDEP grant recipients factor into the calculation of drug-related obligations included in this report. HUD believes these reports to be the most accurate representation of how housing authorities actually spend PHDEP grants. Beginning July 1, 1999 all grantees under the PHDEP are required to submit their semi-annual performance reports electronically using a new Internet-based system. The new system allows for the standardized collection of performance and measurement of progress towards reaching established goals for their drug elimination program.

The Federal Register requires housing authorities to comply with funding and evaluation standards. Each grantee must demonstrate that it has a fully operational system for monitoring and evaluating its grant-funded activities. The monitoring and evaluating system must collect quantitative evidence of the number of persons and units served, types of services provided, and the impact of such services on the persons served. Also, the monitoring and evaluation system must collect quantitative and qualitative evidence of the impact of grant-funded activities on the public housing or other housing, the community and the surrounding neighborhood.

### **Reprogrammings or Transfers**

There were no reprogrammings or transfers of drug-related budgetary resources in the Department of HUD in fiscal year 1999.

### **Other Disclosures**

In order to more accurately portray activities funded under the budget line item of other expenses, HUD listed the drug treatment line item and the other expenses line item separately in this report.

This report does not reflect Multi-Family or Operation Safe Home program information.

## ASSERTIONS

### Drug Methodology

#### Data

This report fully reveals the sources for all data used as well as clearly explains the methods utilized to obtain all financial statistics from the data.

#### Other Estimation Methods

HUD allows its agencies, with prior approval, to deviate from the projected budget line item activities included in their PHDEP plans. Based on professional and program knowledge, HUD estimated the funding differences between PHDEP planned programs and PHDEP actual programs.

#### Completeness

HUD allocates all drug-related funding through Drug Elimination Grants to qualifying housing authorities. The drug methodology and program description describe drug elimination program activities in their entirety.

#### Financial Systems

Financial systems supporting the drug methodology yield data that fairly present, in all material respects, aggregate obligations from which the drug-related obligation estimates are derived.

### Application of Methodology

The methodology disclosed in section II accurately and completely describes the actual methodology used to determine the fiscal year 1999 drug-related financial statistics included in section I of this report.

### Financial Plan - Including Reprogrammings or Transfers

All of the obligations included in this report represent estimates based on PHDEP plans submitted by qualifying housing authorities. The HUD accounting system does not allow for a breakdown of PHDEP funding by expense categories. As such, the obligation amounts may change as a result of housing authorities deviating slightly from their PHDEP plans. However, HUD believes these modifications do not exceed \$5 million.

**DEPARTMENT OF HOUSING AND URBAN  
DEVELOPMENT**

**OFFICE OF HOUSING  
OFFICE OF MULTIFAMILY HOUSING PROGRAMS**



**DETAILED ACCOUNTING OF FISCAL YEAR 1999 DRUG  
CONTROL FUNDS**

**IN SUPPORT OF THE  
*NATIONAL DRUG CONTROL STRATEGY***

**AS REQUIRED BY SECTION 1704(D) OF  
TITLE 21 UNITED STATES CODE**

**MARCH 31, 2000**

Department of U.S. Housing and Urban Development  
Detailed Accounting of Fiscal Year 1999 Drug Control Funds

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
OFFICE OF HOUSING  
OFFICE OF MULTIFAMILY HOUSING PROGRAMS  
DETAILED ACCOUNTING OF FISCAL YEAR 1999 DRUG CONTROL FUNDS

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Department of U.S. Housing and Urban Development  
Detailed Accounting of Fiscal Year 1999 Drug Control Funds

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## RESOURCE SUMMARY

	FY 1999 Actual Obligations In millions (\$)
<b>Drug Resources by Goal:</b>	
Goal 1: Educate and enable America's Youth to reject illegal drugs, alcohol and tobacco.	7.8
Goal 2: Increase the safety of America's citizens by substantially reducing drug-related crime and violence.	.8
Goal 3: Reduce health and social costs to public of illegal drug use.	18.1
Goal 4 Shield America's air, land and sea.	-
Goal 5 Break foreign and domestic drug sources of supply.	-
<b>Total</b>	<u>\$ 26.7</u>

### Drug Resources by Function:

Corrections	-
Intelligence	-
Interdiction	-
International	-
Investigations	0.4
Prevention	17.4
Prosecution	0.4
Research & Development	-
State & Local Assistance	7.0
Treatment	0.8
Other Program Expenses	0.7
<b>Total</b>	<u>\$ 26.7</u>

## PROGRAM DESCRIPTION

The Department of Housing and Urban Development (HUD) is committed to reducing illegal drug use and drug related crime. The Multifamily Housing Drug Elimination Grant (DEG) and New Approach Anti-Drug Grant (NAAD) programs have been authorized since 1988 and 1997 respectively. These programs provide funds to privately-owned multifamily assisted housing owners to support their anti-drug and anti-crime efforts. Grantees use these resources to fight crime by increasing police coverage and security and by providing residents with alternatives to crime and violence. In particular, they have used their grant funding to employ security personnel and investigators; to contract

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with private security services; to reimburse local law enforcement agencies for above-baseline services; to establish volunteer resident patrols; to implement physical improvements to enhance security; and to establish and operate drug prevention, intervention, and treatment programs. A description of the above anti-drug and anti-crime efforts follows.

Eligible program costs of the Multifamily Housing's drug elimination grants are as follow:

<u>DEG</u>	<u>NAAD</u>
Physical Improvements to Enhance Security	Increased Law Enforcement
Drug Prevention	Security Services
Drug Intervention	Investigation/Prosecution
Drug Treatment	Capital Improvements to Enhance Security
Other Program Costs	Other Program Costs

Goal 1 of the National Drug Control Strategy is to educate and enable America's youth to reject illegal drugs as well as alcohol and tobacco. The DEG and NAAD programs award funding on a competitive basis to housing developments with severe drug-related problems and with a long-term strategy to reduce crime. The DEG calls for a comprehensive prevention approach that addresses individual residents and their relationship to families, peers, and communities. To this end, the program allows housing owners and managers to administer programs ranging from youth initiatives to substance abuse education and other social programs.

Youth initiatives recognize youth as an essential resource in solving community problems. Their enlistment can, in itself, be good prevention programming. Youth participate as coaches in recreational programs, peer mentors and leaders in community solution action planning. Related initiatives emphasize training, education, recreation, career planning, employment, substance abuse education and prevention. Youth programming both provides the opportunities, skills, and information needed for youth to make appropriate lifestyle choices and offers a deterrence to drug-related gang activity.

DEG prevention activities extend beyond youth programs. Owners and managers use grant funding to establish educational opportunities such as computer learning centers enabling residents to pursue educational, vocational, and economic goals. DEG funds also support the dissemination of information pertaining to drug prevention programs, employment opportunities, and substance abuse counseling.

Both the DEG and NAAD programs further support Goal 1 by allowing housing owners to devote grant funding to voluntary tenant patrol activities and to physical improvements. HUD believes that the successful elimination of drug-related crime



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requires both the commitment and the participation of residents. Voluntary tenant patrols allow residents to participate directly in their housing community's crime prevention effort. Physical improvements aim at enhancing security in housing communities. These improvements include the installation of fences or lighting systems or surveillance equipment and the landscaping and reconfiguration of common areas so as to discourage drug-related crime.

Goal 2 of the National Drug Control Policy is to increase the safety of America's citizens by substantially reducing drug-related crime and violence. The PHDEP grant program is designed to meet the needs defined by this goal. Often with a concentration of crime in and around public and assisted housing, staff and residents use these resources to increase police coverage and security as well as to provide alternate activities to residents. Eligible activities of the NAAD program include reimbursing local law enforcement for additional services, security contracts, and investigators. The DEG provides funding to train residents for volunteer resident programs. Recent appropriation acts have expanded the definition of crime beyond drug-related crime, to include patrols, physical changes to enhance security, allowing housing owners greater scope in targeting crime and developing successful alternatives. For fiscal year 1999, it is anticipated that 52 percent of the funding awarded will be spent on Law Enforcement and Prevention activities.

HUD also supports the President's "One Strike and You're Out" Policy through the Drug Elimination Grant program. To meet the challenge of maintaining the Nation's multifamily assisted housing developments and to keep the families and children who live there safe, the Office of Multifamily Housing plans to shortly implement "One Strike and You're Out". As part of a comprehensive strategy to change the social dynamics in assisted housing, HUD will require housing owners and managers to design policies to screen and evict individuals with records of illegal drug-related or criminal activity. Many housing owners may already be effectively screening and evicting drug dealers and other criminals consistent with HUD-approved leasing policies.

Goal 3 of the National Drug Control Strategy is to reduce health and social costs to the public resulting from illegal drug use. The DEG provides grants to housing owners for substance abuse and dependency intervention and treatment programs. Funds awarded can be directed to substance-free maintenance support groups, substance abuse counseling, referral treatment services and short or long range structured aftercare. Additionally, Drug Elimination Grants are used to provide services designed for youth and/or adult drug abusers and recovering addicts, including prenatal and postpartum care, specialized family and parental counseling, parenting classes, and domestic or youth violence counseling. Referral programs, family/youth counseling, and educational, vocational, and employment counseling qualify as eligible activities. Furthermore, grant funding can be distributed for the coordination of services from and to appropriate local substance abuse/treatment agencies, HIV-related agencies, mental health and public health programs.

## DISCLOSURES

### Drug Methodology

HUD used the latest statistical information available from HUD's Line of Credit Control System (LOCCS) and Program Accounting System (PAS) to calculate the drug-related financial statistics. Figures included in this report reflect Fiscal Year (FY) 1998 money obligated during FY 1999. LOCCS includes a breakdown of grant funding by budget line item. These budget line items reflect a compilation of anticipated program costs indicated on grantees' budgets. HUD's accounting system cannot quantify its obligation by goals and functions. HUD designated appropriate budget line items to each goal and function according to the actual obligation of \$26,652,351 reported to the Treasury in fiscal year 1999. This enabled HUD to arrive at an estimate of the amount obligated to each eligible expense category. HUD matched these expense categories and their associated funding amounts to ONDCP goals and objectives listed on the Performance Measure of Effectiveness.

### Investigations/Prosecution

NAAD grantees can choose to allocate NAAD funds to employ investigators who investigate drug-related crime occurrences in and around the housing developments included in their grant. They may also use funds to provide additional support, particularly, community-based support, to the local Prosecutor's Office.

Eligible housing owners dedicated 3 percent of the combined DEG and NAAD grants amount or \$840,299 of the \$26,652,351 obligated for fiscal year 1999.

### Prevention

HUD maintains that 100 percent of the grant funding allocated to the budget line items of physical or capital improvements and drug prevention support the prevention accounting submission. Funds allocated to the physical or capital improvement budget line items focus on eliminating drug related crime by enhancing security around the exterior of housing communities. Housing owners spent 36 percent of the total combined DEG and NAAD funding on physical or capital improvements. Grantees administer comprehensive drug prevention programs that range from youth initiatives, such as youth sports programs, peer mentors, and training to substance education and other social programs which help to deter illegal drug use and crime by addressing underlying causes. Housing owners allocated 29 percent of the total combined DEG and NAAD funding amount to drug prevention programs. DEG money dedicated to voluntary tenant patrols focuses on crime prevention, particularly drug-related crimes, through the active involvement and commitment of residents. Support and training of these tenant patrols are included in the drug prevention budget line item. The above

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budget line items account for 65.3 percent of combined DEG and NAAD funding or \$17,402,522 of the \$26,652,351 obligated for fiscal year 1999 grants.

**State and Local Assistance**

Two budget line items, security and law enforcement, account for the amount shown under the resource summary in section I of this report. NAAD grantees used 20 percent of the total combined DEG and NAAD funding amount to fund supplemental law enforcement services in order to improve the housing developments' and surrounding neighborhood's ability to combat drug-related crime. In addition, housing owners used six percent of the total combined funding to employ security officers that can perform safety and security services above and beyond those already performed by local law enforcement. Together these budget line items account for 26.4 percent of total combined DEG and NAAD funding or \$7,023,880 of the \$26,652,351 obligated in FY 1999.

**Drug Treatment**

The drug intervention and treatment budget line items which allow housing owners and managers to use DEG money for drug intervention and treatment activities in their housing communities correlates directly to this accounting submission. It accounts for 2.8 percent of the total combined grant funds or \$742,260 of the \$26,652,351 obligated.

**Other Program Expenses**

HUD classifies expenses incurred by housing owners that support implementation of the DEG and NAAD, but do not provide direct services, as an other program expense budget line item. Under this budget line item, grantees fund grant expenses such as tasks necessary to comply with program regulations and with the financial and audit controls of grant funds. To this end, housing owners may use grant funding to purchase computers and other necessary office materials. Grantees can also utilize funds under this budget line item for related staff training and development or conferences. This budget line item does not include administrative costs incurred by HUD for the DEG or NAAD programs. Grantees anticipated spending 2.5 percent of the total combined grant amounts or \$643,390 of the \$26,652,351 obligated to these grants in FY 1999.

**Methodological Modifications**

HUD has not made any modifications to the methodology used to determine any of its drug-related financial statistics in 1999.

### **Material Weaknesses or Other Findings**

As stated in an earlier section of this report, reports obtained from HUD's LOCCS and PAS systems determine the calculation of drug-related obligations included in this report. HUD believes these reports to be the most accurate representation of how housing owners and managers actually spend DEG and NAAD grants.

### **Reprogramming or Transfers**

There was no reprogramming or transfer of drug elimination grant funds in fiscal year 1999.

### **Other Disclosures**

There are no other disclosures to report regarding the DEG and NAAD activities funded under the budget line items included in this report.

## **ASSERTIONS**

### **Drug Methodology**

#### **Data**

This report fully reveals the sources for all data used as well as clearly explains the methods utilized to obtain all financial statistics from the data.

#### **Other Estimation Methods**

HUD allows its agencies, with prior approval, to deviate from the projected budget line item activities included in their grants' plans. Based on professional and program knowledge, HUD estimated the funding differences between planned programs and actual expenses.

#### **Completeness**

HUD allocates all drug-related funding through Drug Elimination Grants to qualifying housing owners. The drug methodology and program description describe drug elimination program activities in their entirety.

#### **Financial Systems**

Financial systems supporting the drug methodology yield data that fairly present, in all material respects, aggregate obligations from which the drug-related obligation estimates are derived.

**Application of Methodology**

The methodology disclosed in section II accurately and completely describes the actual methodology used to determine the fiscal year 1999 drug-related financial statistics included in section I of this report.

**Financial Plan - Including Reprogrammings or Transfers**

All of the obligations included in this report represent estimates based on DEG and NAAD plans submitted by qualifying housing owners. There was no reprogramming or transfer of funds in fiscal year 1999.