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TO: Harold Lucas, Assistant Secretary,
Office of Public & Indian Housing, P

FROM: William D. Hartnett, District Inspector General, Office of Audit, 1AGA

SUBJECT: Multi-District Audit - Public Housing Drug Elimination Program

We conducted a multi-district audit of the Public Housing Drug Elimination Program (PHDEP) encompassing fiscal years 1994 through 1997 which included the review of selected grantees' PHDEP Programs for fiscal years 1994 through 1996. The purpose of our review was to determine if grantees are effectively administering their Programs, and if the Department is accurately measuring Program accomplishments to assure its primary goal is achieved.

The report's two findings address the need for grantees to ensure better administration and accountability of grant funds, and the need for HUD to have reliable data to measure program effectiveness.

Within 60 days, please provide us 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 not considered necessary. Also, please furnish us copies of any correspondence or directives issued related to this audit.

If you have any questions, please contact our office at (617) 565-5259.

Executive Summary

We performed a multi-district audit of the Department's Public Housing Drug Elimination Program (PHDEP). Since enactment of the Program through fiscal year 1997, the Department has awarded over 3,300 PHDEP grants totaling in excess of \$1.3 billion. The primary purpose of our review was to determine if recipients were effectively administering their Programs, and if the Department accurately measures Program accomplishments to assure its primary goal is achieved. As part of our assessment, we reviewed 21 PHDEP grantees around the country. We also assessed the Department's system to measure the impact of the Program.



Audit Results

External audits of 21 PHDEP recipients indicated that grantees need to ensure better administration and accountability of PHDEP funds. Specifically, our audits disclosed \$1.6 million of ineligible and \$4.6 million of unsupported cost; grantees' lack of proper administration and accountability over PHDEP expenditures; and grantees' failure to establish an effective system for evaluating, monitoring, and reporting outcomes and benefits received from Program activities. Also, we identified approximately \$18 million of unexpended PHDEP funds that remain outstanding, and that grantees were expending these funds after the grant termination date.

Furthermore, the Department does not have an effective reporting and evaluation system to measure the results accomplished by the Program. The Department's old system was designed to analyze information submitted by the grantees through periodic reporting requirements, and properly evaluate Program accomplishments. However, the system provided inadequate information in measuring the results of the Program, and the Department did not monitor the system timely to assure it was producing the results needed. At this time, the Department is unable to accurately measure Program effectiveness to assure that the primary goal for which Congress intended is being met. Although, the Department has begun a proactive role to correct these problems by developing a new system that expectantly will more tangibly measure Program accomplishments.

Recommendations

We are recommending the Department to ensure the full development of the management decisions made in response to our draft report and the timely completion of the plans of action. Further, we are recommending the Department to recognize its limited staff resources and consider them in development and operation of a stronger grantee monitoring structure. Finally, we are recommending the Department to consider an alternative plan in measuring current and previous Program performance until the new reporting system is in operation.

Finding and
Recommendations
Discussed

We discussed the findings with Department officials during the course of our audit and at an exit conference on September 25, 1998. By letter dated December 3, 1998, the Assistant Secretary for Public and Indian Housing provided a detailed response to each of the specific Recommendations discussed in the draft report. In general, the Department is in agreement with most of the recommendations and agree that improvements can be made. We have included the Department's pertinent comments in the Finding and Recommendation section of this report. The Department's full response is included in Appendix D.

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Abbreviations

CFR	Code of Federal Regulations
HUD	Housing and Urban Development
LOCCS	Line of Credit Control System
NIJ	National Institute of Justice
NOFA	Notice of Funding Availability
OCPS	Office of Crime Prevention and Security
OMR	Outcome Monitoring Report
PD&R	Office of Policy Development and Research
PHA	Public Housing Authority
PHDEP	Public Housing Drug Elimination Program
PHMAP	Public Housing Management Assessment Program
PIH	Public and Indian Housing
PRIDE Program	Police and Residents Involved in Drug Elimination Public Housing Drug Elimination Program
TOP	Tenant Opportunities Program
UCR	Uniform Crime Reporting

Introduction

The Public Housing Drug Elimination Program (PHDEP) was authorized by Congress under Chapter 2, Subtitle C, Title V of the Anti-Drug Abuse Act of 1988. The goal of PHDEP is to eliminate drug-related crimes and the problems associated with drugs in and around public housing. The Program encourages housing authorities and Resident Management Corporations to develop plans which address drugs and other related problems, and that include prevention and intervention initiatives that can be sustained over a period of several years.

PHDEP allows HUD to award grants to Public Housing Authorities, Tribally Designated Housing Entities, Resident Management Corporations, and owners of assisted housing for activities such as: (1) employment of security personnel; (2) reimbursement of police for additional security and protective services; (3) physical improvements to enhance security; (4) training and equipping voluntary tenant patrols acting in cooperation with police; (5) innovative anti-drug programs; and (6) funding nonprofit resident management corporations and tenant councils for the development of security and drug abuse prevention programs. HUD emphasizes comprehensive anticrime measures, community policing, youth initiatives, and the “One Strike and You’re Out” approach to resident screening.

The selection process for PHDEP applications is competitive nationwide, based on the following four criteria: (1) the extent of the drug-related crime problem in the applicant’s development proposed for assistance; (2) the quality of the plan to address the crime problem; (3) the capability of the applicant to carry out the plan; and (4) the extent to which tenants, the local government and the local community support and participate in the design and implementation of the activities.

From fiscal year 1989 through fiscal year 1997, HUD awarded 3,344 PHDEP grants totaling in excess of \$1.3 billion. During our audit period of fiscal years 1994 through 1997, a total of \$934,136,538 in PHDEP funds were awarded nationally, as follows:

FISCAL YEAR	PHDEP FUNDS AWARDED
1994	\$ 228,563,027
1995	\$ 250,210,637
1996	\$ 260,964,476
1997	\$ 194,398,398
Total	\$934,136,538

Funds of approximately \$44 million in fiscal year 1997 were not awarded and subsequently rolled into the Fiscal Year 1998 Budget Authority for competition among applicants not funded in fiscal year 1997.

The Office of Public and Indian Housing's preliminary performance goals and comprehensive program guidance, in association with HUD's Business and Operating Plans for fiscal year 1999, provides for the Office of Public Housing HUBs and Program Centers to interact with their local counterparts in delivering HUD's programs and services to its customers. The mission of the Public Trust Officers in the field offices is to work in coordination with all disciplines of HUD to support the Public Housing Authorities (PHA). The Public Trust Officers are ultimately accountable for the delivery of the programs administered by the PHAs in accordance with statutes and program regulations.

Public Housing HUBs and Program Centers will be required to conduct an annual risk assessment for all PHAs. Based upon the results of the risk assessment, input from the Real Estate Assessment Center, Community Builders, and other HUD management centers, on-site monitoring will be conducted to address: (1) deficient performance; (2) downward trends in performance and program operations; (3) areas of high risk based upon financial investment; (4) program complexity and capacity of PHA's management and staff; or (5) areas of perceived fraud, waste or mismanagement. Monitoring will cover the PHA's physical, financial and program operations, as well as grant implementation and management activities. Program specific monitoring reviews will include the areas of occupancy, maintenance operations and compliance with statutory and regulatory guidelines. In addition, technical assistance will be provided. The technical assistance needs will vary by program but will include grant implementation and management, as well as the close out completed programs.

Grant implementation and management requires field offices to: (1) monitor grantee progress against goals and timetables in approved implementation schedules and take appropriate action when time frames are not met; (2) ensure timely obligation and expenditures of grant funds in accordance with program implementation schedules; and (3) assure that all required reports are received, reviewed and appropriate action taken in accordance with program guidance.

Audit Objectives

The overall audit objective was to evaluate the effectiveness of the Public Housing Drug Elimination Program as it relates to performance measures, grant award process, and monitoring. Specific audit objectives were to determine whether:

- PHDEP grantees administered and implemented a system for evaluating, monitoring, and reporting PHDEP outcomes and benefits, accounted for grant expenditures properly, and expended funds for only eligible activities; and
- HUD accurately measures the accomplishments of the Program to assure its primary goal is achieved .



Audit Scope and
Methodology

We categorized PHDEP grantees as “weak in capacity” and “not weak in capacity.” The determination was based upon a low score, below 9, in PHDEP Criterion 3. Each OIG District audit office selected two grantees to audit; one categorized as “weak” and a second categorized as “not weak.” If there was no “weak” grantee in a particular District, only a “not weak” grantee was reviewed. All Districts with the exception of Great Plains participated in the review. A total of 21 PHDEP grantees were audited; 5 “weak” and 16 “not weak.” External audit reports were issued by each respective audit office. See Appendix C.

Grantees’ PHDEP programs were reviewed for fiscal years 1994 to 1996. We reviewed PHDEP grant applications, grant agreements, financial records, and monitoring reviews by the applicable HUD Field Office. Audit tests included comparison of stated Program objectives to accomplishments, and expended cost with approved grant budgets. We tested the eligibility and support for costs, the success of the Program, and service provider contracts under PHDEP.

We obtained HUD’s Line of Credit Control System, Status of Funds Report, and calculated the amount of unexpended PHDEP Funds, as of May 15, 1998.

We reviewed HUD’s system to measure the accomplishments of PHDEP for fiscal years 1994 to the present. We reviewed HUD’s outcome monitoring system and the results it produced, studies performed by HUD on such a system, the impact of previous, current, and future grantee reporting requirements, and the changes HUD proposes on improving its system of measurement.

We interviewed HUD staff from the applicable State Office of Public and Indian Housing, and the HUD Offices of Crime Prevention and Security; Community Relations and Involvement; Policy Development and Research; and Policy, Program, and Legislation. We interviewed staff from Abt Associates, Inc., and Aspen Systems Corporation which are two contracted firms involved with the administration of PHDEP. We also interviewed staff from the Office of Inspector General, and reviewed applicable audits conducted on PHDEP

We reviewed related PHDEP requirements including Notices of Funds Availability and corresponding Code of Federal Regulations, and HUD Handbooks, Guidebooks, and Public and Indian Housing Notices.

Audit work was performed from September, 1997 through June, 1998 and covered the period January 1, 1994 through December 31, 1997. Where appropriate, the review was extended to include other periods.

We conducted the audit in accordance with generally accepted government auditing standards.

Grantees Need to Ensure Better Administration and Accountability of Public Housing Drug Elimination Funds

Our external audits of recipients of drug elimination grants indicate that grantees need to ensure better administration and accountability of funds awarded in the Public Housing Drug Elimination Program (PHDEP). Nationwide, PHDEP grantees received over \$739 million during fiscal years 1994 to 1996. Our review of 21 grantees receiving in excess of \$48 million (Appendix A) disclosed deficiencies such as:

- \$1.6 million of ineligible and \$4.6 million of unsupported cost;
- grantees' lack of proper administration and accountability over PHDEP expenditures; and
- grantees' failure to establish an effective system for evaluating, monitoring, and reporting outcomes and benefits received from Program activities.

Further, we identified over \$18 million of unexpended PHDEP funds, from grants awarded in fiscal years 1991 to 1995, that remain outstanding. We have found that grantees have been expending these funds after the grant termination date which is prohibited.

For PHDEP to be successful, grantees need to be held accountable for their grant administration. HUD needs to develop the proper internal management controls to detect, avoid, and correct instances of mismanagement in Program operations.

HUD requirements

Federal regulations provide that grantees are responsible for managing the day-to-day operations of the grant and must monitor each grant funded program, function, or activity to assure compliance with Federal requirements and achievements of performance goals (24 CFR Part 85.40).

Federal regulations also provides, in continuation of current Program activities, for HUD to evaluate an applicant's performance under any previous Drug Elimination Program grants within the past five years. Subject to evaluation and review are the applicant's financial and program performance; reporting and special condition compliance; accomplishments of stated goals and objectives under the

previous grant; and Program adjustments made in response to previous ineffective performance (24 CFR Part 761.15).

Furthermore, HUD regulations provide that semi-annual and annual performance and financial reports submitted by the grantee shall be reviewed by the local HUD Office for acceptability to ensure information is accurate, complete and consistent with records on file and known status of the Program by HUD staff. HUD staff shall review the grant activities to determine if the grantee is in compliance with all applicable requirements of the approved Program, regulations and policies governing the Program (HUD Handbook 7490.01, Resident Initiatives Grants Management).

Deficiencies Disclosed

Our external audits disclosed that PHDEP grantees did not follow Federal requirements, that poor administration went undetected by HUD, and that HUD had no assurances that Program funds were obligated and used for eligible activities and that intended Program results were realized. Specifically, the reviews disclosed items such as:

- Ineligible and unsupported cost of \$1,616,096 and \$4,679,796 respectively:

14 of 21 Grantees - See Appendix B for Listing

- The lack of administration and accountability over PHDEP expenditures:

Housing Authority of the City of New Haven (CT)
Woonsocket (RI) Housing Authority
Buffalo (NY) Municipal Housing Authority
Metro-Dade (FL) Housing Authority
Sarasota (FL) Housing Authority
Housing Authority of the City of San Antonio (TX)
Housing Authority of St. James Parish (LA)
Housing Authority of Contra Costa County (CA)
San Francisco (CA) Housing Authority
Alexandria (VA) Redevelopment and Housing Authority

- Failure to establish an effective system for evaluating, monitoring, and reporting outcomes and benefits received from Program activities:

Holyoke (MA) Housing Authority
 Woonsocket (RI) Housing Authority
 Buffalo (NY) Municipal Housing Authority
 Metro-Dade (FL) Housing Authority
 Sarasota (FL) Housing Authority
 Housing Authority of the City of San Antonio (TX)
 Housing Authority of St. James Parish (LA)
 Housing Authority of Contra Costa County (CA)
 San Francisco (CA) Housing Authority
 Alexandria (VA) Redevelopment and Housing
 Authority

Successfully Operating Grantees

We also found that 6 of the 21 grantees we reviewed have developed and administered their Programs successfully. We found instances where grantees adhered to Federal requirements governing the Program and made adequate efforts in reducing drug related crime, and where residents of the target developments are satisfied with the results. The grantees who established successful operating Programs are:

New Bedford (MA) Housing Authority
 Fall River (MA) Housing Authority
 Utica (NY) Housing Authority
 Peoria (IL) Housing Authority
 Denver (CO) Housing Authority
 King County (WA) Housing Authority

Grant Funds Expended for Ineligible Activities and Cost Unsupported

The Program's Notice of Funding Availability (NOFA) list eligible and ineligible activities, and states that each recipient is responsible for ensuring that grant funds are administered in accordance with 24 CFR Part 85. Under direction of the NOFA, grantees prepare a work plan for HUD approval, detailing each proposed activity for crime reduction and elimination efforts, the amount and extent of resources committed to each activity, and the process used to collect, maintain, analyze and report crime statistics.

Our review of 21 PHDEP grantees showed that grantees' use of funds were not in compliance with approved plans, or more importantly, Federal requirements. Consequently,

ineligible and unsupported cost totaling \$1,616,096 and \$4,679,796 respectively, were charged to the Program.

Our reviews have found that ineligible and unsupported costs were charged for items such as overpaid police services or to supplement activities, salary and payroll expenses, non-related or unapproved PHDEP activities, and cost incurred prior to grant execution and after grant termination. Combined, our reviews recommended that the Program be reimbursed over \$1.39 million, and that satisfactory documentation to support the eligibility of questioned costs be submitted and/or subsequent reimbursement to the Program be made. Furthermore, one review resulted in the recommendation for HUD to monitor PHDEP recipients more closely to prevent future occurrences of mismanagement such as ineligible cost.

Baseline of Law
Enforcement Services not
Properly Established

The review of PHDEP grant awards to the Richmond, Portsmouth, Petersburg, and Norfolk (Virginia) Redevelopment and Housing Authorities for fiscal years 1994 to 1996 disclosed that \$1.8 million was awarded to local law enforcement agencies without properly establishing the baseline of law enforcement services already provided. The review questioned an additional \$243,755 in unsupported cost, and \$21,481 of ineligible cost. The review attributed the conditions to the lack of inadequate monitoring by the Virginia State Office of Public Housing over recipients of drug elimination grants. The review disclosed that the State Office did not have sufficient staff monitoring the Program to provide assurance that Program funds were properly spent and intended objectives were achieved. Consequently, the grantees were unsure of and/or disregarded Program requirements resulting in ineligible and unsupported cost of \$21,481 and \$2,091,717 respectively.

Insufficient Grantee
Knowledge

The review of the Alexandria (Virginia) Redevelopment and Housing Authority disclosed \$57,397 of ineligible cost. The review found ineligible expenses in fiscal years 1995 and 1996 for food, entertainment, amusements, community celebrations, social activities, transportation, and tuition payments for Section 8 residents. Further, 1996 grant funds of \$15,000 was budgeted and expensed for Voluntary Tenant Foot Patrols which were believed to be non-existent. The review contributed the condition to the grantee's PHDEP Administrator's lack of knowledge in distinguishing

between what was eligible versus ineligible in accordance with the NOFA.

Ineligible and
Unsupported Payroll
Expenses

The review of San Francisco (California) Housing Authority disclosed \$85,223 was charged for ineligible and unsupported payroll expenses. The grantee charged \$28,951 for two employees performing jobs unrelated to drug elimination activities, and \$56,272 for the former director of neighborhood initiatives when he was providing no services at all. Payments to the former director were provided over a 16 month period, while the director was on administrative leave pending a termination hearing. In addition, the grantee did not require drug elimination employees to document time spent on grant related activities; consequently, the accounting records did not show that \$407,940 charged to the Program was proper.

The review of the Buffalo (New York) Municipal Housing Authority disclosed \$437,982 was charged for ineligible and unsupported payroll expenses. The grantee charged \$17,262 for salary positions that were not included in the PHDEP application, and therefore not approved by HUD. Further, the grantee charged \$232,258 to supplant existing positions, \$162,154 for positions which may be unallowable, and \$26,308 for employees that were not performing PHDEP grant related work.

Cost Incurred Prior to
Grant Execution

The review of Metro-Dade (Florida) Housing Authority disclosed \$601,841 of ineligible and unsupported cost, including \$246,821 for cost incurred prior to grant execution. For instance, the grantee charged its 1994 PHDEP grant \$162,193 for cost including security contracts and salaries for tenant services and security personnel. Although the grant wasn't executed until January 27, 1995, the cost were incurred between October, 1994 and January, 1995 with some cost for rental cars incurred as early as December, 1993. In addition, the grantee expended over \$223,000 for cost unrelated to drug elimination or prevention efforts such as \$143,333 from its 1994 and 1995 grants for janitorial services at two elderly developments.

**Grantees Lack Administration and Accountability over
PHDEP Expenditures**

Our review disclosed that 10 grantees lack administration and accountability over PHDEP expenditures. Not only have these deficiencies resulted in ineligible and unsupported cost, but also poor accounting of funds, poor procurement practices and contract administration over service providers, and unauthorized changes to approved drug elimination and prevention programs. Our reviews have resulted in recommendations for the grantees to improve procurement practices and/or contract administration over service providers, improve accounting of Program funds, and to submit a plan to HUD identifying the use of remaining PHDEP grant funds.

Financial Management
Systems Found Ineffective

The review of the Housing Authority of St. James Parish (Louisiana) disclosed that the grantee did not maintain proper accounting records with source documents to support its use of grant funds for drug elimination activities and its reporting of financial transactions to HUD. The grantee's records did not include an accurate general ledger, disbursements journal, or a proper filing system for supporting invoices and documents. As a result, the grantee: (1) did not have documentation to show how it used \$4,030 it drew down from the 1994 and 1995 grants; (2) used \$10,398 to reimburse the Sheriff's Department for purchases of ineligible police equipment; and (3) did not have invoices to support payments of \$1,262 for cameras and travel.

The review of the Housing Authority of the City of San Antonio (Texas) disclosed the grantee's fiscal administration of its Program did not meet HUD requirements for ensuring: (1) grant funds are obtained on a timely basis; (2) accounting records are accurate and supported by appropriate and complete source documentation; (3) expenditures are eligible and properly allocated; (4) income is used to offset costs; and (5) budgetary controls are implemented and followed. As a result, the grantee has charged at least \$219,631 in ineligible cost, cannot support the propriety of another \$679,377 it charged to PHDEP, and has not reduced recorded costs by \$28,043 in Program income.

Grantee Lacks Control
Over PHDEP Grants

The review of the Sarasota (Florida) Housing Authority disclosed significant problems with the grantee's control over their grants for fiscal years 1994 to 1996. The review

disclosed the grantee spent \$377,976 without the proper assurance the funds were of intended benefit to the community. Of the \$377,976, \$37,891 was determined ineligible because the grantee charged for costs incurred prior to contract execution and after grant expiration. Furthermore, the grantee did not carry out all activities promised in its PHDEP applications. The grantee allowed its 1994 and 1995 grants to expire before a total of \$80,732 was drawn down. The grantee had not requested or obtained HUD approval to extend the grants. Therefore, the grantee was unable to target these funds for planned drug elimination activities.

Insufficient Procurement Practices

The review of the Housing Authority of the City of New Haven (Connecticut) disclosed that \$949,944 in PHDEP grant funds was paid to the City's Police Department without an executed contract. The review disclosed the grantee failed to: (1) execute a required contract identifying the type and amount of enhanced police services funded by PHDEP; (2) document baseline services currently being provided; and (3) establish an effective managerial and internal control system over law enforcement expenditures. The review also disclosed that the grantee was advised by the HUD Field Office on several occasions to correct the condition but had failed to do so. Subsequent to our interim report, a contract was executed. Although, the contract term was back dated in excess of 18 months.

The review of the San Francisco (California) Housing Authority disclosed that the grantee's procurement practices were inadequate. The grantee overpaid the San Francisco Police Department up to \$372,504 for police services. The police billed at excessive hourly rates and for hours exceeding the level specified in the contracts. Further, the review of nine drug prevention contracts totaling \$288,172 disclosed that procurement information, such as the rationale for the method of procurement, evidence of competitive award, reasons for contractor selection or rejections, and the basis for the contract price was not available for seven of the nine contracts.

Unauthorized Changes to Approved Drug Plans

PHDEP grant agreements provide that the grantee shall not make or cause to be made any changes to the services or their approved drug elimination plan without approval from HUD. The review of the Buffalo (New York) Municipal

Housing Authority disclosed the grantee made substantial changes to their 1995 grant application plan without seeking HUD approval. The grantee contracted and incurred cost totaling \$57,652 for three activities that were not included in their 1995 grant application. In addition, for eight activities identified in the application, the grantee executed contracts and charged the grant for amounts in excess of the budgeted amounts for those activities. Costs totaling \$220,858 were charged to the 1995 grant which was \$104,858 in excess of the \$116,000 budgeted for those activities. As a result, many activities listed in the 1995 PHDEP grant were not funded nor accomplished.

The review of the Woonsocket (Rhode Island) Housing Authority disclosed approximately 21 percent of the costs charged to 1994 and 1995 grants were for activities that were not included in their HUD approved plan. Furthermore, the review found instances of charges made to incorrect PHDEP activities' budgeted line items, charges allocated to the wrong PHDEP grant year, and in one instance, a charge which should have been made to the grantee's Comprehensive Grant Program.

Evaluation Systems of Program Effectiveness not Established

HUD regulations require grantees to develop performance measurements and evaluation methods to track Program accomplishments. Periodic grantee reports are required, setting forth actual accomplishments in comparison to the objectives established, any change or lack of change in crime statistics, successful completion of strategy components, problems encountered, and evaluation of the rate of progress.

Our review disclosed that the grantees did not properly monitor, evaluate, or report their Program outcomes and accomplishments. As a result, neither the grantee nor HUD can be assured that Program objectives and goals were achieved. Further, we have identified instances where grantees in applying for funding never identified the extent of its drug and related crime problem, set measurable objectives, nor indicated a method for tracking the Program's progress. The reviews have resulted in recommendations for the grantees to implement a system

for evaluating, monitoring, and reporting grant outcome and benefits, and to establish controls to ensure that all required performance reports are submitted timely and accurately.

Grantee Lacks System to Evaluate Effectiveness

The review of the Housing Authority of the City of San Antonio (Texas) disclosed that the grantee did not establish an adequate system to monitor the result of various activities it undertook to accomplish its goal. Although the grantee's semi-annual reports to HUD showed the activity and expenditures, the reports do not show what impact these efforts have made in reducing drug related crime and its associated problems. This occurred because the grantee did not establish a baseline of drug related activity and associated crime statistics at the beginning of its program, or develop a system to measure its activities against subsequent statistics to determine the benefit, if any, of its grant funded activities. As a result, the grantee cannot demonstrate that its 1994, 1995, and 1996 grant activities costing over \$5.2 million made any significant impact on drug related crime and its associated problems.

Periodic Grantee Reports not Adequately Prepared or Submitted

Our review disclosed 10 grantees which did not prepare and submit required performance reports accurately, timely, and in accordance with HUD regulations. The review of Woonsocket (Rhode Island) Housing Authority disclosed that the information contained in the performance reports were for the most part unsupported and unreliable. Instead of using actual figures, the grantee estimated crime statistics and participation data. The review of Alexandria (Virginia) Redevelopment and Housing Authority disclosed that the performance reports did not contain all of the required information, and that only one of the six Outcome Monitoring Reports required during the audit period was prepared.

Inaccurate, unreliable, and incomplete performance reports are a major contribution to HUD's inability to properly measure the effectiveness of PHDEP. See Finding 2.

Drug Elimination Plans Lack Method to Track Progress

The review of the San Francisco (California) Housing Authority disclosed that their 1994 drug elimination plan described the proposed tasks intended to reduce drug-related crime and included some goals in terms of levels of activity. However, it did not set measurable objectives that would relate these activities to a reduction in drug-related

crime or indicate a method of tracking the appropriate information to make this measurement. Their 1995 plan stated the intention to reduce drug-related arrests and calls for police by 20 percent and also quantified the expected number of prevention type services and participants. But again, methods to track information to measure the plan's success were not identified. Their 1996 plan did not set measurable objectives that would relate Program results to reduction in drug-related crime. Although, it did describe two tools for evaluation purposes intended to gather data to analyze and measure Program success. Nevertheless, the grantee did not use them when outside the control of the HUD recovery team.

The review of the Housing Authority of St. James Parish (Louisiana) disclosed that in applying for funding for 1994 to 1996, the grantee had not assembled data on the extent of its drug and drug-related crime problem. Therefore, the grantee did not have baseline data to use in measuring the effectiveness of its grant activities in reducing such crime. Further, the grantee had not established well-defined goals or objectives for its planned activities, e.g., to reduce drug activity or crime by a specified percentage.

The review of the Housing Authority of Contra Costa County (California) disclosed that their 1994 to 1996 applications submitted to HUD, stated that the grantee would evaluate the progress of the drug elimination program based on the quantifiable goals and objectives listed in the applications, resident surveys, and discussions with staff and resident councils. Several of the quantifiable goals were based on comparing the results of the successive resident surveys. Nevertheless, the semiannual reports applicable to the 1994 to 1996 grants described activities, but did not show if the quantifiable goals contained in the application were achieved. This was principally due to the grantee not collecting information which could show whether the goals were achieved. When information was obtained, it was not compared to the objectives. Further data included in the drug elimination applications and semiannual reports was not consistent enough to make an accurate evaluation.

Federal regulations state that grants for Public Housing Programs may not exceed 24 months unless an extension is

approved by the local HUD Office (24 CFR Part 761.30). The maximum extension allowable for any program period is 6 months. HUD is only allowed to grant one extension. However, grantees desiring an extension beyond six months must make a request to HUD. Any funds not expended after the grant term should be remitted to HUD.

Based upon the regulations, grants awarded in fiscal year 1995 and prior, would have exhausted its term at the maximum of 30 months. For fiscal years 1991 to 1995, we identified over \$18 million of PHDEP funds, from the May 15, 1998 Line of Credit Control System (LOCCS), Status of Funds Report, that have not been recaptured by HUD. Although this amount represents a small fraction of the overall grant awards and funds disbursed, it is still the responsibility of HUD to administer the grant funds according to the established criteria. More importantly, HUD needs to monitor the grantee's use of funds and payment requests to ensure that funds are not expended after the grant term is exhausted.

Grantee Expended Funds After Grant Expiration

The review of the Buffalo (New York) Municipal Housing Authority disclosed that the grantee drew down and expended over \$141,000 (11%) in fiscal year 1994 PHDEP grant funds subsequent to the maximum grant term. The grantee's 1994 grant's termination date of January 11, 1997 was extended to June 10, 1997. The review determined that the grantee submitted eight requests for payment subsequent to the extended termination date. The request for payments were submitted between June 12, 1997 and October 21, 1997, making the last one being 141 days after the termination date. Many of the purchase orders and invoices supporting the request for payment were dated after June 10, 1997, indicating that the cost were also incurred after the grant termination date.

The review of the Sarasota (Florida) Housing Authority disclosed \$14,863 of ineligible cost because the grantee incurred the cost after the grant expiration date. The grantee's 1995 grant expired on August 25, 1997. However, the grantee continued to charge cost to the grant through March 31, 1998.

Additional Monitoring of Grant Recipients May Be Needed

The above are a few examples of deficiencies noted in our external reviews of PHDEP grantees. Based upon the

results cited, HUD may need to provide additional monitoring of PHDEP recipients in efforts to hold the grantees accountable for the administration of their grants, and develop the proper internal management controls to detect, avoid, and correct instances of mismanagement in Program operations.

HUD's Future Plans
Include Monitoring

The Office of Public and Indian Housing's preliminary performance goals and comprehensive program guidance, in association with HUD's Business and Operating Plans for fiscal year 1999, provide for Public Housing HUBs and Program Centers to conduct an annual risk assessment for all Public Housing Agencies. Based upon the results of the risk assessment, on-site monitoring will be conducted. Monitoring will cover the Authority's physical, financial, and program operations, as well as grant implementation and management activities. Grant implementation and management requires Field Offices to: (1) monitor grantee progress against goals and timetables in approved implementation schedules and take appropriate action when time frames are not met; (2) ensure timely obligation and expenditure of grant funds in accordance with program implementation schedules; and (3) assure that all required reports are received, reviewed and appropriate action taken in accordance with program guidance.

Drug Elimination Programs
Can Operate Successfully

Further, there are successful operating drug elimination programs around the country and thus PHDEP can be successful in reducing drugs and drug related crime nationwide. We identified successfully operated Programs in 6 of the 21 grantees reviewed. Not only have these grantees adhered to Federal requirements governing the Program, they have developed activities which both eliminate and prevent occurrences of drugs and drug related crime. In addition, one common characteristic of the success of these programs is that the HUD Field Office provided adequate monitoring of the grantee.

Examples of why these Programs have become successful are as follows.

New Bedford Housing Authority

The review of the New Bedford (Massachusetts) Housing Authority disclosed that with

implementation of the Police and Residents Involved in Drug Elimination (PRIDE), the grantee has taken steps to address the drugs and crime in and around the Authority. PRIDE has been successful in eliminating much of the open air drug dealing and encouraging resident participation in this program. PRIDE's successful performance can be attributed to the grantee's strict "No Trespass" policy. To compliment the additional police presence, PRIDE provides a comprehensive and active drug prevention program designed to target drug related problems. This program aids at-risk families and youth.

Fall River Housing Authority

The review of the Fall River (Massachusetts) Housing Authority disclosed that the grantee effectively developed its drug elimination programs while targeting the specific needs of its developments. The grantee's programs are effective in reducing drug related crime, preventing drug abuse, and providing drug education services to both the juvenile and adult community. The grantee surveys its residents at least once a year when an idea, new plan, program or strategy is brought forward. Thereby, giving the residents a chance to provide comments.

Denver Housing Authority

The review of the Denver (Colorado) Housing Authority disclosed the grantee effectively operated its Program through collaborative associations with other organizations in the community. This effort expands the range of activities offered to the residents. The activities cover a spectrum of activities including sports, various types of arts, youth leadership, personal development training, youth and adult education, and adult job training programs. Also, the grantee has enhanced police services to gain trust and respect from the community through manned storefronts and foot patrols.

Further, the review disclosed that the HUD Public Housing Specialist does a detailed review of the grantee's PHDEP application for each grant to determine if the plan is well developed and will provide beneficial results. The Specialist calls the grantee three to four weeks before each semi-annual performance report is due to remind them of the requirement, and then subsequently reviews the report upon its receipt. Additionally, the Specialist performs periodic monitoring reviews. An October, 1997 review was conducted on the grantee's administration of fiscal years 1995 and 1996 PHDEP grants. The review was conducted to assure program compliance and effectiveness, and included financial records, all contracts associated with the grant activities, program files documenting implementation of grant activities, and payroll records.

King County Housing Authority

The review of the King County (Washington) Housing Authority disclosed that the grantee identified and analyzed drug-related crime problems as its targeted developments; planned activities to address identified problems; implemented planned activities; and developed a process to measure performance and demonstrate program outcomes. The grantee encourages collaborative association by regular meetings of "Working Together" teams which includes residents, substation officers, service agency staff, and grantee management. Residents are given the opportunity to provide input into both the design and implementation of grantee initiatives through resident council activities and "Working Together" meetings. The grantee conducts regular tenant surveys to get input on the effectiveness of service agencies and on-site police.

Further, interviews with the HUD Community Relations Specialist responsible for monitoring the grantees provided that reviews of the semi-annual performance and financial reports includes a comparison of the financial expenditures with LOCCS draw downs. The Specialist reviews the

narrative progress reports to compare the grantee's reported progress with the implementation timeline in the drug elimination application. In addition, if the Specialist's review shows that submitted reports are incomplete, contact is made with the grantee to obtain the necessary information.

Auditee Comments

The Department indicates in its response to the draft report that "despite some disagreements about conclusions made in the audit, we are in agreement with most of the recommendations and agree that improvements can and should be made in our monitoring and oversight of PHDEP grantees". In their response, the Department provides detail of the actions that have already begun to address some of the concerns raised by the audit, and enhance the effectiveness of the PHDEP program. The Department's response was limited to discussion of the recommendations contained in the draft report.

In response to our recommendations made in the draft report, the Department realizes a need to reassess Field and Headquarters' responsibilities regarding monitoring PHDEP activities and results, and have begun considering programmatic options. In fiscal year 1999, the Department will be implementing further enhancements to the risk assessment process to provide greater standardization of the methodology for determining risk nationwide, and adding an automated subsystem to the Integrated Business System to assist Field staff to perform the risk assessments more efficiently. The Department believes that the new PHDEP semi-annual reporting system which starts collecting outcome performance measurement data for fiscal year 1999, provides an improved monitoring and oversight tool to evaluate Program results. During fiscal year 1999, the Department will be providing several training opportunities to PHA, Tribe and Tribally Designated Housing Entity (TDHE), and HUD staff on the new reporting requirements; how to set realistic and measurable performance goals; and new technologies for gathering crime statistics for targeted developments.

In addition, the Department responds that the Community Safety and Conservation Division staff are working with Field Operations staff in developing training for all Public

and Indian Housing (PIH) staff which will include PHDEP grant monitoring responsibilities and techniques. Furthermore, the Department has indicated that the NOFA has been strengthened for the requirements of obtaining objective crime data and establishing systems to measure, monitor and report on program activities and results. The NOFA language has also been strengthened regarding the use of funds after the grant termination date.

The Department agreed to recapture all outstanding Program grant awards, and to develop and provide adequate training to grant recipients. The Department's plan of action include the issuance of a PIH Notice to all PHAs, Tribes, and TDHEs, and HUD Field staff concerning the need to recapture all outstanding PHDEP grant funds that were awarded in fiscal years 1991 to 1995. The Notice will also reiterate Field Office staff responsibilities to follow existing policies and procedures to ensure that outstanding grants are recaptured in a timely manner. The Department plans to issue the Notice during the second quarter of fiscal year 1999.

The Department's plan of action also includes conducting four two-day training sessions during February and March, 1999 on PHDEP. The training will be provided for PHA, Tribe, and TDHE staff to ensure that they are provided with all the knowledge necessary to develop and implement successful PHDEP strategies and programs to eliminate drugs and drug-related crime. The training will include defining their responsibilities; covering Federal and HUD regulations and requirements for administering the grants; and the consequences of non-compliance.

OIG Evaluation of
Auditee Comments

We believe the Department's proposed actions will strengthen its control over the program. However, the Department needs to recognize its limited staff resources in considering and adopting options in achieving a stronger monitoring structure.

The Department agreed with our draft recommendations to recapture all outstanding Program grant awards, and develop and provide adequate training to grant recipients. The Department made appropriate management decisions and we

accept the Department's plan of actions with regard to these draft recommendations.

Recommendations

The following recommendations reflect consideration of the Department's response to our draft report. We have revised our original recommendations to address events that have occurred since issuance of the draft report.

We recommend that you:

- 1A. Ensure the full development of the Department's management decisions and the timely completion of the plans of action.
- 1B. Recognize the Department's limited staff resources and consider them in the development and operation of stronger grantee monitoring structure.

HUD Needs Reliable Data to Measure the Effectiveness of the Public Housing Drug Elimination Program

HUD does not have an effective reporting and evaluation system to measure the results accomplished by the Public Housing Drug Elimination Program (PHDEP). HUD's own studies of the Program's outcome monitoring system have shown that a primary tool to measure Program outcomes and benefits has been insufficient and unreliable. PHDEP grantees have received in excess of \$1.3 billion since fiscal year 1989 and reliable information is needed on how the drug elimination grant funds have been spent to assure that its primary goal of reducing drug related crime in public housing, as mandated by Congress, is being accomplished. However, without an effective system that accurately measures Program effectiveness and ensures that Federal funds are used properly, HUD cannot provide assurances that the primary goal for which Congress intended is met. Due to the limited amount of Federal resources, HUD can no longer afford to keep funding grantees just because funds are spent and grantees remain active in the Program. Grantees must be held accountable for what matters most; i.e. results.

HUD is Concerned About Grantee Performance

According to fiscal year 1997 Notice of Funding Availability (NOFA), the Department is very concerned about PHDEP performance because of practices such as: (1) lack of implementation of the approved PHDEP grant plan/timetables; (2) inconsistent draw down of funds based upon the approved plan; and (3) inadequate tracking and measuring performance regarding the reduction/elimination of crime in public housing authorities. In the fiscal year 1998 NOFA, one criteria for receiving future grants is the grantee's performance in administering drug elimination funding in previous years, including the grantee's ability to demonstrate measurable progress in tracking drug related crime.

With funding of some grantees provided for over seven years, tracking and measuring performance is necessary. Requirements for performance and outcome measurements are outlined in the NOFAs. The description of the plan in the grantee's application must specifically demonstrate how the activities funded will be evaluated so that the Program's progress can be measured and provide for satisfactory outcomes.

PHDEP Reporting
Requirements

Periodic grantee reports are required to be submitted and show that performance goals are being achieved. Grantees are required to submit semi-annual performance and financial status reports throughout the term of the grant agreement, and a final cumulative performance and financial report is due 90 days after termination of the grant agreement (24 CFR, Part 761).

HUD's old monitoring system was designed to analyze the information submitted by the grantees through the reporting requirements, and properly evaluate Program accomplishments. However, the system provided for inadequate information in measuring the results of the Program, and HUD did not monitor the system timely to assure it was producing the results needed.

HUD's PHDEP Outcome
Monitoring System is
Ineffective

The PHDEP outcome monitoring system, developed in 1993, was to determine and analyze outcomes of PHDEP. On November 22, 1994, a mandatory Semi-Annual Form for PHDEP Outcome Monitoring, the Outcome Monitoring Report (OMR), form HUD-52356, was introduced. The OMR was required as part of the semi-annual reporting in addition to a narrative section whose purpose is to provide a descriptive evaluation of the grantee's performance against its plan.

The OMR differs from the narrative section by providing more of a statistical analysis. The purpose of the OMR was to allow all PHDEP grantees to measure and report the progress of their drug elimination efforts as funded by the PHDEP grant(s). The OMR did not preclude the grantees from submitting the narrative section.

HUD planned to use the statistical data from the OMR in a relational database to measure progress of PHDEP grantees in reducing drugs and crime in public housing, and the outcomes of PHDEP as a whole. However, the OMR database was unsuccessful in providing HUD with the anticipated information due to a lack of compliance by grantees, and unreliable information contained in the small number of reports that were submitted for fiscal years 1994 through 1996. As a result, HUD did not use an effective tool to adequately measure goals and outcomes on an individual grantee or, more importantly, nationwide basis,

and to determine whether crime in public housing was decreasing as a result of grant funds provided.

In an April 7, 1997 memorandum to the Deputy Assistant Secretary for Community Relations and Involvement, the Director of the Office Crime Prevention and Security (OCPS), now known as the Office of Community Safety and Conservation Division, concluded that the OMR had outlived any usefulness and should be eliminated among reasons of: (1) the consistent lack of compliance by PHDEP grantees in submitting the OMR; and (2) the inherent lack of reliable information contained in OMRs that are returned.

According to information provided by Aspen Systems Corporation, the contracted firm who designed and operated the OMR database, between 1994 and 1996 there were 1,711 PHDEP grantees. OMRs are due to be submitted semi-annually, therefore HUD should have received a total of 3,422 OMRs during the three year period (1,711 x 2). However, HUD only received a total of 658 OMRs for a compliance rate of 19 percent. Details by year are as follows:

1994		
Grantees Required to Submit OMR	520	
Grantees Submitting OMRs - Semiannual Reporting Period 1	24	5%
Grantees Submitting OMRs - Semiannual Reporting Period 2	203	39%
1995		
Grantees Required to Submit OMR	526	
Grantees Submitting OMRs - Semiannual Reporting Period 1	156	30%
Grantees Submitting OMRs - Semiannual Reporting Period 2	129	25%
1996		
Grantees Required to Submit OMR	665	
Grantees Submitting OMRs - Semiannual Reporting Period 1	18	3%
Grantees Submitting OMRs - Semiannual Reporting Period 2	128	19%

Reasons for Low
Compliance With Reporting
Requirements

The OCPS Director stated that one reason for the low compliance rate was that the “PHDEP grantees have never

been given any reason to fear any negative repercussions resulting from their non-submission of OMRs” and that HUD did not follow up to assure the grantees were submitting the reports. Title 24 CFR, Part 761, provides that if semi-annual reports are not received on or before the due date, grant funds will not be advanced until the reports are received. Furthermore, PIH Notice 94-83, New Semi-Annual Form for Public Housing Drug Elimination Program, provides that semi-annual reports that do not include a completed Outcome Monitoring Form will be considered incomplete, and HUD will edit the grantee’s line of credit control system (LOCCS) access to funds until the report is received. However, as the OCPS Director pointed out in her study, “such talk has never led to any concrete action on the matter”.

Our review of 21 grantees confirms that a major reason for failure of the OMR was due to the lack of grantee compliance. In 10 of 21 external PHDEP reviews that we conducted, where the lack of submission requirements was a major condition, an edit to the grantee’s access to LOCCS was varied and not a common practice among the field offices. HUD’s control mechanisms are maintained for a reason but are only as effective if they are implemented. HUD needs to ensure that their control systems are operated as they are intended.

Another problem with the OMR and relational database is that the information is unreliable and unverified. As recognized by the OCPS Director in her 1997 study, the numbers on the OMR are self-reported and self-certified by grantees, and there is no confirmatory or enforcement process by which HUD could determine the accuracy of the information. The OCPS Director stated that grantees could submit misleading information in efforts to show HUD that their funded activity has been successful and worthy of further funding.

HUD needs accurate and factual information in order to properly assess the impact of the Program. In January,

Accurate and Factual
Information is Needed

1998 Aspen Systems Corporation was contracted by HUD to gather and analyze crime statistics on the top 100 housing authorities, in efforts to obtain accurate information to evaluate PHDEP nationwide for fiscal years 1994 through 1996.

Aspen is gathering Uniform Crime Reporting (UCR) Part 1 Crime statistics for areas at both the grantee assisted developments, and locality (or city) wide. UCR Part 1 Crimes, considered crimes against persons, include murder, rape, robbery, and assault. The information is being gathered directly from local police departments rather than the grantees by vehicles such as the OMR, in effort to enhance the reliability, and combat grantee non-compliance in submitting the data.

Not only is UCR Part 1 Crimes statistics important to analysis PHDEP, but expansion of the crime statistics to include UCR Part 2 Crimes and Crime Mapping should be considered. UCR Part 2 Crimes, considered victimless crimes, include drug and alcohol abuse violations. We believe this is of equal importance considering it is a drug elimination grant program.

Crime Mapping is a method which allows for crime statistics to be mapped in and around public housing developments. Precision mapping of crimes can be pinpointed to the exact vicinity, street, or neighborhood. It illustrates in the sense of where crime is occurring, and at what level. HUD's Policy Development and Research (PD&R), Program Evaluation Division, is conducting a study of crime mapping in efforts to analyze crime patterns in and around public housing developments, and to equip housing authorities with standardize tools to measure progress with crime reduction programs such as PHDEP. Consideration should be given to coordinate the efforts of PD&R and Aspen Systems Corporation if their goals are determined to be similar in nature.

Outcome Monitoring, canceled the PHDEP reporting requirement of the OMR, and instituted form HUD-50072, Public Housing Management Assessment Program (PHMAP) Certification, as its replacement. HUD now uses the PHMAP Indicator Number 8, Security, to provide information on a grantee's PHDEP performance. However, we believe that PHMAP is not a reliable indicator of grantee performance.

Our audit of HUD's fiscal year 1997 Financial Statements (Report Number 98-FO-177-0004) concluded that the PHMAP is not always a reliable indicator of housing authority performance since HUD does not have controls to assure the integrity of the PHMAP scores. HUD primarily relies on the Public Housing Authorities to certify to the accuracy of their PHMAP data. While HUD field offices perform some confirmatory reviews to ensure the integrity of the data, resource limitations affect the number and extent of reviews actually performed.

Form HUD-50072 is prepared annually by all Public Housing Authorities (PHA). PHAs are asked to certify to eight indicators of performance by answering logical type questions (yes/no) on the form, and retaining documentation to support such responses. No data is actually submitted to HUD. HUD's only review of the supporting documentation is during an on-site confirmatory review which are performed periodically by HUD to ensure the integrity of PHMAP. In our audit of the fiscal year 1997 financial statements, we tested five offices and concluded that only 17 percent (52 of 304) had at least a partial confirmatory review on their PHMAP certification.

Because no data is submitted to HUD from the PHDEP grantees, HUD continues to be unable to measure the progress of the grantees' PHDEP grant, and the Program as a whole by use of the PHMAP system. For example, Component One of the PHMAP Security Indicator 8 asks if the PHA has policies and procedures to track crime and crime related problems. However, no statistics are remitted, no analysis is requested, nor any suggestion of what those crime and crime related problems might indicate. HUD is unable to gather proper data from the PHMAP certification to use in an effective analysis of the drug elimination program.

Narrative Section of
Reporting Still Required

Current HUD reporting requirements still provides for the narrative section to be submitted semi-annually, in addition to the PHMAP certification. The narrative provides for the following in summary form: (1) any change or lack of change in crime statistics or other indicators drawn from the applicant's plan assessment; (2) successful completion of any of the strategy components identified in the applicant's plan; (3) discussion of any problems encountered in implementing the plan; (4) evaluation of whether the rate of progress meets expectations; (5) discussion of the grantee's efforts in encouraging resident participation; and (6) description of any other programs that may have been initiated, expanded, or deleted as a result of the plan. Overall, the narrative is to provide an evaluation of the grantee's performance against its approved drug elimination plan.

HUD still has access to evaluate grantee performance, and the Program nationwide by use of this reporting requirement. However, not only was there low grantee compliance in submitting the OMR, there is a problem with compliance in submitting all of the semi-annual performance reporting requirements including the narrative. In 10 of 21 external PHDEP reviews conducted, semi-annual performance reports to HUD were either not prepared or did not contain required information necessary to evaluate overall performance in carrying out its drug elimination plan. Consequently, neither the grantee nor HUD could objectively measure the activities effectiveness in resolving its drug-related crime problem. HUD needs to ensure that each of its tools used for performance measurement is properly used to the best of its ability.

Furthermore, the narratives are only submitted to the respective field office for their assessment. The narratives are not, and have never been used by HUD in a nationwide evaluation of PHDEP. Although, an outcome monitoring system involving the narrative may have the capabilities to provide a more proper measurement of the grantee's progress in reducing drugs and crime in public housing, as well as outcomes of the Program nationwide.

HUD is Developing New
Reporting Requirements

HUD has begun a proactive role toward correcting Program reporting, data collection, and evaluation of Program

accomplishments. HUD is assessing and evaluating the current drug elimination program reporting requirements and developing a new standard semi-annual reporting format to be used by grantees that expectantly will more tangibly measure crime reduction than current methods.

HUD's Office of Public and Indian Housing and the National Institute of Justice (NIJ) have entered into an interagency agreement to conduct a series of locally initiated evaluations of PHDEP, and other research and evaluation activities on crime and public housing. The agreement, executed in December, 1997, is an effort to conduct joint research and evaluation.

Proposed Changes to Reporting Process

NIJ will assess current PHDEP reporting requirements and develop components of a standard semi-annual reporting form to be used by grantee housing authorities that will measure crime reduction and include the evaluation of the effectiveness, measurements, and outcomes of the activities in the Program. NIJ has contracted with Abt Associates, Inc., to accomplish this task.

Abt Associates, Inc.'s goal is to develop an outcome reporting and process information system for HUD's PHDEP. The system will be designed to assist HUD in providing information that will help in national-level program management and evaluation of the PHDEP. The final design is scheduled to be implemented nationwide in accordance with the fiscal year 1999 NOFA.

Abt Associates has developed a prototype of a standard reporting form which will have the same functionality as the old OMR, and which when issued, will replace the current narrative reporting requirement. HUD's initial comments on the prototype were not favorable. In particular, HUD was concerned that the PHDEP reporting system is gathering a large amount of data, however, it is unclear why this information is being collected and how this information will result in our goal of measuring outcomes of the PHDEP grants.

With the use of HUD's initial comments, and comments from a selective number of grantees participating in a field test, Abt Associates redesigned the prototype.

The proposed reporting form, to be called the narrative performance requirement, is now a well perceived combination of crime statistics and narrative description of Program goals and results achieved. The reporting form allows for the grantee to report on limitations, problems encountered, success stories, and changes or lack of changes in achieving desired results.

While we do agree there were problems with the old OMR, we do not believe that the primary problem for HUD to measure the Program in the past lies solely with its concept. We believe the cause for the problem in achieving desired results in properly evaluating the Program was with the grantees' low compliance rate in submitting not only the OMR, but the narrative, and a lack of HUD's enforcement. HUD needs to secure and fully implement the proper mechanisms to ensure that the grantees comply with any new reporting method that is developed.

Proposed Changes to Grant Evaluation

HUD's current plans, in utilizing the new narrative performance requirement does include a nationwide analysis of the Program, as well as an analysis of the grantees' performance on an individual basis. HUD is beginning to develop a system to accompany the new reporting form which will be modeled after the reporting system used to evaluate the Tenant Opportunities Program (TOP). The system used to evaluate the TOP Program is based on a triaging approach that: (1) publicizes successful programs of good performers; (2) provides technical assistance to non-performing grantees who can benefit from such assistance; and (3) takes enforcement action against clients who are unwilling or unable to meet HUD requirements.

We believe HUD should continue to develop ways to measure the PHDEP Program on an individual and nationwide basis in future years. In addition, we have been advised that HUD's control over the grantees to comply with reporting requirements will again be the edit on LOCCS withdrawals, along with the authority to place grantees in default of their grant agreement. Again, HUD needs to provide assurances that these controls will be implemented this time, and used appropriately and sternly to ensure that the system operates effectively.

HUD Needs to Focus on Program Results

HUD Needs to Focus on

The lack of reporting, measuring, and evaluating Program results has hindered HUD's ability to ensure the effectiveness of PHDEP. HUD has not been able to gather the proper statistics to measure the Program with the means of the old outcome monitoring system. Nor is HUD currently able to gather the proper statistics by reliance of the PHMAP certification and narrative. As a result, time continues to pass whereby HUD is unable to provide assurances that PHDEP funds have been effective in achieving the primary goal of reducing crime in public housing.

While we believe HUD has made progress toward developing a system to measure the outcomes and benefits of PHDEP, HUD needs to continue its efforts to produce real evidence that the PHDEP goal has been successfully accomplished. HUD needs to contiguously hold grantees accountable for the administration of their grants and compliance with reporting requirements to ensure that Program results are reported and evaluated.

Auditee Comments

The Department disagreed with our draft recommendation to develop and implement an interim plan/strategy to evaluate previous and current performance of PHDEP. The Department responds that current demands to implement the new semi-annual reporting system, as well as the mandated changes required for PHDEP on or before the fiscal year 2000 deadline, is severely straining current staff resources. The Department believes that implementation of the recommendation would not be a good use of very limited staff resources. The Department believes that there are sufficient interim tools in existence to evaluate current performance.

The Department agreed with our draft recommendations to ensure the development of an adequate outcome monitoring system, and to develop and provide training to Public Housing staff ensuring proper operation of the new system. The Department's plan of action include the development of a new PHDEP Semi-Annual Reporting System that will require grantees to establish measurable, outcome/results oriented performance goals for their grant activities; establish baseline measures; describe data sources and

processes to be used to routinely gather identified data sources; and report progress against these goals semi-annually. The Department responds that this system will allow Field Office staff a much needed tool to more efficiently analyze reported information provided by grantees on the status of grants, and red flag grantees that are not adequately implementing Program activities. In addition, the Department responds that this reporting system will provide valuable data to Headquarters' Program staff on the results of PHDEP at a nationwide level based on measurable, outcome performance data to adequately and efficiently evaluate the Program's overall success. Furthermore, the Department responds it is working on a guidebook for the new reporting system, training curriculum, and a PIH Notice to familiarize both HUD and grantee staff on the proper operation of the new system. A video broadcast is planned for February, 1999 which will outline the reason for the new requirement, roles and responsibilities under the new system, and implementation plans and milestones.

In response to our draft recommendation to develop a nationwide policy to ensure timely submission of semi-annual reports, the Department responds that they partially agree with the recommendation and made a management decision to re-emphasize current regulations. The Department responds that in the second quarter of fiscal year 1999, they expect to finalize a PIH Notice reiterating concerns about timely submission, the consequences of non-compliance, and the Office's commitment to take enforcement actions when warranted.

that PHDEP funds have been effective in achieving the primary goal of reducing crime in public housing. The existing interim tools referred by the Department to evaluate current performance include the PHMAP Security Indicator Number 8; on-site reviews performed by HUD Field Office staff based upon risk assessments; and semi-annual financial and performance reports submitted to appropriate HUD Field Offices. As our report indicates, we do not believe that these tools are sufficient enough to evaluate the Program. PHMAP is not always a reliable indicator of housing authority performance since HUD primarily relies on the authority to certify to the accuracy of their data. While HUD performs some confirmatory reviews to ensure the integrity of the data, resource limitations affect the number and extent of the reviews actually performed. In addition, to use the semi-annual financial and performance reports as a method of Program evaluation, HUD needs to ensure an increase in the level of grantee compliance to receive an accurate evaluation of the Program.

OIG Evaluation of
Auditee Comments

As an alternative, the Department may want to consider such services and evaluation methods previously provided by Aspen Systems Corporation. In January, 1998 Aspen was contracted by HUD to gather and analyze crime statistics on the top 100 housing authorities. If the results of this review proved to be successful, the Department should consider similar methods to accurately evaluate PHDEP for current and previous performance.

The Department agreed with our draft recommendations to ensure the development of an adequate outcome monitoring system, and to develop and provide training to Public Housing staff ensuring proper operation of the new system. We accept the Department's plan of actions with regard to these recommendations. We also accept the Department's management decision and plan of action with regard to our draft recommendation to develop a nationwide policy to ensure timely submission of semi-annual reports. However, we would like to suggest the Department to pay particular attention to the results whereas the mere issuance of these regulations in the past did not prove to be successful.

Recommendations

The following recommendations reflect consideration of the Department's response to our draft report. We have revised

our original recommendations to address events that have occurred since issuance of the draft report.

We recommend that you:

- 2A. Ensure the full development of the Department's management decisions and the timely completion of the plans of action.
- 2B. Consider an alternative, such as the services and evaluation methods previously provided by Aspen Systems Corporation, to accurately evaluate PHDEP for current and previous performance until the Department's new reporting system is in operation.

Management Controls

In planning and performing our audit, we considered the management controls of the Office of Public Housing, specifically as related to the Public Housing Drug Elimination Program (PHDEP), in order to determine our audit procedures and not to provide assurance on internal controls.

Management controls consist of a plan of organization and methods and procedures adopted by management to ensure that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data is obtained, maintained, and fairly disclosed in reports.

Relevant Management Controls

We determined that administrative and accounting controls in the following areas were relevant to our audit objective:

- Financial Controls over Program Funds
- Management Controls over Grant Recipients
- Management Controls over Eligibility of Program Expenditures
- Management Controls over Program Performance
- Reporting Program Results

We assessed all relevant control areas identified above.

Assessment Results

A significant weakness exist if internal controls do not give reasonable assurance that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data obtained, maintained, and fairly disclosed in reports.

Significant Weaknesses

Our review identified significant weaknesses over the Department's ability to administer and evaluate PHDEP. Specific weaknesses were identified in all the management control areas disclosed above. These weaknesses are described in the finding sections of this report.

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PHDEP Grantees and Grant Awards

GRANTEE	FY 1994	FY 1995	FY 1996	TOTAL
Holyoke Housing Authority Holyoke, MA	\$ 0	\$ 250,000	\$ 250,000	\$ 500,000
Housing Authority City of New Haven New Haven, CT	\$ 879,250	\$ 898,000	\$ 892,250	\$ 2,669,500
Woonsocket Housing Authority Woonsocket, RI	\$ 300,000	\$ 375,000	\$ 375,000	\$ 1,050,000
New Bedford Housing Authority New Bedford, MA	\$ 412,500	\$ 412,500	\$ 401,750	\$ 1,226,750
Fall River Housing Authority Fall River, MA	\$ 426,750	\$ 426,750	\$ 426,750	\$ 1,280,250
Buffalo Municipal Housing Authority Buffalo, NY	\$ 1,247,000	\$ 1,244,000	\$ 1,190,250	\$ 3,681,250
Utica Housing Authority Utica, NY	\$ 296,250	\$ 330,600	\$ 326,400	\$ 953,250
Richmond Redevelopment Housing Authority, Richmond, VA	\$ 1,109,015	\$ 1,102,999	\$ 1,045,783	\$ 3,257,797
Portsmouth Redevelopment Housing Authority, Portsmouth, VA	\$ 476,500	\$ 476,250	\$ 475,250	\$ 1,428,000
Petersburg Redevelopment Housing Authority, Petersburg, VA	\$ 143,881	\$ 239,847	\$ 0	\$ 383,728
Norfolk Redevelopment Housing Authority, Norfolk, VA	\$ 1,034,750	\$ 1,031,750	\$ 1,006,000	\$ 3,072,500
Metro-Dade Housing Authority Miami, FL	\$ 2,792,500	\$ 2,792,500	\$ 2,760,250	\$ 8,345,250
Sarasota Housing Authority Sarasota, FL	\$ 168,300	\$ 246,270	\$ 250,000	\$ 664,570
Peoria Housing Authority Peoria, IL	\$ 486,540	\$ 479,970	\$ 480,500	\$ 1,447,010
San Antonio Housing Authority San Antonio, TX	\$ 1,948,474	\$ 1,981,750	\$ 2,013,250	\$ 5,943,474
St. James Parish Housing Authority Lutcher, LA	\$ 95,000	\$ 159,000	\$ 158,500	\$ 412,500
Denver Housing Authority Denver, CO	\$ 890,250	\$ 911,750	\$ 937,500	\$ 2,739,500
Contra Costa County Housing Authority Contra Costa, CA	\$ 267,628	\$ 299,977	\$ 339,290	\$ 906,895
San Francisco Housing Authority San Francisco, CA	\$ 1,681,750	\$ 1,669,250	\$ 1,689,250	\$ 5,040,250
King County Housing Authority King County, WA	\$ 777,750	\$ 784,250	\$ 791,250	\$ 2,353,250
Alexandria Redevelopment Housing Authority, Alexandria, VA	\$ 250,000	\$ 250,000	\$ 266,700	\$ 766,700
TOTALS	\$15,684,088	\$16,362,413	\$16,075,923	\$48,122,424

Ineligible and Unsupported Cost

Grantee	Ineligible 1)	Unsupported 2)
Housing Authority City of New Haven New Haven, CT.	\$ 0	\$ 949,944
Woonsocket Housing Authority Woonsocket, RI.	74,455	-0-
Buffalo Municipal Housing Authority Buffalo, NY.	275,828	466,132
Richmond Redevelopment Housing Authority Richmond, VA.	-0-	687,992
Portsmouth Redevelopment Housing Authority Portsmouth, VA.	-0-	1,019,770
Petersburg Redevelopment Housing Authority Petersburg, VA.	-0-	155,400
Norfolk Redevelopment Housing Authority Norfolk, VA.	21,481	228,555
Metro-Dade Housing Authority Miami, FL.	470,220	131,621
Sarasota Housing Authority Sarasota, FL.	37,891	174,820
San Antonio Housing Authority San Antonio, TX.	219,631	707,420
St. James Parish Housing Authority Lutcher, LA.	10,398	5,292
Contra Costa County Housing Authority Contra Costa, CA.	24,106	102,923
San Francisco Housing Authority San Francisco, CA.	424,689	49,927
Alexandria Redevelopment Housing Authority Alexandria, VA.	57,397	-0-
Totals	\$1,616,096	\$ 4,679,796

- 1) Ineligible amounts obviously violated law, contract, HUD or local agency policies or regulations, such as buying unneeded services or not depositing receipts.
- 2) Unsupported amounts do not obviously violate law, contract, policy or regulation, but warrant being contested for various reasons, such as the lack of satisfactory documentation to support eligibility and HUD approval.

External Audit Reports

Audit Report Title	Date Issued	Report Number
Holyoke Housing Authority Public Housing Drug Elimination Program	June 9, 1998	98-BO-209-1005
New Haven Housing Authority Interim Report Public Housing Drug Elimination Program	June 2, 1997	97-BO-101-0804
Woonsocket Public Housing Authority Public Housing Drug Elimination Program	April 24, 1998	98-BO-209-1003
New Bedford Housing Authority Public Housing Drug Elimination Program	July 9, 1997	97-BO-209-1802
Fall River Housing Authority Public Housing Drug Elimination Program	July 9, 1997	97-BO-209-1803
Buffalo Municipal Housing Authority Public Housing Drug Elimination Program	October 27, 1998	99-NY-209-1001
Municipal Housing Authority of the City of Utica Public Housing Drug Elimination Program	May 18, 1998	98-NY-209-1803
Drug Elimination Grant Program Virginia State Office	June 29, 1998	98-PH-101-0001
Metropolitan Dade Housing Agency Public Housing Drug Elimination Program	September 1, 1998	98-AT-202-1008
Housing Authority of the City of Sarasota Public Housing Drug Elimination Program	August 31, 1998	98-AT-202-1007
Peoria Housing Authority Public Housing Drug Elimination Program	April 22, 1998	98-CH-209-1001
Housing Authority of the City of San Antonio Public Housing Drug Elimination Grant Program	September 30, 1998	98-FW -202-1005
Housing Authority of St. James Parish Public Housing Drug Elimination Grant Program	November 6, 1998	99-FW-202-1002
Denver Housing Authority Public Housing Drug Elimination Program	April 29, 1998	98-DE-209-1802
Housing Authority of Contra Costa County Public Housing Drug Elimination Program	December 17, 1998	99-SF-209-1002
San Francisco Housing Authority Public Housing Drug Elimination Program	July 22, 1998	98-SF-201-1003
King County Housing Authority Public Housing Drug Elimination Program	July 2, 1998	98-SE-204-1003
Alexandria Redevelopment and Housing Authority Public Housing Drug Elimination Program	September 29, 1998	98-AO-209-1001

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