

<b>Finding 2003-1</b>	
<b>Condition</b>	There were 2 occurrences noted where the Housing Authority has not met the established date to complete a critical milestone (aka. "Locked Checkpoint"): The Housing Authority failed to close Phase III on or before June 15, 2003 and also failed to start Phase III construction on or before June 30, 2003.
<b>Criteria</b>	<p>Article V of the Grant Agreement defines the period for expending grant funds. Article XVIII of the Grant Agreement states that HUD may impose special conditions or restrictions on the Housing Authority if HUD determines that the performance of the Housing Authority or its contractors is unsatisfactory.</p> <p>In 2002, HUD identified certain milestones (Grant Agreement Executed, Developer Agreement Executed, CSS Plan Finish, Mixed Finance Proposal Finish, Revitalization Plan Finish, Evidentiary Finish, Close-out Agreement Certification, Closing, Construction Start and Construction Finish), which are considered adequately measured satisfactory performance. The Housing Authority established dates for these milestones and they were "locked" (i.e., can not be revised). Locked checkpoints are self-imposed milestone dates established by the Housing Authority that HUD uses to determine if the Housing Authority is progressing in a timely manner towards completion of the grant.</p>
<b>Cause</b>	One potential cause is the Housing Authority has just one full time staff person working on its HOPE VI grant.
<b>Effect</b>	It is the responsibility of the Housing Authority to establish realistic goals and meet those goals. Inability to meet its own milestone dates calls into question the ability of the Housing Authority to effectively complete the successful revitalization required in the Grant Agreement and may constitute a Grant Agreement default requiring HUD to take action.
<b>Corrective Action</b>	It is imperative that the Housing Authority investigates the aforementioned occurrences and takes appropriate action to ensure that the project is completed in a timely manner.

<b>Finding 2003-2</b>	
<b>Condition</b>	TMHA does not conduct periodic reviews of its cost allocation plan and indirect cost proposal (CAP/ICP) to ensure that allocation percentages established at the beginning of the fiscal year are accurate and fairly represented throughout the remainder of the fiscal year.
<b>Criteria</b>	<p>With regard to salaries and wages, Office of Management and Budget (OMB) Circular A-87, Attachment B, requires housing authorities to maintain documentation that supports both direct and indirect costs as they relate to salaries and wages.</p> <p>It is further stated that budget estimates or other distribution percentages determined before services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that (1) the governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (2) at least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.</p>
<b>Cause</b>	TMHA's current policy does not address periodic review of allocation percentages used in its CAP/ICP for a given fiscal year.
<b>Effect</b>	A program, or multiple programs, may inadvertently absorb costs which are allocable to other programs.
<b>Corrective Action</b>	It is recommended that the Housing Authority establish and implement procedures whereby the CAP/ICP is reviewed periodically to ensure that allocation percentages are accurate and fairly represented. Further, TMHA must ensure that costs allocated for salaries, and other indirect cost items, are not charged to HOPE VI program grants once a development has reached <i>management</i> status. (Please be advised that compliance with the aforementioned requirement will be verified during the next scheduled on-site review.)